

# Grampian Joint Police Board

## Annual report on the 2012/13 audit



Prepared for Members of Aberdeen City Council and the Controller of Audit  
September 2013

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

## 2012/13

1. We have given an unqualified opinion that the financial statements of Grampian Joint Police Board for 2012/13 give a true and fair view of the state of the Board's affairs and of its net expenditure for the year.
2. Overall the Board's arrangements for the prevention and detection of fraud were satisfactory during 2012/13. From our review of the key controls within the main financial systems, we concluded that the Board's systems of internal control were operating effectively.

## Introduction

3. The Police and Fire Reform (Scotland) Act 2012 wound up Grampian Joint Police Board on 31 March 2013 and transferred the Board's functions to the new Scottish Police Authority (SPA). Residual accounting and reporting obligations were transferred to Aberdeen City Council who had previously been the lead authority for support to the outgoing Board.
4. This report is the summary of our findings arising from the 2012/13 audit of Grampian Joint Police Board. The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
5. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of Aberdeen City Council as the accounting authority for Grampian Joint Police Board and no responsibility to any third party is accepted.
6. This report is also addressed to the Controller of Audit and will be published on our website after consideration by Aberdeen City Council.
7. Areas of weakness identified in this report and any previous audit recommendations for improvement (from internal or external audit) which have not been addressed by the joint board should be communicated to the SPA for implementation.

# Financial statements

## Conduct and scope of the audit

8. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan which was presented to the Stewardship Sub Committee meeting on 25 February 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
9. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

## Audit opinion & accounting issues

10. We have given an unqualified opinion that the financial statements of Grampian Joint Police Board for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion will be formally issued and signed on 27 September 2013.
11. We received the first draft of the unaudited financial statements on 10 June 2013. The working papers were of a high standard and the staff provided good support to the audit team which enabled us to complete our on-site fieldwork on 21 June 2013. Grampian Joint Police Board is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

## Audit findings (ISA260)

12. During the course of the audit we did not identify any significant issues regarding 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.

## Whole of Government Accounts

13. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. Grampian Joint Police Board submitted the consolidated pack to support its 2012/13 WGA return to the Scottish Government prior to the deadline of 30 August 2013. Grampian Joint Police Board is below the revised certification threshold for 2012/13 so we are not required to audit the Board's return.

## Financial position

### 2012/13 Outturn

14. Grampian Joint Police Board operated within its revenue and capital budgets for 2012/13 as detailed in Table 1 below.

**Table 1: Resource Budget**

	Final Budget (£'000)	Actual Outturn (£'000)	Under / (Over) spend (£'000)
Total Net Revenue Expenditure	121,451	117,979	3,472
Funding from SG/Constituent Authorities	(119,651)	(119,387)	264
Use of Reserves	(1,800)	0	(1,800)
Under / (Over) spend	0	1,408	1,408
Capital Expenditure	8,572	6,499	2,073

Source: 2012/13 financial statements

### 2012/13 financial position

15. Grampian Joint Police Board finished the year with a usable general reserve balance of £8.357 million. This balance, and the Board's final revenue underspend of £1.408 million, were offset against income from constituent authorities' requisitions in the accounts, to reflect the agreement for the repayment of uncommitted reserves to constituent councils. Of this £9.765m, £9.010m has been committed towards future capital spend during 2013-14. Capital grant received from constituent authorities of £3.776m was unused at the year end and is part of the Creditors balance at 31 March 2013 due to constituent authorities.
16. Actual capital expenditure for the year was £6.499m against a budgeted spend of £8.572m. There was a slippage of £2.073m, mainly on the new custody facility due to delays incurred in legal negotiations; we identified the risk of slippage on this major capital project in our Annual Audit Plan. We note that funds have been committed to cover future capital spending on this project.

### Police staff voluntary redundancy / early retirement schemes in 2012-13

17. The Board implemented a voluntary redundancy/early retirement scheme for Police Staff in 2012/13, taken up by 21 staff. The costs incurred for these early departures amounted to £1.206m in respect of payments to individuals and pension strain costs paid to the pension scheme, the North East Scotland Pension Fund. The Board received funding of £0.632m from the SG towards the scheme and the balance of £0.574m was met from revenue funding for 2012/13.

