

# Northern Joint Police Board

Report to Members and the Controller of Audit  
on the 2009/10 Audit

October 2010

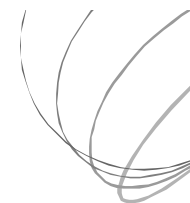


 AUDIT SCOTLAND



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# Key Messages

## Introduction

In 2009/10 we looked at the key strategic and financial risks being faced by the board. We audited the financial statements and we looked at aspects of performance management and governance. This report sets out our main findings, summarising key outcomes from the 2009/10 audit and the outlook for the period ahead.

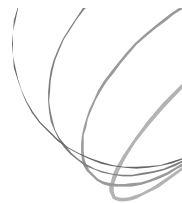
## Key outcomes from 2009/10 audit

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 Northern Joint Police Board.
- Final accounts preparation procedures and working papers were generally good.
- As at 31 March 2010 the board remained within the revenue carry forward limits.
- Many aspects of a sound corporate governance framework are in place. The board's standing orders and scheme of delegation were reviewed in November 2009 and the Financial Regulations in May 2010.
- Internal Audit concluded that "that reasonable assurance can be placed upon the adequacy and effectiveness of Northern Constabulary's internal control systems for the year to 31<sup>st</sup> March 2010."
- The board has been pro-active in identifying areas for shared services and has an approved Shared Services Best Value Review Programme.

Key issues for the board in the future include:

- Delivering services in the face of reducing funding in the years 2011 to 2014.
- Continuing to progress delivery of the Best Value Action Plan.
- Continuing to develop governance arrangements including on-going training for members and risk management processes.
- Improving the arrangements for collecting, monitoring and reporting performance.

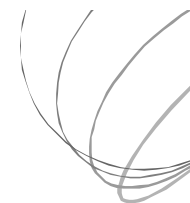


- Continuing to work with councils and other partners to deliver the outcomes of Single Outcome Agreements (SOAs) and share services.

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 of the board during the course of the audit.

Audit Scotland  
October 2010



# Introduction

1. This report summarises the findings from our 2009/10 audit of Northern Joint Police Board. 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 2010. 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 B 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.
4. The management of the board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses highlighted by auditors in this and other reports are only those that have come to our attention during our normal audit work in accordance with the Code of Practice approved by the Accounts Commission, and may not be all of the weaknesses that exist. Communication by auditors of the matters arising from the audit does not absolve management from its responsibility to address the issues raised and for maintaining an adequate system of internal control.
5. We thank the members and officers of the board for their assistance and cooperation in the conduct of our 2009/10 audit.

# Financial statements

## Introduction

6. In this section we summarise key outcomes from our audit of the board's financial statements for 2009/10. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
7. We audit the financial statements and give an opinion on:
  - whether they present a true and fair view of 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.

## Overall conclusion

8. We have given an **unqualified** opinion on the financial statements of Northern Joint Police Board for 2009/10.
9. The board's balance sheet has an excess of liabilities over assets of £453.682 million due to the accrual of pension liabilities in accordance with accounting standards. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on financial statements. One of the indications that may give rise to going concern considerations is an excess of liabilities over assets.
10. In his Explanatory Foreword to the accounts, the Treasurer outlined that the board had adopted a going concern basis for the preparation of the financial statements as future actuarial valuations of the Local Government Pension Scheme will consider the appropriate employer's rate to meet the commitments of the fund and constituent authorities are liable to fund the liabilities of the board as they fall due. Future pension liabilities will be met, as they fall due, by government funding and contributions from constituent authorities in the normal way. We are satisfied that the process the board has undertaken to consider going concern is reasonable.
11. 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 prior to the target date of 30 September 2010 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

