

# Police Complaints Commissioner for Scotland

Report on the 2007/08 Audit



November 2008



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# Executive Summary

## Introduction

In 2007/08 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 reviewed aspects of performance management and governance. This report sets out our key findings.

## Financial Position

The PCCS was established from 1 April 2007 under the Police, Public Order and Criminal Justice (Scotland) Act. The total budget for PCCS for 2007/08 was £1.5 million, which included set-up costs. For 2007/08 the total revenue expenditure was £0.806 million and total capital expenditure was £0.310 million.

The 2008/09 budget has been set at £1.0 million. With PCCS only in operation for 18 months it is difficult to determine the level of enquiries going forward. An increasing caseload would require PCCS to manage this increase within existing budgets, presenting a challenge to achieving financial balance. To meet budget requirements PCCS must have a strong budgeting and monitoring regime in place. PCCS has been developing its financial procedures and monitoring regime.

## Financial Statements

We have given an unqualified opinion on the financial statements of PCCS for 2007/08. 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.

## Governance

Corporate Governance is concerned with the structures and process for decision-making, accountability, control and behaviour at the upper levels of an organisation. PCCS was established in 2007 as a single office-holder body and set-up without a Board. PCCS established an Advisory Panel, whose aim is to act as a sounding board on strategic decisions, corporate governance issues and business plans. It is not a decision-making body nor is it an Audit Committee. We will monitor the role of the Advisory Panel as part of our audit work for 2008/09.

There has been a change in Accountable Officer since the 31 March 2008 year-end. The Director was the Accountable Officer at the year-end but returned to the Scottish Government in November 2008 after finishing her secondment to PCCS. The Commissioner was appointed as Accountable Officer in November 2008 and signed the accounts on 28 November 2008.



As 2007/08 was the first year for PCCS, efforts focused on establishing corporate governance and control arrangements. PCCS has established a range of controls but it will take time for these to be embedded. Future developments for PCCS will focus on financial monitoring procedures and the administrative systems for recording and managing complaints.

## **Performance**

In 2007 PCCS prepared their Corporate Plan 2007-10 and a Business Plan 2007-08. There are five objectives, supported by more specific actions and key internal performance indicators (KPIs). PCCS will publish its Annual Report, detailing outturn against all the objectives and KPIs, in December 2008. The Management Commentary in the financial statements records good performance against KPIs on response rates and on-going communication with clients.

An updated corporate plan is under development.

## **Best Value**

Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency and Information Management. As part of our planning for 2008/09, we will discuss with PCCS about applying the audit toolkits.

## **Looking forward**

The final part of our report notes some key risk areas for PCCS going forward. We have highlighted national issues that affect all public sector bodies, including the impact of International Financial Reporting Standards and the introduction of Scotland Performs.

The assistance and co-operation given to us by the Commissioner and staff during our audit is gratefully acknowledged.



# Introduction

1. This report summarises the findings from our 2007/08 audit of PCCS. The scope of the audit was set out in our Audit Plan, which was presented to PCCS on 19 June 2008. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by the Commissioner and officers of PCCS during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



# Financial Position

3. In this section we summarise key outcomes from our audit of PCCS's financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

## Our responsibilities

4. We audit the financial statements and give an opinion on:
  - whether they give a true and fair view of the financial position of PCCS and its expenditure and income for the period in question
  - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
  - the consistency of the information which comprises the Management Commentary with the financial statements
  - the regularity of the expenditure and receipts.
5. We also review the statement on internal control by:
  - considering the adequacy of the process put in place by the chief executive as accountable officer to obtain assurances on systems of internal control
  - assessing whether disclosures in the statement are consistent with our knowledge of PCCS.

