

# Grampian Joint Police Board

## Annual report on the 2011/12 audit



Prepared for Members of Grampian Joint Police Board and the Controller of Audit  
October 2012

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Key messages

## 2011/12 audit findings

We audited the 2011/12 financial statements and looked at aspects of governance and performance within the Grampian Joint Police Board (the board). This report sets out our main findings.

We have given an unqualified opinion on the financial statements of Grampian Joint Police Board for 2011/12.

The board reported an underspend in 2011/12 of £2.996 million which was all transferred to the general fund balance, giving a total of £8.357 million at 31 March 2012. This balance includes a £1.470 million prior period adjustment in respect of costs associated with compensatory added years. Consequently the board has exceeded its 8% maximum allowable cumulative carry forward balance at 31 March 2012 by £0.953 million. The board received ministerial approval to exceed the 8% carry forward limit for 2011/12 and to carry forward the additional amount into reserves for 2012/13.

The board has appropriate corporate governance arrangements in place. The board has a Members' Development Action Plan and the members of the Stewardship Sub-Committee have had training to ensure the successful implementation of the plan. The board would benefit however from an update on the delivery of the actions contained in the plan to ensure momentum is maintained and desired outcomes are achieved.

Overall, we believe that the board has robust performance reporting arrangements and members have the opportunity to scrutinise performance and hold officers to account through the quarterly performance reports. Most of the Best Value improvement actions have been implemented and in response to one of the recommendations, the Annual Public Performance Report for 2011/12 includes for the first time a snapshot of the members' main activities and achievements during the year and their impact.

## Outlook

Grampian Joint Police Board has an approved revenue budget for 2012/13; a capital plan for 2012/13; and an indicative capital plan for 2013/14 and 2014/15, in view of the longer term commitment of capital projects. The revenue budget is at the same level as last year's in cash terms and the main assumptions are to maximise officer numbers while maintaining the same level of police staff. The capital plan includes an investment in a new custody facility in Aberdeen, currently estimated at £13.9 million phased over the two years 2012/13 (£5 million) and 2013/14 (£8.9million), an increase of £3.9 million from the original estimate.

On 27 June 2012, the Police and Fire Reform (Scotland) Bill was enacted and received Royal Assent on 7th August 2012. The Act establishes the Scottish Police Authority and the Police Service of Scotland. Current police joint boards will cease to exist on 1 April 2013, when responsibility for the governance of policing will pass to the Scottish Police Authority.

In developing its 2012/13 budget, the board aims to maximise its operational capacity and enhance its infrastructure to ensure that policing within the North East of Scotland is efficient and effective within the new structure but mindful that decisions taken now support the broad objectives of police reform.

The board needs to consider what arrangements should be put in place to ensure there is proper governance for decisions relating to the transfer of staff, assets and other resources to the new organisation, as well as continuing to exercise its statutory responsibilities for the continued delivery of police services in the interim period.

Our audit appointment will cover the audit of the 2012/13 financial statements of the board, which will take place in July-August 2013, after the April 2013 merger into a single police authority. Arrangements will need to be made to ensure that staff and members are available for the preparation and audit of the 2012/13 Grampian Joint Police Board financial statements.

# Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Grampian Joint Police Board. The nature and scope of the audit were outlined in the Audit Plan presented to the Stewardship Sub-Committee on 12 March, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinion on the financial statements, conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the board.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the board understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management actions and have a mechanism in place to assess progress.
4. This report is addressed to board members and the Controller of Audit and should form a key part of discussions with the Stewardship Sub-Committee. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate.
5. Audit is an essential element of accountability and the process of public reporting and this report will be published on our website after consideration by the Stewardship Sub-Committee. The information in this report may be used for the annual overview of local authority audits to the Accounts Commission later this year. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
6. The management of the board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

# Financial statements

7. Audited bodies' financial statements are an essential part of accounting for the stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland and give an opinion on:
  - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the explanatory foreword, the annual governance statement and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit of the financial statements.

## Audit opinion

10. We have given an unqualified opinion that the financial statements of Grampian Joint Police Board for 2011/12 give a true and fair view of the state of affairs of the board as at 31 March 2012 and of the income and expenditure of the board for the year.

