

# Lothian and Borders Police Board

Report to Members and Controller of Audit  
on the 2007/08 Audit



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# Key Messages

## Introduction

We have audited the 2007/08 financial statements and looked at aspects of performance management and governance, including the key strategic and financial risks being faced by the board. This report sets out our main findings, summarising key outcomes from the 2007/08 audit and the outlook for the period ahead.

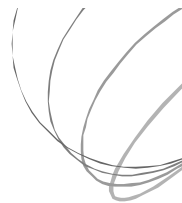
## Key outcomes from 2007/08 audit

Overall, we found the financial stewardship of the board during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- we have given an **unqualified** opinion on the financial statements of Lothian and Borders Police Board. The board dealt well with significant changes to the format of the accounts
- final accounts preparation procedures and working papers were generally good
- balances as at 31 March 2008 were in line with the board's reserves strategy and the board remained within revenue and capital carry forward limits
- many aspects of a sound corporate governance framework are in place, although consideration should be given to updating the board's financial regulations, standing orders and scheme of delegation
- Internal Audit concluded that reasonable assurance can be placed upon the adequacy and effectiveness of the board's internal financial control system in the year to 31 March 2008
- HMIC reported their findings on their follow-up inspection and concluded that significant progress had been made by the force but they continue to focus their attention on the performance of the Force Communication Centre and the force's approach to Best Value
- all statutory indicators were assessed as reliable.

Key issues for the board in the future include:

- continued effort to meet targets for the reduction in violent crimes and to continue to improve the clear up rate including violent crimes and fire raising

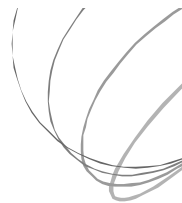


- continuing work to embed and integrate risk and performance management within the board's activities
- a review of the increase in reported complaints against Lothian and Borders Police.

Key issues for the attention of members are outlined in the Action Plan included in this report.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members during the course of the audit.

Audit Scotland  
October 2008



# Introduction

1. This report summarises the findings from our 2007/08 audit of Lothian and Borders Police Board, the second year of a five year appointment. Findings are set out in four sections: financial statements; financial position; governance and performance. Within each of these sections we have also provided an outlook setting out key issues and concerns facing the board going forward.
2. The scope of the audit is set out in our Annual Audit Plan (AAP), which was submitted to the board in February 2008. The AAP summarises the specific governance and other risks that could affect the board's financial statements. It describes the work we planned to carry out in response to these risks.
3. Overall conclusions about the board's management of key risks are discussed throughout this report. Appendix A sets out the key risks highlighted in this report which we wish to draw to the attention of members and the action planned by management to address them.



# Financial statements

## Introduction

4. In this section we summarise key outcomes from our audit of the board's financial statements for 2007/08. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
5. We audit the financial statements and give an opinion on:
  - whether they present fairly the financial position of the board and its expenditure and income for the year
  - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
6. We also review the statement on the system of internal financial control by considering the adequacy of the process put in place by the board to obtain assurances on systems of internal financial control and assessing whether disclosures in the statement are consistent with our knowledge of the board.

## Overall conclusion

7. We have given an **unqualified** opinion on the financial statements of Lothian and Borders Police Board for 2007/08.
8. The board's unaudited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June. Final accounts preparation processes and working papers available for audit were good and this enabled the audit to progress smoothly. Audited accounts were finalised by the target date of 30 September 2008 and are now available for presentation to the board and publication. The financial statements are an essential means by which the board accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

## Accounting practice

9. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice* (the 'SORP'). The 2007 SORP required a number of significant changes to be made to the 2007/08 financial statements to make them more consistent with the accounts of other public and private sector entities. The major changes include:
  - accounting for financial instruments based on FRS 25, FRS 26 and FRS 29



- replacement of the fixed asset restatement account and capital financing account by a revaluation reserve and capital adjustment account.
10. Overall, we were satisfied that the board had prepared the accounts in accordance with the revised SORP.
  11. There was a material post balance sheet event which necessitated adjustment to the figures included in the un-audited accounts provided for public inspection. The Scottish Public Pension Agency's Police Pensions Circular No 2008/3, issued on 11 September 2008, advised of new commutation factors for calculating lump sums payable. These new factors were backdated to 1 October 2007 and resulted in an increase in lump sums payable. The Scottish Government has announced that it will meet the cost of these extra payments.
  12. The board adjusted the financial statements to reflect our audit findings. As is normal practice, one non-material unadjusted error has been reported to the Treasurer via our letter issued in line with International Standard on Auditing 260 (ISA 260) *communication of audit matters with those charged with governance*.

