

Police Complaints Commissioner for Scotland

Annual report on the 2010/11 audit



Prepared for the Police Complaints Commissioner for Scotland and the Auditor General for Scotland
September 2011

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.

Contents

Key messages	4
2010/11	4
Outlook.....	4
Introduction	6
Financial statements	7
Audit opinion	7
Accounting issues	8
Outlook.....	8
Financial position	10
Financial results 2010/11.....	10
Financial position at 31 March 2011	11
Capital investment and performance 2010/11	11
Financial planning to support priority setting and cost reductions	11
Outlook.....	12
Governance and accountability	14
Corporate governance.....	14
Prevention and detection of fraud and irregularities.....	15
Standards of conduct and arrangements for the prevention/ detection of bribery and corruption	16
Outlook.....	16
Best Value, use of resources and performance	17
Management arrangements	17
Overview of performance in 2010/11	19
National performance reports	19
Outlook.....	20
Appendix A: audit reports	21
Appendix B: action plan	22

Key messages

2010/11

In 2000/11 we looked at the key strategic and financial risks being faced by the Police Complaints Commissioner for Scotland (PCCS). We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

We have given an unqualified opinion on the financial statements of PCCS for 2010/11. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

PCCS were able to provide their service within available Grant in Aid funding during 2010/11; the final outturn was £1.076m against Grant in Aid funding of £1.12m. A further £10k was incurred on capital expenditure.

During 2010/11 PCCS has seen an increase in the number of complaints it received (up 45%) and considered (up 31%). In response PCCS has made improvements to their internal working practices to handle the increased workload and refine the complaints handling process.

Since December 2010, when the Justice Secretary announced a consultation on the potential merger of PCCS with the Scottish Public Services Ombudsman, PCCS's future has remained uncertain.

PCCS has undertaken a lot of work in the current year to prepare for reduced budgets including the renegotiation of procurement contracts, review of expenditure budgets and spending priorities, and a reduction of staff.

Outlook

The 2011/12 budget is £930,000 and PCCS faces significant challenges in managing its future financial position as there is little flexibility within existing resources to off-set the effects of reduced financing settlements.

On 8 September 2011, the Justice Secretary announced proposals for significant reforms to police services within Scotland and the consultation also includes proposals for the investigation of complaints and recourse to an independent body if the complainant is dissatisfied with the response received.

Four proposals are being considered

- Option 1a: the creation of a new body, which would include the existing responsibilities of PCCS, and in addition, powers to investigate complaints and allegations of misconduct by Chief Officers and review serious incidents and investigations. The new body may also

be used to investigate serious criminal allegations against police officers and staff where the Lord Advocate agrees this is appropriate;

- Option 1b: as option 1a but the current PCCS functions would be transferred to the Scottish Public Services Ombudsmen (SPSO);
- Option 2a: The creation of a new independent body to undertake the functions set out in option 1 and incorporating the existing inspection and advisory functions of HMICS;
- Option 2b: as option 2a above but the current PCCS functions would be transferred to the SPSO.

The consultation ends on 2 November 2011.

Uncertainties about the future role of PCCS within the context of the review of police services and wider public sector reforms make financial planning for the medium to long term difficult. In addition, PCCS risk losing members of staff, increasing the risk of maintaining its current level of service provision and good governance arrangements. However, both the Commissioner and Director have now been in place for two and three years, respectively, providing continuity of leadership during this time.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of the Police Commissioner for Scotland (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 in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the systems for internal control and governance structures.
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 Audit Committee and the Accountable Officer 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 audit committees, either prior to or 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 PCCS.
6. The management of the audited body 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 their 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. Auditors 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 (except for local government bodies).
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary, statement on internal control and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of PCCS for 2010/11 give a true and fair view of the state of the body's affairs and of its net operating cost for the year.
11. PCCS is required to follow the 2010/11 Government Financial Reporting Manual (the FReM) and we confirm that financial statements have been properly prepared in accordance with the FReM.

