

Police Complaints Commissioner for Scotland

Report on the 2008/09 Audit



 AUDIT SCOTLAND



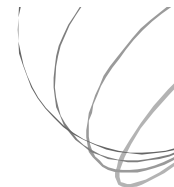
Police Complaints Commissioner for Scotland

Report on the 2008/09 Audit

November 2009

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Key messages

In 2008/09 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 aspects of performance management and governance. This report sets out our key findings.

Financial statements

We have given an unqualified opinion on the financial statements of PCCS for 2008/09. 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.

Financial position and use of resources

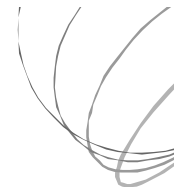
The PCCS budget was set at £1 million for the financial year 2008/09. The total revenue expenditure for the year was £939,553 and the capital expenditure was £58,483, resulting in a surplus of £1,964.

The budget for the year 2009/10 has been set at £1.001 million. The level of enquiries in 2008/09 was 15% greater than in 2007/08 and as 2009/10 will only be the third year for PCCS it is difficult to determine the level of enquiries in the future. Delivering an increasing caseload, while absorbing pay inflation and other cost pressures, will be a challenge for the organisation.

Governance and accountability

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. 2008/09 was a year of transition for PCCS as permanent members of staff were appointed to replace seconded and agency staff, who had been involved in establishing PCCS in 2007/08. For example, a new Accountable Officer (the Director) started in December 2008 and a new Strategic Business Manager in March 2009. In addition, since the year-end the Commissioner left PCCS in May and a new Commissioner started in August 2009.

As 2008/09 was only the second year for PCCS, work continued on developing and improving financial and operational controls and it will take time to embed controls. With a new Commissioner, a Director now in place for 10 months and permanent members of staff in place this enables PCCS to embed controls and develop their work going forward.



Performance

Strategic direction is set by the Scottish Government, which set PCCS four strategic aims. The corporate and business plans reflect these aims and also include an additional internal aim to demonstrate business effectiveness and best value in the work of PCCS. The Annual Report of PCCS for 2008/09 provides progress against its five strategic aims and key deliverables. In 2008/09, in addition to reviewing individual cases, PCCS developed its wider work on reviewing complaints handling; police forces were requested to carry-out a self-assessment review of their existing complaint handling practices and PCCS has now commissioned research for 2009/10 to review complaints handling across the public sector. The 2009/10 Business Plan includes preparation of a corporate plan for 2010 – 2013 and to inform the plan, a survey of complainants has been commissioned to identify areas for improvement.

During 2008/09 PCCS developed a performance management regime based on the balanced scorecard system and this is being tested in 2009/10.

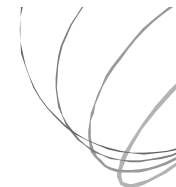
Best value duties apply across the public sector and, in central government, best value is a formal duty of all accountable officers. A key objective for 2009/10 is to carry-out a self-assessment exercise and implement the resultant action plan. We will monitor progress as part of our 2009/10 audit work.

Looking forward

The final part of our report notes some key risk areas and issues for PCCS going forward including the development of shared services in response to the Crerar Review. We highlighted a number of national issues which affect all public sector bodies, including the National Performance Framework and the introduction of Scotland Performs and the review of data handling arrangement in public bodies across Scotland. PCCS also faces financial pressure over the next three years to ensure they continue to achieve financial balance.

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

Audit Scotland
November 2009



Introduction

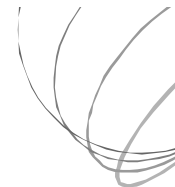
1. This report summarises the findings from our 2008/09 audit of the Police Complaints Commissioner for Scotland (PCCS). The scope of the audit was set out in our Audit Plan, which was discussed with the Accountable Office and PCCS on 20 March 2009. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. Best value duties apply across the public sector and, in central government, best value is a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and throughout this report we comment on aspects of PCCS arrangements.

Exhibit 1: Framework for a best value audit of a public body





3. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report is the first step towards that goal.
4. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. We mention the key findings from all relevant reports, and the implications for PCCS, throughout this report. Full copies of the study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.
5. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by management and staff 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.



Financial Statements

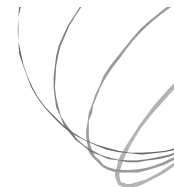
6. In this section we summarise key outcomes from our audit of PCCS's financial statements for 2008/09 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

7. 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 within the financial statements
 - the regularity of the expenditure and receipts.
8. We also review the statement on internal control by:
 - considering the adequacy of the process put in place by the Director 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

9. We have given an unqualified opinion on the financial statements of PCCS for 2008/09.
10. As agreed the unaudited accounts were provided to us on 27 July 2009, supported by a working paper package. We concluded our audit within the agreed timetable and provided our opinion to the Accountable Officer on 8 September 2009 as timetabled.
11. While PCCS made significant improvements in preparing and finalising accounts for 2008/09 compared to 2007/08, the accounts presented for audit were not complete and the supporting financial ledger not finalised. This was due to staff changes and the accounts being prepared by a temporary member of staff. A new, permanent member of finance staff finalised the 2008/09 accounts and PCCS are reviewing the process of preparing the accounts to identify improvements for 2009/10.



