

Central Scotland Joint Police Board

Annual Audit Report 2011-12

September 2012



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1. Executive Summary

Introduction

The Accounts Commission for Scotland appointed Grant Thornton UK LLP as auditors to Central Scotland Police Joint Board (the Board) under the Local Government (Scotland) Act 1973 for the period 2011-12 to 2016-17. This is therefore the first year of our appointment. This document summarises our responsibilities as external auditors for the year ended 31 March 2012 and our approach to issues impacting the Board during the year.

Our responsibilities

We carry out our audit in accordance with our statutory responsibilities under the 1973 Act and in accordance with the International Standards on Auditing (UK and Ireland)

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and Central Scotland Joint Police Board (the Board).

This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Best Value and Audit Committee and the Board. The requirements of ISA 260, and how we have discharged them, are set out in more detail at Appendix B.

The Board is responsible for the preparation of financial statements which record its financial position as at 31 March 2012, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Board's financial statements present a true and fair view of the financial position.

Acknowledgements

We would like to take this opportunity to record our appreciation for the kind assistance provided by the Finance Team and other staff during our audit.

Key Findings

Reporting Area	Our Summary
Financial Position	<ul style="list-style-type: none"> The Board currently has a general fund balance of £1.967m, an increase of £0.99m from the prior year. The uncommitted element of the general fund is £0.8m, which is above the Board's target for reserves balances. The Board recorded a significant underspend against budget in the year, principally through managing vacancies and controlling police officer overtime. Capital expenditure was also below budget, due to slippage in some key elements of the programme.
Financial Statements	<ul style="list-style-type: none"> We have given an unqualified opinion on the financial statements of the Board. The draft financial statements were of a good standard and, as a result, we have proposed only minor adjustments.
Governance	<ul style="list-style-type: none"> Governance arrangements have generally worked well throughout the year, although we note that HMICS are in the process of undertaking a review of the governance arrangements relating to the post of the Assistant Chief Constable. This review is expected to report its conclusions in 2013. The Board is making good preparations for the transition to a single police force and now needs to work in partnership with the constituent councils to establish plans for future governance arrangements within the local area.
Performance	<ul style="list-style-type: none"> The Board received a positive Best Value report from Audit Scotland and HMICS during the year, and has a strong Strategic Performance and Planning Framework in place.

2. Financial Position

The Board currently has a general fund balance of £1.967m, an increase of £0.99m from the prior year. The Board has recorded a significant underspend against budget in the year and is making good progress in delivering the required efficiency savings as it moves towards the creation of a single police force for Scotland.

Financial Strategy

When the revenue budget was set in January 2011, it was set in the context of a very challenging financial settlement. The Police Grant for 2011-12 was reduced by 6% in real terms from the prior year, coupled with a Scottish Government requirement to maintain police officer numbers. As police officer salaries account for c70% of Board expenditure the majority of the savings are required to be achieved from the remaining 30% of the Board's budget, impacting significantly on support services costs. Requisitions to the constituent councils increased by 2.17% during the year to maintain a balanced budget position.

In September 2011 the Scottish Government announced a Police and Fire Reform Bill and began progressing plans to merge the eight current police forces into one national service. The Bill received royal assent in August 2012 and the merger is scheduled for 1 April 2013.

The Board has therefore managed its financial and operational performance well during 2011-12 in the context of changing expectations and priorities.

Financial Position

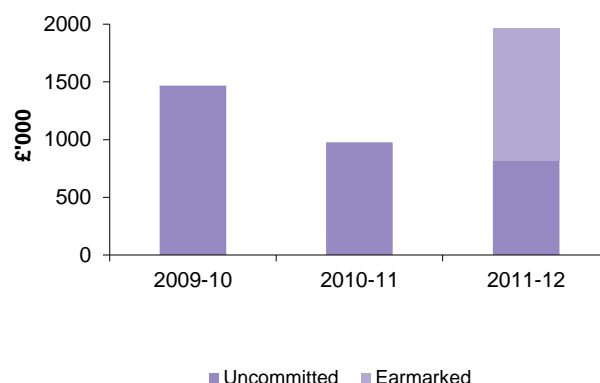
The key financial priorities for the Board remain the same throughout this period of reform. The Board has set a target to maintain reserves at 1% of budget to allow flexibility and the ability to respond to unexpected events.

