

Scottish Prison Service

Annual report on the 2011/12 audit



Prepared for Scottish Prison Service and the Auditor General for Scotland
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Key messages

2011/12

The financial challenges facing the Scottish public sector are well documented, with the sector facing deep and prolonged cuts in funding. In 2011/12 we assessed the key strategic and financial risks being faced by the Scottish Prison Service (SPS). We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

The SPS is a public service led delivery agency which is legally required to deliver custodial and rehabilitation services for those sent to it by the courts. As an executive agency of the Scottish Government, the SPS is funded by the Scottish Government. At 31 March 2012 there were 14 publicly managed prisons and 2 privately managed prisons (HMP Kilmarnock and HMP Addiewell).

Financial statements

We have given an unqualified audit report on the financial statements of SPS for 2011/12. We have also concluded that in all material respects, the expenditure and income shown in the financial statements were incurred and applied in accordance with applicable enactments and relevant guidance issued by Scottish Ministers.

Prior year adjustments have arisen due to the transfer of responsibility for prisoners' healthcare to the NHS, a change in accounting policy resulting in the removal of the donated asset reserve and the reclassification of contingent rent. The combined impact of these prior year adjustments was to reduce the 2010/11 net operating cost by £19.1 million and increase the net assets in the 2010/11 statement of financial position by £1.3 million. The financial statements correctly reflect the accounting entries in respect of these adjustments.

A new contract for the court custody and prisoner escort service commenced in January 2012. This contract is recognised in the financial statements as a service concession arrangement and the SPS has recognised an asset, valued at £10.2 million, for the full fair value of the vehicle fleet with a corresponding liability for the finance lease. We are satisfied that the contract has been appropriately treated in the financial statements.

Financial position and use of resources

SPS reported net operating costs of £295.3 million and capital expenditure of £78.0 million in 2011/12, an underspend of £11.6 million against budget. Budgetary controls operated effectively during the year with the managed underspend and subsequent transfer of £7.8 million to the Scottish Government in the Spring Budget Revision contributing to the overall Scottish Government position in relation to the Justice Portfolio.

The prison population reached a record high level of 8,461 prisoners in March 2012 and SPS continued to contribute to both Scottish Government and agency initiatives to reduce levels of

reoffending. The maintenance of SPS' revenue funding reflects the financial impact of the continuing high levels of demand on the service.

Modernisation of the prison estate was progressed with the opening of HMP Low Moss in March 2012. The first phase of the redevelopment of HMP Shotts became operational during April 2011 with phase 2 and the construction of HMP Grampian commencing during the year.

Governance and accountability

In 2011/12 SPS had sound corporate governance structures in place. We examined the organisation's key financial systems underpinning the organisation's control environment and concluded that they operated sufficiently well for us to place reliance on them.

Performance and best value

Key performance indicators in 2011/12 showed a general improvement on performance reported in the previous year. These improvements include an increase in purposeful activity hours and a reduction in serious assaults.

Outlook

SPS' revenue budget continues to increase, by approximately £20 million annually, over the next 3 years. However, the capital budget decreases significantly over this period and this will put pressure on the resources available for improvements to the prison estate.

In a period of reducing resources across the public sector as a whole, the challenge facing the SPS is to demonstrate efficiency and best value in its management of the stable revenue commitment from the Scottish Government. The SPS will need to demonstrate an environment of challenge and review which should include the routine consideration of reports by Her Majesty's Inspectorate of Prisons for Scotland (HMIPS) and relevant Audit Scotland national performance reports and the monitoring of the implementation of recommendations in these reports, by the SPS Board.

Prison population projections indicate the prison population will continue to rise. This has significant implications for overcrowding and the management of the prison estate as well as the distribution of both capital and revenue resources. Implementing the recommendations in the Commission on Women Offenders report will have a significant financial impact on the SPS.

The new Chief Executive, who was appointed in May 2012, has tasked the Director of Partnerships and Commissioning with leading a strategic review of the SPS which will lead to a refreshed vision and a reshaped organisation.

Audit Scotland is due to publish its report on *Reducing reoffending in Scotland* in November 2012. This report will have implications for the service and its justice partners going forward.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of SPS. 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 opinions (i.e. on the financial statements) and 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 in which we make recommendations for improvements (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 SPS.
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 SPS understands its risks and has arrangements in place to manage these risks. The Accountable Officer and other members of the board should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to SPS and the Auditor General and should form a key part of discussions with the Risk Management and Audit Committee (RMAC). Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the RMAC.
6. The management of the audited body 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 our 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 their stewardship of the resources made available to them and their performance in the use of those resources.
8. We are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, 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
 - the regularity of the expenditure and income.
9. We review and report on, as appropriate, other information published with the financial statements, including the management commentary, governance statement and the remuneration report. We also review and report on the Scottish Government consolidation pack incorporating the Whole of Government Accounts (WGA) return. This section summarises the results of our audit on the financial statements.

Audit opinions

10. We have given an unqualified opinion that the financial statements of SPS for 2011/12 give a true and fair view of the state of the body's affairs and its net operating cost for the year.
11. SPS is required to follow the 2011/12 Government Financial Reporting Manual (FReM) and we confirmed that the financial statements have been properly prepared in accordance with the FReM. We also confirmed that relevant parts of the remuneration report had been properly prepared and that information given in the management commentary was consistent with the financial statements.
12. We also reviewed the governance statement and concluded that it complied with Scottish Government guidance.

Regularity

13. We confirmed that the expenditure and income in the financial statements was in accordance with applicable legislation and Ministerial guidance, the Budget Act for 2011/12 and legislation governing sums paid out of the Scottish Consolidated Fund.

Accounting issues

Accounts submission

14. Initial accounts working papers were available from 23 April 2012 and our on-site audit fieldwork commenced the following week. Further working papers were made available over

the next 3 weeks with draft financial statements submitted for audit on 21 May 2012. The majority of schedules, including the draft accounts, were submitted in accordance with a pre-agreed timetable.

