

Government and Public Sector Assurance

November 2007

# Strathclyde Joint Police Board

## Annual Report to Members and the Controller of Audit

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G2 4JS

The Controller of Audit  
Audit Scotland  
110 George Street  
EDINBURGH  
EH2 4LH

23 November 2007

Our ref: MM/JM/JG

Ladies and Gentlemen

**Annual Report to Strathclyde Joint Police Board Members and the Controller of Audit 2006/07**

We have completed our audit of Strathclyde Joint Police Board and its financial statements for the year ended 31 March 2007.

The Annual Report which follows is primarily designed to direct your attention to matters of significance that have arisen out of the 2006/07 audit process.

We would like to take this opportunity to offer our thanks to those members of management and staff who have assisted us during the course of the audit.

Yours faithfully

PricewaterhouseCoopers LLP

# 1. Introduction

- 1.01 Our overall responsibility as external auditor of Strathclyde Joint Police Board ("The Board") is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in March 2007.
- 1.02 In this regard, the Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector involving not only assurance on the financial statements but also consideration of areas such as regularity, propriety, performance and the use of resources.
- 1.03 Our audit has been planned and conducted to take account of these wider perspectives.
- 1.04 The Board and the Treasurer are, together with other matters, responsible for:
- Making arrangements for the proper administration of the Board's financial affairs and to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
  - Selecting suitable accounting policies and applying them consistently;
  - Making judgements and estimates and that were reasonable and prudent in line with the Code of Practice on Local Authority Accounting in the United Kingdom; and
  - Maintaining proper accounting records.
- 1.05 In this regard, we are responsible for issuing an audit report (opinion) on:
- Whether the financial statements present fairly the financial position of the Board as at 31 March 2007 and its expenditure and income for the year ended; and
  - Whether the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.
- 1.06 Under the requirements of International Standard on Auditing (UK and Ireland) ('ISA') 260: "*Communication of audit matters to those charged with governance*", we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This report discharges the requirements of ISA 260.

# 2. Independent Auditor’s Report

## Our Audit Opinion

- 2.01 The Local Government (Scotland) Act 1973 requires that, following the completion of an audit, the auditors shall place on the abstract of accounts a certificate which sets out the basis on which they have formed their audit opinion. Our opinion on the accounts states:
  - that the audit has been conducted in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Code of Audit Practice;
  - the respective responsibility of management and auditors in relation to the accounts; and
  - whether, in the auditors opinion, the accounts present fairly the financial position of the Board as at 31 March 2007.
- 2.02 Our opinion for the year ended 31 March 2007, which is the format prescribed by the Accounts Commission is unqualified.
- 2.03 Our opinion is set out in full in **Appendix 3**.

## Police and Fire Services (Scotland) Act 2001

- 2.04 The Police and Fire Services (Scotland) Act 2001 makes provision for the Board to carry forward unspent balances each financial year. The amount carried forward into the future year by the Board must not exceed 3% of the contributions made by the constituent authorities and police grant for that year. The cumulative balance e.g. in year surplus and reserves, (excluding the pensions reserve) carried forward into future years should not exceed 5% of the constituent authorities’ contributions for the year and police grant, unless specific consent is obtained from the Scottish Ministers. The Board’s performance against this target for the year ended 31 March 2007 was:

Financial Targets	Achievement
3% in year carry forward	The Board had no carry forward in year with a decrease in reserves of £0.215 million.
5% cumulative carry forward	The Board’s cumulative carry forward into 2007/08 is £22.902 million, representing 4.52% of contributions (precepts) and capital grant received during 2006/07.

# 3. Financial Performance 2006/07

3.01 Strathclyde Joint Police Board is responsible for conducting its affairs and for putting in place proper arrangements to ensure that its financial position is soundly based.

3.02 The 2006 Statement of recommended Practice ("SORP") amended the presentation of the Board's financial statements. The consolidated revenue account has been replaced with an income and expenditure account. In addition, the statement on the movement on the general fund balance highlights the Board's in year surplus, removing all accounting entries which do not reflect the Board's performance. The statutory accounts for 2006/07 consist of the five main statements and associated notes:

- The Board's Income and Expenditure Account which details the Board's income and expenditure for the year ended 31 March 2007;
- The Statement of the Movement on the general fund which adjusts the surplus or deficit on the income and expenditure account for amounts required by statute and non-statute to show an overall surplus or deficit for the year;
- A statement of total recognised gains and losses;
- Balance sheet as at 31 March 2007; and
- Cash flow statement.