## Legality

13. Each year we request written confirmation from the Treasurer that the board's financial transactions accord with relevant legislation and regulations. Significant legality requirements are also included in audit programmes. The Treasurer has confirmed that, to the best of his knowledge and belief and having made appropriate enquiries of the Chief Constable and the Force Executive, the financial transactions of the board were in accordance with the relevant legislation and regulations governing its activities.
14. There are no additional legality issues arising from our audit which require to be brought to members' attention.

## Financial reporting outlook

### IFRS adoption

15. Central government and NHS bodies are to move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2009/10. The government also announced its intention to publish Whole of Government Accounts on an IFRS basis from 2009/10. The intention is that local government will adopt IFRS for 2010/11, although there is a possibility that early adoption may be required in some areas and this might include PFI.





# Financial position

## Introduction

16. In this section we summarise key aspects of the board's reported financial position and performance to 31 March 2008, providing an outlook on future financial prospects, including our views on potential financial risks. Our findings and key messages are set out in this section, highlighting the significant challenges being faced by the board in managing ongoing financial pressures in funding existing service delivery and future improvement.

## General fund

### Operating performance 2007/08

17. The board's net operating expenditure in 2007/08 was £275.1 million. This was met by government grants and constituent authorities' contributions of £200.0 million, resulting in an income and expenditure account deficit of £75.1 million. This is 27.3% of the net expenditure for the year. This deficit largely reflects the unfunded nature of the police pension scheme.
18. However, the movement on the general fund balance is also an important aspect of the board's stewardship as the main budget reference point, the main differences being:
- capital investment is accounted for as it is financed, rather than when fixed assets are consumed
  - retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
19. After adjusting for these items, a surplus for the year of £1.454 million was achieved. After adjusting for the planned draw-down of £0.579 million for sums earmarked for pension commutations, £0.875 million has been transferred to the general fund. The budget assumed a contribution from the general fund of £1.247 million, representing a positive variance of £2.122 million. In his Foreword, the Treasurer summarises the principal reasons for the positive budget variance including:
- a less than estimated pay award for police officers and police staff resulting in savings of £0.4 million
  - an underspend of £0.8 million on borrowing costs due to slippage on the capital investment programme
  - the deferral of £0.5 million expenditure from 2007/08 to 2008/09, including £0.3 million for protective equipment.



## **Reserves and balances**

20. The board holds a general fund which consists of both earmarked amounts set aside to support future years' expenditure and a contingency for unexpected events or emergencies. The general fund also includes a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. The board has policies in place which set out why reserves are held and their intended use.
21. At 31 March 2008, the board held a general fund balance of £9.671 million, of which £7.977 million has been 'earmarked' to cover particular commitments. This included £6.429 million set aside to fund future payment of police pension commuted sums.
22. The remaining balance (£1.694 million) is available to the board to meet unexpected risks and developments and as a working balance to assist cash flow management. The balance at 31 March 2008 represents an increase of £0.634 million on the position reported to the board in January 2008 when the three-year budget for the period 2008-2011 was approved, and uncommitted balances remain broadly in line with the reserve strategy. Movements in reserves and their application to board expenditure are reported on a quarterly basis. The board's aggregate level of reserves was within overall carry forward limits approved by ministers.

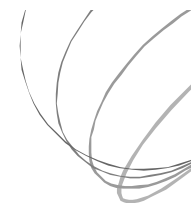
## **Budgetary control**

23. Our Annual Audit Plan, issued in February 2008, identified an overspend incurred by E Division and emphasised the importance of sound budgetary control procedures. We are pleased to note that the overspend incurred by E Division has been rectified at the year end and the division did not exceed their budgeted expenditure for 2007/08.