## Legality

11. Through our planned audit work we consider the legality of the board's financial transactions. In addition the Treasurer has confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the board's management team, the financial transactions of the board were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

## Annual Governance Statement

12. The board produced for the first time an Annual Governance Statement and we are satisfied with the disclosures made in the said statement. The statement highlighted the presence of outstanding internal audit recommendations from their 2011/12 audit and from previous years which are yet to be implemented by the board. We are satisfied that the findings identified by internal audit did not impact on the financial statements and that the board has

processes in place to address these weaknesses and we will review the results of any follow up work performed by internal audit in 2012/13. The governance statement also described the process that has been applied by the board in maintaining and reviewing the effectiveness of the governance arrangements and on the whole we are satisfied with the adequacy of these arrangements. These can be strengthened further however if the Annual Governance Statement is presented and formally approved by the board or its delegated committee on its own as opposed to it being presented as part of the draft financial statements to give emphasis to its importance.

**Refer Action Plan No. 1**

## Remuneration report

13. We are satisfied that the remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011. The disclosures within the 2011/12 financial statements include all eligible remuneration for the relevant board officers and elected members.

## Accounting issues

14. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code). We are satisfied that the board prepared the 2011/12 financial statements in accordance with the 2011/12 Code.

## Accounts submission

15. The board's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. The financial statements working papers provided to us were of a very good standard and this facilitated the smooth and timely completion of the audit. The financial statements are now available for presentation to members and for publication.

## Presentational and monetary adjustments to the unaudited financial statements

16. Six properties were reviewed during the year to determine their component values. The review resulted in three of the six properties having an upwards revaluation and three with a downwards revaluation. However, the board only reflected the revised valuation for the three properties revalued downwards in the unaudited accounts. The accounts have been updated to include the upwards revaluation arising on three of the properties reviewed. This has resulted in increases of £1.136 million in Non Current Assets and £1.260 million in the Revaluation Reserve, with the balance of £0.124 million charged to the Net Cost of Services as an impairment loss. These adjustments have no impact on the General Fund balance.



17. The board has provided for £0.500 million in relation to claims under the Equal Pay Act 1970 from existing and former staff seeking compensation for their losses of pay through the implementation of the Force Total Remuneration Project in 2010. Claims in relation to equal pay legislation have been reviewed and the probability that some transfer of economic benefits will be needed to settle these potential obligations has been assessed. Provision of £0.500 million has been made in line with an estimate by legal services based on an analysis of the evidence available to date, including quantification of the claims from the claimants' solicitors. We have reviewed supporting documentation and received management representation that the amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at the balance sheet date.
18. The board's balance sheet at 31 March 2012 includes £0.395 million shared assets and a £1.4 million creditor balance relating to the national IT project Common Performance Management Platform. It was recently announced that this national ACPOS led project has been cancelled. The National Reform Team is currently considering alternative uses for these assets. If no alternative use is found, the assets will be subject to an impairment review during 2012/13. In those circumstances the £1.4 million creditor balance would be repaid to the Scottish Government.

### Prior year adjustments

19. In both 2009/10 and 2010/11 the board made a provision in respect of costs associated with compensatory added years granted to certain staff departing through voluntary severance in 2009/10 and 2010/11. However, these costs, totalling £1.470 million, have already been provided for through the IAS19 pension liabilities assessment by the board's actuary, and therefore prior period adjustments were required to reverse these accruals.
20. The above adjustments result in a restated General Fund balance at 31 March 2012 of £8.357 million. Consequently the board has exceeded its 8% maximum allowable cumulative carry forward balance at 31 March 2012 by £0.953 million. The board sought and received Ministerial approval to exceed the 8% carry forward limit for 2011/12 and to carry forward the additional amount into reserves for 2012/13.

### Going concern

21. As stated in Note 4 to the accounts, the Scottish Parliament passed the Police and Fire Reform (Scotland) Bill in June 2012. The proposals in the Bill include the formation of a single Police Force, the Police Service of Scotland, from 1 April 2013. On this basis Grampian Police has adopted the going concern and considered a future period of at least one year from the date on which the financial statements are to be approved.
22. The board's total net pension liability was £714.343 million at 31 March 2012. This was made up of £26.416m for Police Staff and £687.927 million for Police Officers. The Police Officers'

pension scheme is unfunded and therefore is a significant future liability for the board. Management has given representation that it is satisfied that it is appropriate to accept a going concern basis, as the deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. With regard to the deficit on the Police Officers' pension scheme, finance is only required to cover police pensions when the pensions are due for payment and the Force receives funding year on year specifically to cover the anticipated annual Police Officer pension costs net of Police Officer contributions.

