# Police Complaints Commissioner for Scotland

## Annual report on the 2012/13 audit

Prepared for the Police Complaints Commissioner for Scotland and the Auditor General for Scotland
November 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

In 2012/13 we assessed the key strategic and financial risks being faced by the Police Complaints Commissioner for Scotland (PCCS). We audited the financial statements and also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

The remit of PCCS was expanded to include investigations into the most serious incidents involving the police and on 1 April 2013, the Police Investigations and Review Commissioner (PIRC) was established.

### Financial statements

We have given an unqualified audit report on the financial statements of the PCCS for 2012/13. We also concluded that in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance issued by Scottish Ministers.

### Financial position and use of resources

The cash budget approved by Scottish Ministers for 2012/13 was £891,000 for the operation of PCCS, a reduction of approximately 4% from the budget set for the previous year. Additional funding of £508,000 was provided to PCCS to cover the costs associated with the establishment of PIRC.

In 2012/13 the net operating costs were £1,148,000 (2011/12: £936,000) and capital expenditure was £187,000 (2011/12: £2,000). We have again reported on the level of cash balances being held which have risen from £195,000 in 2011/12 to £582,000 as at 31 March 2013. Specific agreement was given from the sponsor department to carry forward unspent funds to assist in the transformation to PIRC.

### Governance and accountability

In 2012/13 PCCS had, in general, sound corporate governance structures in place. We did however note some instances where governance procedures were not as robust as in previous years particularly in relation to the preparation and finalisation of the annual accounts and the assurance process for completion of the governance statement. By the end of the audit we were, however, able to conclude that the disclosures made in the annual accounts and governance statement were fairly stated.

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

PCCS has established arrangements for recording and managing performance in complaints handling and business operations. During 2012/13 a number of performance targets relating to business effectiveness were missed, which included: total active cases finalised and the percentage of Complaint Handling Review recommendations implemented within 2 months. Management continue to monitor progress against targets. In addition, PCCS are developing their approach to applying the best value principles and have incorporated the principles into their corporate objectives.

## Outlook

The 2013/14 budget for PIRC has been increased to £2,631,000 to reflect the funding requirements of the additional investigation function.

The 2013/14 budget was prepared on the basis of a best estimate at that time. However, the PIRC is currently experiencing an increase in the volume of complaint handling reviews. This, together with the introduction of the investigation function, is impacting on the achievement of performance targets. The challenge for PIRC will be to maintain service delivery at a time when the full resource demands arising from its enlarged responsibilities are uncertain.

# Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of PCCS. 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 which are listed in Appendix A. In this report, we focus on the financial statements and any significant findings from our wider review of PCCS.

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 PCCS understands its risks and has arrangements in place to manage these risks. The Accountable Officer and the Audit and Accountability Committee 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 PCCS and the Auditor General and should form a key part of discussions with the Audit and Accountability Committee, as soon as possible after the formal completion of the audit of the financial statements. 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 Audit and Accountability Committee.

6. The management of the PCCS 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. This section summarises the results of our audit of the financial statements.

## Audit opinions

10. We have given an unqualified opinion that the financial statements of PCCS for 2012/13 give a true and fair view of the state of its affairs and its net operating cost for the year.

11. PCCS is required to follow the 2012/13 Government Financial Reporting Manual (the 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. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and income shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers. We have been able to confirm through a range of procedures and testing that the expenditure and income in the financial statements was in accordance with applicable legislation and Ministerial guidance.

### Going concern

14. Under paragraph 25 of International Accounting Standards 1 *Presentation of Financial Statements*, 'management are to make an assessment of an entity's ability to continue as a

going concern and when management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entities shall disclose those uncertainties'.

15. The Police and Fire Reform (Scotland) Act 2012 included provision for PCCS to be given additional investigatory responsibilities. These additional functions took effect from 1 April 2013 at which point the PCCS was renamed the Police Investigations and Review Commissioner (PIRC).

16. Although responsibilities have increased and the name has changed, the legal status and operational capability have been maintained and carried forward and the organisation continues to be appropriately supported by Scottish Ministers through the Justice Portfolio. The accounting policies within the financial statements record that it is appropriate for the accounts to be prepared on a going concern basis.

# Accounting issues

## Accounts submission

17. In line with established practice, PCCS staff prepared the accounts with support from the Scottish Government Accountancy Services Unit. While the working papers were generally of an acceptable standard, documentation supporting both the PIRC establishment funding received in year and the committed cash carry forward were not immediately available. In addition there were delays in receiving responses to outstanding matters. As a consequence we agreed with management to levy an additional audit fee to cover the further work required to complete the audit.