## Overall conclusion

6. We have given an unqualified opinion on the financial statements of PCCS for 2007/08.
7. The financial statements were signed on 28 November, which is later than the planned date of 30 September 2008. Finalising the financial statements and arranging for them to be signed took longer than planned. PCCS prepared the management commentary and were supported by the Scottish Government Accountancy Services, who prepared the financial information. However, there was slippage in finalising the financial statements, which was exacerbated when the strategic business manager, who co-ordinated the work, left in August 2008. Signing the financial statements was delayed due to the Director (previous Accountable Officer) leaving PCCS in November 2008. The Scottish Government appointed the Commissioner as the new Accountable Officer in November and the financial statements signed.



8. For 2008/09 PCCS will need to review its planning and timetabling arrangements for producing the financial statements. This will involve setting a firm timetable and establishing clear roles and responsibilities with the Scottish Government over preparation of the financial statements. PCCS has been recruiting permanent staff with a view to all staff being on permanent contracts. This should improve the number of staff available to work on the financial statements. We will work with PCCS on the timetabling as part of our planning for 2008/09.

## Financial Position

### Outturn 2007/08

9. The 2007/08 budget for PCCS was £1.5 million, which included additional funding for the initial set-up. The total revenue expenditure was £0.807 million and total capital expenditure was £0.310 million. The capital expenditure was primarily for fitting out premises at the new accommodation in Hamilton.

### 2008/09 Budget

10. The 2008/09 budget has been set at £1.0 million.
11. With PCCS only in operation for 18 months it is difficult to determine the level of enquiries going forward. An increasing caseload would require PCCS to manage this increase within existing budgets, presenting a challenge to achieving financial balance. To meet budget requirements PCCS must have a strong budgeting and monitoring regime in place. PCCS has been developing its financial procedures and monitoring regime.

## Issues arising from the audit

12. As required by auditing standards we reported to the Accountable Officer on 29 October the main issues arising from our audit of the financial statements. The key issues reported were:

**Rent free period for Hamilton accommodation** - PCCS moved from Glasgow city centre to Hamilton during 2007/08 to share premises with the Mental Health Tribunal for Scotland Administration (MHTSA). No rent is due until 2009 and accounts presented for audit had no rental costs for the Hamilton premises. Under accounting standards a lessee should spread the rent-free incentive over the length of the lease. The 2007/08 accounts were updated to reflect the leasing arrangements.

**Identifying fixed assets** – accounts presented for audit were based on the policy to capitalise fixed assets over £10,000. This is a high threshold for a small body. The capitalisation threshold was reduced to £5,000. A review of fixed assets identified further expenditure of £24,000 to be capitalised.





**Depreciation policy** - accounts presented for audit were based on the policy to depreciate all fixed assets over 5 years. Fixed asset additions were, however, for a range of assets and a blanket 5-year depreciation rate was inappropriate. The depreciation rates were revised. Plant and equipment depreciation rate increased from 5 to 15 years (the length of the lease) and IT equipment changed from 5 years to 3-5 years. The depreciation charge changed from £57,000 to £29,000.

## Regularity Assertion

13. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.



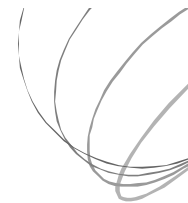
# Governance

## Overview of arrangements

14. This section sets out our main findings arising from our review of PCCS governance arrangements. This year we planned to review:
- key systems of internal control
  - internal audit.
15. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraph 9). Our overall conclusion is that PCCS has made good progress in establishing sound arrangements during the year.

## Governance arrangements

16. PCCS was established by the Police, Public Order and Criminal Justice (Scotland) Act 2006. It is a single office-holder body, treated as an executive Non Departmental Public Body but set-up without a Board.
17. As there is no Board, and therefore no Audit Committee, PCCS established an Advisory Panel, whose aim is to act as a sounding board on strategic decisions, corporate governance issues and business plans. It is not a decision-making body nor is it an Audit Committee. It meets quarterly and its first meeting was held in March 2008. We will monitor the work of the Advisory Panel as part of our audit work for 2008/09.
18. The Commissioner was appointed in January 2007, for a period of three years. He is supported by a Director, strategic business manager, police liaison manager, case officers and administrative staff. PCCS was set-up with staff seconded from the Scottish Government and other criminal justice bodies. During 2007/08 and since April 2008 PCCS has been appointing permanent staff as staff finish their secondments.
19. As described at paragraph 7 there has been a change in Accountable Officer since the 31 March 2008 year-end. The Director was the Accountable Officer at the year-end but returned to the Scottish Government in November 2008 after finishing her secondment to PCCS. The Commissioner was appointed as Accountable Officer in November 2008. A new Director starts with PCCS in December 2008.