23. We are satisfied, therefore, that the process which the board has undertaken to consider the organisation's ability to continue as a going concern is reasonable.

### Whole of government accounts

24. Whole of government accounts are the consolidated financial statements for all branches of government in the UK. The board submitted the consolidated pack to the Scottish Government by the deadline of 30 July and the audited return was completed by the audit deadline of 5 October.

### Outlook

25. There are no significant changes to the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom that are expected to have an impact on the board's annual financial statements.
26. Our audit appointment continues for the 2012/13 audit year. The board will need to ensure that staff and members are available, following the merger into a single police service, for the preparation and audit of the board's 2012/13 financial statements. Arrangements for external audit following the merger of the eight Scottish police forces into a single police service in April 2013 are still to be determined.

# Financial position

27. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
28. Auditors consider whether audited bodies have established adequate arrangements and examine:
  - financial performance in the period under audit
  - compliance with any statutory financial requirements and financial targets
  - the ability to meet known or contingent, statutory and other financial obligations
  - responses to developments which may have an impact on the financial position
  - financial plans for future periods.
29. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

### Budgetary control

30. The board's net operating expenditure in 2011/12 was £114.398 million. This was met by police grant of £47.810 million, contributions from constituent authorities of £44.734 million, and specific grants totalling £24.850 million, £18.404 million of which relates to the police officers pension grant. The board's net budgeted expenditure in 2011/12 was £117.571 million giving a net underspend of £2.996 million. In the Explanatory Foreword, the Treasurer had explained the main reasons for the budget underspend as follows:
  - More police officers left or retired than had been budgeted for and police staff numbers continued to reduce during 2011-12, with a recruitment freeze continuing for all but the most important front line posts. No early retirement / voluntary redundancy scheme was run during the year, but substantial savings enabled a return of requisitions totalling £1.2m to the three constituent Councils.
  - The Force made savings of £0.355 million against the overall Supplies and Services budget. The main areas of savings were in IT and telephony costs and through a reduction in training and attendance at conferences, together with printing, stationery, postages and a range of small administrative items. The Force has also been continuing to reduce costs across a range of expenditure types, by procuring goods and services through local and national contracts.
  - The Force generated additional income of approximately £0.295 million over and above the budgeted total of £5.295 million. Included in this was an increase in relation to the

amount recharged to other bodies for the secondment of Police Officers, which led to a budget surplus of £51,000. An additional £95,000 was received for other police services, including the policing of events and escort requirements. The Force also benefited from additional grant funding for specific projects, producing additional income of £98,000.

31. The net underspend of £2.996 million (see paragraph 30 above) is different from the net deficit on the provision of services of £37.249 million in the Comprehensive Income and Expenditure Statement by £40.245 million. This is because reports prepared for the board's monitoring purposes are prepared on a different basis from the accounting policies used in the financial statements, for example, capital investment is accounted for as it is financed, rather than when the assets are consumed and retirement benefits are based on cash flows rather than the current service costs of benefits accrued in the year. Note 29 to the accounts reconciles the figures in the budget performance report to the figures in the Comprehensive Income and Expenditure Statement.