At 31 March 2012, the Board has reported a general fund balance of £1.967 million (2010-11: £0.98m), of which £817k is uncommitted. This exceeds the Board's target level of reserves, at 1.7% of budget. The earmarked portion of the general fund includes £0.5million to support the 2012-13 revenue budget.

This has allowed the Board to reduce the levels of requisition from constituent councils in 2012-13.

The Scottish Government has recently agreed that at the date of merger, the remaining reserves will be reallocated centrally and to the constituent local authorities using a 51%: 49% ratio, in line with historical funding patterns.

Figure 1: The Board's reserves continue to exceed targets



Source: Central Scotland Joint Police Board Statement of Accounts

Comprehensive Income and Expenditure Statement

The Board reported significant changes in the Comprehensive Income and Expenditure during the year, principally as a result of pension accounting movements. As Table 1, overleaf, highlights, the Board reported total net comprehensive expenditure in year of £41.404 million (2010-11: income of £70.931 million).

As reported last year, during 2010-11, the index used to measure pension inflation was changed from the Retail Price Index (RPI) to the Consumer Price Index (CPI) in 2010-11. CPI is generally lower than RPI and by

switching to CPI for measuring pension inflation the value of pension liabilities is reduced. The impact of the change was that non-recurring income of £56.58 million was recognised in the 2010-11 Statement of Accounts. This entry is reversed out of the General Fund balance in the Movement in Reserves Statement. If this change is excluded from the results, the comparable results would have been a Net Cost of Police services in 2010-11 of £57.555 million and a deficit on the provision of services of £29.273 million.

Table 1: Financial Results for 2011 and 2012

	2010-11	2011-12
	£'000	£'000
Net cost of Police services	(975)	60,413
Other operating expenditure	(92)	(177)
Financing and investment income	24,751	23,778
Taxation & non-specific grant income	(50,991)	(50,614)
(Surplus)/ Deficit on the provision of services	(27,307)	33,400
Actuarial (Gains) / Losses on Pension Fund and Injury Benefits	(43,624)	8,004
Total comprehensive income and expenditure	(70,931)	41,404

Source: Central Scotland Joint Police Board Statement of Accounts

The other significant pensions movement between the current and prior year was an actuarial gain in the prior year of £41.324 million, which in the current year is matched by a loss of £8.004 million. This reflects less favourable actuarial assumptions at 31 March 2012.

Expenditure in 2011-12

The Board had a strong performance against budget, and as a result a surplus of £0.99m was added to reserves. The predominant factor contributing to the surplus related to £1.2m lower than budgeted staff costs. Costs were controlled in a number of ways. Firstly, following a redeployment exercise, a number of posts remained vacant, whilst other police staff posts were removed.

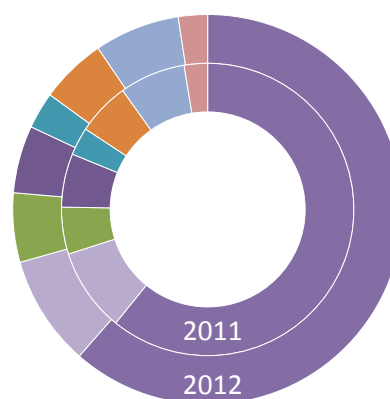
There was also a higher than anticipated cost savings of officers at higher increment scales leaving, who were replaced by new recruits.

There was also a significant underspend on the levels of overtime payments. This was achieved both as a result of management control over overtime budgets, but also as a result of no significant incidents in year, which would have required heavy use of resources.

Spending throughout 2011-12 continued to be directed in line with priorities within the Force Strategic Plan 2011-15, and the Scottish Government's emphasis on front line policing.

We reviewed how expenditure during 2011-12 compared to that in the prior year. Figure 2 highlights that proportionally more was spent on local policing and public facing roles in 2012, in line with the Board's priorities.