**Refer Action Plan No. 1**

18. A number of presentational and monetary adjustments were identified in the unaudited financial statements initially submitted. The effect of these adjustments was to decrease expenditure by £13,000. Net assets as recorded in the statement of financial position decreased by £9,000.

19. A number of monetary errors were identified which were not processed through the financial statements by management. The net effect of these unadjusted differences would be to increase net operating costs by £5,000 and to decrease net assets by £5,000. We requested that all errors be corrected, although the final decision on this matter rested with those charged with governance after taking into account advice from officers and materiality. It was agreed that these adjustments were not material to the financial statements.

20. These issues arose largely as a result of the change of staff within the organisation whereby two previous Accountable Officers left the organisation within a 3 month period and a new Accountable Officer (Director of Corporate Services) arrived in December 2012. In addition, there were changes in staff who were involved in the accounts preparation process.

## Cash balances

21. We have previously commented on the level of monies retained in the bank by PCCS. The 2012/13 financial statements records a balance of £582,000 in respect of cash and cash equivalents (£195,000: 2011/12). We are concerned that the level of retained monies remains high in comparative terms (at 42% of 2012/13 funding). We are aware that an element of the year end cash balance relates to obligations as disclosed within trade payables. A further element relates to cash set aside to fund 2013/14 PIRC developments. The drawing down of cash balances for obligations outwith the financial year departs from the FReM and may not represent value for money. The Accountable Officer has provided assurance and evidence that agreement was received from the Sponsor Department to draw down cash prior to 31 March 2013 to fund the additional costs of the transition to the PIRC.

**Refer Action Plan No. 2**

## Property lease

22. In February 2013, a lease was signed for their new premises at Bothwell House. This lease sets out that PCCS have a rent free period of 3 years for this office. As no rent recharge had been received from the Scottish Government by the year end, no charge was included in 2012/13. However, this treatment is inconsistent with the accounting policy which states that rent free periods should be amortised over the period of the lease. This also resulted in an unadjusted error in the financial statements.

**Refer Action Plan No. 3**

## Governance statement

23. Good practice recommends that the Accountable Officer seeks assurance from those responsible for the system of internal control. As at 31 March, no assurances had been received from other directors to assist the Accountable Officer in discharging this responsibility. In addition, as a result of the current management structure where the Director of Corporate Services is also the Accountable Officer, there is no independent assurance provided as to the adequacy of the systems of internal control. We are aware that management have recognised this challenge and are currently in the process of reviewing the organisation structure in order to identify how assurances can be provided.

**Refer Action Plan No. 4**

24. In line with the Audit and Accountability Committee terms of reference, the Committee should provide an annual report on their work to assist the Accountable Officer in his assessment of the systems of internal control. No formal report was provided although a verbal update from the Chair of the Committee at the August meeting was given.

**Refer Action Plan No. 4**

## Other

25. PCCS prepare and publish a separate annual report which includes an extract from the audited annual accounts. Auditors are required to examine this summary financial statement

and express an opinion on the consistency with the full financial statements and, where applicable, remuneration report and/or directors report. We have discussed with the Director of Corporate Services of the need to build in an appropriate process to include this review by the external auditor.

**Refer Action Plan No. 5**

## Outlook

26. There are no significant changes to the 2013/14 FReM that are expected to have an impact on PIRC annual financial statements.

# Financial position

27. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.

28. 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.

29. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

### Annual outturn

30. The cash budget approved by Scottish Ministers for 2012/13 was £891,000 for the operation of PCCS, a reduction of approximately 4% from the budget set for the previous year. Additional funding of £508,000 was provided to PCCS to cover the costs associated with the establishment of PIRC.

31. In 2012/13 the net operating costs were £1,148,000 (2011/12: £936,000) and capital expenditure was £187,000 (2011/12: £2,000). Net expenditure was met by £1,375,000 of cash drawn down during the year. Cash balances have increased from £195,000 during the year to £582,000 (as discussed in paragraph 21 above).

### Budgetary control

32. As shown in Exhibit 1 (below) the core PCCS budget had a small underspend of £2,000 in 2012/13. PCCS had a larger underspend (£62,000) in relation to the PIRC establishment budget which was due to changes in the timing of works on adapting their new office accommodation.