Going concern

12. The Annual Accounts of PCCS were signed in July 2011. In December 2010 the Justice Secretary had announced he was minded to transfer the function of PCCS to SPSO but no decisions had been made by July 2011 and the Management Commentary in the Annual Accounts notes the uncertainty about the future of PCCS. 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'.
13. The accounts were prepared on a going concern basis on the understanding that any rights and liabilities to which PCCS was entitled, or subject to, would transfer to another public body or that net liabilities would be funded by the Scottish Government. The accounting policies were expanded to explain this position.

Regularity

14. In accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000, we have also provided an opinion, that in all material respects, the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

Remuneration report and statement on internal control

15. In our opinion, the audited part of the remuneration report has been properly prepared and the remaining elements of the remuneration report and management commentary are consistent with the financial statements.
16. We also confirm that we have no issues to report to you on the statement of internal control and its compliance with Scottish Government guidance.

Accounting issues

Accounts submission

17. The financial statements were submitted for audit on 16 May, in accordance with a pre-agreed timetable. This was two months earlier than the previous year. The audit fieldwork was completed on 20 May and matters arising from this work were reported to the Head of Corporate Services on the same day.

Presentational and monetary adjustments to the unaudited accounts

18. A number of presentational changes were required to the annual report and accounts as a result of our review of the disclosures required by the FReM. There were also some monetary changes identified during the audit process arising from the failure to correctly reverse prior year prepayments and accruals and also properly account for accruals at the year end.
19. Accounts presented for audit included accruals for research work and internal building works. However, following queries with PCCS it was identified that the work relating to these two accruals had been delayed into 2011/12 and the costs should not have been included within 2010/11 accounts and therefore accruals were overstated by £40,000.
20. The audited financial statements were adjusted to reflect these issues.

Outlook

21. The main change in the financial reporting framework (FReM) next year (2011/12) is that grants and donated assets should be recognised immediately, unless there is a condition that the recipient had not satisfied that would lead to repayment. Most grants and donated assets should be recognised as income, but grants from a sponsoring department to an NDPB should be credited to general reserves. As a consequence, the government grant reserve and donated asset reserve will no longer exist.

22. Looking further ahead, from 1 January 2013 changes to international financial reporting standards (IFRSs) will become effective. This includes the introduction of:
- IFRS 9 - financial instruments (replacing IAS39)
 - IFRS 10 - consolidated financial statements (replacing IAS27)
 - IFRS11 - joint arrangements (replacing IAS31)
 - IFRS12 - disclosure of interest in other entities (replacing IFRS12)
 - IFRS 13 - fair value.
23. Revisions to the FReM for 2013/14 are included in the Financial Reporting Advisory Board (FRAB) forward work programme for 1 December 2011.
24. Given that the organisational structure and financial statements for PCCS are not complex there are no specific issues which we would like to draw to your attention at this time. However it is important that PCCS staff remain aware of changes in accounting and reporting requirements in order to reflect these in future financial statements.

Audit appointment for 2011/12

25. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for PCCS will be Audit Scotland. As Audit Scotland will again be appointed as the auditor for PCCS, we look forward to continuing the good working relationship that exists and thank officers and members of the audit committee for their assistance during the last four years.