15. A number of presentational changes were required to the draft financial statements as a result of our review of the disclosures required by the FReM and the audited accounts were adjusted to reflect this.
16. The issues arising from the audit were discussed with the Head of Finance during the course of our fieldwork and at a clearance meeting on 31 May 2012. The more significant issues arising were discussed with the Director of Finance at a meeting on 31 May 2012. The draft financial statements were considered by the RMAC on 13 June 2012 and the revised statements were signed by the Chief Executive, as Accountable Officer, on 26 June 2012. The annual report and accounts were laid before Parliament on 6 July 2012.

Prior year adjustments

Transfer of prisoner healthcare

17. Responsibility for prisoners' healthcare transferred from SPS to the NHS on 1 November 2011. Where there is a transfer of functions from the responsibility of one part of the public sector to another, and these are deemed to be under common control, the FReM requires the associated expenditure to be accounted for using merger accounting.
18. This meant that the results and cash flows for prisoner healthcare expenditure for the 7 month period from 1 April to 31 October 2011 were not included in the financial statements. The cost of providing prisoner healthcare was included in NHS Boards' financial statements from the beginning of the financial year. Comparative figures for the previous year have been restated to reflect the transfer.

Removal of donated asset reserve

19. The main change in the FReM for 2011/12 is that grants and donated assets should be recognised immediately, unless there is a condition that the recipient has not satisfied that would lead to grant repayment. Most grants should now be recognised as income and the government grant reserve and donated asset reserve no longer exist. Appropriate adjustments were made to the prior year figures to reflect this requirement.

Reclassification of contingent rent

20. Contingent rent was previously included in public/ private partnership (PPP) service charges which are categorised as running costs in the financial statements. Contingent rent was reclassified as interest payable and prior year figures have been restated to reflect the adjustment.
21. The combined impact of all prior year adjustments was to reduce the 2010/11 net operating cost by £19.1 million and increase the net assets in the 2010/11 statement of financial position by £1.3 million. We are satisfied that the appropriate adjustments were made to the current

year and comparative figures as required by the FReM and relevant accounting standards and that appropriate disclosures have been made.

Court custody and prisoner escort (CCPE) service

22. The new CCPE service contract, which commenced in January 2012, is recognised in the financial statements as a service concession arrangement. The infrastructure assets are recognised as non current assets and accounted for in the same manner as other assets within the same class. The SPS has recognised an asset for the full fair value of the vehicle fleet. This differs from the accounting treatment adopted for the contract with the previous provider where the contract terms did not meet the definition of a service concession arrangement. The finance lease is treated in accordance with IAS 17 and a corresponding liability is recognised. At the expiry of the contract, the full liability in relation to the fleet will be repaid to the estimated residual value of the assets.
23. We are satisfied that the contract for the provision of CCPE services has been appropriately treated in the financial statements.

Change in accounting estimate - PPP accounting models

24. The provision of prisoner healthcare services was included in the original contracts with the operators of the 2 private prisons, HMP Addiewell and HMP Kilmarnock. As a result of the transfer of healthcare responsibilities to the NHS during 2011/12, both contracts were renegotiated to amend the amounts paid to the operators. The financial accounting models prepared by Pricewaterhouse Coopers were also updated, at the request of SPS, to reflect this change. The disclosure requirements and accounting entries for the year ended 31 March 2012 and subsequent financial years have been amended to reflect the updated models.
25. We are satisfied that the impact of changes to the accounting models for the private prisons has been appropriately treated as a change in accounting estimate.

Provision for demolition costs

26. The Scottish Government's Infrastructure Investment Plan sets out a commitment to further modernise and improve the Scottish prison estate, including the replacement of a number of existing prisons. The estimated costs associated with the demolition of the prisons that are to be replaced have been recognised as a provision for liabilities of uncertain timing or amount on the grounds that a constructive obligation existed at 31 March 2012 as a result of decisions taken by the Scottish Ministers.
27. We reviewed the evidence available to support the provision for demolition costs, including representations obtained from the Accountable Officer, and we are satisfied that estimates for demolition costs included in the financial statements were reasonable.

Prisoner claims

28. SPS engage legal advisors from the Scottish Government to help assess compensation claims from prisoners and estimate the level of provisions required in the financial statements.

A net credit of £5.3 million was generated in 2011/12 which related to the release of provisions raised in previous years. Provisions were released following a reassessment of opening balances after a number of cases were rejected by the courts and the value of expected compensation payments reduced. Based on the supporting information provided by the Scottish Government Legal Services Division, we are content with the accounting treatment of prisoner claims.

Asset revaluation

29. A full revaluation of specialised properties was carried out by the Valuation Office Agency at 31 March 2012. This exercise included valuation of HMP Low Moss and the write down of the construction cost resulted in an operating charge of £3.8 million. We are satisfied that the accounting treatment of revaluations, including impairment charges, is reasonable.

Consolidation templates

30. A draft consolidation pack, including supporting notes workbook and WGA submissions, which was prepared in accordance with the revised financial statements was received on 19 June 2012. There were a number of adjustments required to the draft submission. Some of these were presentational changes however the majority of amendments were the result of unclear guidance and errors in the templates provided by the Scottish Government.
31. The entity certificate was signed by the Director of Finance on 12 July 2012. Our assurance statement concluded that the consolidation templates were consistent with the audited financial statements and the counter-party information was complete and accurate in all material respects. The completed templates, together with our statement, were also submitted to the Scottish Government on 12 July 2012 in accordance with the agreed timetable.

Outlook

32. As SPS continues with its programme of modernisation of the prison estate the provision for demolition costs should be kept under review.
33. There are no significant changes to the 2012/13 FReM that are expected to have an impact on SPS' annual financial statements.

Financial position

34. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
35. We 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
 - 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.
36. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

Annual outturn

37. Net operating costs during 2011/12 were £295.3 million and capital expenditure was £78.0 million. Cash funding of £346.8 million was received from the Scottish Consolidated Fund and cash balances increased by £0.08 million.
38. Net operating costs have increased by £4.4 million (1.5%) since 2010/11. Staff costs increased by £5.6 million (4.2%), which includes the additional staff required for HMP Low Moss. Running and other costs, including interest payable, increased by £8.2 million (5.1%). This increase is offset by the release of provisions no longer required for prisoner and staff compensation and other related costs.