**Exhibit 1: 2012/13 Budget**

| | PCCS (£000) | PIRC (£000) | Total (£000) |
|---|---|---|---|
| **Total Budget** | **891** | **508** | **1,399** |
| Actual Outturn (Revenue) | 889 | 259 | 1,148 |
| Actual Outturn (Capital) | - | 187 | 187 |
| **Total Actual Outturn** | **889** | **446** | **1,335** |
| Under / (Over) spend | 2 | 62 | 64 |

*Source: 2012/13 Annual Accounts*

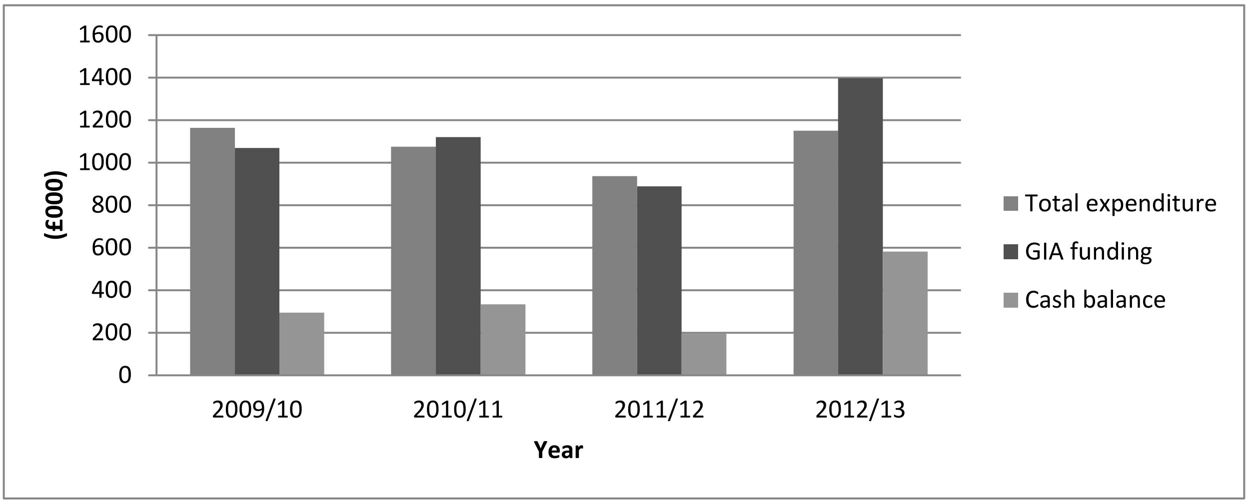
33. PCCS has a sound system of budgetary control which operated throughout the year with regular reports being considered by the senior management team. PCCS operates within very tight financial constraints with a high proportion of fixed costs e.g. staff salaries, accommodation rental and utility costs. In addition, as the volume of investigations into the complaints handling process is demand led there is limited flexibility in controlling the associated variable costs.

## Financial position

34. The Statement of Financial Position shows a net asset position of £525,000 at 31 March 2013 (2011/12: £295,000). We have previously commented on the extent to which the increase is represented by monies retained in the bank by PCCS. In addition, there has been an increase in non-current assets (£137,000) and trade payables (£298,000). This change in the financial position reflects the transition from PCCS to PIRC.

35. Exhibit 2 (below) shows the changing expenditure profile of PCCS over the period 2009/10-2012/13. There has been a significant increase in the level of funding and expenditure in 2012/13, reflecting the addition of the PIRC budget and related expenditure. PCCS achieved their cash efficiency savings target of 1% during the year.

**Exhibit 2: Financial trends in funding and expenditure: 2009/10 to 2012/13**




# Outlook

## Workforce

36. The number of staff is planned to increase from 19 in 2012/13 to 42 in 2013/14 and reflects the transition to PIRC. The associated staff costs will increase from £795,000 to £1,988,000 (150.1% increase). A further increase of up to 9 staff is anticipated in 2013/14. These will be temporary contracts and will assist the Investigations and Complaints Review functions. No voluntary early redundancy scheme is anticipated for 2013/14.

## 2013/14 budget

37. The Sponsor Department has approved a budget of £2,671,000 for the financial year 2013/14 which reflects the funding requirements of the additional investigation function. As at July 2013, there was an underspend of £349,000 when compared to the phased budget. This underspend is partly due to staff vacancies at the start of the financial year. The projected year end outturn anticipates an underspend of £90,000.

