

# Appendix C

# Lothian and Borders Police Board

## Annual report on the 2012/13 audit



Prepared for Members of the Governance, Risk and Best Value Committee 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

We have given an unqualified opinion that the financial statements of Lothian and Borders 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.

2012/13 was the last year of the Lothian and Borders Police Board. However, as the functions of Lothian and Borders Police Board have transferred to the new Scottish Police Authority a going concern basis was followed for the production of the accounts.

Lothian & Borders Police Board finished the year with a usable reserves balance of £10.3 million. In line with the agreement for the repayment of uncommitted reserves to constituent councils the reserve balance was reduced to nil.

Overall, the Lothian and Borders Police 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 Lothian and Borders Police Board's systems of internal control were operating effectively.

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## Introduction

1. The Police and Fire Reform Act 2012 wound up Lothian and Borders Police Board on 31 March 2013 and transferred the board's functions to the new Scottish Police Authority. Residual accounting and reporting obligations were transferred to City of Edinburgh Council who had previously been the lead authority for support to the outgoing Board. This report has been prepared for the use of City of Edinburgh Council as the accounting authority for Lothian and Borders Police Board and no responsibility to any third party is accepted.
2. This report is the summary of our findings arising from the 2012/13 audit of Lothian and Borders 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.
3. 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.
4. This report is also addressed to the Controller of Audit and will be published on our website after consideration by the Governance, Risk and Best Value Committee.
5. 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 Scottish Police Authority for implementation.

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## Financial statements

### Conduct and scope of the audit

6. 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 presented to the Lothian and Borders Police Board's Audit and Scrutiny Committee on 11 March 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
7. 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

8. We have given an unqualified opinion that the financial statements of Lothian and Borders 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 was formally issued and signed on 30 September 2013.
9. We received the unaudited financial statements on 20 May 2013 in accordance with the agreed timetable and we completed our on-site fieldwork on 14 June 2013. Lothian and Borders Police Board were required to follow the 2012/13 Code and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

### Significant findings (ISA260)

10. There were no significant items identified that required to be included in our ISA 260 report 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. There were no significant issues identified regarding these matters.

## Financial position

### 2012/13 Outturn

11. The main financial objective for Lothian & Borders Police Board is to ensure that the financial outturn for the year is within the budget set by the Board.
12. The Lothian & Borders Police Board operated within the resource budgets for 2012/13 as detailed in Table 1 below which also shows the budget changes that occurred during the financial year.

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**Table 1: 2012/13 Outturn against Budget**

	Budget (£'000)	Actual Outturn (£'000)	Under / (Over) spend (£'000)
Police Pay	150.4	148.1	2.3
Police Overtime	6.8	6.3	0.5
Police Staff	37.9	37.6	0.3
Ill Health/Injury Retirals	3.3	3.1	0.2
Service Running Costs	31.7	33.1	(1.4)

Source: 2012/13 L&BPB Statement of Accounts

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### 2012/13 Financial position

13. Lothian & Borders Police Board finished the year with a usable reserves balance of £10.3 million. This balance was adjusted to nil in the accounts to reflect the agreement for the repayment of uncommitted reserves to constituent councils.
14. The Board had total borrowings of £22.420 million at 31 March 2013 (£24.501 million at 31 March 2012). This borrowing was facilitated by, and will remain with, City of Edinburgh Council, although it will be serviced by the new Scottish Police Authority going forward.

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## Corporate governance and systems of internal control

### Overall governance arrangements

15. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found that Lothian and Borders Police Board had sound governance arrangements in place.

### Accounting and internal control systems

16. 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.
17. 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.
18. Internal audit is an important element of the Lothian and Borders Police Board's governance structure. Internal audit was provided by the City of Edinburgh Council's Internal Audit section. Our review established that the work of internal audit was of a good quality allowing us to place reliance on a number of areas including review of key controls and procurement authorisation levels.

### Prevention and detection of fraud and irregularity

19. 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, the 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

20. 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 September 2012 but is not due to report until May 2014.
21. 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. Lothian and Borders Police Board have investigated all their identified matches.



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

22. 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

23. 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.
24. 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.
25. Following the Best Value Audit and Inspection carried out in 2011, the Board adopted a Best Value Improvement Plan. In March 2013, the Board reported good progress in most of the areas covered in the improvement plan.
26. We also have a responsibility to review and report on the arrangements that Lothian and Borders Police Board has to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
27. In March 2013 the Board issued its final performance report which covered the period April 2012 to February 2013. A number of performance measures were highlighted, including:
- Citizen Focus and Public Reassurance – The Force exceeded targets in relation to responding to callers on 999 or non-emergency networks (96% and 98% respectively).
  - Violence – The overall level of recorded violent crime has reduced by 16% when compared to 11/12 (from 1,613 to 1,354).
  - Antisocial Behaviour – There were 8,792 recorded crimes of vandalism which is 23% less than 11/12.
  - Managing and Developing our People – the police staff figure of 4.6% working time lost is an improvement from the 4.9% figure for the same period in 2011/12. The police officer sickness absence figure of 4.2% increased from 3.7% in 2011/12.
  - Criminal Justice - The Force exceeded the national target of 80% of reports being submitted to the Procurator Fiscal in 28 days.

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28. Dishonesty –The number of recorded domestic and business housebreakings decreased by 20% and 21 % respectively. The number of recorded domestic non-dwelling increased housebreakings by 10%. Their level of business housebreakings decreased by 21%. The number of recorded crimes of theft by shoplifting decreased by 9%.
29. Audit Scotland’s Performance Audit and Best Value Group undertakes a programme of performance audits on behalf of the Auditor General and the 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)
  - Best Value in police authorities and police forces in Scotland Overview report (published November 2012)
30. A performance audit on police reform is due to be published later this year.

### **Acknowledgements**

31. We would like to express our thanks to the staff of Lothian and Borders Police Board for their help and assistance during the audit of this year’s financial statements which has enabled us to provide an audit report within the agreed timetable.