Budgetary control

39. SPS reported a net underspend of £11.6m (3.0%) against the final budget of £384.8 million approved by the Scottish Parliament. In addition £7.8 million had previously been released during the year to the Scottish Government's Justice Portfolio. Resource savings were generated from savings in capital charges, efficiencies generated on the start up of Low Moss and provisions no longer required for potential compensation claims. All capital projects were progressed on schedule with a small saving of £2.5m (3.1%) being recorded at the year end.
40. The SPS capital budget was increased by £21 million during the year to provide additional resources to support the delivery of HMP Low Moss and HMP Shotts (phase 2). Other in year changes to budget included an increase of £10.2 million to cover the cost of vehicles supplied for the delivery of the new CCPE contract (see paragraph 22) and a reduction of £11.7 million for budgets transferred to the NHS following the transfer of responsibility for prisoner healthcare (see paragraphs 17-18).

41. A financial report is submitted to each meeting of the SPS Board which includes a summary of financial performance for the year to date. Overall, we concluded that budgetary control arrangements operated satisfactorily during the year.

Financial position

42. The statement of financial position shows a net asset position of £766.9 million at 31 March 2012. This reflects a reduction in total liabilities which have decreased mainly as a result of the reduction in provisions, specifically prisoner claims, which have decreased by £10.7 million as a result of settlements during the year and provisions not required being written back. This will have the impact of reducing expected future cash payments.

Public reporting

43. Commentary on the underlying financial picture is summarised in the management commentary included within the *SPS Annual report and accounts 2011/12* which is available on the SPS website at www.sps.gov.uk.
44. An additional note (note 26) was included in the accounts this year to include a summary of the financial performance of SPS. This note compares the final outturn with the revised budget, details under and overspends against the main budget headings and provides some commentary on this. This disclosure enhances transparency and public accountability.
45. There are opportunities to further develop this approach. Public reporting would be enhanced by more expansive commentary on the final outturn against budget and explanations of budget movements in year, such as the reduction in revenue funding as part of the management of the overall position of the Scottish Government. Further explanation of the technical terms used in note 26 would also make the results more informative.

Capital investment and performance 2011/12

46. The capital budget was managed effectively during the year (see paragraph 39). Capital expenditure of £78.0 million was invested during 2011/12. HMP Low Moss, which was delivered on time at a total construction cost of £121.0 million, opened on 12 March 2012. The first phase of the redevelopment of HMP Shotts became operational during April 2011. The second phase of this project, as well as the construction of HMP Grampian commenced during the year. Vehicles valued at £10.2 million were capitalised in respect of the CCPE contract (see paragraph 22).
47. HMP Noranside and HMP Friarton Perth were available for sale and valued at a market value of £1.8 million at 31 March 2012. These sites are expected to be sold during 2012/13.

Financial planning to support priority setting and cost reductions

48. Over the current spending review period, SPS has stated a commitment to investing in the creation of a prison estate that is fit for purpose and provides a humane regime, capable of contributing to maintaining public safety and reducing reoffending and addressing the

increasing female prison population. SPS, in common with every public service delivery body, will face new financial pressures over the coming years. There is also increasing expectations for the justice system to work more efficiently and effectively.

Workforce planning

49. Future revenue budgets and increasing demands on the service indicate that the SPS is in a growing or stable employment situation. Prevailing public sector pay policies mean that pay growth is likely to remain static or slow and the organisation will need to manage this. The design and roll out of a suitable succession planning framework has been identified by SPS as an area for action.
50. Largely as a result of the closure of HMP Noranside in October 2011, SPS agreed 37 voluntary early exit packages at a cost of £0.9 million, in 2011/12. This compared with 25 packages, at a cost of £1.1 million, in the previous year. SPS has no proposals for any planned early exit schemes in the short term.

Prison population

51. The prison population continued to be a strategic risk which required significant attention during 2011/12. During this period, the average daily prison population rose to 8,178, an increase from 7,853 in the previous year. The maximum number of prisoners held was 8,461 on 7 March 2012, a new record population level.
52. There are a number of risks associated with overcrowding in prisons including legal challenges, infrastructure failure and operational incidents. It also impacts on the quality of service provided to offenders in custody. There is also a financial impact associated with increasing prisoner numbers, with pressure on revenue costs arising from the need to provide the additional services. There is also pressure on capital funding to provide sufficient accommodation for the projected increase in numbers.
53. Population risks are being managed through the upgrading of the prison estate and initiatives to reduce re-offending and strengthening alternatives to custody. Specific action during 2011/12 included the opening of HMP Low Moss with capacity for an additional 700 prisoner places, HMP Glenochil increasing their availability to receive short term prisoners and the re-opening of one of the empty house blocks in HMP Shotts. SPS also has a number of systems in place to manage the overcrowding issue on an ongoing basis, including weekly monitoring of population figures by the Executive Group and bi-monthly meetings of the Population Management Group. The organisation will need to continue to actively manage the prison population within the constraints of the service.

Refer Action Plan No.1

Asset management

54. Since 2008, significant investment has taken place across the prison estate. HMP Edinburgh, HMP Glenochil, HMP Perth and HMYOI Polmont have all benefitted from modernisation in recent years.