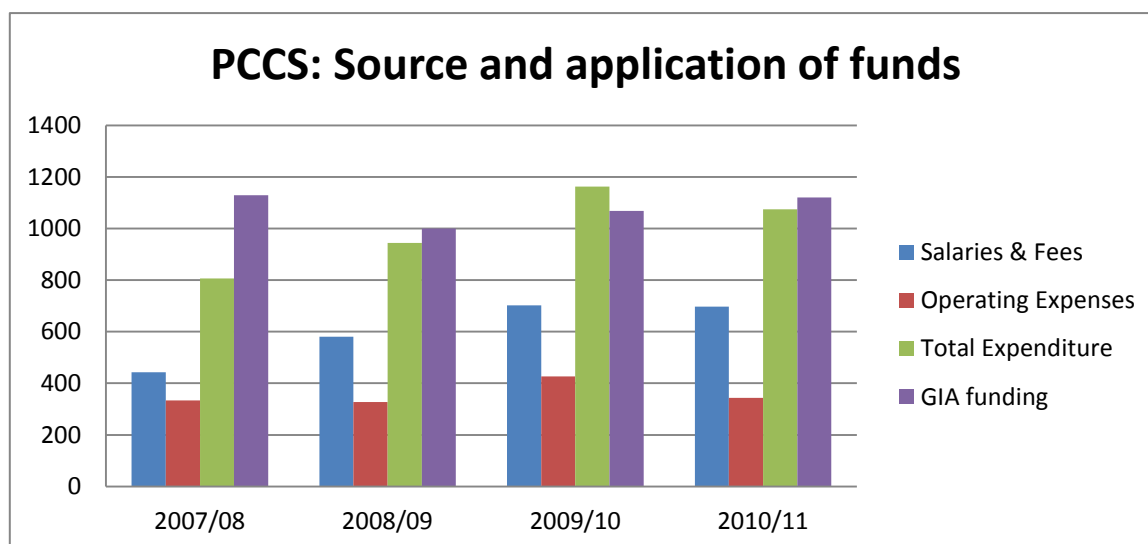
Financial position

26. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
27. Auditors 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.
28. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results 2010/11

29. The budget for PCCS in 2010-11 was £1,120,000 including additional one-off allocations of £89,000 to meet the costs of specific expenditure items. The net operating cost was £1,076,000 resulting in a surplus of £44,000. £10,000 was incurred on capital expenditure.

Exhibit 1: Financial trends in funding and expenditure: 2007/08 to 2010/11



Source: PCCS financial statements: 2007/08 - 2010/11

30. Overall expenditure on staff salaries and the Commissioner's fees and expenses has decreased slightly by £4k from £702k in 2009/10 to £697k in 2010/11. Actual salaries and wages increased between 2009/10 and 2010/11 by £66k from £486k to £552k, whilst the

Commissioner' fees and expenses also increased slightly from £41k to £46k. However the total expenditure on employee costs has reduced year on year mainly as a result of a reduction of £53k in agency staff costs (-87%) and an increase of £24k in salary recoveries for seconded staff (+120%). In

31. Other operating expenditure also decreased by £81k from £422k in 2009/10 to £341k in 2010/11 (-20%). This was mainly achieved through renegotiating the office cleaning and maintenance contracts, reduction in travel and subsistence costs and a decrease in training and conference expenses. Research and consultancy increased during the year, however additional funding was provided by the Scottish Government for this work.

Financial position at 31 March 2011

32. PCCS net assets at 31 March 2011 were £339k, an increase of £48k (16%) from 31 March 2010 of £291k. There was a small decrease in non-current assets offset by an increase in cash and decrease in trade and other payables. The cash balance at 31 March 2011 was £333k, which at 30% of the total 2010/11 grant-in-aid is high but £208k of this funded year-end trade and other payables.

Capital investment and performance 2010/11

33. PCCS does not receive a separate capital expenditure allocation as part of its government funding. It is therefore for senior management to allocate part of the Grant in Aid allocation to a capital works programme. In 2010/11 the focus for capital expenditure has included a staged investment in computer systems and software amounting to £10,000 to support the complaints handling process.

Financial planning to support priority setting and cost reductions

34. The initial announcement in December 2010 outlining a consultation on the review of how the complaint handling functions performed by PCCS were delivered in the future created an environment of uncertainty about the long term future of the organisation. Despite the uncertainty, PCCS continued its financial planning and monitoring and reviewed its costs.
35. The graph in Exhibit 1 shows the changing expenditure profile of PCCS. Overall the level of funding has remained relatively stable over the years. However there is limited flexibility on costs when staff, Commissioner costs and accommodations costs represent approximately 70% of costs. With tighter Grant in Aid allocations settlements a likely feature in future years, there is a challenge for PCCS management to continue to deliver services within available funding.
36. PCCS underspent its Grant in Aid allocation for 2010/11 by £45k. This funding is currently recognised in reserves and will be required to meet the costs of research and adaptations to office accommodation not completed in 2010/11.