38. The 2013/14 budget for the new organisation was prepared on the basis of the best information available, after taking account of the additional responsibilities. However it was recognised that the resource level will be re-evaluated in light of experience. The Commissioner has agreed to undertake a 'Capacity and Capability' review following the first months of operation which will assess whether its resources are fit for purpose. The challenge for PIRC going forward will be to ensure that service delivery is maintained at a time when the full resource demands of their expanded responsibilities are uncertain.

**Refer Action Plan No. 6**

# Governance and accountability

39. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies.

40. 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.

41. 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.

42. In this part of the report we comment on key areas of governance.

## Corporate governance

### Overall effectiveness

43. PCCS has a range of policies and procedures which govern its activities and behaviours to ensure that it complies with best practice. A review of these policies is conducted each year by the management team as part of the activities supporting the review of systems of internal control. This review forms part of the annual financial statements preparation process.

44. In our 2011/12 Annual Audit Report we highlighted the risk that, with the loss of key staff during the transition of PCCS into PIRC, financial management and governance arrangements could be adversely affected. In 2012/13 we found that the loss of key staff impacted most acutely during the completion of the financial statements. With the presentation of incomplete financial statements and supporting notes and documentation, a significant number of redrafts were required. The impact of this was to increase the amount of engagement time required by finance staff during the audit which then led to an increase in the audit fee. Assurances have been received from management that the appointment of an accountant who will be responsible for the accounts preparation process going forwards will address this concern.

45. While we found that overall the governance arrangements operated effectively, we have raised earlier our concerns in relation to the loss of key staff during this year, the impact that

this had on the audit and the absence of independent assurances. A review of the governance arrangements should be undertaken as soon as practical.

**Refer Action Plan No. 4**

## Processes and committees

46. Primary legislation established PCCS as an independent Commissioner with no Board and therefore no Audit Committee. However the current Commissioner established an Audit and Accountability Committee in August 2010. This is an advisory committee to provide a challenge mechanism to PCCS and follows the principles set out in the Scottish Government Audit Committee handbook. The Audit and Accountability Committee met on a regular basis during 2012/13 and we consider that it operated effectively.

47. The Police Complaints Commissioner has been appointed to the post of the new Police Investigations and Review Commissioner thus ensuring continuity and consistency. This appointment is due to end in August 2014.

## Internal control

48. 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.

49. Our audit approach includes a review of the high level controls operating within PCCS key financial systems. Our overall conclusion from the 2012/13 review was that PCCS has adequate systems of internal control in place. However, we identified that there is currently no systematic procedure for confirming that goods have been received. The risk that expenditure was incurred on goods that were not received was relatively small during 2012/13 given the size of the organisation and frequency of purchases. However, as the organisation becomes larger and the purchasing of goods increases, so too will the risk that expenditure is incurred on goods that have not been received.

**Refer Action Plan No. 7**

50. Our audit work identified no material weaknesses in the accounting and internal control systems that would 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 accounts.

51. The central systems assurance letter provided by the auditor of the Scottish Government together with our own work has allowed us to conclude that there was adequate assurance for the systems used by PCCS. Adequate assurance is where key controls and procedures are operating effectively, allowing reliance to be placed on the system.

## Governance statement

52. In 2012/13 PCCS included a governance statement in its annual accounts as required. In accordance with Scottish Government guidance, this included a description and assessment

of the essential components of corporate governance and details of any significant risk-related matters arising during the period.

53. We have already commented in paragraphs 23 and 24 on some of the procedures which should occur as part of the overall assurance process. The Director of Corporate Services has advised that he will consider how best to address the matters raised in order to ensure appropriate assurances are forthcoming in advance of completing the 2013/14 governance statement. Notwithstanding, we consider that the statement has been fairly stated and reflects management responsibilities.

## Prevention and detection of fraud and irregularities

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

55. Within PCCS these arrangements include fraud and whistleblowing policies as well as a code of conduct for staff. These policies are reviewed on a regular basis and amended when necessary. There were no instances of fraud or corruption reported by PCCS in 2012/13. The arrangements in place for preventing and detecting fraud or irregularity are appropriate for the organisation.

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

56. 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.

57. We have concluded that appropriate procedures are in place to help ensure appropriate standards of conduct and to prevent and detect bribery and corruption.

## Outlook

58. With the establishment of PIRC on 1 April 2013, there is a risk that the well-established PCCS governance processes are not maintained and continued. We have already recorded in this report some instances of standards not being maintained. It is essential that management review the processes and ensure they remain fit for purpose.