55. The Scottish Government's Infrastructure Investment Plan 2011 and the Scottish Government's Draft Budget 2013/14 (issued in September 2012) sets out a commitment to further modernise and improve the prison estate. Current developments include:
- HMP Shotts phase 2, which is due for completion in autumn 2012
 - HMP Grampian, which is being built on the site of the existing HMP Peterhead and will replace the current prisons in Aberdeen and Peterhead, is due to open in winter 2013/14
 - implementing improvements to the management of woman offenders in Scotland in line with the accepted recommendations from the work of the Commission on Woman Offenders. This work will be supported by the provision of additional capital funding of £20 million in 2014/15
 - taking forward the construction of HMP Inverclyde which is due to open in 2016
 - SPS has identified a preferred site for the construction of HMP Highland which will replace HMP Inverness.
56. HMIPS' follow up inspection of HMP Cornton Vale, in February 2012, commented that the fabric of the prison needs to be improved and much more requires to be done to bring HMP Cornton Vale up to an acceptable standard. The report from the Commission on Women Offenders (see paragraph 113) highlighted the need for a new, fit for purpose facility to be built. The age of the estate at Barlinnie has also raised concerns with many areas including aspects of the residential halls out of date.
57. Options for the replacement of Cornton Vale are currently being considered as part of the consultation on women in custody. Longer term estate development plans also include a replacement for HMP Barlinnie. However, the resources necessary to develop the replacement prison which will be called HMP Glasgow have not yet been identified.

Refer Action Plan No.2

Outlook

2012/13 budget

58. Draft budgets for the 4 year period from 2011/12 to 2014/15 were set by the Scottish Government Spending Review 2011. SPS has been allocated a revenue budget of £325.1 million and a capital budget of £75.5million for 2012/13. This represents an increase of £7.1 million in the operating budget and an increase of £28.0 million in the capital budget compared to 2011/12. The 2012/13 capital budget is primarily allocated to continuing work at HMP Shotts and HMP Grampian. Revenue resources will be focussed on continuing with programmes to reduce the risk of prisoners reoffending on release from custody.

Financial forecasts beyond 2012/13

59. The budget set by the spending review for current expenditure continues to increase by approximately £20 million annually (in cash terms) to £342.0 million in 2013/14 and £366.2 million in 2014/15.

60. The stable nature of the future SPS revenue budget is designed to support current staffing levels and service demand. However, in a period of reducing resources across the public sector as a whole, the challenge facing the organisation is to demonstrate efficiency and best value in its use of resources.
61. The capital budgets for 2013/14 and 2014/15 are £22.5 million and £32.5 million respectively. The 2014/15 figure includes an additional £20 million that will be targeted towards the needs of the female prison population. These allocations represent a significant decrease from current levels but this level of funding is considered by SPS to be sufficient to support the completion of HMP Grampian and the start of construction works on HMP Inverclyde, and to progress the modernisation of the female estate.

Governance and accountability

62. The 3 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.
63. 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.
64. Consistent with the wider scope of public audit, we 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.
65. In this part of the report we comment on key areas of governance.

Corporate governance

Overall effectiveness

66. We found that overall, corporate governance arrangements operated effectively during 2011/12.

Processes and committees

67. The *Role of boards* was published by the Auditor General in September 2010. This report examined the system of accountability of Scottish public bodies and the performance of boards in the central government sector. During the 2011/12 audit, we undertook follow-up work to assess progress made by SPS against key recommendations in the report. The majority of our fieldwork took place prior to the new Chief Executive taking up his post in May 2012.
68. Our follow-up report concluded that there were a number of examples of good practice within SPS including:
 - board meetings are rotated throughout the country, with 2 out of every 3 meetings being held at a prison. This gives non executive directors the opportunity to engage with staff and prisoners and to learn about the operation of the prison that they are visiting

- the Board assessed its performance and effectiveness by holding an interactive workshop in November 2011.
69. We also identified a number of areas for improvement, which include:
- findings from reports of external scrutiny organisations, such as HMIPS and Audit Scotland, are not routinely considered at Board level. This limits the opportunity for constructive challenge of the response to these reports, and oversight of any action that is agreed
 - there was no formal appraisal of the non executive directors performed by the Chief Executive during 2011/12. A formal appraisal should be carried out annually.
70. The composition of the Board remained constant in 2011/12. However, there have been a number of changes since the year end. The Chief Executive retired from his role on 27 May 2012 and the Permanent Secretary appointed a new Chief Executive, Colin McConnell, who took up the position on 28 May 2012. The Director of Prisons left the SPS to take up a new role with the Scottish Government in late September 2012 and a new Director of Operations has been appointed on an interim basis. The new Chief Executive has commissioned a strategic piece of work to refresh the job roles and responsibilities at Board level which are to be in place by 1 April 2013.
71. At the beginning of the financial year the RMAC was chaired by an independent member of the Committee. The position of chair was taken over by a non executive director in June 2011.

Internal control

72. While we concentrate on significant systems and key controls in support of the opinion on the financial statements, our wider responsibilities require us to consider the financial systems and controls of audited bodies as a whole. The extent of this work is informed by our assessment of risk and the activities of internal audit.
73. Overall the systems of internal control were operating effectively during 2011/12. This enabled us to take the planned assurance on these systems for the audit of the financial statements. There were no major findings from our review of internal control systems however we identified a small number of control weaknesses where improvements could be made to existing arrangements.
74. Our assessment of internal audit, carried out by the SPS' Audit and Assurance Unit (AAU), concluded that the internal audit service operates in accordance with Government Internal Audit Standards and has sound documentation standards and reporting procedures in place. As a result of this assessment we were able to take assurance from their work in respect of a number of areas of the financial statements. We placed full reliance on internal audit and carried out a comprehensive review of their working papers in respect of the AAU review of the payroll system.
75. Based on his review of the corporate governance and control environment, management of risk and reliance placed on the work of other external assurance providers, the Head of AAU provided an overall reasonable level of assurance for financial year 2011/12.

Governance statement

76. In 2011/12 SPS included a governance statement in its annual accounts for the first time. In accordance with Scottish Government guidance, this included description and assessment of the essential components of corporate governance and details of any significant risk-related matters arising during the period. We are satisfied that SPS prepared a statement that complied with the guidance and provided comprehensive disclosure in respect of the organisation's risk assessment processes.
77. Arrangements to prepare the statement are generally satisfactory. These arrangements include the statements of assurance process which continued to develop during the year. This process involves twice yearly statements from each of the executive directors, supported by a memorandum on year end issues, covering the key systems for which they are responsible. These statements focus on the management of key risks and the identification of emerging issues which could impact on the systems of internal control. Statements are reviewed by the Head of AAU and the Executive Group and the main issues identified are summarised for consideration by the RMAC. It was agreed, at the RMAC meeting in May 2012, that the questions asked of the executive directors in the statements of assurance should be revisited.
78. The draft governance statement was considered by the RMAC at its meeting in May 2012. The Head of AAU explained the purpose of the new statement and there was a general discussion around the contents of the draft which included agreement on the inclusion of additional commentary.
79. The prison population (see paragraphs 51-53) is identified as a significant control issue in the 2011/12 governance statement. The new Chief Executive received assurances from the outgoing postholder that no other significant control weaknesses or issues had arisen during the financial year.