## Financial Performance in the Year

3.03 The Board's overall financial out-turn for the year ended 31 March 2007 is shown below:

	£m	£m
Gross Expenditure	600.9	
Gross Income	<u>(54.0)</u>	
<b>Net Cost of Services</b>		<b>546.9</b>
Other Activities including gain on disposal of fixed assets, Interest payable and Interest receivable		(1.2)
Pensions Interest Cost and Expected Return on Pensions Asset		<u>169.8</u>
<b>Net Operating Expenditure</b>		<b>715.5</b>
Police Grant	(257.9)	
Precepts on Constituent Authorities	<u>(249.0)</u>	
<b>Total Funding</b>		<b>(506.9)</b>
<b>(Surplus)/Deficit for the Year</b>		<b>208.6</b>
Amounts included in the Income and Expenditure Account but required by statute to be excluded from movement on General Fund	(215.4)	
Amounts not included in the Income and Expenditure Account but required by statute to be included in movement on General Fund	<u>7.0</u>	
		<b>(208.4)</b>
<b>(Increase)/Decrease in General Fund Balance</b>		<b>0.2</b>
<b>Balance on General Fund Brought Forward</b>		<b>(44.0)</b>
<b>Balance on General Fund Carried Forward</b>		<b>(43.8)</b>

3.04 At the start of the 2006/07 financial year, the Board's budgeted expenditure was £510.2 million, to be financed primarily by £249.0 million precept from the constituent authorities and £257.9 million direct Government grant. The remaining £3.3 million was to be met by a contribution from general reserves.

3.05 The movement during the year between the budgeted position and the actual out-turn was primarily due to the following:

- The application of £21.9 million carried forward from previous years, £14.3 million of which was for Pension Commutations, £4.8 million on specific projects and £2.8 million as part of the Devolved Budgeting Scheme;
- An underspend on Police Pensions as a result of slower than anticipated retirements;

- Insurance costs were underspent by £2.4 million from an independent assessment of the required provision for claims against the Board;
- An additional £2.3 million of interest was received on the Board's cash balances in the year; and
- There was a net £2.4 million underspend against various items of the Board's expenditure, in particular Police Allowances (£1.8 million) and Supplies and Services (£0.6 million).

# 4. Forecast Financial Position for 2007/08

4.01 For the purposes of this report, we have summarised the projected 2007/08 financial position for the Board in the table below

<u>Forecast Position for 2007/08</u>	£M	£M
	Forecast	Forecast
<b>Net Cost of Services</b>		<b>520.7</b>
<b>Funded By:</b>		
Police Grant	265.6	
Precepts on Constituent Authorities	<u>251.8</u>	
		<b>517.4</b>
<b>Net Deficit</b>		<b>3.3</b>
Utilisation of general reserves carried forward		(3.3)
<b>2007/08 Forecasted (surplus)/deficit</b>		<b><u>0</u></b>

4.02 The Board has approved a £3.3 million transfer from general reserves in order to fund the budgeted net deficit.

4.03 The calculated precepts have taken into account Level Playing Field Support and loan charges, as well as planned expenditure at the Grant Aided Expenditure (GAE) level. This has created the £3.3 million deficit as shown above.

4.04 2007/08 is the final year of the current Comprehensive Spending Review period, with no indicative figures currently available after 2007/08. A key risk for the Board in future years is the increased funding required to address the pension shortfalls, as can be seen in the financial statements. This issue has been highlighted by the Board through their input into the Spending Review process.

## **Use of reserves**

- 4.05 The Fire and Police Services (Scotland) Act 2001 only allows Police Boards to hold a maximum of 5% of precepts in reserves, excluding the pension reserve. Cumulative reserves for 2006/07 totalled £22 million (4.56%) of current precepts. Therefore, the Board should ensure that reserves are utilised in line with the Board's financial strategy and that the maximum reserves allowable under the 2001 Act are not exceeded.