12. 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). No major changes impacting on the board's accounts were introduced by the 2009 SORP and overall, we were satisfied that the board had prepared the accounts in accordance with the 2009 SORP.
13. The board adjusted the financial statements to reflect our audit findings. As is normal practice, immaterial unadjusted errors have been reported to the Treasurer and members via our letter issued in line with International Standard on Auditing 260 (ISA 260) *communication of audit matters with those charged with governance*. Details of significant accounting issues which arose during the course of our audit and for which adjustments were made are summarised below.
14. The general fund balance in the unaudited accounts included an amount earmarked for pension commutation payments amounting to £2.4 million. This related to cumulative funding received in respect of officers who were eligible to retire but had opted to stay in post as at 31 March 2010. Comparison of the pensions funding received with the actual payments made to retiring officers found that the earmarked balance was overstated by £280,000 as these payments had already been made.
15. The Area Command in Inverness, an operational asset, was revalued in June 2010 at £9.1 million following some construction work. The revaluation figure was shown as the gross value of the Area Command at 1 April 2009 rather than the closing net book value at 31 March 2010. Accumulated depreciation on this asset was not eliminated on revaluation and a further year's depreciation was charged in 2009/10. The impact of this was that expenditure was overstated and the closing value of the asset was understated and the accounts were amended to reflect the correct treatment and value of the revalued asset. This did not impact on the general fund balance.
16. The gross expenditure column on the face of the income and expenditure account included £3.347 million of income for *specific grants*. Grants received should be shown as income for the year and as a result both expenditure and income were understated. The final accounts were amended to increase the gross income and expenditure figure. This had no impact on the deficit for the year.
17. The specific grants shown at Note 4 to the accounts were agreed to supporting documents. We found that this note did not agree to the total specific grants of £3.347 million reported on page 2 as government grants totalling £2.613 million had not been included in the note. An amendment was made to Note 4 to include all specific grants.



18. There was no accounting policy on surplus assets included in the unaudited accounts although surplus assets totalling £1.283 million were included in the accounts. There was also no accounting policy for provisions although a provision of £0.252 million was included in the accounts. These omissions were corrected in the audited accounts.

## Legality

19. Through our planned audit work we consider the legality of the board's financial transactions. In addition the Treasurer confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the board's management team, the financial transactions of the board were in accordance with relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to members' attention.

## Statement on the system of internal financial control (SSIFC)

20. Scottish authorities are required by the local authority SORP to include a statement on the system of internal financial control with their statement of accounts. The 2009/10 financial statements include a Statement on the System of Internal Financial Control which highlights the Treasurer's view that "the board has in place a sound system of internal control."
21. The statement highlighted the most significant findings by Internal Audit for the year. From the internal audits undertaken in the year only Corporate Governance and Risk Management identified grade 1 concerns in respect of:
- The absence of a local code of corporate governance.
  - The Force's Financial Regulations had not been updated for several years. It should be noted that this point has already been addressed and the new Regulations were presented to the board on 11 May 2010.
  - The Force does not have any risk management procedures in place and does not regularly report to the board on risk management issues. However, a risk management strategy was in the process of being implemented.
22. In addition, Internal Audit had identified a weakness in the payroll audit whereby the requirements of Financial Regulations have not been observed with regard to the need for an adequate segregation of duties in the administration of the payroll function. However, these findings do not indicate a fundamental breakdown in control or material losses to Northern Constabulary and therefore did not affect the Treasurer's opinion on internal controls at paragraph 20 above.
23. The statement complies with accounting requirements and is consistent with the findings of our audit.

24. The SORP states that authorities *may choose* to include a wider statement of internal control in place of a statement of internal financial control. The CIPFA framework document *Delivering good governance in local government* recommends that the review of the effectiveness of the system of internal control should be reported in an annual governance statement. LAAP bulletin 71 *The Annual Governance Statement* clarifies that authorities are encouraged (but not required) to include an annual governance statement with their accounts. The board may wish to consider moving to an Annual Governance Statement in future years.