## Corporate plans and objectives

20. In accordance with the Scottish Government's Management Statement, PCCS prepared a Corporate Plan 2007-10 and Business Plan 2007-08, which details key objectives, activities to meet these objectives and key internal performance indicators.
21. PCCS is currently developing an updated corporate plan. This includes developing further key internal performance targets once it has greater experience of the volume of complaints it receives and the length of time it takes to review complaints end-to-end. We will monitor progress against the objectives and key internal performance indicators as part of our 2008/09 audit work.

## Systems of internal control

22. Key controls within systems should operate effectively and efficiently to accurately record financial transactions, prevent, and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. Internal audit reported that PCCS was taking effective steps to establish a sound framework for risk management, control and governance but improvements were required over financial reconciliations, monitoring and reporting. Our substantive testing carried out on PCCS expenditure provided us with assurance of the regularity of transactions.

## Prevention and detection of fraud and irregularities

23. PCCS has appropriate corporate arrangements to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff.

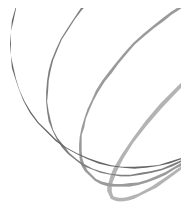
## Internal Audit

24. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2007/08 audit, we assessed whether we could place reliance on PCCS's internal audit function. We concluded that the internal audit service, provided by the Scottish Government, operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in a number of areas during 2007/08, as we anticipated in our annual audit plan.



## **Statement on Internal Control**

25. The Statement on Internal Control provided by the Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out PCCS's approach to this. The Accountable Officer comments that 2007/08 was a year for developing policies and procedures. The statement recognises a number of areas for development, including financial monitoring procedures and the administrative systems for recording and managing complaints.



# Performance Management

26. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
27. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.

## Best Value developments

28. The positive impact of the Best Value concept in local government led Scottish Ministers to introduce a non-statutory Best Value duty on all public sector accountable officers (i.e. across health and central government) in 2002. This was reinforced by refreshed Ministerial guidance in 2006, highlighting the importance that the Scottish Government places on Best Value as a means of supporting public service reform.
29. That position was again re-iterated in the Scottish Government's recent response to the Crerar scrutiny review, which credited the Best Value regime as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year.
30. The framework for our proposed Best Value audit approach was agreed by Audit Scotland's Corporate Management Team in September 2007. It is based on the key principles of flexibility and proportionality; alignment and integration with our existing activities; being delivered within our existing resources; and, with an evolutionary implementation.
31. Using the Scottish Government's nine best value principles as the basis for our audit activity, we have identified five priority development areas (Use of Resources, Governance and Risk Management, Accountability, Review and Option Appraisal, and Joint Working) for our initial development work.
32. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. These toolkits are being piloted in a sample of NHS and central government clients during 2007/08 and 2008/09. Developed toolkits will also be made available to public bodies to consider for self-assessment.



33. The PCCS Corporate Plan 2007-10 commits to undertake rolling reviews of all administrative arrangements and contracts over the next three years to continue to obtain best value. We will monitor progress in this area during 2008-09.

## Performance Management

34. In 2007/08 Scottish Ministers set PCCS four overall aims; these were to:

- scrutinise independently the manner in which police organisations deal with complaints from the public they serve
- ensure that police organisations in Scotland have in place appropriate procedures for handling complaints and that these procedures are followed effectively
- drive up standards and consistency in the way police complaints are handled across the Scottish police service
- prepare reports for Scottish Ministers about how complaints are being dealt with, both general reports commenting on police organisations as a whole, and specific reports dealing with particular issues which may arise.