18. We identified a risk in our Annual Audit Plan that staff turnover during this period of change may lead to the loss of key knowledge and expertise, and could have an impact on our audit. The Board made some changes to its finance team to ensure that sufficient staff were available during the preparation and audit of the financial statements, and we were able to complete the audit as planned.

### **National Platform Project**

19. Grampian Police, acting on behalf of all Scottish police forces, previously received funding of £5.378m towards the capital cost of implementing the National Platform Project which was intended to provide all forces with access to shared performance management information. In August 2012, the Police National Reform Team undertook a review of all major ICT projects as part of the preparations for the merger of police forces. It was decided that the National Platform Project no longer matched future business needs and arrangements were made to manage the project to an early end. In 2012/13 a national decision was made to write off all expenditure on the project totalling £3.973m. Grampian's share of £0.392m was charged to impairment of non current assets but had no impact on the General Fund. The £1.405m unspent balance of the £5.378m grant is repayable to the Scottish Government.

### **Accounting for pensions**

20. Financial planning and accounting for the costs of pensions present a challenge. The amounts involved are large, the timescale is long and the estimation process is complex and involves many areas of uncertainty that are the subject of numerous assumptions. In accounting for pensions, IAS19 is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in large future liabilities being recognised in the financial statements.
21. The Board's total net pension liability was £838.032m at 31 March 2013. This was made up of £30.884m for Police Staff and £807.148m for Police Officers. The Police Pension Scheme is unfunded and therefore is a significant future liability for the Scottish Police Authority.

## **Corporate governance and systems of internal control**

### **Overall governance arrangements**

22. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found that Grampian Joint Police Board had sound governance arrangements in place which included a number of standing committees overseeing key aspects of governance.

### **Accounting and internal control systems**

23. 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.

24. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
25. However, we noted during our audit there was no regular review of e-financial ledger system user lists, their roles and authorities and access rights, apart from the regular removal of leavers' access. Users' access rights may no longer match their current role within the organisation. There was also lack of segregation of duties in relation to the systems administrator who, as a key member of the Finance Team, was also an active user of the system. We anticipate that these weaknesses will be addressed as part of the introduction of new financial systems under the new single police service.
26. Internal audit was an important element of Grampian Joint Police Board's governance structure. Internal audit was provided by Deloitte LLP. We took account of their audit work when planning our audit coverage, to minimise potential duplication, but we did not need to place formal reliance on the work of internal audit.

### Prevention and detection of fraud and irregularity

27. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion Grampian Joint Police Board's overall arrangements for the prevention of fraud are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

### NFI in Scotland

28. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise started in January 2013 but is not due to report until May 2014.
29. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate. Grampian Joint Police Board had 880 data matches of which 191 were recommended for investigation. All the payroll related matches have been processed and only 3 remains to be concluded. None of the completed matches has identified any fraud. However, investigation of creditors data matches has not progressed. We would expect these to be investigated as soon as possible by the Scottish Police Authority.



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

30. 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. No issues have been identified by us for inclusion in this report.

## Best value

### Best value and performance

31. Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.
32. 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. Grampian Joint Police Board has participated in community planning partnerships in Aberdeen City, Aberdeenshire and Moray; no issues have been identified by us for inclusion in this report.
33. We also have a responsibility to review and report on the arrangements that the Grampian Joint Police Board has to prepare and publish performance information in accordance with directions issued by the Accounts Commission. Grampian Joint Police Board's statutory performance indicators are reported under the Scottish Police Performance Framework in five categories: service response; public reassurance and community safety; criminal justice and tackling crime; sound governance and efficiency; and context measures.
34. Audit Scotland's Performance Audit and Best Value Group undertakes a programme of performance audits on behalf of the Auditor General and Accounts Commission. Recent reports with an impact on the police include:
- Developing Financial Reporting in Scotland (published July 2013)
  - Managing Early Departures from the Scottish Public Sector (published May 2013)
  - Improving Community Planning in Scotland (published March 2013)
35. A performance audit on police reform is due to be published on 14 November.

## Acknowledgements

36. We would like to express our thanks to the staff of Grampian Joint Police Board and Aberdeen City Council for their help and assistance during the final year of our audit of the Board's financial statements which has enabled us to provide an audit report within the agreed timetable.