Issues arising from the audit

12. As required by auditing standards we reported to the Accountable Officer on 8 September 2009 the main issues arising from our audit of the financial statements. The key issues were as follows:
13. **Accruals** – accounts presented for audit included £73,000 in accruals for research studies. Reviewing the contracts identified that the work was not due to take place until 2009/10 and the accounts were changed to reflect the decreased accrual and expenditure figures.
14. **Rental costs** – PCCS moved from Glasgow city centre to Hamilton during 2007/08 to share premises with the Mental Health Tribunal for Scotland Administration (MHTSA) and the rental agreement included a rent-free period, which was accounted for over the length of the lease. The 2008/09 accounts presented for audit included rental costs did not follow this accounting treatment and rental costs were understated by £11,000. The accounts were changed and rental costs increased.
15. PCCS now has a permanent member of finance staff who will have better knowledge of PCCS when preparing the accounts for 2009/10, reducing the risk of these types of errors recurring next year.

Regularity

16. 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.

International financial reporting standards (IFRS)

17. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 (Budget report paragraph C103), Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. The Scottish Government announced on 25 April 2008 that all Scottish Government Departments, Executive Agencies, Health Bodies and Non-Departmental Public Bodies would be required to produce shadow IFRS based accounts for financial year 2008/09. This was to include a restated balance sheet as at 1 April 2008.



18. In terms of the audit of the IFRS opening balance sheet at 1 April 2008, there were two key dates to achieve as outlined below:
 - **28 November 2008** – opening 2008 IFRS-based balance sheet were to be presented to auditors for dry-run audit.
 - **28 February 2009** – dry-run audit of opening balances was to be completed, resulting in a letter to management highlighting the work done, auditors' findings and areas for further work.
19. The opening balance sheet and supporting documentation were not submitted by PCCS for audit for review by the deadline date of 28 November 2008 as PCCS were unable to allocate resources to prepare the opening balance sheet. PCCS was established by secondees from other public sector bodies and temporary staff and PCCS were recruiting permanent members of staff to replace these staff.
20. We made some recommendations for the delivery of the next stage of IFRS reporting – the production of the shadow accounts for 2008/09 and we will consider these when we review the shadow accounts. Issues for PCCS included:
 - to review the accommodation in Hamilton to assess whether it is an operating or finance lease
 - to review intangible assets to ensure treatment follows IFRS
 - to consider the annual leave and flexi-time accrual and assess whether the supporting information is adequate and the balances material to the accounts
 - to review significant contracts to determine whether conditions in the contracts could vary cash flows in an uncertain manner over time e.g. contracts in foreign currency. PCCS is required to demonstrate no additional accounting is required.
21. With the help of the Scottish Government Accountancy Services Unit, a restated balance sheet was provided in March 2009. The next stage is for PCCS to prepare 2008/09 shadow accounts under IFRS by end of November 2009 and we will audit this work in due course.



Financial Position

Outturn 2008/09

22. PCCS is funded by grant-in-aid from the Scottish Government and does not receive any additional third-party income. The budget was set at £1 million for the financial year 2008/09. The total revenue expenditure for the year was £939,553 (excluding notional costs) and the capital expenditure was £58,483, resulting in a surplus of £1,964.

Financial sustainability and the 2009/10 budget

23. The budget for PCCS has been set at £1.001 million for 2009/10.
24. The level of enquiries in 2008/09 was 15% greater than in 2007/08 and as 2009/10 will only be the third year for PCCS it is difficult to determine the level of enquiries going forward. PCCS are not forecasting a shortfall for 2009/10 however, delivering an increasing caseload, while absorbing pay inflation and other cost pressures represents a challenge for the organisation.

National Studies

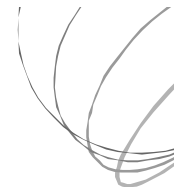
25. Audit Scotland published one national study relevant to PCCS's use of resources, the report *Use of consultancy services*.

Use of consultancy services

26. The overall aim of the study was to review central government's use of consultancy services and to make recommendations to improve the public sector's use of consultants' knowledge, skills and resources to help deliver new services and initiatives quickly and expertly. The key findings were as follows:
- The public sector is strengthening the way it buys goods and services.
 - Central government does not have a clear strategy for its use of consultants or for linking use to its priorities or financial and workforce plans.
 - In most cases, central government buys consultancy services well but some improvements can be made.
 - Central government could improve how it manages consultancy projects through more consistent and formal evaluation of consultants' work and learning more from them.
 - Central government could make savings of up to £13 million a year through better planning and buying of consultancy services.