## Financial position

32. Under the Police and Fire Services (Finance) (Scotland) Act 2001, the board is entitled to carry forward any reserves to the value of 4% of the sum of the police grant and the contributions paid by constituent authorities in the year and up to a maximum of 8% on the cumulative balance. The board can only exceed these percentages with the approval of the Scottish Ministers.
33. As discussed in paragraphs 19 and 20 above, prior period adjustments were required to reverse the provision in respect of costs associated with compensatory added years granted to certain staff departing through voluntary severance in 2009/10 and 2010/11 totalling £1.470 million. The general fund balance in the published accounts for 2010/11 was £3.891 million. This increased by the £1.470 million prior period adjustment resulting in a restated higher opening general fund balance for 2011/12 of £5.361 million. With the underspend for the year of £2.996 million, the closing general fund balance at 31 March 2012 is £8.357 million.
34. Consequently the board has exceeded its 8% maximum allowable cumulative carry forward balance at 31 March 2012 by £0.953 million. The board sought and received ministerial approval to exceed the 8% carry forward limit for 2011/12 and to carry forward the additional amount into reserves for 2012/13. £1.5 million of this balance is intended to part finance the capital project for new custody facilities in Aberdeen and the balance is to be used for contingencies and unplanned operational needs in future years.
35. Capital expenditure in 2011/12 amounted to £2.503 million mainly comprising of the on-going programme of replacement and or enhancement to existing assets totalling £2.045 million and individual new projects amounting to £0.458 million. These were funded by a £1.712 million capital grant, contributions from current revenue of £0.683 million and the balance of

£0.108 million from supplementary grants and other contributions. There was an underspend of £0.391 million against the budgeted capital expenditure of £2.894 million.

## Outlook

### Revenue budget for 2012/13

36. For 2012/13, the board will receive the same level of funding in "cash terms" as that of 2011/12. In view of the impending police reform and until further details are published, the Force has put forward specific budget proposals only for 2012/13. It has however provided indicative figures for 2013/14 and 2014/15 for capital expenditure given the longer term nature of the projects involved.
37. The board recognises the importance of continuing to operate in an efficient and effective manner within the financial constraints of the approved budget during the intervening period. In developing its 2012/13 budget, the board aims to maximise its operational capacity and enhance its infrastructure to ensure that policing within the Northeast of Scotland is efficient and effective within the new structure but mindful that decisions taken now support the broad objectives of the police reform. The budget for 2012/13 has assumed:
- maximising police officers, within budgetary constraints, taking the number to around 1,520 FTE, beyond the Scottish Government approved baseline of 1,472 FTE;
  - maintaining current police staff level (voluntary redundancy/early retirement scheme were operated in the last two years resulting in the reduction of staff level from 850 to 685).

### Capital plan

38. The planned capital investment in 2012/13 amounts to £8.418 million which is £5.915 million more than the actual spend for 2011/12. This is mainly due to the new custody facilities in Aberdeen which the board has committed to build at a total projected cost of £13.9 million phased over 2012/13 (£5.0 million) and 2013/14 (£8.9 million). This project has been in the planning stages for 2-3 years. Planning permission has now been granted and the land has been purchased. The Capital Grant allocation passed from the Scottish Government to the Constituent Authorities amounts to £1.701m (a reduction of almost 30%). The board will therefore require the use of revenue reserves and capital receipts to supplement the grant over the next 2 years to fund the Capital Plan.

### Pensions funding

39. Financial planning and accounting for the costs of pensions present a challenge. The amounts involved are large, the timescale is long and the estimation process is complex and involves many areas of uncertainty that are the subject of numerous assumptions. In

accounting for pensions, IAS19 is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in large future liabilities being recognised in the financial statements.

40. The board's total net pension liability was £714.343m at 31 March 2012. This was made up of £26.416m for staff (Local Government Pension Scheme) and £687.927m for police officers (Police Pension Scheme). The Police Pension Scheme is unfunded and therefore is a significant future liability for the board. As the scheme is unfunded, the pension liability will fall to be met by serving police officers' contributions and by taxpayers in the future (through grant funding from the Scottish Government).
41. The actuary has conducted a full valuation of both the police and the local government pension schemes at 31 March 2011. A number of assumptions in calculating pension costs, for example, demographic assumptions, price and salary increases are proposed by the actuary but ultimate responsibility lies with the employer. The board has confirmed that it agrees with the assumption proposed by the actuary.

## Reserves

42. As stated in paragraph 32 above, the balance of reserves at 31 March 2012 was £8.357 million. This balance is projected to be around £6.857 million after deducting the £1.500 million earmarked for the new custody facility. It is unclear at this stage how the remaining reserve will be disposed of. It was reported to the board that the Scottish Government in consultation with the Convention of Scottish Local Authorities (COSLA) and the Association of Chief Police Officers in Scotland (ACPOS) has been considering the matter of reserves and whether or not these balances will be utilised or transferred out of the existing police authorities prior to their merger into the one police authority.