Figure 2: Expenditure in 2012 was broadly in line with the prior year, with proportionally more spent on local policing and dealing with the public



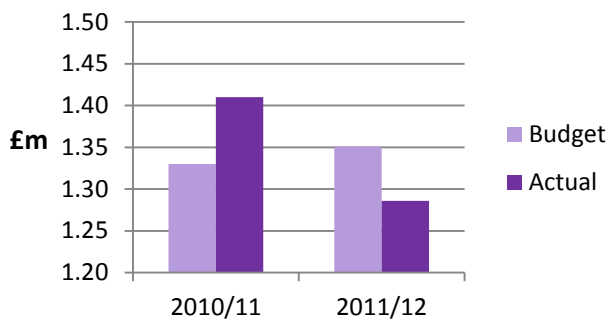
- Local Policing
- Dealing with the public
- Criminal justice arrangements
- Roads policing
- Specialist operations
- Intelligence
- Specialist investigations and support
- National policing

Source: Central Scotland Joint Police Board Statement of Accounts

Capital Expenditure

Capital expenditure in 2011-12 was £1.286m. A budget of £1.351m was approved for 2011-12, so the spend in year represented an underspend of £65k. Capital spend in 2011-12 was restricted to property upgrades, improvements in IT and operational vehicles. No significant capital projects are underway, or planned, as a result of the national merger in April 2013.

Figure 3: Capital expenditure fell in 2012 and was below budget for the year



Source: Central Scotland Joint Police Board Statement of Accounts

Current Projections for 2012-13

We have reviewed the Board’s projections for 2012-13 and its plans to maintain and improve services prior to the merger.

The level of Police Grants available from the Scottish Government has continued to fall. The Board has set a revenue budget of £48.9m for 2012-13, representing a reduction of £0.6m on the revenue budget from 2011-12. The Statement of Accounts highlight that £0.5m has been set aside from the reserves balance to support the 2012-13 budget, and reduce the level of requisitions sought from constituent councils in the year.

The Board continues to seek to achieve efficiencies in 2012-13. There have been a number of ways this is being achieved, including proposals for joint working and continuing to develop a shared premises project, through the Forth Valley Public Sector Property Group. This project, launched in May 2010, aims to maximise utilisation of the assets at the disposal of public sector bodies in the Forth Valley area. Central Scotland Police are currently looking at shared premises solutions for six community police offices.

The 2012-13 capital budget has been reduced by a further 25% over 2011-12 as part of the agreement between the Scottish Government and the CoSLA. Capital expenditure will continue to be restricted to essential property upgrades and replacement of vehicles.

3. Financial Statements

We intend to give an unqualified audit opinion on the financial statements

Introduction

We have audited the financial statements of Central Scotland Joint Police Board in accordance with our Audit Plan issued in February 2012.

Preparation of Accounts

The accounts and working papers were presented for audit on 9th July 2012, in accordance with our audit

timetable. The standard of working papers was of a very high quality, and is reflected in the minor proposed adjustments that we identified during the audit.

Opinion

We intend to give an unqualified opinion on the financial statements for 2011-12.

