

Scottish Police Authority

Annual Audit Plan 2020/21



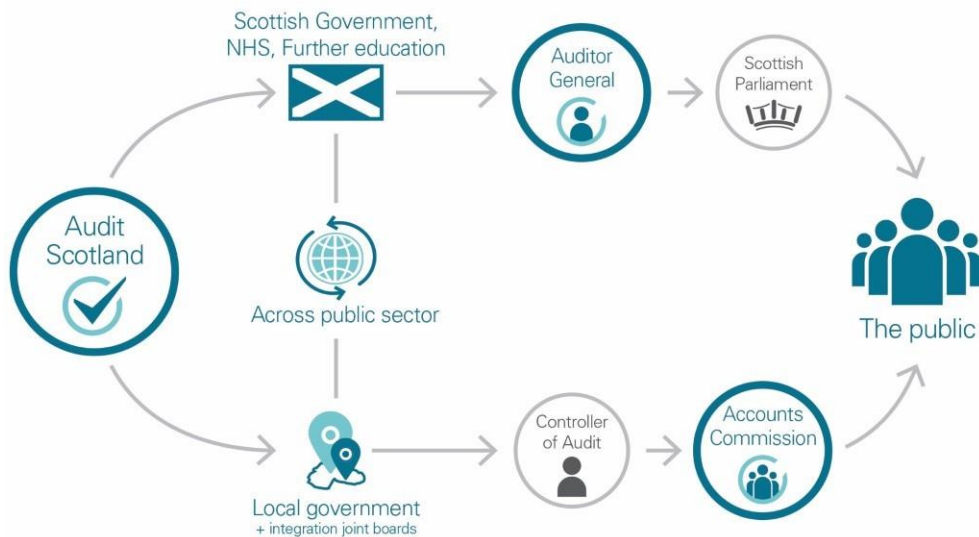
 AUDIT SCOTLAND

Prepared for the Scottish Police Authority
March 2021

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This plan relates to the annual audit of the Scottish Police Authority, the accounts of which include the financial results of the police service of Scotland, known as Police Scotland. The plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

3. The public health crisis caused by the coronavirus disease 2019 (Covid-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

4. Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from Covid-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as a transitional year, leading in future to audit timetables which were possible before Covid-19. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

Adding value


5. We aim to add value to the Scottish Police Authority through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the Scottish Police Authority promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks


6. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for the Scottish Police Authority. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

2020/21 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Standards on Auditing require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of the management override of controls to change the position disclosed in the financial statements.</p>	<p><i>Owing to the nature of this risk, assurances from management are not applicable in this instance.</i></p>	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates • Focused testing of accruals and prepayments • Identifications and evaluation of significant transactions that are outside the normal course of business.
<p>2 Risk of material misstatement caused by fraud in expenditure</p> <p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be materially misstated in the financial statements.</p> <p>The Scottish Police Authority incurs material amounts of non-pay expenditure on contracts and in prior years we have identified issues over procurement controls, which can increase the risk of fraud over expenditure.</p>	<ul style="list-style-type: none"> • Management has a system of internal controls in place to prevent and detect the risk of fraud over expenditure. 	<ul style="list-style-type: none"> • Testing of controls over expenditure/payables • Carry out variance analysis on expenditure streams to identify unexpected variances which will direct our testing • Detailed testing of expenditure transactions focusing on the areas of greatest risk. • Substantive cut-off testing of expenditure to ensure that it has been recognised in the correct financial year.
<p>3 Estimation and judgements - Provisions and property valuations</p> <p>There is a significant degree of estimation and judgement for provisions and property valuations in the accounts. This results in a higher level of uncertainty over those amounts.</p> <p>There is a risk of continued uncertainty in property valuations for 2020/21 due to Royal Institute of Chartered Surveyors (RICS) guidance that valuations should only be carried out via desktop exercise because of the ongoing Covid-19 pandemic and restrictions.</p>	<ul style="list-style-type: none"> • Agreed provisions methodology, as agreed and in line with UK Financial Reporting Manual guidance. • Finance working papers, including details on asset management system. • Management review of estimates by finance staff working with business. • Independent Valuer's report on property valuations, as reviewed and discussed by management. 	<ul style="list-style-type: none"> • Review management's assessment of the appropriateness of valuer assumptions. • Review the further revisions to the processes for identifying and recording provisions. • Carry out detailed testing of provision balances in the 2020/21 financial statements.