**Action Point 1**

# 5. The Audit Process and Accounting Issues

## **Audit Process**

- 5.01 The financial statements and supporting schedules were presented to us for audit within the agreed timetable. The quality of working papers provided and internal review process undertaken by management were of a good standard. Overall, we believe an efficient audit process was achieved and an effective working relationship exists with your staff.

## **Preparation of Financial Statements**

- 5.02 The Financial Statements were prepared in accordance with the accounting requirements contained in the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice ("SORP").
- 5.03 Our audit of the financial statements identified a number of disclosure, format and other issues which have now been adjusted by Management; leading to a set of financial statements that comply with the requirements of the 2006 SORP.

## **Financial Statements Approval**

- 5.04 The draft accounts were signed by the Treasurer on 26 June 2007 and submitted to the Controller of Audit by the statutory deadline of 30 June 2007.

## **Going Concern**

- 5.05 The Board's balance sheet has an excess of liabilities over assets of £3,354 million due to the accrual of pension liabilities. In accordance with International Audit Standards ("ISA") 520 we have considered going concern. ISA 520 requires auditors to consider an organisations ability to continue as a going concern when forming an opinion on the financial statements. One of the indications that may give rise to going concern consideration is an excess of liabilities over assets.
- 5.06 The Statement of Accounting Policies outlines the Treasurer's view that it has been considered appropriate to adopt a going concern basis for the preparation of the financial statements as the accounting requirements for pensions do not impact on the underlying basis for meeting the Board's current and ongoing liabilities. Future pension liabilities will be met, as they fall due from contributions from constituent authorities in the normal way.

## **Accounting Issues**

- 5.07 During the course of our review of the 2006/07 Financial Statements we identified the following issues which we have brought to management attention below.

### **Group Accounts**

- 5.08 Within the 2006/07 Financial Statements the Board has included Glasgow Community and Safety Services Ltd (“GCSS”) as an associate company. The Board during 2006/07 had two representatives on the GCSS Board, out of a total membership of nine. Should GCSS wind up the Board would have liabilities of a pound. Therefore, in accordance with the SORP and CIPFA Group Accounting guidance GCSS was included within the Board's financial statements as an associate.
- 5.09 The GCSS balances included within the Board's financial statements were unaudited as by 31 August 2007, the date the Board's accounts were signed, the audit of GCSS was not yet completed. As GCSS had only been in operation for six months the balances to be brought into the Board's accounts were immaterial to the Board.
- 5.10 However, for 2007/08 the GCSS accounts will need to have been audited to ensure that the Board can include audited balances within the Board's 2007/08 Financial Statements.

### **Action Point 2**

### **Accounts approval**

- 5.11 The 2006/07 financial statements were authorised by the Treasurer on 26 June 2007 and approved by the Board. The financial statements were submitted to Audit Scotland by 30 June 2007. During the course of our audit we proposed a number of numerical and disclosure adjustments that were not considered material, which were accepted by Management. However, as a result of these adjustments the final 2006/07 financial statements differ from those approved by the Treasurer as at 26 June 2007. It is PricewaterhouseCoopers LLP's recommended practice for the financial statements to be re-presented to the Board, or equivalent committee with delegated authority, for approval and for the financial statements to be re-dated with this date to coincide with the date of the audit report e.g. audit opinion.
- 5.12 For 2007/08, where there are changes to the unaudited financial statements authorised by the Treasurer for issue, the final financial statements should be represented to the Board, or committee with delegated authority, for approval prior to the audit opinion being signed.

### **Action Point 3**

# 6. Systems of Internal Control

- 6.01 It is part of management’s overall responsibility to design and maintain an appropriate system of internal controls to provide reasonable assurance that the accounting systems provide timely, accurate and reliable financial information and to safeguard Strathclyde Joint Police Board’s assets.
- 6.02 As auditors, we obtain a sufficient understanding of internal controls to plan the audit. The understanding includes knowledge about the design of policies and procedures and whether they have been implemented, but does not necessarily extend to evaluating the operating effectiveness of all such policies and procedures. We only evaluate, and test, those internal controls on which we plan to rely on during our audit and which are required in relation to our Code of Audit Practice responsibilities. Accordingly, an audit would not usually identify all matters of interest to management in discharging its responsibilities.