Matters Identified at the Planning Stage

	Matter Identified	Audit Commentary
1	<p>Adoption of SerCOP</p> <p>In 2011-12, there was a change to the preparation of Scottish Police Board Accounts. The CIPFA Service Reporting Code of Practice (SerCOP) has now replaced the Best Value Accounting Code of Practice (BVACOP) for all Scottish Police Accounts for 2011-12.</p> <p>Under SerCOP, police boards report their expenditure using the Police Objective Analysis headings (POA). These headings aim to provide a way of recording and analysing police expenditure which allows greater comparability and aids management decisions in prioritising resources. Use of the POA brings Scottish Police Boards in line with their police counterparts in England and Wales.</p>	<p>The chief area on which this accounting change impacted was the allocation of staff costs, accounting for approximately 70% of the Board's expenditure. We reviewed the ways in which staff expenditure has been allocated to the separate POA headings both in the prior and current year. It was concluded that finance staff had allocated staff time by reviewing staff work in collaboration with HR and the guidance provided in the Police Objective Analysis Notes. This was done in 2010-11, and then reviewed in 2011-12. Although there were changes to individuals' codes, there was no overall significant change in total numbers being allocated to each area.</p> <p>We reviewed the methodology that was used and are satisfied that it was carried out appropriately and in line with the POA guidance provided.</p>
2	<p>Employee Remuneration</p> <p>During 2010-11, a programme of voluntary and compulsory redundancies was carried out. There was also a redeployment programme of staff whose positions were removed, to reduce the total level of redundancies necessary.</p>	<p>It appears that the Board has managed this process well, and no further redundancies were required in 2011-12. There has been a guarantee that there will be no compulsory redundancies at the start of the police reform process.. Through strong monitoring of staff resourcing, levels of claimed overtime have continued to fall.</p> <p>During our planning work, we also identified that there was a risk of inappropriate overtime payments being made, as Central Scotland Police use a bespoke,</p>

	Matter Identified	Audit Commentary
		internally developed overtime programme. Our IT specialists reviewed the controls in place for the overtime system, and concluded that the controls were operating satisfactorily. Our substantive audit procedures found no material misstatements in employee pay, or in the overtime being claimed.
3	<p>Procurement</p> <p>Procurement is a key area to achieve efficiency savings. The Board has taken action to streamline the procurement processes but this has proved challenging due to the economic climate. There is unlikely to be further investment in this area due to the pending police reforms.</p>	<p>The majority of Central Scotland Police procurement is undertaken through the Scottish Government or procurement portal or national contracts. The Board has, however, entered into a Service Level Agreement with Strathclyde Police for the provision of police uniforms and protective equipment. This pragmatic, shared service, approach means that the Board was able to close the Police Store, which has resulted in savings of £45k in 2011-12.</p>

Matters Identified during the Audit

	Matter Identified	Audit Commentary
4	<p>Potential Impairment</p> <p>In the light of the future Police Reform, we identified there was a potential risk of impairment of the assets of the Police. We reviewed the asset base for impairment indicators. We concluded that in light of the 'soft landing' approach being planned for the Police Reform, there is no immediate plan to sell off any of the police estate.</p>	<p>The last valuation was carried out in 2010 by an independent valuer. We are satisfied that this valuation will have taken into account the current economic climate, and that there will not have been a material movement in the value of the asset base.</p>
5	<p>Internal Misconduct Investigation</p> <p>The Assistant Chief Constable has been on a period of leave since July 2010. We note that he was recently formally suspended in connection with misconduct allegations.</p>	<p>As a Police Officer, the Assistant Chief Constable's terms and conditions of employment are governed by the Police (Conduct) (Senior Officers) (Scotland) Regulations 1999. We understand that Her Majesty's Inspectorate of Constabulary for Scotland (HMICS) has recently launched an investigation into the Board's handling of the case. We will continue to monitor progress in this area with a view to considering the effective use of public monies.</p>

4. Financial Reporting Matters

Introduction

We use this section to comment on the key judgements, estimates and policies adopted by the Board that have an impact on the financial statements. We also describe the impact that changes identified during the audit process have had on the Statement of Accounts.

Commentary on key judgements and estimates

Going Concern

The Board's Balance Sheet records a significant net liability as a result of IAS 19 accounting adjustments to reflect the costs of pensions. The liability, of £435.2 million in 2011-12 reflects the unfunded Police Pension Scheme. However, this technical accounting treatment has had no impact on the underlying basis for meeting the Board's current and ongoing pension liabilities. These costs are met out of the Board's funding from Government Grants and contributions from constituent authorities under the Amalgamation Scheme 1995.

We therefore agree with the Treasurer's assessment that it is considered appropriate to adopt a going concern basis for the preparation of the financial statements.

Uncertainty and estimates

The Board has drawn attention to the critical judgements and assumptions made in producing the financial statements within Notes 3 to the Accounts. Note 3 highlights that the key uncertainty within the financial statements relates to the value of pensions liability. The Board uses independent actuarial experts to provide an estimate of the value of the liability each year. We have reviewed the qualifications and credibility of the actuary, and our actuarial team assumptions used by the actuary to underpin the financial liabilities. Our review did not highlight any concerns in relation to the valuation provided by the actuary.