Budgetary control

37. A system of budgetary control was in operation throughout the year with regular reports considered by the senior management team. As PCCS operates within very tight financial constraints with a high proportion of fixed costs e.g. salaries for staff in post, accommodation rental and utility costs, there is limited flexibility in controlling variable costs. Costs have been reduced as a result of management decisions to reduce the management team by one, reduce the level of training and conferences budgets by deferring training events and refining working practices which reduces the need for travelling.
38. Actions taken to control costs resulted in one-off savings including the introduction of a voluntary release scheme for selected members of staff and the renegotiation of contracts for office cleaning services. In addition, slippage in the timetable for a research project and commencement of office adaptations originally scheduled for 2010/11 in April 2011 assisted in PCCS delivering within its budget for 2010/11.

Workforce reduction

39. A voluntary early release scheme was offered to certain members of staff within PCCS during 2010/11. Staff accepting the offer left during the year at a total cost to PCCS of approximately £25k. The expected savings will form part of the overall efficiencies required to meet budget allocations in future years.

Outlook

2011/12 budget

40. PCCS has been assigned a Grant in Aid allocation of £0.93m for 2011/12. This represents a reduction of approximately 10% on the settlement approved in 2010/11 of £1.031m. The difference in the annual funding allocation of £0.1m is being addressed by a review of operational expenditure, renegotiation of procurement contracts and a reduction in staff numbers. A balanced budget is in place for 2011/12.
41. The Ministerial statement announced on the 8 September 2011 on the review of police services in Scotland incorporated proposals on how complaint handling would be performed. The consultation period on this concludes on 2 November 2011. PCCS has therefore prepared business plans on the basis that they are continuing during 2011/12, but has also prepared for potential changes to their current structure. This includes a scenario of the potential liabilities and costs which would be incurred if the organisation ceased operations in the short term.

Financial forecasts beyond 2011/12

42. At the present time PCCS has not been provided with a budget beyond 2011/12 however PCCS advise they have been discussing funding with their sponsor branch, who anticipate issuing a budget soon.

43. Should PCCS remain in its current form, it has little flexibility in its financial position due to its largely fixed cost base, therefore year-on-year cost rises eg inflation, pay awards, within an environment of reducing funding will have to be closely managed. Any significant cost reduction in its largest cost component i.e. staff costs, could directly impact on the ability of PCCS to maintain its current service delivery.

Governance and accountability

44. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
45. 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.
46. Consistent with the wider scope of public audit, auditors 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
47. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

48. 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.
49. 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 as part of the activities supporting the review of systems of internal control which forms part of the annual financial statements process.

Internal control

50. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, our 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.

51. As part of our audit we reviewed controls relating to the staff costs, the operation of the general ledger, cash and banking processes and the payment of suppliers. We raised specific concerns about the operation of the general ledger and the content of financial monitoring reports within PCCS.
52. PCCS maintains a local record of financial transactions in addition to the SEAS accounting system. To ensure the accuracy of both systems a reconciliation is performed on a regular basis throughout the year. However there were a number of uncorrected differences between the two sets of records comprising prior year adjustments which had not been corrected and year end accruals and prepayments relating to 2009/10 which had not been reversed. Adjustments were processed as part of the audit of the financial statements in 2010/11.
53. Financial reporting within PCCS is based on the content of the local accounting records. Monthly reports are produced which record actual spend against budget with appropriate explanations for any significant variances. These are discussed by the senior management team on a regular basis. We noted that these reports had not been prepared on an accruals basis during the year, reflecting the practice of accruals and prepayments being regarded as a year-end process only. A risk remains that financial reports do not accurately reflect all the actual expenditure incurred at a point in time, irrespective of the timing of transactions, and this may impact on financial planning and decision making. Officers agreed to review the content of financial reports used for monitoring purposes.
54. PCCS appointed new internal auditors during the course of the year. An internal audit plan for 2010/11 was prepared and later revised following the December announcement.
55. In their annual report for 2010/11, internal audit's assurance statement used Red, Amber Green ratings to the following categories: Governance, Risk Management and Control. Internal audit concluded that based on the work undertaken, governance was a green rating with risk management and control amber rating, reflecting the uncertainty over the future of PCCS.
56. The Statement on Internal control (SIC) provided by the Accountable Officer reflected the main findings from both external and internal audit. The SIC records management's responsibility for maintaining a sound system of internal control and summarises the process by which the accountable officer obtains assurances on the contents of the SIC.