**Follow Up Report on previous control matters raised for action**

- 6.03 We followed up the Board’s progress in implementing recommendations made by the Board previous external auditors (Audit Scotland). Our Follow Up report was submitted to Management in March 2007.
- 6.04 Of the 26 agreed recommendations still to be fully completed by Management, progress was reported as follows:

Status	Reports Issued in 2005/06	Reports Issued in 2004/05	Total
Action Implemented	8	9	17
Action in Progress	3	2	5
Limited/Little Progress to Date	1	-	1
No longer applicable	2	1	3
<b>Total</b>	<b>14</b>	<b>12</b>	<b>26</b>

- 6.05 The one recommendation where little action had been taken to date was in respect of the updating of the Financial Regulations to incorporate the requirements of the Prudential Code. Management has agreed to review the financial procedures and update them where required by December 2007. The implementation of the above recommendations will be followed up during our 2007/08 audit.

**Financial Systems and our 2006/07 Internal Controls Report**

- 6.05 Our Internal Controls Report was finalised in May 2007. The report contained a number of recommendations to improve controls, one of which was graded as high risk. This was in relation to the need to test backup tapes to ensure data can be restored in the event of a loss of data.
- 6.06 The Board has completed an action plan detailing those individuals responsible for implementing our recommendations and the timetable for completion. We will follow up the action plan during our 2007/08 audit.

## **Control Weaknesses identified**

6.07 A number of other control weaknesses were identified during the course of the final audit. These were all of a minor nature and have been reported in a Final Management letter to the Director of Finance.

### **Internal Audit's Report on the Board's Internal Controls**

6.08 The extract of the Internal Auditor's opinion for 2006/07 is reproduced below:

"My evaluation of the control environment is informed by a number of sources:

- Audit work undertaken by Internal Audit during the year to 31 March 2007;
- Assessment of risk completed during the preparation of the strategic audit plan;
- Reports issued by the Force's external auditors, PricewaterhouseCoopers LLP and other review agencies;
- Police Operational Systems Health Checks;
- My knowledge of the Force's governance, risk management and performance monitoring arrangements; and
- Director of Finance and Resources' Certificate of Assurance on the Operation of Internal Controls within the Force in 2006/07.

In my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of the Force's internal control system in the year to 31 March 2007".

### **Statement of Internal Financial Control**

6.09 The Code of Audit Practice requires us to review and report on the Statement of Internal Financial Control given under the relevant code before its publication.

6.10 The Board has followed the guidance set out in the 2006 SORP for their statement and has outlined the processes designed to identify and evaluate risks.

6.11 Based on our normal audit procedures, we do not disagree with the disclosures contained in the Statement.

# 7. Prevention and Detection of Fraud and Irregularities

## **Responsibility with respect to Fraudulent and/or Illegal acts**

- 7.01 The preparation of the financial statements is the responsibility of management. Our responsibility as auditor is to express an opinion on those financial statements.
- 7.02 Effective internal control reduces the likelihood that errors, fraud or illegal acts will occur and remain undetected; however, it does not eliminate that possibility. Our responsibility regarding fraud is to obtain reasonable assurance that material misstatements resulting from fraud will be detected.
- 7.03 Accordingly, while we cannot guarantee that all errors, fraud or illegal acts, if present, will be detected, we will design our audit to provide reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as illegal acts having a direct and material effect on the financial statements.

## **Fraud and Corruption Reviews**

- 7.04 As part of our rotational plan to review the key mechanisms for the prevention and detection of fraud and corruption, we have reviewed the Board's fraud and corruption internal policies and regulations for members and staff conduct. No significant weaknesses were identified through these reviews.
- 7.05 As part of our audit, we examine journal entries and accounting estimates for biases and add an element of unpredictability in audit procedures year to year.
- 7.06 Our enquiries of management and our testing of financial records for the purposes of our normal audit responsibility did not reveal any illegal or possible illegal acts. However, improper conduct is usually carefully concealed and consequently, the probability is not high that our regular audit work, however diligently performed, will bring it to light.