## Financial reporting outlook

### IFRS adoption

25. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. A comparative balance sheet as at 1 April 2009 will be required as well as at 31 March 2010 and 2011.
26. The board's financial statements are prepared by officers of The Highland Council and the council signed a contract with a CIPFA/PricewaterhouseCoopers partnership to assist in the early identification of issues and the smooth transition to fully IFRS compliant financial statements within the agreed IFRS timetable. We have been advised that preparatory work on the IFRS balances has started and that restated opening balances are now available and we will be reviewing the restated balance sheet figures as a priority in our 2010/11 audit.

# Financial position

## Introduction

27. In this section we summarise key aspects of the board's reported financial position and performance to 31 March 2010, 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 2009/10

28. The board's net operating expenditure in 2009/10 was £79.341 million. This was met by police grant of £29.193 million and constituent authorities' contributions of £29.714 million, resulting in an income and expenditure account deficit of £20.434 million. This represents 25.7% of the net expenditure for the year and largely reflects the unfunded nature of the Police Pension Scheme.

29. The board's net budgeted expenditure in 2009/10 was £59.469 million and this assumed that reserves of £0.109 million would be utilised in the year. The actual expenditure incurred was £58.048 million which resulted in an underspend of £1.421 million. The main reasons for the underspend were:

- other income was £1.474m higher than budget due to additional income generated from secondment of officers, higher income from services to external parties and increased income from radio sites;
- higher than budgeted pension income by £0.268 million due to officers transferring into the scheme;
- underspend in capital charges of £0.138 million due to lower interest rates;
- the above underspends were offset by a net overspend in staff costs of £0.415 million mainly due to the cost of the voluntary redundancy programme.

30. The difference of £21.293 million between the net operating expenditure in paragraph 28 and actual expenditure in paragraph 29 is due to technical adjustments to the general fund required by statute and non-statutory proper practices. The movement on the general fund balance is an important aspect of the board's stewardship as the main budget reference point. After making the following technical adjustments a general fund increase of £0.859 million was achieved in the year:

- capital investment being accounted for as it is financed, rather than when fixed assets are consumed;
- retirement benefits being charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

## **Reserves and balances**

31. Under the Police and Fire Services (Finance) (Scotland) Act 2001, the board is entitled to carry forward any unused in-year amounts to the value of 3% of the contributions paid into the board's general fund in the year. The board is also entitled to carry forward cumulative unused amounts to the value of 5% of the sum of the police grant and the contributions paid by its constituent authorities during the year. The board can only exceed these percentages with the approval of the Scottish Ministers.
32. The board holds a general fund balance which is used as a contingency for unexpected events or emergencies. The carry forward calculation referred to at paragraph 31 specifically excludes earmarked balances and in 2009/10 the board increased the general fund by £0.793 million which was earmarked for pension commutations plus the 3% maximum carry forward of £0.899 million for general contingency use. Overall the general fund increased by £0.859 million in the year after utilising pension commuted sums of £0.833 million from the earmarked portion of the fund. The closing balance of the general reserve portion of the fund at 31 March 2010 is £2.046 million and this is within the 5% maximum allowed of £2.968 million.

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

### **Capital performance 2009/10**

33. Capital expenditure in 2009/10 totalled £3.796 million, increasing from £3.287 million in 2008/09. This was funded from government grants of £1.430 million, proceeds from disposal of assets during the year of £0.261 million and a transfer from the capital receipts reserve of £2.105 million.
34. There was an underspend of £0.172 million against the budgeted expenditure of £3.968 million contained in the capital expenditure programme in 2009/10. This was largely due to several contractors performed better than expected in the earlier stages of Estates projects in Nairn and Stornoway, resulting in unspent contingency funds.