ICT data handling and security

80. It is evident that SPS gives high priority to information security. The Chief Executive has appointed the Director of Finance and Business Services to be the organisation's Senior Information Risk Owner (SIRO). Information security within SPS is the responsibility of the SIRO and is governed by an Information Governance Forum which meets on a monthly basis. An Information Security Unit with 3 full time staff has been formed with a network of 29 trained information security officers established throughout the organisation. Information security policies are in place and staff have been made aware of these policies through leaflets and presentations.
81. One security incident, which related to the loss of a staff file containing personal data, was formally reported to the Information Commissioner during 2011/12.

Prevention and detection of fraud and irregularities

82. SPS is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We review and report on these arrangements.

83. The SPS Fraud Response Plan sets out the responsibilities, actions and arrangements for dealing with all circumstances relating to actual or suspected fraud. The Fraud Response Plan supports the SPS Fraud Prevention Policy.
84. In accordance with the Fraud Response Plan, SPS has established a Fraud Response Group (FRG), which meets on a quarterly basis. The purpose of the FRG is to have an awareness of matters relating to alleged fraudulent activity at an early stage, review lessons learned and promote awareness of fraudulent activity and to influence policy development.
85. The first annual report on the work of the FRG was presented to the RMAC in May 2012. This report summarised the investigations which had taken place during the year including allegations of SPS involvement in an alleged fraud in India. Allegations proved groundless and no loss was suffered by the organisation.
86. The SPS maintain a confidential whistle blowing hotline to which staff and members of the public can report areas of concern.
87. Overall the arrangements in place to help prevent and detect fraud and irregularities are satisfactory. However, our *Review of internal controls* report noted that the Agency's fraud and whistleblowing policies had not been updated for a significant period of time. We were informed that significant work has been undertaken to update the Fraud Prevention Policy and Fraud Response Plan during the year. The whistleblowing policy will be revisited alongside the code of conduct in 2012/13 and we will review progress with these updates as part of our audit.

National Fraud Initiative (NFI) in Scotland

88. SPS participates in the NFI in Scotland. This is a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies to identify circumstances that might suggest the existence of fraud or error (matches). Where matches are identified public bodies are expected to investigate these and if fraud and error has taken place, to stop payments and attempt to recover the amounts involved. The exercise also provides assurance on the effectiveness of arrangements and helps deter fraud.
89. Results of the 2010/11 national exercise were published by Audit Scotland in May 2012 in a report on the NFI. This highlighted that fraud, overpayments and recoveries totalling £19.8 million had been identified across Scotland in the most recent exercise and outcomes of £78 million had been achieved since NFI was first introduced. The report also contained a self-appraisal checklist that all participants are recommended to use prior to the start of the next exercise in October 2012.
90. 2010/11 was the first year in which SPS took part in the NFI. There were no cases of fraud or error identified as a result of the organisation's review of matches. The matches identified related to staff with a second employment which had not been approved by SPS. Follow up of these cases has confirmed that there is no indication of any fraudulent activity and we were informed that staff will be reminded of the approval procedure.

91. The outgoing external auditors considered the NFI arrangements in place at SPS completing a questionnaire developed for this purpose by Audit Scotland in February 2012. In the majority of areas arrangements were considered as satisfactory with little or no scope for improvement. The requirement for improvement was identified in relation to one issue: recording follow-up of individual matches on the NFI. We understand that this issue is yet to be addressed.

Standards of conduct and arrangements for the prevention/ detection of bribery and corruption

92. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We consider whether bodies have adequate arrangements in place.
93. The SPS employee code of conduct has been collectively agreed by management and the trade union side (TUS). The primary purpose of the code is to ensure that the high standards of conduct demanded of employees of the SPS Service are achieved and maintained. The SPS sets certain standards of conduct for its employees which in some instances are significantly higher than those expected in other employment relationships. Management and the TUS are currently working together to update the code of conduct.
94. A Conduct Investigation Unit (CIU) was launched in June 2010 and has a complement of 4 staff. The CIU is an independent unit set up within the SPS which is responsible for investigating allegations of gross misconduct involving employees. The unit also aims to re-enforce conduct and behaviour standards. Gross misconduct may include fraud, physical violence, serious negligence and alleged criminal activity.
95. The Head of the CIU was invited to attend the RMAC meeting in May 2012 to present her annual report for 2011/12. It was noted that the main reasons for investigations were a failure to follow procedures and inappropriate/ unacceptable behaviour.
96. The arrangements in this area of governance are well developed which reflects the importance that SPS place on good standards of conduct in the prison environment.

Outlook

97. The new Chief Executive has tasked the Director of Partnerships and Commissioning with leading a strategic review of the SPS which will lead to a refreshed vision and a reshaped organisation to deliver a prison service that supports the delivery of Scottish Government purpose and outcomes and the delivery of Scotland's justice strategy. To support this review a staff engagement event was held for staff at SPS headquarters in July 2012. This was the first of a series of events to give colleagues across the SPS an opportunity to discuss the approach to reshaping the organisation. Arrangements to meet with other key stakeholders have also been made.

- 98. One of the key issues for the review will be ensuring that SPS is properly connected with the Scottish Government and that the relationship between policy and operational delivery are clarified and aligned.
- 99. Refreshed job roles and responsibilities at Board level are due to be delivered by 1 April 2013. The Board will then support a wider programme of agreed change across the service in the longer term.