## **National Fraud Initiative**

- 7.07 In 2006/07 the Board again took part in the National Fraud Initiative (NFI) in Scotland. The exercise is undertaken as part of the audits of the participating bodies. NFI brings together data from councils, police and fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£27 million to 2005) but, if fraud or overpayments are not identified by a body, assurances may be taken about internal arrangements for preventing and detecting fraud.
- 7.08 The NFI 2006/07 results (data matches) were made available to audited bodies on 29 January 2007 via a new secure web-based application. Participating bodies follow up the matches, as appropriate, and record the outcomes of their investigations in the application. We monitored the board's involvement in NFI 2006/07 during the course of our audit.
- 7.09 The Board undertook work on the matches identified from the payroll information submitted. No instances of fraud were identified from the work performed.

### **Fraud Guidance**

- 7.10 We have reviewed the guidance issued by Audit Scotland during 2006/07, in particular Technical Bulletins, Notes for Guidance and relevant Urgent Issues Notes, and undertaken work accordingly. There were no matters arising from this work.

### **Fraud Submission**

- 7.11 A return has been made to Audit Scotland of the reported frauds that have occurred within the Board during the year. Frauds are reported to Audit Scotland in two tiers – Frauds greater than £5,000 (Tier one) and Frauds less than £5,000 (Tier two). The Board reported three tier two frauds during 2006/07.

# Appendix 1: Action Plan

Ref	Recommendation	Risk Category	Management Response	Responsible Officer	Date of Implementation
1	The Fire and Police Services (Scotland) Act 2001 only allows Police Boards to hold a maximum of 5% of precepts in reserves, excluding the pension reserve. Cumulative reserves for 2006/07 totalled £22 million (4.56%) of current precepts. Therefore, the Board should ensure that reserves are utilised in line with the Board's financial strategy and that the maximum reserves allowable under the 2001 Act are not exceeded.	Medium	The management and utilisation of reserves will be considered as part of the Board's budget strategy for 2008-09 onwards.	Treasurer / Director of Finance and Resources	Ongoing
2	For 2007/08 the GCSS accounts will need to have been audited to ensure that the Board can include audited balances within the Board's 2007/08 Financial Statements.	High	The Board will advise GCSS of this recommendation and request completion within the appropriate deadline.	Treasurer	December 2007
3	For 2007/08, where there are changes to the unaudited financial statements authorised by the Treasurer for issue, the final financial statements should be represented to the Board, or committee with delegated authority, for approval.	Medium	The Board will consider the appropriate authorisation arrangements.	Clerk to the Board / Treasurer	June 2008

Note: Report and Action Plan submitted to Management on 5 October 2007. Management responses received from the treasurer on 23 November 2007.

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# Appendix 2: Responsibilities of External Audit and the Board and its Management

The matters dealt with in this report came to our notice during the conduct of our normal audit procedures which we carried out in accordance with the framework and principles contained within Audit Scotland's Code of Audit Practice.

As a result, we may not have identified all the issues and matters that may exist. It is the responsibility of Strathclyde Joint Police Board and its management to maintain adequate and effective financial systems and to arrange for a system of internal controls. To discharge our audit responsibility, we evaluate significant financial systems and associated internal controls and, where appropriate, report to management any weaknesses identified. In practice, we do not examine every financial activity and accounting procedure and we cannot substitute for management's responsibility to maintain adequate systems of internal control.

This report is intended to assist Strathclyde Joint Police Board regarding its arrangements to implement appropriate controls surrounding the production of certain management information and processing systems. The report does not purport to provide information or advice to any person not associated with Strathclyde Joint Police Board and we accept no responsibility to such persons. Specifically, the report should not be interpreted as providing legal advice to Strathclyde Joint Police Board or any other party.

The prime responsibility for the prevention and detection of fraud and irregularities rests with Strathclyde Joint Police Board. It also has a duty to take reasonable steps to limit the opportunity for corrupt practices. As part of our approach, we consider these arrangements but our work does not remove the possibility that fraud, corruption or irregularity has occurred and remained undetected.