**Refer Action Plan No. 4**

# Best value, use of resources and performance

59. Audited bodies have a 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.

60. As part of her 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.

61. 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.

62. This section includes a commentary on the best value and performance management arrangements within PCCS. We also summarise headline performance measures used by PCCS, highlight any relevant national reports and comment on the body's response to these.

## Management arrangements

### Best value

63. 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.

64. The principles of best value have been integrated into the PCCS Corporate Plan 2013-16 objectives and the annual Business Plan. Performance against these corporate objectives is monitored on a quarterly basis through Business Plan updates presented to the Audit and Accountability Committee.

### Performance management

65. No statutory performance targets are in place for PCCS. However, internal monitoring against corporate objectives operated throughout the year using the balanced scorecard method.

These objectives are derived from the legislation that set up PCCS and the Scottish Government's National Performance Outcomes.

66. The Audit and Accountability Committee receive regular performance updates which highlight the organisation's position against 27 key measures split over 4 main areas. The regular performance reports, along with reviews of changes made to the risk register, are key for the organisation in enabling it to appropriately review performance.

## Overview of reported performance in 2012/13

67. The PCCS annual report provides an overview of performance. As at 31 March 2013, PCCS had achieved or exceeded 18 performance targets while 5 were not achieved (4 measures do not have associated targets).

68. Of the 5 performance targets that were not achieved the most significant related to the total number of active cases finalised. The target for 2012/13 was 180, whereas only 144 cases were finalised. Management advise that this was due to the complexity of the cases involved during the year and the resultant increased resource requirements for these. Senior staff time spent on the establishment of PIRC also contributed to this slippage. However, this performance should be viewed alongside the target to turn cases around within six months which was achieved despite the prevailing change conditions. We are also aware that the number of complaints review cases significantly increased in the first period of 2013/14. It is important that resources are appropriately managed to ensure that service quality is not negatively impacted.

**Refer Action Plan No. 6**

69. We will continue to monitor the performance of PIRC against their targets throughout 2013/14.

## National performance reports

70. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. A number of national Audit Scotland reports will be of interest to PIRC and arrangements should be introduced to systematically review and consider these reports. One such report in the last year which would be of direct interest is *'Managing early departures from the Scottish public sector'* issued 23 May 2013. The key points are summarised below.

71. Staffing costs make up a significant proportion of public sector organisations budgets. Early departure schemes have been used for many years by both the public and private sectors as a way of changing the size, shape and cost of the workforce. Early retirements and voluntary redundancies, for example, can be a useful way of avoiding the delays and costs of compulsory redundancies and quickly reducing staff numbers and costs. Once the initial outlay has been recouped, they can provide significant savings for organisations.

72. There is evidence to show that this is leading to savings. But significant amounts of public funds are also being spent on these departure schemes and, with a continuing need to reduce

public spending, they are likely to remain an important management tool. Organisations therefore need to ensure that they follow the principles of good practice in how they:

- design early departure schemes
- ensure they provide value for money
- report publicly on the costs and savings.

73. Compromise agreements can be a useful means of protecting public sector organisations from legal challenges relating to departures. They must not, however, be used to hide the full cost of early departures from the public.

74. The report then notes the main principles of good practice for early departure schemes. These include:

- There should be clear policies and procedures which are consistently applied.
- Proposals should be supported by business cases, showing the full additional costs of early departures and their anticipated savings.
- Proposals affecting senior managers should be approved to ensure each application is independently authorised.
- Compromise agreements should not be used to limit public accountability, for example by trying to silence whistle blowers or by hiding the full cost of departures.
- Organisations should be open in their annual reports and accounts about the costs of early departures and the savings they have generated.

## Outlook

75. Ensuring that PIRC performs well, and meets its key business objectives during this period of change, within financial constraints will be the main challenge going forward. PIRC needs to ensure that its management and governance structures are operating effectively to monitor and scrutinise performance effectively.