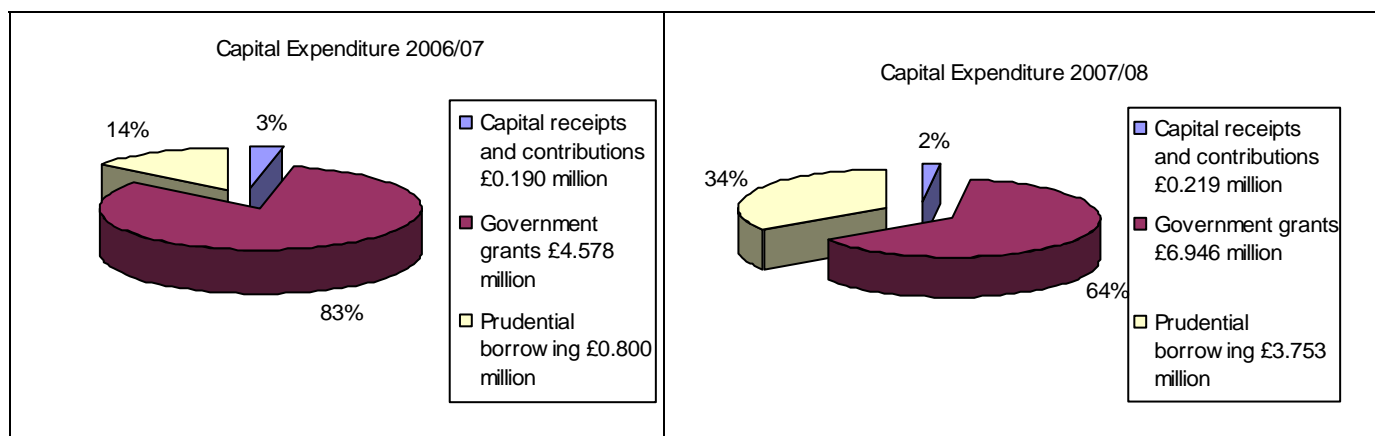
## **Spending on assets and long-term borrowing**

### **Capital performance 2007/08**

24. Since the introduction of the Prudential Code in April 2004, the board can decide locally on a capital investment strategy which meets best value requirements as well as being affordable. The board has used the code to increase its capital expenditure to improve its asset infrastructure.
25. Capital expenditure in 2007/08 totalled £10.918 million, rising from £5.568 million in 2006/07. Capital investment in the last two years was funded as shown in Chart 1. Overall, £8.980 million less than planned needed to be funded through borrowing. Slippage on the Livingston Civic Centre Project accounted for £4.145 million of the £6.438 million underspend against the budgeted capital expenditure programme.



**Chart 1: Sources of finance for capital expenditure 2007/08 and 2006/07**



## Financial outlook

### Shared Services

26. An update to the financial management system was implemented in August 2008. The intention is for the force to share the financial management system with Grampian Police Board and Strathclyde Police Board on a phased implementation basis. This project is designed to deliver clear efficiencies across all three forces but requires to be carefully managed to ensure that the system is properly implemented and meets the user requirements of all involved parties.

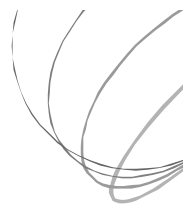
**Key Risk Area 1**

### Future capital programme

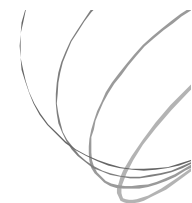
27. Revised capital investment programmes for 2008/9 and 2009/10 anticipate annual capital expenditure of £15.6 million and £7.4 million respectively. This is expected to be funded by a number of sources including capital receipts, grants and other contributions and further increases in borrowing totalling £8.3 million over the two years.

### Pension liabilities

28. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. In accounting for pensions, Financial Reporting Standard 17 (Retirement Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in very large future liabilities being recognised in the annual accounts.



29. The board's estimated police pension scheme liabilities at 31 March 2008 were £1,088 million, reducing from £1,289 million in the previous year. As the officers' scheme is unfunded and has no assets to be valued, the pension liability will fall to be met by serving officers' contributions and by taxpayers in the future (through government grant and constituent authorities' contributions).
  
30. The boards' estimated pension assets for support staff at 31 March 2008 exceeded its share of liabilities in the Lothian Pension Fund by £4.9 million. A full valuation of the Fund at 31 March 2005 was published in December 2005 and the results have been reflected in the 2007/08 accounts. The board's contribution will remain at 255% of employees' contributions in the period to 2008/09.



# Governance

## Introduction

31. In this section we comment on key aspects of the board's governance arrangements during 2007/08. We also provide an outlook on future governance issues, including our views on potential risks.