# Governance and accountability

43. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
44. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs, including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
45. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
  - corporate governance and systems of internal control
  - the prevention and detection of fraud and irregularity
  - standards of conduct and arrangements for the prevention and detection of corruption.
46. In this part of the report we comment on key areas of governance.

## Corporate governance

### Processes and committees

47. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support the modernisation agenda. The board has oversight of the financial resources and receives revenue and capital budgets monitoring at each meeting. Budget monitoring reports are also presented to the Force Executive Board every month. The responsibilities of the Chief Constable, Treasurer and the Grampian Joint Police Board in relation to budget monitoring and review are set out in Financial Regulations. The Financial Regulations were reviewed annually up to June 2011 when it was agreed that review should now be bi-annual with the next one due in March 2013.
48. The board has a Stewardship Sub-Committee. The remit of the Stewardship Sub-Committee is to deal with reports from internal and external audit, oversee the adequacy of the Force's financial systems, policies and practice and compliance with relevant statutes, standards and guidance. Additionally the Stewardship Sub-Committee has responsibility for matters of best value, risk management and overseeing the implementation of recommendations from HMICS and Audit Scotland. The Stewardship Sub-Committee is also responsible for scrutinising the progress of the Grampian Joint Police Board best value improvement plan and the continuous improvement plan. The Stewardship Sub-Committee is generally well attended by members who challenge reports and by officers who respond to queries.



49. A comprehensive review of the board's Standing Orders was carried out in order for the board to have fit for purpose Standing Orders and Terms of Reference of Sub Committees and to provide clarity in terms of roles and responsibilities. The updated Standing Orders came into force on 1 January 2010. In May 2010 revised Standing Orders relating to contracts and procurement were approved with an implementation date of 1st July 2010. These new Standing Orders reflect up to date procurement procedures and legislative requirements, e.g. by ensuring compliance with the Public Contracts (Scotland) Regulations 2006 where appropriate and by stating the board's commitment to joint procurement and shared service opportunities where these exist. In July 2012 the Scheme of Functions Delegated to Officers was approved by the board.
50. In March 2011 the Complaints and Stewardship Sub-Committees each elected a new Convener in order to ensure, in line with best practice, that the Board Convener did not also serve as Convener of the Sub-Committees. The board approved role descriptions for Board Members, Board Vice Conveners and the Board Convener in March 2011.

### Members' training

51. In March 2011, the Depute Clerk provided an update to members in relation to on-going initiatives to develop both members and the efficient workings of the board. The Depute Clerk advised that the purpose of the Board Development Action Plan is to bring together all relevant actions in order to assist with board oversight and governance arrangements. The Stewardship Sub-Committee agreed to regularly monitor the Action Plan, in conjunction with the Best Value Improvement Plan. In line with this, a development session was held in February 2012 for the members of the Stewardship Sub-Committee. However, no further updates on progress with the Board Development Action Plan have been reported to the board or the Stewardship Sub-Committee since then. The board may find it useful to consider a formal update as most of the actions contained in the plan were scheduled to have been implemented by Spring 2012.

**Refer Action Plan No. 2**

### Internal control

52. As part of our audit work, we sought to take assurance from the key controls within the board's financial systems. We reviewed the main accounting, accounts payable and budgetary control systems. We placed formal reliance on Internal Audit's testing of the payroll system. We have not found any significant control weaknesses in our review and improvements highlighted by Internal Audit have either already been implemented or will be implemented in due course as highlighted in their Annual Audit Report and in the Annual Governance Statement.
53. The previous external auditors of the board have recommended that the board should carry out a full reconciliation of all property held on its fixed assets register with title deeds held with Aberdeenshire Council (and the other constituent authorities), investigating all differences, to ensure that all records are accurate. This work is on-going and in the process the board had identified a number of houses leased to Aberdeen City Council for which no specific titles are held by the board and unless they came to being sold, they formed part of a larger Aberdeen



City Council title. In this regard, the board had instructed a property solicitor to obtain corrective titles dispositions for these properties in favour of the board.