27. The report made specific recommendations for public bodies, including that they:
- confirm they have clear processes for approving and recording the use of consultants and monitoring progress, and reinforce these as required
 - plan their use of consultancy services when developing their forward work programme to ensure that consultants are used where their knowledge and skills bring greatest value for money
 - always evaluate the option to use consultants against the option to use their own staff
 - improve the quality of their invitations to tender through better and earlier discussion with consultants about their consultancy needs
 - increase the use of framework agreements where possible by ensuring that existing agreements are used and new ones developed as appropriate.
28. PCCS engage with consultants primarily for research work and as expenditure on this area is increasing we will follow-up these recommendations in 2009/10.



Governance and Accountability

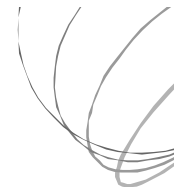
29. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our findings arising from a review of PCCS's arrangements.
30. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

Overview of arrangements

31. This year we reviewed:
 - key systems of internal control
 - arrangements for the prevention and detection of fraud and irregularity.
32. Our overall conclusion is that PCCS, in its second year, continues to progress in establishing systems of internal control.

Governance arrangements

33. As there is no Board, and therefore no Audit Committee, the previous Commissioner established an Advisory Committee, 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. The panel first met in March 2008 and meets quarterly. We will monitor the work of the Advisory Panel as part of our audit work for 2009/10.
34. 2008/09 was a year of transition for PCCS as permanent members of staff were appointed to replace seconded and agency staff who were involved in establishing PCCS in 2007/08. During the year there were changes to the Director (Accountable Officer). The Director in place up until November 2008 returned to the Scottish Government after finishing her secondment to PCCS and the Commissioner was appointed Accountable Officer during the interim period until the new Director started in December 2008. A new Strategic Business Manager started in March 2009 after a period when seconded and agency staff covered this role. Since the year-end the Commissioner left PCCS and a new Commissioner, John McNeill, started in August 2009.



35. Following his appointment in December 2008, the Director reviewed the existing organisational structure and further appointments were made to support the PCCS work in reviewing arrangements for complaints handling. With a new Commissioner and permanent members of staff now in place this enables PCCS to embed controls and develop their work going forward.

Systems of internal control

36. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2008/09 Chiene & Tait, the internal auditors, provided their opinion based on the internal audit work undertaken for 2008/09. They concluded that management has substantial assurance that the internal controls and governance frameworks are sufficient to ensure the efficient and effective operation of the organisation, and that the strategic and operational risks to which the organisation is exposed are being managed.
37. Our work identified that internal control systems for governance and the management of financial resources were still being refined. Financial monitoring in 2008/09 was on a cash accounting basis when accurate financial information on an accruals basis should be available to the organisation throughout the year to identify potential cost pressures and implement appropriate corrective action. Internal audit reported that improvements could be made to variance analysis in budget reports and to monitoring of spend through government procurement cards. Our substantive testing of expenditure provided us with assurance of the regularity of transactions.

Statement on Internal Control

38. The Statement on Internal Control provided by the Accountable Officer reflected that there were no significant findings from either external or internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out PCCS's approach to this. PCCS have in place a series of security measures to ensure that information held is carefully managed and controlled and no personal data related incidents were reported for the organisation.



Internal Audit

39. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. In 2007/08 the Scottish Government provided internal audit services to PCCS but this was for one year only. In February 2009 PCCS contracted with Chiene and Tait to provide internal audit services for the 2008/09 financial year. PCCS have commissioned Chiene and Tait for 2009/10 and during the year plan to investigate sharing internal services with other public sector bodies.

Prevention and detection of fraud and irregularities

40. PCCS has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff members.

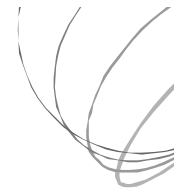


Performance

41. 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. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery
 - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes.
42. In this section we comment on:
- strategic direction
 - performance overview
 - performance management arrangements.

Strategic direction

43. PCCS published its corporate plan for 2008 – 2011 in August 2008. The plan is based upon five strategic aims, of which four were set by Scottish Ministers. These are 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 handles 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.
44. The 2009/10 Business Plan is underpinned by these four strategic aims and PCCS has a fifth internal strategic aim, 'demonstrate business effectiveness and best value ensuring continuous improvement in all areas of work of the PCCS'. Under each strategic aim there are detailed key objectives with timescales, resources, lead person and measurements of performance. Standards of service, which cover area such as response times to queries and payment of invoices have been published and are available on the PCCS website.