Refer Action Plan No.3

Best Value, use of resources and performance

- 100.** Audited bodies have responsibility to ensure that arrangements have been made to secure best value. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where such requirements are not specified we may, in conjunction with audited bodies, agree to undertake local work in this area.
- 101.** As part of their statutory responsibilities, the Auditor General may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. We 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.
- 102.** During the course of our audit appointment we also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years. We may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
- 103.** This section includes a commentary on the best value and performance management arrangements within SPS. We also summarise headline performance measures used by SPS, highlight any relevant national reports and comment on the body's response to these.

Management arrangements

Best Value

- 104.** Scottish Government guidance for accountable officers on best value in public services requires a systematic approach to self-evaluation and continuous improvement. The guidance identifies the themes an organisation needs to focus on in order to deliver the duty of best value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.
- 105.** The SPS reported its assessment of compliance with best value requirements in the governance statement. The overall assessment was that it has well developed arrangements for 6 of the 7 themes. The remaining theme, effective partnership arrangements, was assessed as currently under development. SPS needs to work closely in partnership with colleagues across the justice system, local authorities and the third sector and it is important that effective approaches are in place.

106. The SPS Delivery Plans for 2011/12 and 2012/13 include a commitment to work with the Scottish Government Learning and Justice Directorate, Community Justice Authorities (CJAs), NHS, local authorities, Association of Chief Police Officers in Scotland, the Association of Directors of Social Work (ADSW), and other partners in the public, private and voluntary sectors to improve the quality and delivery of offender services.
107. SPS has stated its commitment to working with partners to support the Scottish Government's justice outcomes change programmes. These initiatives include:
- Making Justice Work - a high profile, multi agency programme of reform which includes a range of projects to improve the efficiency and effectiveness of the justice system
 - Reducing Reoffending Programme - SPS is working with the ADSW, Scottish Courts Service and community based criminal justice social work on specific initiatives to improve the management of short term prisoners.
108. Other examples of partnership working include:
- the SPS is working with the 8 CJAs to support community justice outcomes for offenders and further develop the community facing approach with greater alignment of prison and locally based support services
 - the national contract for the provision of CCPE services is managed by SPS on behalf of multi agency justice partners
 - the SPS Learning, Skills and Employability contract was implemented in August 2011. Prisoner learning services are being delivered on an area basis by Carnegie (east) and Motherwell (west) further education colleges.
109. SPS recognise that further development of its partnership working is required. Support from partners and stakeholders will be essential to maximise the potential benefits that can be achieved through the implementation of proposals for maintaining the prison population at manageable levels, reducing reoffending and dealing with women offenders and a number of improvements in relation to these joint arrangements are underway.

Refer Action Plan No.4

Reducing re-offending

110. Reoffending is a continuing problem in Scotland and the number of persistent offenders is increasing. In 2008, the Scottish Government established the *Reducing Reoffending Programme* and phase 1, which concluded with the implementation of Community Payback Orders, was completed in 2011. Phase 2, which has an emphasis on making sure the right services are available to help offenders address their reoffending, was launched in April 2012 and the SPS is a key partner in delivering the improvements required.
111. A key aim of SPS is to deliver offender management services, programmes and activities which address the causes of offending and reoffending and work to improve the outcomes for offenders. A number of initiatives have been implemented to meet this aim, including:

- SPS, the ADSW and the Scottish Government worked together, during 2011/12, to introduce a new risk assessment tool, the Level of Service/ Case Management Inventory (LS/ CMI). This tool is intended to support the assessment of an offender's needs across both custody and community settings and was fully launched within SPS in April 2012
- pilot initiatives have recently been introduced in a number of prisons to improve the case management and voluntary throughcare for prisoners serving less than 4 years
- continuing work on the development of a template for the implementation of a community facing prison regime that gives communities opportunities to engage with offenders before their release.

112. Reducing reoffending in Scotland is the subject of a national performance audit report due to be published in November 2012 (see paragraph 134).

Women in custody

113. The Commission on Women Offenders set up to find a more effective way of dealing with women in the criminal justice system published its report on 17 April 2012. The report contains 37 recommendations covering the treatment of women offenders. The Scottish Government published its initial response to the report on 25 June 2012 accepting 33 of the recommendations at this time and giving a commitment to consider the remaining 4 in more detail. The Cabinet Secretary for Justice will report to the Scottish Parliament in autumn 2012 on progress in implementing the report's recommendations and then annually thereafter.
114. The Commission made 6 recommendations, all of which were accepted by the Scottish Government, that relate to women offenders in a custodial setting and therefore have a direct impact on SPS. Work is currently in progress in relation to the recommendations about video conferencing facilities, the appointment of an SPS Board champion with a specific remit for women offenders and gender specific training for staff who work with women prisoners.
115. A consultation document was published in August 2012 to support the consideration of the remaining 3 recommendations which relate to the way in which women are accommodated and managed whilst in custody. This exercise includes proposals for an approach that it is intended to improve the regime for women offenders as early as possible and stakeholders were invited to events at a number of locations throughout August 2012. We understand that proposals for the development of a new national facility to replace HMP Cornton Vale are due to be finalised later in the year.
116. To carry forward the improvements required, a project team has been set up by SPS which is led by the Governor of HMP Cornton Vale. The work of the team will be carried out under the direction of a national steering group which will be chaired by the Chief Executive and include representation from the Scottish Government and other partners.
117. We understand that the SPS Framework for the Management of Women Offenders in Custody, which provides the custodial component of the Scottish Government's overall strategy on women offenders, will be revised to reflect the implementation of the recommendations in the April 2012 report.

Performance management

118. The key elements of an effective performance management framework are in place within the SPS. The *SPS Corporate plan 2012 - 2015* sets out the aims and high level priorities for the SPS over the current spending review period and supports the Scottish Government's *Strategy for justice in Scotland*. The planned activities for delivering priorities in the current and subsequent year are detailed in the SPS Delivery Plans for 2011/12 and 2012/13.
119. SPS agrees a service framework with each public sector prison and manages private sector providers of prisons and prisoner escorting services under contract arrangements.
120. Key performance indicators (KPIs) are agreed by the Cabinet Secretary for Justice and set out in the annual delivery plan. There are no targets set but trend analysis and continuous improvement drives the agenda. These measures cover the elements of custody, order, care, opportunity and value for money. Progress and performance information is provided bi-annually to the SPS Board and the quality of service is measured through the achievement of KPIs, service indicator measures and the monitoring of private contracts. Annual performance is reported in the *SPS Annual report and accounts*.