Revenue recognition

The predominant source of revenue for the Board is from Grants and requisitions from constituent councils. Revenue for this category of receipts is recognised when

the amounts become due. Revenue with regard to goods and services is recognised when it becomes probable that economic benefits will flow to the Board. The basis of revenue recognition was found to be appropriate and in line with prior years.

Review of principal accounting policies

We have reviewed the financial statements and confirmed that the accounting policies appear appropriate and in line with sector expectations.

Audit Adjustments

Misstatements

We are required to communicate all uncorrected misstatements to you, other than those considered to be clearly trivial. There were no uncorrected misstatements that we require to bring to your attention.

Impact of misstatements

All adjusted misstatements are set out in detail in section the table below. The adjustments proposed had no impact on the financial statements.

The summarised impact of audit adjustments

Balance Sheet	Increase/ (Decrease) in Net Liabilities
	£'000
Processed adjustments	
Adjustment to reallocate ACPOS debtor in line with 2010-11 disclosure	Dr £93k Cr (£93k)
Impact on net liabilities	Nil

Disclosures

We asked the Board to make minor additional disclosures in the Remuneration Report.

5. Governance

The Board is making good preparations for the transition to a single police force and now needs to work in partnership with the constituent councils to establish plans for future governance arrangements within the local area.

Progress on National Police Reform

In June 2012, the Police and Fire Reform (Scotland) Bill passed through Parliament and has now received Royal Assent. Under this Act the eight current police and fire boards will be abolished and a new single National Police Service established. Central Scotland Police have been closely involved in this progress, with the Chief Constable, Kevin Smith, currently seconded to lead the Police Reform process at ACPOS.

The Board has been making good preparations to deal with the changes. Although this has required an investment of time and resources at a range of levels across the force, no issues with the on-going service delivery were noted from this.

Our testing of Internal Controls

As part of our audit work we reviewed the internal control environment in operation at Central Scotland Police. We make a number of minor recommendations within **Appendix 1**, principally relating to segregation of control issues associated with the size of the Finance team.

Our IT Audit Manager completed a high level review of the Board's IT systems to support our opinion. One recommendation emerged from this work, relating to plans for business continuity.

Statement on the System of Internal Financial Control

A Statement on the System of Internal Financial Control (SSIFC) forms part of Central Scotland Police's annual accounts and summarises the internal control framework, including arrangements for risk management, financial governance and accountability.

We reviewed the SSIFC as part of our annual audit procedures and we are satisfied that it is line with our understanding of the internal controls in place at Central

Scotland Police. We do, however, note that it is good practice to prepare an Annual Governance Statement, which requires more disclosure as it should reflect how the organisation conducts its business internally and in dealing with others.

Risk Management

The Board has developed a bespoke risk management system which includes a Risk Management Framework and Procedures, and an electronic risk register, which is used for monitoring all risks including strategic risks. This is supported by individual risk registers for each business area. The strategic risks are assigned to owners and are monitored by the Force Policy Group.

The Best Value and Audit Committee of the Board oversees the risk management arrangements, and receive quarterly updates on current strategic risks.

Review of Internal Audit

The Board's Internal Audit service is provided by Stirling Council. 40 days were planned and fully used in 2011-12. Five reviews were planned, but only four were completed. This was as a result of plans to wind up SPSA as part of the national reform, and the Force therefore concluded that there was no benefit to be obtained from a review of contract management.

As part of our year one audit procedures, we completed our detailed review of the Council's internal audit function against the good practice within CIPFA's Code of Practice for Local Government Internal Auditors. Due to the nature of the reviews carried out during 2011-12, we did not place formal reliance on the work of Internal Audit, but we reviewed their work to ensure that our work was appropriately focused, and to highlight where there were control weaknesses.

We found that the internal audit department is performing well. The Audit Plans are based on a risk assessment, and the scope and objectives of each

planned review are presented to the Best Value and Audit Committee to ensure that the work will reflect the needs of the Committee. The reports are clear, concise and constructive, and target timescales are set for their release and agreement.