 Audit Risk	Source of assurance	Planned audit work
<p>4 Estimation and judgements - Pensions</p> <p>Pension valuation is a key area of significant estimation and judgement. A full valuation was carried out by management's expert, the Government Actuary Department (GAD) for the Police Pension Scheme for 2020/21. However, these values are not being used due to Covid-19 delays in finalising the amounts. Therefore, for 2020/21, GAD have advised that they are rolling forward their 2019/20 valuation figures for the Police Pension Schemes.</p> <p>This increases the risk that the pension costs and liability in the financial statements will be materially misstated.</p>	<ul style="list-style-type: none"> Government Actuary's Department: <ul style="list-style-type: none"> Police Pension Schemes (Scotland) Resource Accounts 2018/19 Hymans Robertson LLP: <ul style="list-style-type: none"> Actuarial Valuation and Results Schedule (LGPS Schemes Police Pension Schemes (Scotland)) 	<ul style="list-style-type: none"> Review management's assessment of the appropriateness of actuarial assumptions Review management arrangements for assessing the impact of any movement in fund values between the IAS19 valuation date and year end Consider use of an auditor's expert to review the estimations and judgements used by management's expert, GAD.
<p>5 Remuneration Report</p> <p>Previous audit reports have commented on errors and late changes to the amounts disclosed in the remuneration report.</p> <p>The 2020/21 remuneration report will include the changes to members and staff, including the backdated pay award and the effects of the SPA restructure.</p> <p>There is a risk of error in the completeness and accuracy of disclosures.</p>	<ul style="list-style-type: none"> Police Scotland payroll/invoice payment records for Board members and senior staff. SPA Board Member pack, provided to members by the Board Services Co-ordinator. SPA records and reconciliations for expense claims, with backing evidence. Relevant SPA Board and Committee papers with reference to SPA restructure. Supplementary information, as required, from actuarial information providers. 	<ul style="list-style-type: none"> Detailed testing of all amounts and disclosures in the remuneration report. Ensure that all appropriate persons are correctly disclosed in the remuneration report as a result of the SPA Executive restructure.
Wider dimension risks		
<p>6 Financial sustainability</p> <p>Planned budget deficit</p> <p>The 2020/21 budget was set with a planned deficit of £44 million. As with previous years the Scottish Government has agreed this position with the understanding that over the course of the year steps will be taken to minimise the extent of the deficit as far as possible.</p>	<ul style="list-style-type: none"> Quarterly forecast and monthly budget monitoring report, tracking forecast position, including performance on planned savings. Revised 5-year financial strategy (available September 2021). Spending Review submissions and 	<ul style="list-style-type: none"> Assess the five-year financial strategy when published in September 2021.

	Audit Risk	Source of assurance	Planned audit work
	<p>The Scottish Government budget for 2021/22 has addressed some of the issues raised in relation to the structural deficit by increasing the revenue allocation by £60 million. For 2021/22 a balanced budget will be set.</p> <p>There is a risk that the efficiency savings and benefits planned from Change projects and transformation are not realised, making a balanced budget challenging.</p>	<p>supporting material submitted to Scottish Government.</p>	
7	<p>Transformation and benefits realisation</p> <p>The new Strategic Workforce Plan (SWP) was endorsed by the Police Scotland Strategic Leadership Board in November 2020 and is now being implemented.</p> <p>The SWP identified a resource gap across the Local Policing Divisions and National Services of £55.4 million, based on current practice and predicted demand. The productivity gains which are anticipated from the various Change projects will reduce the gap to £20.6 million. A Demand, Design and Resourcing Board has been established to monitor the realisation of Change Project benefits including reducing the resource gaps in the SWP.</p> <p>There is a risk that without robust monitoring, the realisation and reinvestment of productivity gains are not achieved.</p>	<ul style="list-style-type: none"> • Police Scotland Strategic Workforce Plan 2021-2024 (Jan 2021). • Police Scotland Demand, Design & Resource Board papers (from Jan 2021 onwards). • Other Police Scotland Primary Board(s) meeting papers (where relevant). • Assurance Review of Demand Analysis and Management for Police Scotland (HMICS, Dec 2020). 	<ul style="list-style-type: none"> • Review the Strategic Workforce Plan alongside Audit Scotland's <i>Good Practice Guide</i> on workforce planning. • Review implementation of the SWP. • Review the governance arrangements for evidencing efficiency savings made via the Change programme, and how these become realised benefits.

Source: Audit Scotland

7. As set out in ISA(UK) 240, there is a presumed risk of fraud in the recognition of revenue. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted this presumed risk in 2020/21 because approximately 96% of income comes directly from the Scottish Government as grant in aid funding with the remaining 4% of income coming through predictable income streams. Therefore, our standard audit testing procedures for the income disclosed in the financial statements is deemed sufficient.