35. An additional aim set by PCCS was to establish a properly resourced permanent base for the office of PCCS. The Corporate Plan 2007-10 sets out these five objectives. Under each objective are details of short-term priorities and longer-term plans for the next three years describing the work to be undertaken. The PCCS Business Plan 2007-08 details key deliverables for the year under each objective. PCCS also established key internal performance targets for standards of service. Results of performance against the corporate and business plan will be fully detailed in the PCCS Annual Report, due to be published in December 2008. Examples of performance were provided in the management commentary in the financial statements, as noted in Exhibit 1.

**Exhibit 1 – Performance against key internal performance targets 2007/08**

Key internal performance targets	Target	Outturn
Send an initial receipt to all complainers' letters, emails and faxes...	within 2 days of receipt	95% initial responses issued within 2 day target
To update complainers on the progress on their complaint...	at least once every 28 days	93% follow-up letters issued within the 28 day target
To pay all invoices not in dispute...	within 30 days	94% paid within 30 days



## Developments in policing

36. The Corporate Plan 2007-10 recognises the importance of establishing working relationships with other police and criminal justice public bodies, which includes understanding the environment in which they work. Developments for Scottish policing include the Scottish Policing Performance Framework, HMICS self-assessment regime and the outcome of the Independent Review of Policing. We will consider the impact of these developments, as described below, for PCCS as part of the 2008-09 audit.
37. **Scottish Policing Performance Framework (SPPF)** - SPPF is a national model for the measurement and reporting on performance information. It is intended to help improve policing and accountability at local and national levels. The framework is divided into four areas: service response; public reassurance and community safety, criminal justice and tackling crime; and sound governance and efficiency. The 2007/08 SPPF includes the performance measure, 'Number of complaints per 100 members of the police force'. HMICS, with the Scottish Government, is undertaking a review of performance against the 2007/08 SPPF, which will be publicly reported on in autumn 2008. The 2008/09 SPPF includes performance indicators on complaints about police officers and police staff.
38. **HMICS Self-assessment Regime** - HMICS has changed the inspection methodology, replacing the five- year cycle of primary and review inspections of forces and the former common police services with a system of annual self-assessment. The first round of self-assessments is due for submission to HMICS in November 2008.
39. **Independent Review of Policing** – Following on from the Justice Committee inquiry into the 'Effective Use of Police Resources', HM Chief Inspector of Constabulary is undertaking an independent review of policing. He is to review the roles and responsibilities of police forces in Scotland with the aim of ensuring:
- that all Scotland's communities have equal access to expert and specialist policing and to the resources necessary to investigate major crime, whenever they need it
  - that the delivery of such policing responsibilities does not divert resources away from visible policing in communities
  - in pursuance of this to identify policing responsibilities which might more effectively be delivered nationally, regionally, or by collaboration between forces
  - and to make recommendation for the organisation, governance and accountability, which best supports the delivery of those policing responsibilities.

Recommendations will be made to the Cabinet Secretary by the end of December 2008. The outcomes of the review may impact on the work of PCCS.



# Looking Forward

40. PCCS faces a number of challenges in 2008/09, which include:

- **Efficiency and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on PFI, leases and infrastructure accounting. The challenge for PCCS is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based ‘Virginia-style’ model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland’s progress. This will include progress on overall delivery of the administration’s purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how PCCS is addressing this developing area as part of the 2008/09 audit.
- **Data handling** – In 2007/2008 the Scottish Government conducted a coordinated review of information security policies and data handling arrangements across central government. The Scottish Government published their findings in June 2008, which concluded that there is substantial good practice in Scotland but further measures were needed to improve the security of sensitive data and to improve communication with staff about information management, data protection and data sharing. We will monitor PCCS’s response to the review, and action taken, as part of our 2008/09 audit.
- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2008 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified central government bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. A detailed timetable and list of requirements has been issued by the Scottish Government. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.