**Refer Action Plan No. 3**

54. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

## Prevention and detection of fraud and irregularities

55. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
56. Grampian Joint Police Board does not have specific Fraud and Corruption and Whistleblowing Policies. However, the Force has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption and these are embodied in a high level document called "Professional Standards". The aims of this document are:
- to maintain, promote and improve professional and ethical standards,
  - to preserve the integrity and reputation of the Force, and
  - to further enhance public trust and confidence
57. This document makes reference to various legislation, force procedures and practical guidance to support the delivery of the policy. We have concluded that the arrangements in the board are satisfactory and we are not aware of any specific issues that we need to identify in this report.

## Outlook

58. On 27 June 2012, the Police and Fire Reform (Scotland) Bill was enacted and received Royal Assent on 7th August 2012. The purpose of the Bill was to create a single Police Service and a single Fire & Rescue Service for Scotland. The Act establishes the Scottish Police Authority and the Police Service of Scotland. The Scottish Police Authority will comprise between 10 and 15 Members and a Chair is now in place. The Chief Constable was also recently appointed.
59. The key dates are as follows:
- October 2012 – planning powers for the Scottish Police Authority and the Chief Constable
  - January 2013 – the designation of Local Commanders, the establishment of the Police Investigations and Review Commissioner and the creation of a transfer scheme
  - April 2013 – the establishment of the Police Service of Scotland and the vesting of all functions in the Scottish Police Authority and the Police Service of Scotland.

60. Current joint board and police authorities will cease to exist on 1 April 2013, when responsibility for the governance of policing will pass to the Scottish Police Authority. The Act provides that each local authority area will have a Local Commander.
61. The board should consider what arrangements should be put in place to ensure there is proper governance for decisions relating to the transfer of staff, assets and other resources to the new organisation, as well as continuing to exercise its statutory responsibilities in relation to the continued delivery of police services.

# Best Value, use of resources and performance

62. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure best value.
63. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing best value and complying with responsibilities relating to community planning. Auditors of local government bodies also have a responsibility to review and report on the arrangements that audited bodies have to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
64. As part of their statutory responsibilities, the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
  - a performance audit which may result in the publication of a national report
  - an examination of the implications of a particular topic or performance audit for an audited body at local level
  - a review of a body's response to national recommendations.
65. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
66. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
67. This section includes a commentary on the best value/performance management arrangements within the board. We also note any headline performance outcomes and measures used by the board and comment on any relevant national reports.

## Management arrangements

### Best Value

68. In February 2011 the Controller of Audit and Her Majesty's Inspector of Constabulary for Scotland published their joint report on the audit and inspection on the performance by Grampian Joint Police Board and Grampian Police. As a result of recommendations made, the board and Grampian Police developed a joint improvement plan to deal with the recommendations made. This plan was approved by the board in May 2011.
69. Update on progress with the recommendations specific to Grampian Police only were made to the Stewardship Sub-Committee. The last update report to the Stewardship Sub-Committee in

November 2011 highlighted that all four recommendations in respect of Grampian Police have all been completed and only one of the two joint recommendations remains outstanding and needed to be progressed by the board. We have not seen any formal update on progress made with regard to the recommendations to be actioned by the board apart from a brief reference in the Board Review Report 2007-12 at the March 2012 board meeting which mentioned that the majority of actions identified in the Improvement Agenda have been implemented.

## Continuous improvement

70. The Force has a Continuous Improvement Unit (CIU) which aims to assist all parts of Grampian Police make improvements in the way they do business by reviewing systems and processes, technology, and facilities to maximise effective service provision and to eliminate inefficiency and deliver value for money. The Stewardship Sub-Committee receives a report at each meeting which details the current, completed and planned work of the CIU. CIU also reports regularly on the board's progress with the delivery of its efficiency savings target. The board has been successful in achieving its efficiency targets. In the second programme of the spending review covering 2008/09 to 2010/11, the board's reported savings was £13.340 million compared to a target of £10.035 million. In 2011/12 the board achieved a savings of £3.320 million compared to the target of £2.816 million.