## Financial outlook

### Spending review

35. The most significant challenge the board faces is a reduction in funding in the years 2011 to 2014. Although the exact size of the reduction will not be known until the last quarter of the year, the board is taking steps both nationally and locally to meet the difficult economic challenges. The Board has just undergone a restructuring programme which saw the removal of 23 posts resulting in a projected savings for future years of £1.146 million. The board has an efficiency plan for 2010/11 with a targeted saving of £2.050 million. The main assumptions in achieving this target are:

- police officer baseline number fixed at 800;
- rationalisation of police staff posts;
- savings in maintenance of property, petrol and hire of vehicles costs.

The board also anticipates some future savings coming out of the best value review of shared services discussed in paragraph 69 below.

36. The board recognises that budget settlements beyond the 2010/11 financial year are going to be significantly challenging and that it needs to position itself against the challenges ahead. Whilst the board does not have revenue budgets and efficiency plans in place beyond 2010/11, we have been advised that a considerable amount of work has been undertaken both within the service and with partner agencies to develop workable solutions for 2011/2012 onwards and high level budgets based upon a number of scenarios have been prepared. The scenario planning was driven by information coming from the Scottish Government and reflects reductions of 9% in 2011/2012 and 5% in each of the following years. A detailed roll-forward budget based on current service levels has also been prepared to inform the Scottish Government of the cost of current service levels.

***Key risk area 1***

### Future capital programme

37. Capital investment programme for 2010/11 of £1.691 million shows capital grant of £1.0 million, £0.430 million lower than 2009/10 to reflect the squeeze on local authority budgets. The balance will be funded from capital receipts. The board is confident it can deliver this plan in 2010/11 but is less optimistic on the two years beyond 2010/11. Nationally, there remains uncertainty around capital funding and therefore the board has not assumed any capital grants in their capital programme projections after 2010/11. Officers have advised that whilst projects of £1.437 million have been identified in the next two years there is no firm commitment to deliver these and the proposed capital

programme will need to be kept under close review over this period. The current proposals will be regularly scrutinised to ensure they remain relevant and affordable to the service and the board is looking for innovative ways of meeting its capital programme in the current economic circumstances.

## **Pensions funding**

38. Financial planning and accounting for the costs of pensions present a difficult challenge. The amounts involved are large, the timescale is long and the estimation process is complex and involves many areas of uncertainty that are the subject of numerous assumptions. In accounting for pensions, FRS 17 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 large future liabilities being recognised in the financial statements.
39. The police officers' pension scheme is unfunded and, therefore, has no assets to be valued. Note 13 to the Balance Sheet highlights that the present value of scheme liabilities at 31 March 2010 is £460.347 million (£296.347 million at 31 March 2009). As the scheme is unfunded, the pension liability will fall to be met by serving police officers' contributions and by taxpayers in the future (through constituent authorities' contributions).
40. The board's estimated pension liabilities for support staff at 31 March 2010 exceeded its share of assets in the Highland Council Pension Fund by £16.132 million (£6.693 million at 31 March 2009). The contribution paid by the board into The Highland Council Pension Fund in 2009/10 was 275% of employees' contributions (290% in 2008/09) which was in line with the recommendation made by the actuary in their last full actuarial valuation at 31 March 2008.
41. From April 2010 funding for the police service pension costs (with the exception of injury benefits and ill-health capital charges) are met through a combination of employee contributions, a new actuarially-based employer's contribution calculated as a percentage of pensionable pay and, as required, a 'top-up' payment by the Scottish Government. The regulations confirm that the employer contribution rate going forward from April 2010 is 24.7%.
42. The actuary makes a number of assumptions in calculating pension costs, for example, demographic assumptions, price and salary increases. An assumption that 50% of retirees will opt to take a larger lump sum in return for a reduced annual pension was applied again in 2009/10. We understand that the 50% assumption reflects actual experience for staff on the LGPS pension but experience for police officers is higher at 95%. Neither the board, nor the administering authority confirms the assumptions used are appropriate to local circumstances. We would highlight that actuarial reports are only advisory and the board should confirm it is satisfied with the assumptions/rates used in these reports.