ICT data handling and security

57. During the year there was one incident reported to the Information Commissioner concerning a breach in these procedures. The Information Commissioner did not take any action since PCCS acted quickly to resolve the issue.

Prevention and detection of fraud and irregularities

58. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.

59. PCCS has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff. These are supported by a fraud prevention policy and response plan. We are not aware of any reportable incidents during the year.

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

60. 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. We have concluded that the arrangements in PCCS are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Outlook

61. Given the recent announcement on 8 September 2011 about the reform of Scottish Police Services into a single service, uncertainty remains at this time about the future role of PCCS within the proposed structure. Options under consideration include the establishment of a new independent body incorporating enhanced investigative powers for PCCS or to merge these responsibilities into the SPSO. In the meantime, until a decision is made, there remains a risk that systems of good governance will become more difficult to maintain, particularly if the organisation loses key personnel at a time of uncertainty and change. We note that for example the Head of Corporate Services left in September 2011, though PCCS has promptly made a replacement to the role.

Refer to Action Plan No 1

Best Value, use of resources and performance

62. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
63. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.
64. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors 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.
65. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments
66. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
67. This section includes a commentary on the Best Value/ performance management arrangements within PCCS. We also note any headline performance outcomes/ measures used by PCCS and any comment on any relevant national reports and the body's response to these.

Management arrangements

Best Value

68. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.
69. The guidance identifies the themes which 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.

70. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:
- vision and leadership
 - effective partnership
 - governance and accountability
 - use of resources
 - performance management
 - equality (cross-cutting)
 - sustainability (cross-cutting)
71. PCCS endeavours to implement best value into its operational and corporate activities when reviewing policies and procedures and securing value for money from procurement activities in support of these objectives. PCCS's work on the development of complaint handling processes within Scottish police services, and the sharing of good practice, in itself makes a contribution in the wider sense of promoting best value principle of continuous improvement. However, we would recommend that officers review the revised Best Value guidelines to inform future review processes.

Refer Action Plan No 2

Performance management

72. Performance management is linked to corporate objectives and provide an indication of how well PCCS is delivering its service. In the PCCS corporate plan for 2010-2013 there are three corporate objectives:
- Through independent scrutiny, examine the way in which police bodies in Scotland handle complaints.
 - Ensure that police bodies in Scotland follow appropriate and effective procedures for complaints handling that are subject to continuous improvement and modernisation.
 - Demonstrate business effectiveness in accordance with best practice for Scottish public sector bodies, ensuring continuous improvement in all areas of the PCCS work.
73. Under each objective there are a number of actions identified to enable performance to be monitored as well as complying with statutory performance targets e.g. payment of suppliers within 10 days. Management keep targets under review to ensure achievement of key actions. We discuss the actual performance of PCCS for 2010/11 at paragraph 75 below.

Stakeholder engagement

74. During the year, PCCS consulted with the public and police, together with major stakeholders and other interested groups within the wider justice community in the determining the most appropriate complaints handling procedures. This work culminated in the publication of statutory guidance by PCCS on the establishment of a set of principles underpinning the

complaints process. These principles include: accessibility, independence and continuous improvement.