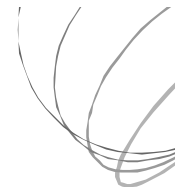


Performance overview

45. The Annual Report of PCCS for 2008/09 provides progress against its five strategic aims and key deliverables and highlights the increased number of enquiries from the previous year. In 2008/09 PCCS, in addition to reviewing individual cases, developed work on a wider review of complaints handling. All forces were asked to carry out a self-assessment review of their existing complaint handling practices against their published procedures and PCCS analysed the results then reported on their findings. Forces are undertaking further work following this review. PCCS has started to identify examples of best practice and have now commissioned research for 2009/10 to review complaints handling across the public sector, with the aim of identifying various models, which will be issued in 2009/10 for consultation.
46. A survey of complainants has been commissioned to identify areas for improvement and findings will be used to inform the Corporate Plan for 2010-2013. Work has been ongoing to develop formal agreements with UK police organisation on the handling of police complaints in Scotland and agreements are now in place with two bodies. PCCS acknowledge that progress on the introduction of the new internal complaints handling database has been slower than anticipated, however it is now expected this will be in place for December 2009.
47. As described at paragraph 44, PCCS have standards of service. The Annual Accounts for 2008/09 record that for the target, 'send an initial response to all complainers' letters, e-mails and faxes within two days of receipt', PCCS achieved 91%, which is slightly less compared to 2007/08 rate of 95% and reflects the increased level of enquiries, up by 15%.

Performance management

48. During 2008/09 PCCS developed a performance assessment framework and have now devised a performance management regime based on the balanced scorecard system. Under each strategic aim are a number of key objectives and indicators of how performance will be measured. The 2009/10 Business Plan has more detailed objectives than previous plans and PCCS are monitoring progress on a quarterly basis.
49. Best value duties apply across the public sector and, in central government, best value is a formal duty on all accountable officers. A challenge for PCCS is to consider how they can demonstrate overall that arrangements have been made to secure best value. A key objective for 2009/10 is to carry out a self-assessment exercise and implement the resultant action plan. We will monitor progress as part of our 2009/10 audit work.

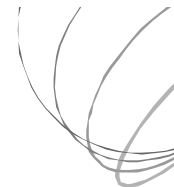


Risk management

50. PCCS maintain a risk register, which is aligned to strategic aims and responsibility is assigned to appropriate individuals. It is regularly reviewed by senior staff and reviewed as part of the preparation of the Corporate Plan and the Annual Business Plan.
51. Due to the nature of information held by PCCS, breaches in information security would be a serious issue for the organisation and PCCS have in place a series of security measures to ensure that information held is carefully managed and controlled. The Annual Accounts 2008/09 record there were no personal data related incidents during the year.

Efficiency

52. The Budget for PCCS in 2008/09 was £1.0 million, which was a reduction of £0.5 million on the 2007/08 budget. The previous year's allocation included set up costs for the organisation. The director carried out a review and identified restructuring and additional new posts were necessary. A recruitment exercise was carried out to address these requirements and the establishment is now 16 members of full time staff. This was carried out within the existing budget for the year.
53. PCCS is expected to achieve 2% efficiency savings per year from 2009/10 to 2011/12. Now fully staffed, the challenge for PCCS for 2009/10 is to manage these staff costs alongside commissioning research and on-going IT and accommodation costs.



Looking Forward

54. PCCS faces a number of challenges in 2009/10, which include:

- **Efficiencies and future funding** - Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes no 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). The challenge for PCCS is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Shared services** – In response to the Crerar Review the Scottish Government recommended PCCS to share services where possible. PCCS currently use Scottish Government services for pay, finance, procurement and IT and share facility management services with another public sector body. PCCS continue to investigate sharing services and are in discussion with other UK ombudsman and police oversight bodies. We will monitor developments in 2009/10.
- **Public Sector Reform Bill** - The Public Sector Reform Bill is a collection of measures to reform the public sector landscape in Scotland including some proposals arising from the Crerar Review. The Bill proposes to abolish a number of bodies, merge some and create new bodies. We will monitor any developments impacting on PCCS in 2009/10.
- **Data handling** - The Scottish Government carried out a review of data handling arrangement in 2007. The review considered current policies and procedures on data protection, consistency with government standards and local arrangements for implementation of procedures. A report published in June 2008 made recommendations for a higher level of oversight and guidance from the Scottish Government and improved security of sensitive information. We will monitor progress against recommendations during 2009/10.
- **National Performance Framework** - The Scottish Government is continuing to develop its approach to performance management based on the National Performance Framework and local authority single outcome agreements. The National Performance Framework is an outcome-based approach that is publically reported on the Scottish Government's web site in the 'Virginia-style' model of performance measurement and reporting. 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 monitor developments and the impact for PCCS as part of the 2009/10 audit.