It is the responsibility of Strathclyde Joint Police Board and its officers to prepare the Accounts in compliance with statutory and other relevant requirements. We are responsible for providing an opinion on the Accounts.

It is the responsibility of Strathclyde Joint Police Board to put in place proper arrangements to ensure the proper conduct of its financial affairs and to monitor their adequacy and effectiveness in practice. We have a responsibility to review and, where appropriate, report on the financial aspects of the audited body's corporate governance arrangements, as they relate to:

- The legality of transactions that might have significant financial consequences;
- The financial standing of the audited body;
- Systems of internal financial control; and
- Standards of financial conduct and the prevention and detection of fraud and corruption.

It is the responsibility of Strathclyde Joint Police Board to put in place proper arrangements to manage its performance in order to secure economy, efficiency and effectiveness in its use of resources. We have a responsibility to review and, where appropriate, report on the arrangements that Strathclyde Joint Police Board has put in place to secure economy, efficiency and effectiveness in its use of resources.

For more details on any of the issues raised in this document reference should be made to those detailed reports issued by us to Strathclyde Joint Police Board during the year as listed at **Appendix 4**.

## **Materiality**

Materiality is defined by the International Accounting Standards Board in the following terms:

*“Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends upon the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut off point rather than being a primary qualitative characteristic which information must have if it is to be useful.”*

Overall audit risk and materiality are significant concepts used in determining the extent of audit work.

Guidelines for this organisation suggest that preliminary materiality be set at approximately 1% of total expenditure. However, materiality is not simply a quantitative figure. Qualitative aspects also need to be considered in assessing whether something would be significant to a user of the financial statements.

The final assessments as to what comprises a material error in the financial statements is a matter of judgement and has been made in accordance with ISA320 “Audit Materiality”.

## **Management’s Judgments and Accounting Estimates**

Management has the responsibility for applying judgment in preparing the accounting estimates and disclosures contained within the financial statements.

## **Audit independence**

As external auditors of Strathclyde Joint Police Board we are required to be independent in accordance with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants and by the Ethical Standards established by the Auditing Practices Board.

These standards require that we disclose to the members all relationships that, in our professional judgment, may reasonably be thought to bear on our independence.

We confirm that no issues have arisen to impair our independence, objectivity and integrity. We further confirm that we are not presently aware of any relationship or non-audit services that would impair our audit independence.

# Appendix 3: Audit Opinion

## **Independent auditor's report to the members of Strathclyde Joint Police Board and the Accounts Commission for Scotland**

We certify that we have audited the financial statements of Strathclyde Joint Police Board and its group for the year ended 31 March 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the Group Accounts, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Treasurer and auditor**

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice (the 2006 SORP) are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

We report our opinion as to whether the financial statements present fairly the financial position of the Board and its group in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects the Board's compliance with the SORP. We report if, in our opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risk and controls. Neither are we required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword by the Treasurer and Statement of Accounting Policies. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of the Board and its group as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

PricewaterhouseCoopers LLP  
Glasgow

31 August 2007

# Appendix 4: Other Formal Reports Submitted During the 2006/07 Process

## Reports submitted by PricewaterhouseCoopers LLP during the 2006/07 audit process

### Planning visits

Outline Audit Plan 2006/07

### Interim Visit

Follow up of 2005/06 Outstanding Audit Recommendations

Internal Controls Report 2006/07

### Final Accounts Visit

Audit Opinion

Annual Report to Board Members and Controller of Audit

Final Management Letter

### **Freedom of Information (Scotland) Act 2002**

*This report is intended solely for the information of the Members of the Board of Strathclyde Joint Police Board and the Accounts Commission. In the event that, pursuant to a request which these parties receive under the Freedom of Information (Scotland) Act 2002, they will notify PwC promptly and consult with PwC prior to disclosing such External Audit Report. Strathclyde Joint Police Board agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Strathclyde Joint Police Board shall apply any relevant exemptions which may exist under the Act to such External Audit Report. If, following consultation with PwC, Strathclyde Joint Police Board discloses this External Audit Report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

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