

# Tayside Joint Police Board

## Board

### Annual report on the 2011/12 audit



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

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

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

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

The board incurred a deficit on the provision of services of £33.781 million in 2011/12, although broadly broke even in cash terms. The balance of useable reserves at 31 March 2012 was £5.065 million, a decrease of £30,000 from 2010/11.

The board has appropriate corporate governance arrangements in place, and our review of internal financial controls raised no significant issues.

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 performance reports to committee.

## Outlook

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.

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 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 during the preparation and audit of the 2012/13 Tayside Joint Police Board financial statements.

# Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Tayside Joint Police Board (the board). The nature and scope of the audit were outlined in the Audit Plan presented to the Corporate Governance Sub-Committee on 5 March 2012, 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 summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the 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 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 members and the Controller of Audit and should form a key part of discussions with audit committees or their equivalent, either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting. This report will be published on our website after consideration by the board.
5. 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. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their 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

6. 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.
7. 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.
8. We review and report on, as appropriate, other information published with the financial statements, including the Treasurer's Report, 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 on the financial statements.

## Audit opinion

9. We have given an unqualified opinion that the financial statements of Tayside Joint Police Board for 2011/12 give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of the board and its income and expenditure for the year.

## Going concern

10. The board's balance sheet has an excess of liabilities over assets of £599 million (2010/11: £571 million) due to the accrual of pension liabilities in accordance with accounting standards. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on financial statements. One of the indications that may give rise to going concern considerations is an excess of liabilities over assets.
11. The board has considered it appropriate to adopt a going concern basis for the preparation of the financial statements as the on-going pension liabilities will be met from Scottish Government funding and contributions from constituent authorities of the board. We are satisfied that the process the board has undertaken to consider going concern is reasonable.

## Legality

12. Each year we request written confirmation from the Treasurer that the board's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in the audit programmes and checklists. The Treasurer has confirmed that, to the best of his knowledge and belief and having made appropriate enquiries of the Chief Constable and the Senior Management Team of Tayside Joint Police Board, the financial transactions of the board were in accordance with the relevant legislation and regulations

governing its activities. There are no additional legality issues arising from our audit which require to be brought to members' attention.

### Annual governance statement and remuneration report

13. We were satisfied with disclosures made in the annual governance statement and the adequacy of the process put in place by the board to obtain assurances on the systems of internal control.
14. 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.
15. The disclosures within the 2011/12 financial statements include all eligible remuneration for the relevant force officers and elected members.

### Accounting issues

16. The board is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code) which constitutes proper accounting practice for the purposes of section 12 of the Local Government Scotland Act 2003 and we confirmed that the financial statements have been properly prepared in accordance with the 2011/12 Code. We also confirmed that relevant parts of the remuneration report had been properly prepared and that information given in the Treasurer's Report was consistent with the financial statements.
17. In this section of the report we bring to your attention issues relating to the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties. All issues discussed with management were satisfactorily resolved. In our view, there is only one issue that we consider it appropriate to formally record as below.
18. **Cancellation of Platform national IT project:** The board's balance sheet at 31 March 2012 includes shared assets relating to the national IT project Common Performance Management Platform. It was announced after the year end that this national ACPOS led project has been cancelled. The board 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.

### Accounts submission

19. The unaudited accounts were submitted to the Controller of Audit prior to the 30 June deadline. Final accounts preparations and working papers were of a good standard and this enabled the audit to progress smoothly. Respective annual leave and competing work commitments resulted in a couple of technical accounting issues not being resolved until the final week up to the statutory deadline (30 September), but audited accounts were finalised within the deadline and are now available for presentation to the board and for publication.

## Whole of Government Accounts

20. 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. A revised pack reflecting the audited accounts figures was received after the audit deadline of 5 October, so the audited return was completed after the audit deadline.

## Outlook

21. 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.
22. **Police Reform:** The eight police services across Scotland will be merged into one Single Police Authority with effect from April 2013. The unaudited accounts did not make any reference to Police Reform in the context of going concern and post balance sheet disclosure requirements. It was also recommended, for openness and transparency, that the board mentions the transitional governance arrangements that have been put in place to ensure police services are delivered within expected standards and the smooth handover to the new single body. Relevant disclosure has been added in the audited accounts regarding Police Reform.

# Financial position

23. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
24. 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
  - 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.
25. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

26. In 2011/12, Tayside Joint Police Board spent £95.482 million on the provision of police services, with £93.200 million on revenue services and the remainder on its capital programme. In delivering these services the Board generated an accounting deficit of £28.075 million.