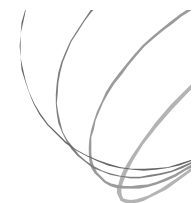
## Overview of arrangements in 2007/08

32. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. Based on the work undertaken, we reported that the board had many aspects of a sound corporate governance framework in place.
33. During 2007/08 we reviewed the board's financial regulations, standing orders and scheme of delegation. As in 2006/07, we noted that they had last been updated in 2003 and as a result did not include reference to recent developments, for example, the Prudential Code, risk management, asset management and e-procurement. The board should review these key aspects of the overall governance framework, revising the financial regulations, standing orders and scheme of delegation to incorporate the appropriate developments.

## Political Governance

34. The political context for boards changed significantly in 2007, with a new Scottish Government and a shift to more coalition and minority administrations in local government. Nearly half of the councillors elected in May 2007 were new to local government. The significant changes in political representation are shown below.

<b>Political Party</b>	<b>Composition 2006/07</b>	<b>Composition 2007/08</b>
Scottish Labour Party	11	4
Scottish Conservative Party	3	3
Scottish Liberal Democrats	2	5
Scottish National Party	1	5



Independent	1	1
Total:	18	18

## Audit Committee

35. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account on service delivery and support the reform and modernisation agenda. During 2007/08, members in Lothian and Borders Police Board's Audit Committee operated effectively and generally complied with CIPFA's good practice principles for audit committees. However, the remit of the Committee should be revised to include the review of financial statements and the ISA 260 (Report to those charged with governance) letter.
36. The committee comprises six elected members selected from the constituent authorities. The inaugural meeting of the new audit committee was held in September 2007 where it was agreed that the committee would meet twice per year.
37. The Scottish Police Authorities Conveners' Forum organised an event for newly elected members, re-appointed members and officers of all Scottish Police Authorities which took place in June 2007. In addition, Lothian and Borders Police Board provided additional training, through board meetings, in June, September and November. Further sessions were planned for 2008.

## Internal Audit

38. Internal audit provides an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. The board's internal audit service is provided by the City of Edinburgh Council under a service level agreement. However, the Internal Audit Charter requires to be revised to reflect the service's relationship with the board and its position as a supplier of services to an external party.
39. We carry out an annual review of the board's internal audit arrangements against CIPFA's revised Code of Practice for Internal Audit in Local Government 2006. We are pleased to conclude that internal audit work within the board is of a sufficient standard which allows us to place reliance on internal audit work in order to reduce our own input.



## Risk management

40. In 2006/07, the first annual review of the implementation of the actions flowing from the risk register was undertaken. The management team and board made significant progress. Improvements included the establishment of an improved force planning cycle and a Business Change Board, to improve the strategic planning framework, whilst courts witness scheduling and ongoing criminal justice projects will enable the force to better manage abstraction levels.
41. In accordance with the board's Risk Management Policy, the Risk Management Group reviewed the Risk Register and their findings were reported to the board in September 2008. It concluded that some improvement had been made since 2006 including the successful implementation of the new Command and Control systems and roll-out of the PDA (Personal Digital Assistant) project. However an emerging risk in relation to information management was identified and action is being taken by the board to address this, including the requirement for the creation of an Information Governance Board.

## Systems of internal control

42. A Statement on the System of Internal Financial Control was included within the financial statements. Following receipt of the Chief Constable's assurance certificate on financial controls, the work of managers, internal and external auditors. The Treasurer concluded that he was satisfied that reasonable assurance could be placed on the adequacy and effectiveness of the systems of internal control operated by the board.
43. As part of our work to provide an opinion on the annual financial statements we assessed the extent to which we could gain assurance on a number of the board's main financial systems. We assessed the following central systems as having a satisfactory level of control for our purposes:
- Payroll
  - Main accounting system
  - Accounts payable
  - Fixed assets register
  - Pensions

## Prevention and detection of fraud and irregularities

44. At the corporate level, the force has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. The board has an approved Anti-Fraud Policy, Fraud Response Plan and Professional Standards Reporting Policy which contribute to sound arrangements to prevent and detect fraud and corruption. Each year, Audit Scotland gathers information on cases of fraud identified by audited bodies, including police boards. In 2007/08, there were no cases reported for Lothian and Borders Police.