Overview of performance in 2010/11

75. In relation to the handling of complaints, PCCS has seen the number of enquiries received in 2010/11 increase from 396 to 576 (+45%). The number of enquiries increased in all Scottish forces with the exception of police boards, which remain constant and the British Transport Police, which reduced from 8 to 6. In 2010/11 enquiries were received for the first time in respect of the Ministry of Defence Police, Scottish Crime and Drug Enforcement Agency and the UK Borders Agency.
76. The number of applications considered and finalised also increased from 133 to 174 (+31%). During the course of the year, the Commissioner introduced an alternative method for finalising complaints which has increased the efficiency of dealing with complaints. Where the complaint is relatively straightforward PCCS will issue a Commissioner's Decision letter instead of producing a full report to be produced. The Decision Letters have the same standing as a full report.
77. The number of recommendations made in 2010/11 increased from 75 to 134 (+78%), partly reflecting the increased number of complaints considered by PCCS during the year. Recommendations cover a range of expected outcomes including change or review of the body's policy and procedures, the need for further investigation or action in relation to the complaint and the need to apologise to the complainant.
78. Key performance indicators of business performance include time taken to pay supplier invoices and the overall level of sickness absence experienced within the workforce. In 2010/11 PCCS improved in both these areas reflecting the work undertaken during the year to improve internal business processes and enhance staff engagement. Payment of supplier invoices within 10 days improved from 76.7% to 96.8% and staff absence decreased from 2.88% to 1.04%.
79. In summary the overall increase in enquiries has led to an increase in the workload of PCCS, which has responded proactively by refining its internal work processes and considering alternative methods of service delivery in response. The increase in enquiries and decrease in number of cases not proceeding to review indicates that PCCS has been successful in raising the awareness of its role amongst members of the public. The challenge will be responding to increasing demand and monitoring implementation of its recommendations during a period of uncertainty for staff.

National performance reports

80. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are set out in Exhibit 2.

Exhibit 2: A selection of National performance reports 2010/11

- | | |
|---|--|
| <ul style="list-style-type: none">• Scottish Police Service Authority• Justice Overview Report• Scotland's public finances: responding to the challenges• The role of boards | <ul style="list-style-type: none">• Role of boards: a summary for non-executive board members• The cost of public sector pensions in Scotland• Improving energy efficiency: a follow-up report |
|---|--|

Source: www.audit-scotland.gov.uk

81. PCCS noted the content of these reports, however given its small size and specific objective did not respond or make any changes as a result of these reports in their governance or performance structures. As a result of changes to the Scottish Public Finance Manual in May 2011, the accountable officer is now required to formally consider a proportionate response to relevant national reports. We will follow this up with PCCS as part of our 2011/12 planning process.

Refer to Action Plan No 3

Outlook

82. There remains uncertainty about the future of PCCS as an independent complaints review body within the Scottish public sector following the recent Scottish Government announcements about the review of police services in Scotland. At this time, it is unclear what part PCCS will play in a reformed police service and how its work to date in establishing an independent review of complaints made against police services will be preserved in the new structures.
83. In addition, expected reductions in financial settlements in the coming years will reduce the level of Grant in Aid available to PCCS to deliver its services. As a small organisation, finding greater financial efficiencies which do not impact on the overall service performance will be difficult to achieve.

Appendix A: audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan – PCCS	30 March 2011	n/a
Key financial controls assurance report	8 June 2011	n/a
Report on financial statements to those charged with governance	14 June 2011	5 July 2011
Audit opinion on the 2010/11 financial statements	14 June 2011	5 July 2011

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	60	Systems of good governance will become increasingly difficult to maintain, particularly if the organisation loses key personnel at a time of uncertainty and change.	PCCS will consider in more detail following outcome of consultation on police service reform	Director	December 2011
2	70	Future review of internal processes and practices should be in line with the revised Best Value guidelines.	PCCS will consider in more detail following outcome of consultation on police service reform	Director	December 2011
3	80	PCCS should formally consider a proportionate response to relevant national reports as part of its governance and performance framework.	PCCS will consider in more detail following outcome of consultation on police service reform	Director	December 2011