## Budgetary control

27. The Board's net operating expenditure in 2011/12 was £71.104 million compared to the net budgeted expenditure of £73.174 million giving a net underspend of £2.070 million. The underspend is identified as £2.128 million in the Explanatory Foreword by the Treasurer: this is due to the timing differences between the outturn reports to members and the production of the final accounts. The Treasurer then goes on to explain the main reasons for the budget underspend as follows:
  - Continued efforts to manage costs in 2011/2012 by containing operational needs and achieve savings in the overtime budget;
  - Saving made due to lower than anticipated ill health retirals as well as savings in support service costs and lower than anticipated capital financing costs;
  - Additional income generated and grants received.
28. The net underspend of £2.070 million is different from the Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement of £33.781 million by £31.710 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, and focus on the impact on usable reserves. For example, in the monitoring reports capital investment is accounted for as it is financed, rather than the treatment in the accounts which records

expenditure when the assets are depreciated or lose value. Also, retirement benefits are based on cash flows in the monitoring reports rather than the current service costs of benefits accrued in the year, which is the treatment in the accounts. Note 16 to the accounts reconciles the figures in the budget performance report to the figures in the Comprehensive Income and Expenditure Statement and we draw this to the attention of members of the board as an important feature of the accounts which allows them to be tied back to the monitoring reports they will have had sight of during the year.

## Financial position

29. At the end of the reporting period, the board had a general fund balance of £4.402 million of which £0.372 million has been earmarked against future commitments. Future commitments include a contribution to the approved 2012/13 revenue budget and estimated VR/ER scheme costs. We consider that the level of unallocated general fund balance held by the board is adequate and that year end balances are within the limits set by the Scottish Government for police board.

**Exhibit 2 contains a summary of significant reserves and balances. The most significant movement is in the unusable reserve balance. This is almost entirely due to the movements in the pensions reserve resulting from actuarial costs.**

### Exhibit 1: Reserves

Description	31 March 2011	31 March 2012
	£ million	£ million
General Fund	4.265	4.402
Capital Receipts Reserve	0.830	0.663
Capital Grants Unapplied Reserve	0	0
<b>Total Usable Reserves</b>	<b>5.095</b>	<b>5.065</b>
Unusable Reserves	(576.371)	(604.416)
<b>Total Board Reserves</b>	<b>(571.276)</b>	<b>(599.351)</b>

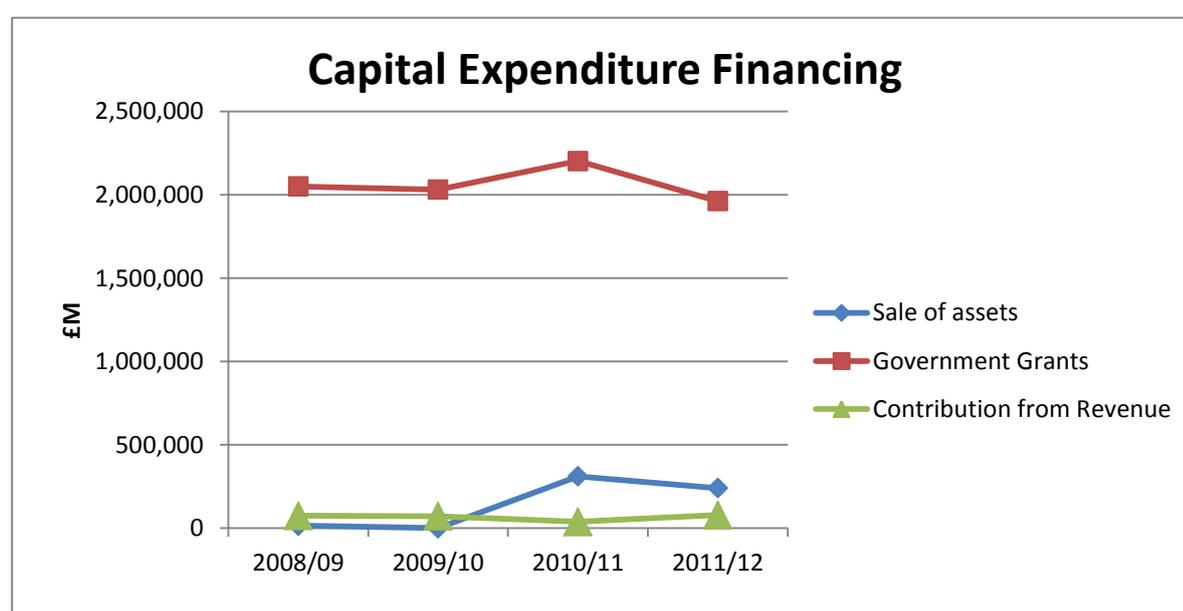
Source: Tayside Joint Police Boards 2011/12 financial statements

## Capital investment and performance 2011/12

30. Gross capital expenditure for 2011/12 was £2.282 million, down from 2010/11 by £0.271 million in line with the trend on reduced capital spending in the public sector. Most of the

capital expenditure related to operational vehicles and equipment (£1.425 million) and a smaller part, £0.857 million, to property.