Overview of reported performance in 2011/12

121. 15 KPIs across 9 performance areas are set out in the *SPS Delivery plan 2011/12*. Overall, KPIs show an improvement on performance reported in the previous year. The indicators confirm that SPS has maintained its performance in relation to secure custody. There has been an 8% increase in purposeful activity hours since the previous year and a reduction in serious assaults.
122. The average annual cost per prisoner place has increased from £29,581 in 2010/11 to £32,371 in 2011/12. This reflects the increased expenditure on staffing, repairs and maintenance, heat, light and telephone and prisoner related costs.

Her Majesty's Inspectorate of Prisons for Scotland (HMIPS)

123. Her Majesty's Chief Inspector of Prisons for Scotland is required to inspect all of the prison establishments throughout Scotland in order to report on conditions and the treatment of prisoners. During 2011/12, HMIPS published 3 full inspection reports and 2 follow up inspection reports on establishments as well as 2 non-establishment reports.
124. While senior staff are involved in considering and responding to inspection reports, the findings from HMIPS reports, including areas of good practice and recommendations for improvement, are not routinely considered at Board level. In addition, the implementation of any agreed actions points is not formally monitored by the Board.

Refer Action Plan No.5

125. HMCIPS' third annual report, reporting on inspection year 2011/12, was published in September 2012 and focussed on female offenders and Cornton Vale. His report also includes comments on:

- overcrowding in prisons, highlighting the issues associated with increasing numbers of prisoners on remand
- inspections and follow ups completed during the year
- improvements to the prison estate
- access to purposeful activity ie any activity which, during the working day, encourages the process of improvement.

126. The report identifies a number of areas for further improvement but concludes that considerable progress has been made during the year.

National performance reports

127. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are detailed in Exhibit 1.

Exhibit 1: A selection of national performance reports 2011/12

- | | |
|--|--|
| • Managing ICT Contracts: an audit of three public sector programmes | • Reducing greenhouse gas emissions |
| • Commissioning social care | • Overview of Scotland's justice system |
| • The National Fraud Initiative in Scotland | • Scotland's Public Finances - addressing the challenges |

Source: www.audit-scotland.gov.uk

Overview of Scotland's justice system

128. *An overview of Scotland's justice system* was published in September 2011. This report focussed on the adult criminal justice system and the processes involved from when police identify someone they consider has committed some criminal activity until that person leaves the criminal justice system.

129. This report delivered 4 key messages, as follows:

- there have been significant changes to the criminal justice system since devolution, which have delivered major reform but have also contributed to its complexity. It is difficult to manage criminal justice processes as a whole system because of the number of bodies involved and their different accountabilities. However, joint working has improved in recent years
- the operation of Scotland's criminal justice system cost an estimated £857 million in 2009/10. The revenue budget for the 6 main criminal justice bodies (excluding police) reduced by 7 per cent in real terms in 2011/12; and the capital budget by 64 per cent. The scale of the budget reductions, combined with increasing cost pressures in some

areas and limited control over demand mean there are risks to the long-term sustainability of services

- there are significant inefficiencies in the criminal justice system. The length of time taken to process summary cases through the courts has improved but many cases still repeat stages in the court process. Inefficiencies in processing cases cost the criminal justice system at least £10 million in 2009/10. Repeated delays in processing cases can also have a negative effect on people's confidence in the system
- reoffending is a continuing problem in Scotland. There has been little progress towards the Scottish Government's national indicator to reduce reconviction rates, which have fallen by less than 1 per cent in the last 3 years. The report estimates that in 2009/10, around £81 million was spent by criminal justice bodies (excluding the police) directly on services to reduce reoffending. This is less than 10 per cent of total criminal justice expenditure. The availability of services to support offenders varies across the country and information on the effectiveness of services is limited and inconsistent.

130. The report was intended to provide an overview of the criminal justice system in Scotland. Individual parts of the system were not looked at in sufficient detail to enable specific evidence based recommendations to be made. However, a number of areas were identified where there is a potential to improve the efficiency and effectiveness of the system.
131. Following publication of the report, the Scottish Parliament's Public Audit Committee took evidence on the findings and published its own report in February 2012. In that report, the Committee asked Audit Scotland to look at a number of issues related to reducing reoffending (see paragraph 134). The SPS have been very supportive in providing information for this study. An SPS representative sat on the project advisory group and in depth fieldwork and focus groups took place in 4 prisons.

Arrangements to consider national performance reports

132. The findings of relevant Audit Scotland national performance reports are not routinely considered by the SPS Board or RMAC. The implementation of a formal process for monitoring relevant reports would encourage the ownership of recommendations by the executive directors and the challenging and monitoring of progress in implementing action points by the non executive directors.

Refer Action Plan No.5

Outlook

133. Ensuring that SPS performs well and meets its key business objectives within a changing environment and increasing expectations will be a challenge going forward. The Board needs to ensure that its management and governance structures are operating successfully to monitor and scrutinise performance effectively.

134. Audit Scotland is due to publish its report on *Reducing reoffending in Scotland* in November 2012. The overall aim of this audit was to assess the efficiency and effectiveness of approaches taken to reduce reoffending and the report will consider 4 specific areas:

- reoffending in Scotland
- expenditure on reducing reoffending
- services to reduce reoffending
- effectiveness of current arrangements.

135. The SPS should ensure that the key messages from the report are considered in detail and the implementation of recommendations with a direct impact on the service is effectively monitored. We will review SPS' response to the report as part of our 2012/13 audit.

Refer Action Plan No.5

136. In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into public bodies' core work so that it is not a marginal activity but part and parcel of how public bodies operate. Following on from this the Scottish Government consulted on a set of 'Specific Duties' which came into force in May 2012. There are 9 specific duties listed which aim to support public bodies to better perform against the 'General Duty,' including the duty to assess the impact of equalities in all policies and decisions as well as the requirement to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013.