# Appendix A: audit reports

### External audit reports and audit opinions issued for 2012/13

| Title of report or opinion | Date of issue | Date presented to Audit and Risk Committee |
|---|---|---|
| Annual Audit Plan | 14 January 2013 | 19 February 2013 |
| Report on financial statements to those charged with governance | 27 August 2013 | 20 August 2013 (Draft) |
| Audit opinion on the 2012/13 financial statements | 28 August 2013 | N/A |
| Annual Audit Report | 1 November 2013 | 19 November 2013 |

# 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 | 17 | Accounts preparation processes require to be reviewed.<br>***There is a risk that the audit of the 2013/14 financial statements is delayed.*** | We have now appointed an accountant who works part time for us and who has the responsibility for managing our accounts. In addition the new staff (including Director of Corporate Services) will be more experienced and knowledgeable with regard to PIRC processes and procedures.<br>We have instigated a further level of internal scrutiny using a member of staff with audit skills from another branch of PIRC. They will check that we are following our own procedures correctly. This will again be reported through the Audit and Accountability Committee.<br>We will revisit and tighten up our month end procedures to ensure that all the necessary papers are in one place and have instigated a similar approach with regard to the year-end procedures. | Laura Taggart/Irene Sutherland | August 2013<br>November 2013<br>September 2013 |
| 2 | 21 | The 2012/13 year end cash balance was £582,000 compared to £195,000 in 2011/12. | We have written agreement from SG sponsor to use our accumulated cash balance | Barry Mackay | March 2014 |

| Action Point | Refer Para No | Risk Identified | Planned Management Action | Responsible Officer | Target Date |
|---|---|---|---|---|---|
| | | PCCS should ensure they do not draw down cash balances in advance of need.<br>***There is a risk that the retention and accumulation of cash balances may not offer value for money.*** | which we will do this year.<br>We will not have the exceptional situation of establishing a new organisation with all that entailed, which had the inevitable consequence of an increased cash balance at the year end.<br>We will report progress through the Audit and Accountability Committee.<br>Where it is necessary for us to draw down cash in advance of need we will continue to ensure we have approval in place and in writing from the SG sponsor. | | |
| 3 | 22 | The treatment of the new Bothwell House lease is inconsistent with the PCCS accounting policy.<br>***There is a risk that the financial statements are misstated.*** | Our new accounts person has this in hand and will ensure we follow our own procedures. | Laura Taggart | April 2013 |
| 4 | 23, 24, 45, 58 | Governance arrangements should be reviewed and revised as soon as practicable. This review should include consideration of:<br>• arrangements to ensure that the Accountable Officer can obtain the necessary assurances from others who hold | A process will be instigated that will provide the necessary assurance to the Accountable Officer from the other Directors and those who will be | Barry Mackay | November 2013 |

| Action Point | Refer Para No | Risk Identified | Planned Management Action | Responsible Officer | Target Date |
|---|---|---|---|---|---|
| | | positions of responsibility<br>• how the Audit and Accountability Committee can provide their assurances to the Accountable Officer<br>• contingency arrangements in the event that key staff leave the organisation.<br>***There is a risk that corporate governance procedures are ineffective and the Accountable Officer is unable to sign the accounts.*** | authorising payments.<br><br>This will be raised and discussed with the Chair of the Audit and Accountability Committee.<br><br>We have instigated a review and are increasing the number of persons who can authorise payments, revising the hierarchy for authorisations. In addition we have in place an accountant to take ownership of our management accounts and back-up will be provided by our Corporate Services Officer. | <br><br>Barry Mackay<br><br>Barry Mackay | <br><br>November 2013<br><br>November 2013 |
| 5 | 25 | A separate audit opinion is required to be given on the summary financial statements which are included in the Annual Report.<br>***There is a risk that the financial information is inaccurate.*** | This will in future be presented separately by PIRC and the current process for preparing the Annual Report has been adjusted to take this in to account. | Christine McAlister | February 2014 |
| 6 | 38, 68 | Resource requirements should be reviewed and revised as the organisation adapts to its enhanced role.<br>***There is a risk that service delivery is not maintained while the*** | This has been recognised and is currently being progressed through our on-going Capability and Capacity Review which is likely to continue for the foreseeable future.<br>We have also submitted a | Barry Mackay | March 2014 |

| Action Point | Refer Para No | Risk Identified | Planned Management Action | Responsible Officer | Target Date |
|---|---|---|---|---|---|
| | | ***service beds in.*** | business case to SG for consideration.<br>Regular updates will be provided to the Audit and Accountability Committee. | | |
| 7 | 49 | There is currently no systematic procedure for confirming and recording that goods purchased have been received.<br>***There is a risk of financial loss to the organisation if expenditure is incurred on goods which have not been received.*** | We have reviewed and tightened up our procedures.<br>We have also increased our level of internal audit to ensure that we are following our own procedures correctly. | Barry Mackay/Irene Sutherland | August 2013<br><br>November 2013 |