## **NFI in Scotland**

45. In 2007/08, the force 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 (£37 million to date, including £8.7 million from the 2006/07 exercise). If fraud or overpayments are not identified in a body, assurances may be taken about internal arrangements for preventing and detecting fraud.
46. The NFI 2006/07 results (data matches) were made available to the force on 29 January 2007 via a 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 force's involvement in NFI 2006/07 during the course of the audit.
47. We note that the force had voluntarily entered into the creditors matching exercise which resulted in an excessive number of matches as a result of the force using standard orders for the replenishment of stocks and other regular payments. The force investigated all matches with a value in excess of £10,000 and a random sample of those less than £10,000. This exercise revealed no duplicate payments.

## **Data handling and security**

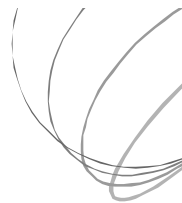
48. Data handling and security has received increased public and media attention recently as a result of a number of national incidents relating to lost data. The most recent event is the loss of payroll data by Strathclyde Police relating to 49 police officers and staff. This appears to have been caused by an administrative error by the data service provider and specialist equipment would be required to access it. Failure of the force to have an up-to-date Information Security Policy could result in the risk of financial loss, service unavailability, legal exposure, and loss of confidence in the force's activities or the way it manages personal or other data. The Information Management Standards and Working Practices Policy has been updated but has not been presented to the Board for formal approval.

**Key Risk Area 2**

## **Governance outlook**

49. Overall, the board is well placed to ensure that it operates appropriate corporate governance arrangements in the coming years. It will need to keep these under review to ensure that they remain up-to-date and are subject to continuous improvements. These will include:

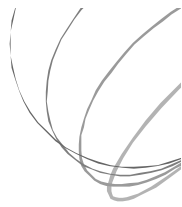




- continuing to embed risk management throughout the organisation
- ensuring implementation of recommendations from the 2007/08 Review of Corporate Governance and Main Financial Systems and 2006/07 Information Security Management Overview Follow-up action plans
- monitoring the impact of the transfer of Police ICT Functions to the Scottish Police Services Authority (SPSA). The transfer took place on 1 April 2008 and continues to be monitored by the board as there have been problems encountered regarding the VAT status of the SPSA.

### **Key Risk Area 3**

50. The force needs to remain vigilant against the risks of fraud and corruption, taking full advantage of the opportunities offered by new technologies within established codes for data matching, while at the same time ensuring that it responds effectively to the threats posed by illicit use of these technologies. Continued commitment to the National Fraud Initiative will be required to ensure that the full benefits of this exercise are realised.



# Performance

## Introduction

51. In this section we summarise how the board manages its performance. We discuss the overall arrangements before focussing on specific areas of Lothian and Borders Police. Finally, we give an outlook on future performance.

## Corporate objectives and priorities

52. Lothian and Border's Police Board approved the first Strategic Plan 2007-08 on 29 June 2007. This replaces the former Annual Service Plan and incorporates the board's strategic aims for the next three years. The strategic aims of the board are:

- tackling crime, disorder, and public protection through visible policing and problem solving partnerships
- service response (the importance of customer care and service quality)
- capacity and organisational development (maximising the capacity of resources through organisational development and sound financial management)
- people (the importance of staff and ensuring effective training and development).

53. Ten strategic projects have been identified, which are linked to strategic aims, and progress on these projects will be reported in next year's Strategic Plan. These projects are listed below:

- content management project
- management of police information
- command and control
- Lothian and Borders information system
- Force Communications Centre
- mobile data project
- corporate identity project
- video conferencing and electronic briefing
- West Lothian Civic Centre
- Criminal Justice Reform Programme.



## Overview of performance in 2007/08

### Annual Report 2007/08

54. In June 2008, the Chief Constable provided his 2007/08 annual report to the board. This report highlighted the force's most important achievements over the previous 12 months, outlined progress with ongoing major areas of work and identified issues to be addressed in the coming year. Key conclusions that were reported included:

- a reduction in crime levels
- key staff and organisational changes
- development of partnership working, including schools, councils, health boards and various other interest groups
- increased efficiencies to deal with budget pressures.

55. In addition, the force reported the following improvements in relation to efficiency savings:

Efficiency savings	2007/08	2006/07
Cashable	£2,582,961	£1,818,451
Non-cashable	£4,699,972	£3,902,073

### Measuring Performance

56. The first Scottish Policing Performance Framework was launched in April 2007. This framework is a national model to enable policing information to be measured, reported and managed in Scotland. This allows Scottish police forces to benchmark performance and provides the opportunity for continuous improvement through the identification of best practice. The first annual public performance report is due to be issued in summer/ autumn 2008 and will present the force with a robust source of data through which to measure and monitor performance.