137. In order to support the organisation's commitment to diversity and inclusion and embrace changes from the new Act, SPS has developed an equality outcome focused Equality and Diversity Strategic Action Plan with related policies, procedures and practices.

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 RMAC
Annual audit plan	6 February 2012	5 March 2012
Review of internal controls report	15 May 2012	22 May 2012
Report on financial statements to those charged with governance (ISA 260)	8 June 2012	13 June 2012
Audit opinion on the 2011/12 financial statements	8 June 2012	13 June 2012
Assurance statement on 2011/12 consolidation templates	12 July 2012	NA
The role of boards follow up audit	November 2012	27 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	51-53	<p>Prison population</p> <p>Prison population predictions indicate continuing increases in prisoner numbers.</p> <p><i>Risk - There is a risk that revenue costs will escalate to meet the increase in demand and there may be a need for additional capital funding. There are a number of specific risks associated with overcrowding in prisons including legal challenges, infrastructure failure and operational incidents. There is a further risk that the prison population exceeds the level that SPS can safely accommodate.</i></p>	<p>The Scottish Government's policy position is that no further prison capacity will be provided.</p> <p>The SPS Chief Executive continues to liaise with the Cabinet Secretary for Justice on a regular basis regarding prisoner numbers, bringing any matters of concern to his immediate attention.</p> <p>The SPS is fully committed to the delivery of the newly published Strategy for Justice in Scotland (2012) and the work of the Justice Change Programme. SPS is working within the justice family and with wider partners to achieve the goal of reducing re-offending in Scotland.</p> <p>Ultimately it would be for the CEO to determine and advise the Cabinet Secretary when the risk in terms of increased population</p>	<p>Bridget Campbell, Director Justice, Scottish Government and Colin McConnell, SPS Chief Executive</p>	On-going

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
			becomes intolerable in terms of partial or complete system failure.		
2	54-57	<p>Prison estate</p> <p>A major programme is underway to improve the prison estate. Funding has been committed for a number of projects. However, capital funds have not yet been identified to fully meet the long term improvement plan.</p> <p><i>Risk - There is a risk that the SPS will not be able to deliver the long term programme of improvements with the funding available.</i></p>	<p>SPS Capital funding is provided via the Scottish Government Spending Review and Budget process.</p> <p>The SPS Draft Budget 2013-14 and Plan 2014-15 has been published by the Scottish Government.</p> <p>The Scottish Government's Infrastructure Investment Plan 2011, which includes the SPS prison estate projects, was published in December 2011. An updated version is due to be published in January 2013.</p> <p>Capital budgets for these infrastructure projects (2015-16 onwards) will be determined by Scottish Government at the next, and subsequent, spending reviews</p>	Colin McConnell, SPS Chief Executive	Next Spending Review (date to be confirmed)
3	97-99	<p>Strategic review</p> <p>The new Chief Executive has tasked the Director of Partnerships and Commissioning with leading</p>	<p>In July 2012 the SPS Chief Executive announced:</p> <p><i>"a high level Review and realignment of</i></p>	Colin McConnell, SPS Chief Executive	Completed

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>a strategic review of the SPS which is intended to reshape the organisation. A wide programme of change will be rolled out across the service in the longer term.</p> <p>Risk - The SPS will need to ensure that effective management arrangements are in place to oversee the strategic review process and to manage the impact on the delivery and quality of services provided.</p>	<p><i>SPS Vision, Values and Core Business which will deliver improved policy integration with the Learning and Justice Family, enhanced communication and cooperation with key stakeholders and refreshed roles and responsibilities at SPS Board level.</i></p> <p>The timescale for the Review is between August 2012 and May 2013 with staged implementation of agreed recommendations being taken forward as part of the SPS Change Programme. During the change process, arrangements will be such as to maintain and manage on-going procedures – the business as usual as well as managing the transition to new arrangements.</p> <p>Governance for this project will be provided by the appointed Project Steering Group, chaired by the SPS Chief Executive.</p>		

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	105-109	<p>Partnership working</p> <p>Improved throughcare and alignment of services is required to deliver improved outcomes and reduce offending in order to maintain the prison population at manageable levels. SPS is working with justice partners in a number of areas however the agency has recognised, as part of the organisation's best value assessment, that effective partnership arrangements are currently under development and a number of improvements are in progress.</p> <p><i>Risk - The lack of fully developed relationships with stakeholders and other justice partners could impact on the achievement of SPS and Scottish Government objectives.</i></p>	This risk will be addressed by the SPS Strategic Review and Organisational Review Project – as described above under action 3.	Colin McConnell, SPS, Chief Executive	On-going
5	123-124, 132, 134-135	<p>HMIPS and Audit Scotland national performance reports</p> <p>Findings from HMIPS and relevant Audit Scotland national performance reports are not routinely considered by the SPS Board. The <i>Reducing reoffending in Scotland</i> report, due to be published in November 2012, is likely to require detailed</p>	<p>SPS actively reviews all reports and recommendations made by HMCIP with agreed actions set out in a published plan. Where appropriate, the SPS Chief Executive arranges for the SPS Board to be advised.</p> <p>SPS actively reviews relevant Audit Scotland</p>	Colin McConnell, SPS Chief Executive	On-going

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>consideration by both executive and non executive directors.</p> <p><i>Risk - There is a risk that the non executive directors are not provided with the opportunity to challenge and monitor the response to recommendations raised in HMIPS and national performance reports.</i></p>	<p>national performance reports and any associated response and guidance issued by the Scottish Government. Lessons learned are incorporated as appropriate. Significant governance matters and operational matters are brought to the attention of, and considered by the relevant governance body eg Board, Audit Committee, Information Systems Strategy Group, Carbon Management Programme Board, Fraud Response Group etc.</p> <p>For national performance reports relating to wider matters such as Justice system, these are considered by the relevant Scottish Government governance body and appropriate actions agreed with SPS.</p>		