31. Capital Expenditure of £2.282 million represents a slight overspend of £0.011 million on the capital plan. This relates mainly to additional expenditure on 4x4 vehicles (£0.088) to prepare for severe winter weather, offset by slippage in the replacement of IT and computer systems (£0.098).
32. Capital expenditure was financed mainly through capital grants of £1.962 million and a smaller amount of capital receipts and contributions from revenue totalling £0.320 million.
33. The trend in sources of funding for capital financing is reflected below.



## Outlook

### Reserves

34. The useable reserves balance at 31 March 2012 was £5.065 million. The Scottish Government and the Convention of Scottish Local Authorities (COSLA) have agreed that uncommitted reserves at 31 March 2013 will be split 51% to the Scottish Government and 49% to the constituent councils.

### 2012/13 budget

35. The board approved its 2012/13 revenue budget in January 2012. A funding gap of £0.700 million was identified due to the shortfall in savings due to a lower than anticipated take-up by staff of voluntary severance.
36. The most recent budgetary report has identified anticipated savings of £702k in order to meet the shortfall. The savings identified include; improved vacancy management, savings on staff

expenses for conferences and travel, a reduction in the provision for ill health retiral costs and increased grant income. Some areas of these savings are risky; however, the board historically shows a good understanding of their financial challenges and are in a good position to manage the risk.

# Governance and accountability

37. 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.
38. 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.
39. 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
40. In this part of the report we comment on key areas of governance.

## Corporate governance

### Processes and committees

41. 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 budget monitoring reports at each meeting of the Finance Sub-Committee. The responsibilities of the Chief Constable, Treasurer and Tayside Joint Police Board in relation to budget monitoring and review are set out in Financial Regulations.
42. The board has a Corporate Governance Sub-Committee. The remit of this 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. The Corporate Governance Sub-Committee is generally well attended by members who challenge reports and by officers who respond to queries.
43. At the end of financial year 2012/13 the responsibilities of the board will transfer to the Scottish Police Authority and Police Service of Scotland. Periods of significant organisational change are associated with increased risk of fraud and error and it is essential that strong governance and a good control environment are maintained during the transitional period.

## Internal control

44. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
45. The key controls within financial systems should operate effectively to accurately record transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. As part of our audit we reviewed the high level controls in operation and concluded that overall the system of internal control was operating effectively.
46. A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit. Our review established that the work of internal audit is of a good quality allowing us to place reliance on a number of areas including main financial systems, budgetary control, debtors and creditors. This not only avoided duplication of effort but also enabled us to focus on other key risk areas.

## Prevention and detection of fraud and irregularities

47. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements. 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.

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

48. 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. Auditors consider whether bodies have adequate arrangements in place. 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

49. 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.
50. 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.
51. 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.
52. 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.

**Refer Action Plan No.1**

# Best Value, use of resources and performance

53. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
54. 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 specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
55. As part of their statutory responsibilities, the Auditor General and 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.
56. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments
57. 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.
58. This section includes a commentary on the Best Value/ performance management arrangements within the board and where relevant includes the auditor's view on the appropriateness of arrangements for performance management and achieving continuous improvement. We also note any headline performance outcomes/ measures used by the board and any comment on any relevant national reports and the body's response to these.

## Management arrangements

### Performance management

59. The board's Performance and Planning team consists of a manager, Planning and Risk Co-ordinator, a Performance Analyst and a Consultation Analyst, each supported by an Assistant Analyst. A monthly scorecard process which has been adopted to support the quarterly

returns to the Scottish Government provides regular scrutiny. The annual performance report 2011/12 was published on the board's website in June 2012.

## Community/user engagement

60. User satisfaction and public perception surveys are conducted by the Performance and Planning team. 600 constituents are surveyed each month by Tayside Police and statistical analysis is carried out on the results in order to obtain the best possible information from it.