***Key risk area 2***

# Governance

## Introduction

43. In this section we comment on key aspects of the board's governance arrangements during 2009/10. We also provide an outlook on future governance issues, including our views on potential risks.

## Overview of arrangements in 2009/10

44. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. During the year we reviewed the governance arrangements in Northern Joint Police Board and have concluded that, overall, the board had systems in place that operated well within a sound control environment.

## Scrutiny

45. 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. In August 2009, to fulfil one of the actions resulting from a EFQM self assessment exercise, the board approved specific role descriptions for the Convener, Vice Convener and a generic Member role.
46. Following on from the approval of the role description of members, a training needs analysis was conducted jointly with the Highland and Islands Fire Board. In total 18 responses were received (from both boards), a response of 45%. The top development requirements identified by members were: scrutinising performance, complaints handling, staff appeals, finance & audit and personal /role development. In addition to the above subjects, the development programme will include further training on equalities & diversity, sustainability to take account of the BV report and risk management, in response to an Internal Audit report on Corporate Governance and Risk Management.

## Internal Audit

47. 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 Highland Council's Internal Audit function.
48. 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.

49. The internal audit plan for 2009/10 assumed audits would be undertaken in six areas: payroll, travel and subsistence, corporate governance and risk management, internal control checklist, asset management and benevolent fund. The first three aforementioned reviews were completed and finalised in 2009/10. The internal control checklist was subsumed in the audit of the governance and risk management while the asset management audit is currently being finalised. The start of the benevolent fund audit was delayed due to change in operational staff within the Force.
50. We were able to place formal reliance on the review of payroll to gain assurance on the financial statements. The findings on the review of the corporate governance and risk management will be used to inform our governance and accountability work for 2010/11. The audit of asset management on the other hand was not completed on time to enable us to partially rely on it as planned and we therefore extended our own testing accordingly. This was largely due to internal audit resourcing issues during the year which have subsequently been resolved and we do not anticipate similar difficulties in completing the internal audit plan in 2010/11.

## **Risk management**

51. Internal Audit's review of the board's corporate governance and risk management highlighted that the board did not have risk management procedures although a risk management strategy was in the process of being implemented which would address this. We noted that the strategy had not been presented to the board for approval. In addition, risk management issues are not regularly reported to the board.

***Key risk area 3***

## **Systems of internal control**

52. In his August 2010 report to the Audit Working Group, the Head of Internal Audit and Risk Management, Highland Council concluded that reasonable assurance can be placed upon the adequacy and effectiveness of the Police Service's internal control systems for the year to 31 March 2010.
53. 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
- Budgetary control
- Accounts payable

## Prevention and detection of fraud and irregularities

54. The board has appropriate arrangements to help prevent and detect fraud and corruption. These arrangements include a professional standards and conduct, corruption investigation and whistle blowing policies. These documents were last updated in 2005/06, however, officers have advised that they are regularly reviewed and remain current.

## NFI in Scotland

55. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, 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 outcomes for Scottish public bodies (£21 million during the 2008/09 NFI cycle and £58 million cumulatively up to end March 2010). If fraud or overpayments are not identified in a body, and the NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.
56. The most recent data matching exercise collected data from participants in October 2008 and the national findings were published by Audit Scotland in May 2010. Instructions for the 2010/11 NFI exercise were issued by Audit Scotland in June 2010 and participants should be preparing to provide the requested data by early October. The national report published in May 2010 included a self-appraisal checklist that all participants were recommended to use prior to NFI 2010/11.
57. The board had sound arrangements for NFI with prompt investigations. The exercise identified only nine matches relating to payroll, all of which have been investigated and cleared and did not involve any fraud.

## Governance outlook

### Transfer of Police Housing

58. The board has been working towards transferring police housing within Shetland, Orkney and the Western Isles to Registered Social Landlords (RSL) for ownership and management. This project has, however, recently been halted as a result of issues relating to "Right to Buy" legislation.