Internal Audit concluded in their annual report to the Best Value and Audit Committee that 'reasonable assurance can be given on the effectiveness of internal financial controls in operation within the Board'.

Looking forward

Since the approval of the plan to form a national police service, the Board has entered a transitional period, where it must ensure that:

- the Force continues to deliver services effectively and achieve value for money
- preparations are made for the new policing arrangements, including local governance and accountability.

We have noted that the Force has plans in place to appoint Local Policing Commanders for each of the three local authority areas, and to develop a Local Plan for Policing for each area. The Board must also work in partnership with each of the councils to develop shadow arrangements for local accountability.

The Force has seconded a number of key staff to support the national reform agenda. At a local level, the Force has established a Reform Readiness Group to ensure that the national implementation plan is delivered within the Central Scotland Police area.

6. Performance

Central Scotland Police has a clear vision for the area which is supported by strong performance management arrangements. Recent improvements to performance reporting have increased the transparency of Force performance.

Audit Scotland Best Value Report

Audit Scotland and HMICS recently completed a Best Value Audit and Inspection at the Joint Police Board. The report concluded that the Force is performing well and has many of the key elements of Best Value in place. Key recommendations were that the Board needs to continue to ensure it delivers an effective service during the transition process to a single force, improve the sufficiency of evidence to the Procurator Fiscal and evaluate the effectiveness of its partnership working.

Performance management arrangements

During 2011-12, the Force continued to implement the Force Strategic Plan 2011-15, which has a focus on building public trust, confidence and satisfaction in Central Scotland Police. In June 2011, the Board approved a Strategic Performance and Planning Framework to monitor progress against 16 strategic objectives. The Board uses the Force Performance Framework to measure performance against the strategic objectives within the Plan. An electronic Force Improvement Plan is in place which encompasses the Force's risk management arrangements.

Since the Best Value report was published, the Board has taken steps to improve the performance reporting arrangements in light of comments made by the inspectors. The most recent report to the Board therefore includes a covering report which describes:

- significant variations during the year
- statistics at Force, Area Command and sub-Area Command level
- maps to identify the location and severity of injury road collisions.

These improvements give the performance reports greater transparency, and therefore aid the Board and other users' understanding of Force performance.

Statutory Performance Indicators

Under the Local Government Act 1992, the Board is required to publish a number of statutory performance indicators. The Scottish Policing Performance Framework (SPPF) began in 2007 and is designed to offer a range of performance measures that cover the breadth of police activity. These SPIs are divided into four areas; service response, public reassurance & community safety, criminal justice & tackling crime and sound governance & efficiency. The Chief Constable has reported on the performance against the SPIs, and the Strategic Plan within 365, his Annual Report.

The number of complaints received by the Force has increased by 35% between 2010-11 and 2011-12. The Force has investigated the level of complaints, but no clear trend or reason has emerged. In other areas Central Scotland Police has reported strong performance, including service user satisfaction rates, and there has been a drop in detected crime rates.

The Force has remained above national targets in a number of areas including detection rates and proportion of emergency calls answered within 10 seconds.

Appendix A: Action Plan

Key to assessment of internal control deficiencies

- Material weakness - risk of material misstatement
- Significant deficiency - risk of significant misstatement
- Deficiency - risk of inconsequential misstatement

	Assessment	Issue and risk	Recommendation
Financial Systems			
1	●	<p>Payroll</p> <p>During our audit work, we noted that due to a relatively small number of payroll staff, it is possible that a single member of staff may prepare and post the payroll journal. During 2011-12, one of the members of the payroll staff has been involved in the national police reform, further reducing the available staff members.</p> <p>We are satisfied that there are mitigating controls in place, in that there is a maximum limit on the BACs payroll run, and that the payroll is posted by a staff member from Stirling Council. Once posted, the payroll data is also be reviewed by the Assistant Finance Manager at the Police.</p>	<p>We recommend that payroll procedures are reviewed to ensure that segregation of duties controls are in place and are formally monitored.</p> <p>Management response: We will accept the recommendation and we will review to ensure dual signatures are required.</p>
2	●	<p>Journal Entries</p> <p>During our internal control testing, we identified that senior financial staff have the ability to post journals to the ledger, which presents a risk of management override over key financial controls. We reviewed the journal entries from 2011-12 to ensure that there were no instances of postings made by senior financial staff during the year.</p>	<p>We recommend that the journals process is documented, and that internal controls are reviewed to ensure segregation of duties are in place as far as practicable.</p> <p>Management response: We will rewrite procedures to give greater emphasis to the existing segregation of duties and the need for separate</p>