## Overview of performance in 2011/12

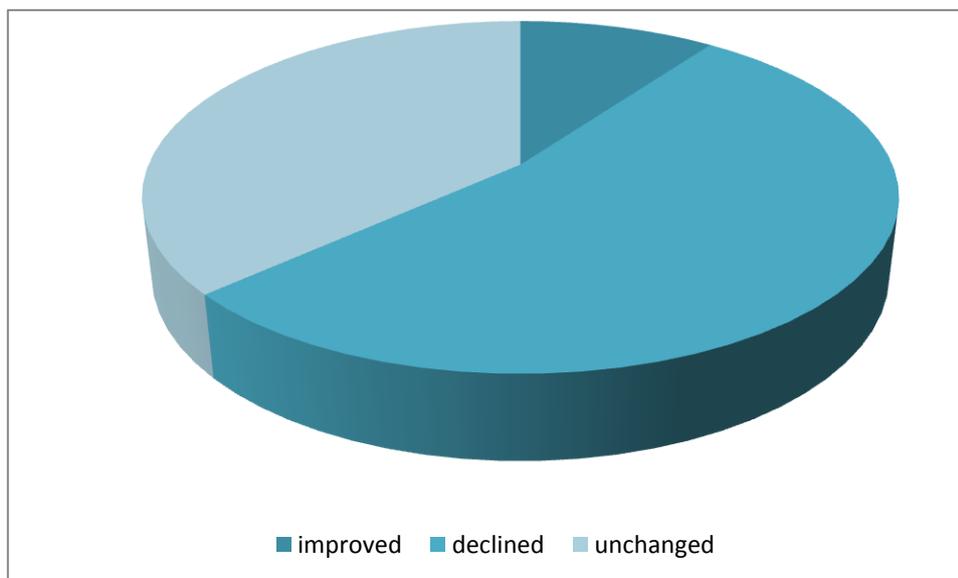
### Tayside Joint Police Board performance measurement outcomes

61. The Annual Report highlights the board's performance for 16 key performance indicators, grouped in 3 sections: response rate, crime and resources. Of these 16 key indicators, 3 have not been achieved, while all others show a satisfactory result against the 2011/12 target.
62. Some of the measures of performance reported against in 2011/12 include:
  - Satisfaction rating for first contacts is exceeding targets, however, updating service users on the progress of their enquiry remains behind target and the overall satisfaction rating also lags behind;
  - Crime detection rates are meeting their targets for violent crime, robbery and domestic housebreaking. Vandalism detection rate targets are proving more difficult to attain.
  - Sickness absence levels of both police officers and staff were achieved.

### Statutory performance indicators

63. Statutory performance indicators are reported under the Scottish Police Performance Framework in five categories: service response, public reassurance & community safety, criminal justice & tackling crime, sound governance & efficiency, and context measures. In 2011/12, a total of 31 SPIs were required. Exhibit 2 below illustrates this.

**Exhibit 2: Improvements demonstrated by SPIs (Total 31 indicators)**



Source: Tayside Joint Police Board SPI data returns

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- 64. The improved indicators include amongst others, levels of quality of service complaints, sickness absence levels and response times to emergency incidents. The declines were observed in, amongst others, detection levels for youth crime, emergency calls abandoned, and the number of restorative justice warning issued. The reason for the large decline in answering emergency calls has been put down to a decrease in dispatch staffing levels following the voluntary redundancy / early retirement scheme.
- 65. One indicator, covering the suitability of operational buildings, was classified as unreliable as a number of properties had not been included.

## Outlook

- 66. 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 nine 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. We will consider progress made by the board in implementing these requirements as part our 2012/13 audit.

# 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 Corporate Governance Sub-Committee
Annual Audit Plan	24 February 2012	5 March 2012
Report on financial statements to those charged with governance	25 September 2012	12 November 2012
Audit opinion on the 2011/12 financial statements	25 September 2012	12 November 2012
Audit opinion on the 2011/12 Whole of Government accounts consolidation pack	1 November 2012	N/A
Report to Members on the 2011/12 audit	31 October 2012	12 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	54	<p><b>Transitional arrangements</b></p> <p>From April 2013 the responsibilities of the board and Tayside Police will transfer to the Scottish Police Authority and the Police Service of Scotland. Periods of significant organisational change are associated with increased risk of fraud and error and it is essential that strong governance and a good control environment are maintained during the transitional period.</p> <p>For example, the board will need to make arrangements to ensure that sufficient staff resources are available during the preparation and audit of the 2012/13 financial statements, which will be after the April 2013 merger.</p>	The Chief Constable and Treasurer will continue to bring update reports on reform and its implications to inform Board members and seek approval where relevant to specific intended actions.	Chief Constable and Treasurer for their areas of responsibility	31 March 2013