## Overview of performance in 2011/12

### Performance management

71. The board receives quarterly Force Performance Reports which provides members and the public a detailed overview of the Forces performance against key performance targets. The report is structured around the four 'areas of policing' identified within the Scottish Policing Performance Framework (SPPF):
- Service Response
  - Public Reassurance and Community Safety
  - Criminal Justice and Tackling Crime
  - Sound Governance and Efficiency
72. The Force Priorities for 2011/12 fit within the SPPF framework. The SPPF structure has also been designed to support the measurement and reporting of local priorities and indicators, in accordance with the principles of Best Value. By incorporating the SPPF in the performance reports, forces can ensure greater consistency and transparency when reporting performance information to various stakeholders throughout Scotland. Each quarterly report provides an assessment of Forces performance against national targets and provides a comparison against the previous year's performance and the previous quarters' performance.

## SPPF indicators

73. In common with other forces, Grampian Police compiles and submits performance information in line with the SPPF framework. ACPOS produce performance reports based on the SPPF information provided by forces and provides commentary in the report which focus on significant variations in performance at a national level and identifies forces which has impacted on the direction of travel nationally. The only mention of Grampian Police in the commentary provided in the report covering the financial year 2011/12 was in the area of "Level of service user satisfaction" where it was stated that "of those who reported on this indicator, Grampian and Strathclyde use a telephone survey whilst the rest use postal, hence the particularly high return rates for those two forces."

## Public performance report

74. An annual report on the Force's Corporate Plan Continuing our Platform for Success is prepared to provide an assessment of delivery against this corporate plan. One of the joint Improvement Recommendations arising from the Best Value Audit & Inspection of Grampian Police and Grampian Joint Police Board was that the board and the police force should review the content of the annual public performance report to ensure that it provides a summary of the board's activities and its impact. Following discussions with the Force, it has been suggested that the board contribute a small section to be included within the Force annual public performance report to provide this detail. The proposed section was presented to the members in their March 2012 board meeting and incorporated in the Annual Public Performance Report for 2011/12 which is now available on Grampian Police website.

## Outlook

75. At the end of financial year 2012/13 the responsibilities of the board will transfer to the Scottish Police Authority. During the transitional period the board should maintain its focus on the management of performance.

# Appendix A: Audit reports

## External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to the Stewardship Sub-Committee
Annual Audit Plan	5 March 2012	12 March 2012
Report on financial statements to those charged with governance	6 September 2012	17 September 2012
Audit opinion on the 2011/12 financial statements	17 September 2012	17 September 2012
Audit opinion on the 2011/12 Whole of Government Accounts consolidation pack	15 October 2012	N/A
Report to Members on the 2011/12 audit	31 October 2012	26 November 2012

# Appendix B: Action plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	12	<p><b>Annual Governance Statement</b></p> <p>The board or the Stewardship Sub-Committee should formally review and approve the Annual Governance Statement prior to its inclusion in the draft financial statements. The board or committee should receive sufficient assurances in support of the statement and underlying review of governance.</p> <p><i><b>Risk:</b> best practice in governance is not followed; the annual governance statement may not be consistent with the view of board members.</i></p>	<p>Draft Annual Governance Statement will be submitted to the Joint Police Board for approval before inclusion in the 2012/13 Statement of Accounts.</p>	<p>Superintendent, Development and Governance</p>	<p>31 March 2013</p>
2	51	<p><b>Board Development Action Plan</b></p> <p>There has been no update on the Board Development Action Plan since the development session for the members of the Stewardship Sub-Committee in February 2012. The board may find it useful to consider a formal update as most of</p>	<p>The Depute Clerk will submit a revised Board Development Statement to the Stewardship Sub Committee meeting to be held in November 2012. This will summarise that all of the actions detailed in the Development Plan have been achieved.</p>	<p>Depute Clerk</p>	<p>November 2012</p>

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>the actions contained in the plan were scheduled to have been implemented by Spring 2012.</p> <p><i>Risk: progress is not properly monitored and board members are not adequately supported in their roles.</i></p>			
3	53	<p><b>Property Title Deeds</b></p> <p>In reconciling its fixed asset register to title deeds, the board identified a number of houses leased to Aberdeen City Council for which no specific titles are held by the board: unless they come to being sold, they form part of a larger Aberdeen City Council title. The board instructed a property solicitor to obtain corrective titles dispositions for these properties in favour of the board but this is not yet complete.</p> <p><i>Risk: title to all board properties is not legally held.</i></p>	Being progressed with aim of completion before end of current financial year	Head of Logistics	28 February 2013