

# Tayside Joint Police Board

## Annual Report on the 2012/13 Audit



Prepared for Members of Angus Council and the Accounts Commission for Scotland  
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 Tayside 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.

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

1. The Police and Fire Reform (Scotland) Act 2012 wound up Tayside 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 Angus Council who had previously been the lead authority for support to the outgoing Board.
2. This report is the summary of our findings arising from the 2012/13 audit of Tayside 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.
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. This report has been prepared for the use of Angus Council as the accounting authority for Tayside Joint Police Board and no responsibility to any third party is accepted.
4. This report is also addressed to the Controller of Audit and will be published on our website after consideration by Angus Council.
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 SPA for implementation.

# 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 Board's Corporate Governance Sub Committee on 4 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 additional work outwith our planned audit activity was not required, this fee remains unchanged.

## Audit opinion & accounting issues

8. We have given an unqualified opinion that the financial statements of Tayside 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. The audit opinion was formally issued and signed on 5 September 2013.
9. We received the unaudited financial statements on 28 June in accordance with the agreed timetable. The working papers were of a satisfactory standard and the staff provided good support to the audit team and we completed our on-site fieldwork on 13 August. Tayside Joint Police Board is required to follow the 2012/13 Code of practice on local authority accounting in the UK and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

## Audit findings (ISA260)

10. During the course of the audit we did not identify any significant issues to be brought to your attention 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.
11. There were unadjusted errors with a net impact of £25,000 identified during our audit of the financial statements. These errors were not material to the accounts.
12. We had noted a risk in our Annual Audit Plan that there was a lack of clarity over processes and responsibility for closing the 2012/13 accounts, and also the risk that key staff may move to new jobs or locations. Additional guidance was issued to joint boards by the Scottish Government, and the financial statements were prepared in accordance with relevant legislation. We were able to plan our financial statements audit to cover certain areas before specific staff members left.

13. Both internal and external audit experienced delays in receiving responses from senior management in this final year of the Board, which had an impact on some reporting deadlines. The Chief Internal Auditor's annual report, including her opinion on the adequacy of the internal control environment, was not able to be finalised by the time the Annual Governance Statement was prepared for the draft accounts.
14. The Annual Governance Statement was not prepared prior to the final meeting of Tayside Joint Police Board in March 2013, so the Board could not approve the statement as required by the Code. However, the statement was presented to Angus Council's Scrutiny and Audit Committee for approval in August 2013, along with the final Chief Internal Auditor's annual report.

## Whole of Government Accounts

15. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. Tayside 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. Tayside Joint Police Board is below the revised certification threshold for 2012/13 so we have not audited the Board's return, beyond confirming that it is below the certification threshold.

## Financial position

### 2012/13 Outturn

16. The main financial objective for Tayside Joint Police Board was to ensure that the financial outturn for the year was within the budget set by the Board in February 2012. The financial outturn for 2012/13 is detailed in Table 1 below.

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

	Actual Outturn (£000)	2012/13 Budget (£000)	Under / (Over) spend (£000)
Staff Costs	78,568	80,021	1,453
Property Costs	2,885	3,021	136
Supplies and Services	5,985	3,968	(2,017)
Transport Costs	2,018	1,890	(128)
Support Services	261	300	39
Loan Charges/ Capital Financing Costs	1,294	1,341	47

	Actual Outturn (£000)	2012/13 Budget (£000)	Under / (Over) spend (£000)
<b>Gross Expenditure</b>	<b>91,011</b>	<b>90,541</b>	<b>(470)</b>
General income/ other grants/Interest on revenue balances	(20,183)	(17,780)	2,403
<b>Net Expenditure</b>	<b>70,828</b>	<b>72,761</b>	<b>1,933</b>
Police Specific Grant	(37,275)	(37,491)	(216)
<b>Final Revenue Position</b>	<b>33,553</b>	<b>35,270</b>	<b>1,717</b>
Constituent Authorities Requisitions	(29,151)	(35,270)	(6,119)
<b>Use of Revenue Reserves</b>	<b>4,402</b>	<b>0</b>	<b>(4,402)</b>
Reconciling Adjustments for IAS19 pension adjustments, capital accounting etc.	30,712	-	-
<b>Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>35,114</b>	<b>-</b>	<b>-</b>

Source: 2012/13 financial statements

## 2012/13 financial position

17. Tayside Joint Police Board finished the year with a usable general reserve balance of £4.402 million. This balance, and the Board's final revenue underspend of £1.717 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.
18. The Board had total borrowings of £8.635 million at 31 March 2013. This borrowing was facilitated by, and will remain with, Angus Council, although it will be serviced by the new Scottish Police Authority going forward.

## Corporate governance and systems of internal control

### Overall governance arrangements

19. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found that Tayside 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

20. 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.

21. 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.
22. Internal audit is an important element of the Tayside Joint Police Board's governance structure. 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 Key Financial Controls: Payroll; Cash and Banking; 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 irregularity

23. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. We also noted the heightened risk of fraud in a time of organisational change. In our opinion, for Tayside Joint Police Board the overall arrangements for the prevention of fraud were satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

### NFI in Scotland

24. 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.
25. 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. With regard to Tayside Joint Police Board there were 460 data matches, 108 of which were recommended as priority matches for investigation. Good progress has been made to date in investigating these matches, with prompt action taken as soon as the matching reports were available. The remaining matches will be investigated by finance staff shortly and a report on NFI will be submitted to management in due course.

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

26. 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

27. 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.
28. 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. Tayside Joint Police Board has participated in community planning partnerships in Dundee City, Angus and Perth & Kinross; no issues have been identified by us for inclusion in this report.
29. We also have a responsibility to review and report on the arrangements that Tayside Joint Police Board has to prepare and publish performance information in accordance with directions issued by the Accounts Commission. Tayside 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. We note that the performance indicator information submitted to the performance team should have been checked by the issuing departments prior to submission, but there is no evidence of such checks being made. There is a risk that appropriate checks are not being carried out and inaccurate performance information is being submitted.
30. 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)
31. A performance audit on police reform is due to be published on 14 November.

### Acknowledgements

32. We would like to express our thanks to the staff of Tayside Joint Police Board and Angus Council 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.