#### Key Risk Area 4

57. In addition, the Chief Constable issues an internal quarterly performance monitoring reports to the board.

### Her Majesty's Inspectorate of Constabulary for Scotland (HMIC)

58. Audit Scotland works closely with HMIC and other scrutiny bodies to minimise the burden of audit and inspection on public bodies and to optimise the use of resources available for such work.



59. HMIC undertook an inspection of Lothian and Borders Police between late 2006 and early 2007.

There findings were reported in November 2007 and included:

- Lothian and Borders Police had made significant progress in many areas, including a strong and effective focus on performance management to support operational policing
- although there had been improvements in the performance of the Force Communications Centre, it continued to experience difficulties
- HMIC and Audit Scotland will continue to monitor the board's approach to Best Value.

60. The HMIC is currently undertaking an Independent Review of Policing in Scotland and their findings are due to be reported by the end of December 2008.

### **Statutory performance indicators**

61. The board has a statutory duty to publish specified performance indicators (SPIs) as directed each year by the Accounts Commission. We review the board's arrangements and return details of the indicators, including an opinion on their reliability, to Audit Scotland headquarters. The performance information audited was from that generated by the new Scottish Policing Performance Framework, and this is the first year that police performance indicators will be published by the Scottish Government and not by Audit Scotland. Arrangements for all of the board's performance indicators were assessed as reliable this year.

### **Percentage of crimes cleared up**

62. The board's SPIs show that the overall percentage of crimes cleared has decreased slightly, although there are variations between identified categories of crime.

63. Within Lothian and Borders Police Board area, the number of serious violent crimes committed has decreased from 2,100 in 2006/07 to 2,009 in 2007/08. However, there has been an increase in clear up rates. All other categories of reported crimes have reduced since 2006/07, although the detection rates for fire raising crimes have decreased.

64. During 2007/08, the number of racially motivated incidents per 1,000 of the population increased by 50% from the previous year. Detection rates in this area have decreased from 69.9% in 2006/07 to 62.6% in 2007/08.



## **Proportion of 999 calls answered within ten seconds**

65. In 2007/08, the force's performance in answering 999 calls within 10 seconds rose from 87.1% to 90.0%, indicating continuing improvement in performance.

## **Proportion of working time lost to sickness absence**

66. Police officers' and support staff sickness absence levels have remained fairly stable in comparison to 2006/07 with 4.8% of time lost for Police Officers (2006/07 – 4.9%) and 5.9% for civilian staff (2006/07 – 6.0%).

## **Complaints**

67. The number of complaints per 100 members of the police force has risen significantly by over 30%. We note, however, this performance was not reported in the board's Annual Report 2007/08.

**Key Risk Area 5**

## **Drug offences**

68. There was a significant increase in the weight of class A drug seizures and this represents an increase of 216% in previous years. However, the number of recorded offences for supply and possession has decreased by 32.3% in comparison to previous years.

## **Police reports**

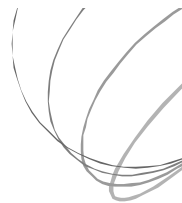
69. A national target of 10 working days after caution/ charge has been set for the time taken to submit police reports to the Children's Reporter. In relation to the submission of reports to the Procurator Fiscal, the Crown Office and Procurator Fiscal Service and ACPOS have agreed that forces should aim to submit 80% of reports within 28 calendar days. The force has continued to demonstrate improvement in this area.

- 92.9% of reports were sent to the Children's Reporter within 10 working days
- 76.3% of reports were sent to the Procurator Fiscal with 28 working days.

## **National studies**

### **Police call management**

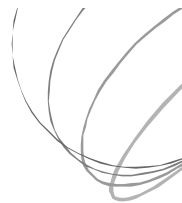
70. Audit Scotland undertook a national study in 2007 to review how police forces manage calls from the public. The findings from this study were reported in September 2007 and the key messages were outlined in our 2006/07 Report to Members.



71. The report commented positively on a number of aspects of the arrangements in place within Lothian and Borders Police including the proposed implementation of the non-emergency number, dedicated 999 handlers within the contact centre and practices taken to improve the standard of those persons recruited for the Force Call Centre. The report included a number of recommendations.
72. We are pleased to report that the force has made considerable improvements, as part of their Force Communications Centre Change Programme, towards the efficiency and effectiveness of their call management procedures resulting in an improvement in the number of 999 calls answered within 10 seconds since 2006/07.