	Assessment	Issue and risk	Recommendation
		<p>Additionally, there are currently no policies and procedures surrounding the journal entry process, although we are aware that the finance team has begun documenting controls to formalise the process. The finance team is also sufficiently small that they are confident that the same journal entry procedures are communicated and understood by all members of the team who post journals.</p>	<p>authorisation.</p>
Information Technology			
3	●	<p>Information Technology – Disaster Recovery</p> <p>The Force has a business continuity plan for the IT and communications infrastructure. This plan was prepared in 2006 and has not been updated since then. However, we understand that there is an ongoing project in the Scottish Police Services Authority (SPSA) to update these IT continuity plans across Scotland.</p> <p>There is risk that the Force IT systems could not be restored within a reasonable time in the event of a disaster affecting the main data centre in Randolphfield. This could lead to reputational damage.</p>	<p>We recommend that the business continuity plan is updated at the earliest convenience. We are aware that this recommendation might only be implemented after the introduction of the single police force next year as this could bring significant changes to the IT environment.</p> <p>Critical IT components of the business continuity plan should be tested at least once on an annual basis to validate the effectiveness of the recovery arrangements. Test results should be documented and analysed to identify any issues that may hamper recovery operations in a real disaster.</p> <p>Management response:</p> <p>We will continue to pursue to completion of the national ICT business continuity plan with SPSA and ensure that the matter is brought to the attention of the Police Reform ICT Work-stream lead.</p>
Corporate Governance			
4	●	<p>Annual Governance Statement</p> <p>We note in Section 5 that the Board continues to adopt a Statement of Internal Financial Control within its Statement of</p>	<p>We recommend that the Board consider adopting an Annual Governance Statement for 2012-13. Most bodies adopt a</p>

	Assessment	Issue and risk	Recommendation
		<p>Accounts. It is good practice to prepare an Annual Governance Statement, which requires more disclosure on how the organisation conducts its business internally and in dealing with others.</p>	<p>Local Code of Corporate Governance to support the Statement.</p> <p>Management response: We recognise the benefits to be derived from adopting an Annual Governance Statement and will give due consideration to its introduction.</p>

Appendix B: "The Small Print"

Purpose of report

This report has been prepared for the benefit of discussions between Grant Thornton UK LLP, and the Central Scotland Joint Police Board (the Board).

The purpose of this report is to highlight the key issues affecting the results of the Board and the preparation of the Board's financial statements for the year ended 31 March 2012.

This document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Board.

Responsibilities of the Board and auditors

The Board is responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the Board confirm that our understanding of all the matters in this memorandum is appropriate, having regard to their knowledge of the particular circumstances.

Clarification of roles and responsibilities with respect to internal controls

The Board's management are responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Best Value and Audit Committee that it has done so.

The Best Value and Audit Committee is required to review the Board's internal financial controls. In addition, the Best Value and Audit Committee is required to review all other

internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

The Best Value and Audit Committee should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you.

In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would be pleased to discuss any further work in this regard with the Best Value and Audit Committee.

Independence and robustness

Ethical standards require us to give you full and fair disclosure of matters relating to our independence.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are

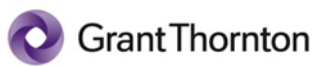
independent and are able to express an objective opinion on the financial statements.

In accordance with best practice, we analyse our fees below:

	£
Fees payable to Audit Scotland	31,500
Total audit fees	31,500

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- significant findings from the audit



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