8. We will also carry out follow up work this year on the revised performance framework, which was approved in June 2020, and on progress against the Procurement Improvement Plan and our audit recommendations from prior years.

Reporting arrangements

9. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

10. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

11. We will provide an independent auditor's report to the Scottish Police Authority, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

12. Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year – end, i.e. 31 December.

Exhibit 2

2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	31 March 2021	5 May 2021
Management Report	1 July 2021	15 July 2021
Independent Auditor's Report	2 September 2021	16 September 2021
Annual Audit Report	2 September 2021	16 September 2021

Source: Audit Scotland

Audit fee

13. The agreed audit fee for the 2020/21 audit of the Scottish Police Authority is £206,310 [2019/20, £206,110]. In determining the audit fee we have taken account of the risk exposure of Scottish Police Authority, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual report and accounts, with a complete working papers package on 21 June 2021.

14. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit, Risk and Assurance Committee and Accountable Officer

15. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

16. The audit of the annual report and accounts does not relieve management or the Audit, Risk and Assurance Committee as those charged with governance, of their responsibilities.

Appointed auditor

17. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

18. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual report and accounts

19. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the Scottish Police Authority and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the Scottish Police Authority will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

20. We will give an opinion on whether the financial statements:

- give a true and fair view of the state of affairs of the Scottish Police Authority as at 31 March 2021 and of the income and expenditure of the Scottish Police Authority for the year then ended
- have been properly prepared in accordance with the financial reporting framework
- the regularity of the expenditure and income.

Statutory other information in the annual report and accounts

21. We also review and report on statutory other information published within the annual accounts including the performance report, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

22. We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

23. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.



24. We calculate materiality at different levels as described below. The calculated materiality values for the Scottish Police Authority financial statements are set out in [Exhibit 3](#).

Exhibit 3 Materiality values

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2021 based on the latest audited accounts.	£18 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality.	£9 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality (rounded).	£200,000



Source: Audit Scotland

Timetable

25. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. In view of the continuing uncertainties due to the Covid-19 pandemic and the implications for virtual working and productivity, we acknowledge the potential for the agreed dates to change. We will engage with staff as the audit progress to identify any risks to achieving the agreed target dates.

26. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4 Annual accounts timetable

 Key stage	 Date
Latest submission date of unaudited annual report and accounts with complete working papers package	21 June 2021
Latest date for final clearance meeting with Chief Financial Officer	20 August 2021
Issue of draft annual report for clearance	20 August 2021
Agreement of audited unsigned annual report and accounts	26 August 2021
Issue of annual audit report, letter of representation and proposed independent auditor's report for Audit Committee consideration	2 September 2021
Consideration of audited annual report and accounts by the Audit Committee	16 September 2021
Independent auditor's report signed after approval by Board (29 September)	By 30 September 2021
Latest date for signing of WGA return	By 30 September 2021

Internal audit

27. Internal audit is provided by Azets (formerly Scott Moncrieff). As part of our planning process, we have carried out an annual assessment of the internal audit function and concluded that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA (UK) 610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

Using the work of internal audit

28. International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

29. From our initial review of internal audit plans we are unable to plan to place formal reliance on internal audit for core financial systems work due to timing differences.

30. However, in respect of our wider dimension audit responsibilities, we plan to consider the following areas of internal audit work:

- Staff Wellbeing
- Benefits Realisation and Efficiency Targets
- Performance Management
- Management Response to Covid-19.

Audit dimensions

31. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

Financial sustainability

32. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether there are arrangements in place to demonstrate the affordability and effectiveness of funding and investment decisions.

Financial management

33. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on whether the Scottish Police Authority:

- has arrangements in place to ensure systems of internal control are operating effectively
- can demonstrate effectiveness of budgetary control systems in communicating accurate and timely financial performance
- has assured itself that its financial capacity and skills are appropriate
- has appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

Governance and transparency

34. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the Scottish Police Authority and Police Scotland can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

35. Value for money refers to using resources effectively and continually improving services. At a high-level we will review, conclude and report on whether the Scottish Police Authority can demonstrate:

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered
- that outcomes are improving
- that progress has been made against the areas identified for improvement in 2019/20 on Equalities matters.
- there is sufficient focus on improvement and the pace of it.

Independence and objectivity

36. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

37. The engagement lead (i.e. appointed auditor) for the Scottish Police Authority is Gillian Woolman, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Scottish Police Authority.

Quality control

38. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

39. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

40. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

Scottish Police Authority

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