## **Performance outlook**

73. The board's performance during 2007/08 as measured by SPIs has been mixed, with some national targets exceeded, some not met and some areas of improvement since 2006/07. Particular areas for continuing attention include the number of complaints against Lothian and Borders Police and clear up rates.



# Final Remarks

74. We have made recommendations in our Review of Corporate Arrangements and Main Financial Systems report issued in September 2008 and have obtained assurances from officials that action will be taken as appropriate.
75. Attached to this report is an action plan setting out the key risks identified by the audit which we are highlighting for the attention of members. In response, officers have considered the issues and have agreed to take the specific steps set out in the column headed 'planned management action'. On occasion, officers may choose to accept the risk and take no action. Alternatively, there may be no further action that can be taken to minimise the risk. Where appropriate, the action plan clearly sets out management's response to the identified risks.
76. Appropriate mechanisms should be considered and agreed by members for monitoring the effectiveness of planned action by officers. We will review the operation of the agreed mechanism as part of the 2008/09 audit.
77. The co-operation and assistance given to us by Lothian and Borders Police Board members and staff is gratefully acknowledged.



# Appendix A: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1.	8	<p><b>Shared services</b></p> <p>A shared financial ledger is to be implemented in Lothian and Borders, Grampian and Strathclyde Police Boards.</p> <p><b>Risk: the proposed shared financial ledger does not generate planned efficiencies, and fails to meet the needs of its users and clients.</b></p>	<p>The project team will continue to meet and develop the processes and procedures that will be required to be changed to achieve the full benefits of the shared ledger project</p>	<p>Director of Finance /Head of Finance</p> <p>In Grampian, Strathclyde and Lothian and Borders Police</p>	December 2010.
2.	48	<p><b>Data handling and security</b></p> <p>A full review of Information Security is planned. The Information Management Standards and Working Practices Policy has been updated, but has not been presented to the Board.</p> <p><b>Risk: failure to have a formally agreed and up-to-date policy could result in the risk of financial loss, service unavailability, legal exposure and loss of confidence in the board's activities or personal or other data it manages.</b></p>	<p>The data handling and security review has been carried out by Insp Gillies. I have reviewed the issues and actions; the policy has been updated accordingly. This is now presented at all Information Governance Board (IGB) meetings with a security actions and risk update.</p> <p>Additional policy needs has been identified and written, this is now being reviewed prior to implementation.</p>	<p>Force Information Officer</p> <p>Robert Ury</p>	
3.	49	<p><b>Transfer of ICT services</b></p> <p>Although the transfer of ICT services took place in April 2008, there have been problems encountered with this transfer. In particular, the tax implications encountered by the SPSA.</p> <p><b>Risk: ICT services transferred to SPSA is not effectively managed impacting on service cost and delivery and business continuity.</b></p>	<p>The Force has created the post of IT Services Manager, as internal management of the SPSA service delivery.</p> <p>The post holder (A Murphy) has the role of ensuring service is delivered to L and B.</p> <p>The budget requirement and the management to budget is now the responsibility of Scottish Government .The impact of any tax changes is also not a force issue.</p>	<p>A Murphy</p>	Ongoing





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4.	56	<p><b>Scottish Policing Performance Framework</b></p> <p>This is the first year national performance management information will be produced.</p> <p><b><i>Risk: the force does not take advantage of the national performance information, for example, benchmarking opportunities and identification of best practice.</i></b></p>	<p>The first opportunity for this to occur will be on the publication of HMICS Annual Report (appx. end Nov 08). This report will be from a national perspective with detailed force information where available. This will then be the opportunity to address any areas of good practice and highlight areas for further work to be undertaken. The quarterly performance report produced by forces is currently a restricted document for internal use only. There is a national group, which will aim to identify best practice and benchmarking opportunities.</p>	PIU Elaine Glasgow	
5.	67	<p><b>Statutory Performance Indicators</b></p> <p>The board did not report their progress in relation to statutory performance indicator 4 (police complaints)</p> <p><b><i>Risk: the board has failed to meet its statutory duty to report all statutory performance indicator results.</i></b></p>	<p>The hard copy of the Annual Report omitted the complaints figures however, the force website details the figures for the SPI on Complaints. This was an error in sign off.</p>	PIU Elaine Glasgow	