## **Management of ICT functions**

59. The agency agreement with the Scottish Police Services Authority came into effect from 1 July 2009, with ICT provision and associated costs now falling to the SPSA. During 2009/10 we had planned to review the governance arrangements between the two bodies and the measures put in place by the board to ensure a satisfactory quality of service is provided by SPSA. We have not pursued this planned review during the year as there is currently a review of SPSA on-going by colleagues in Audit Scotland on behalf of the Auditor General. This review will include SPSA's relationship and engagement with its stakeholders and customers. The final report is expected to be published in October 2010.
  
60. The tender and evaluation process for a National Command and Control System for all eight Scottish Police Forces has now been completed and this is expected to go live for Northern Constabulary in January 2011. In our AAP, we raised a concern in respect of the ten year contract with Intergraph which is not due to expire until 2015 in the likelihood that this contract is pre terminated. Management have confirmed that the contract is no longer with the Force as SPSA has responsibility for all IT related contracts from 1 April 2008 when relevant budgets were transferred. Any liability would therefore lie with SPSA.

# Performance

61. In this section we summarise the board's performance management arrangements. We also provide an outlook on future performance management issues, including our views on the current status of identified risks.

## Best value audit and inspection

62. In April 2010 the Controller of Audit and Her Majesty's Inspector of Constabulary for Scotland published their joint report on the audit and inspection on the performance by Northern Joint Police Board and the Northern Constabulary. They have concluded that:

*"Northern Constabulary and the Northern Joint Police Board have established many of the key elements of best value. There are sound working relationships between senior police officers, council managers and board members. Board members help to ensure that policing priorities meet the needs of their communities. Over many years, the force has delivered an effective policing service, with low levels of crime and high detection rates.*

*There are some areas in need of further development and members and officers have shown a drive to achieve continuous improvement. Following a recent self-assessment, the board has taken several initiatives designed to help strengthen its role, although the impact of these has not yet been demonstrated. Northern Constabulary has carried out a major force review, which has led to a restructuring of services, with significant savings in support costs and an increase in front-line policing resources."*

63. An improvement plan which sets out how the board and the Force intend to address the issues raised in the joint report was developed and was presented to the board meeting in May 2010. The first progress report on the actions contained in the improvement plan was made in the August 2010 board meeting. Out of the 24 agreed actions, 9 have been marked as completed, 11 are continuing and 4 are commencing with all of them to be completed by 31 December 2011.
64. There is regular and transparent monitoring of progress in the delivery of the improvement agenda. The board and the Force seem to be making good progress in delivering the action plan.

## Single Outcome Agreement (SOA)

65. The board has been active in all four Community Planning Partnerships since the introduction of SOAs and was involved at all stages of the SOAs for its constituent authorities. Parties to the SOA are

required to report on the quality, accessibility and value for money of all their services as part of their Best Value duties. Progress reports on the SOA goes to each board meeting. Work is currently underway to produce a new quarterly performance report format and it is intended that this new style report will include performance information on the Force's progress in working to achieve the SOA targets. Once in place, this quarterly report will replace the current SOA reporting to the board.

## Public performance reporting

66. The BV review found that there are some gaps in the performance monitoring information that is available. Over the past three years, Northern Constabulary has not supplied all of the information or contextual narrative required as part of the national Scottish Policing Performance Framework (SPPF). These omissions include key issues such as public satisfaction and emergency response times. Northern Constabulary has been unable to report on these indicators during 2009/10 however measures have been put in place to report on emergency response times in 2010/2011. We have been unable to verify the supporting evidence behind sickness absence because the database has changed and the Force was unable to keep historical records.

### ***Key risk area 4***

67. Northern Constabulary's Public Performance Report (PPR) for 2009/10 includes a summary page on statistical highlights for the year and reports on the reductions in the various categories and classes of crimes and offences including:

- The number of reported crimes and offences has reduced by 12.2% in Class 1 to 5 crimes.
- There has been an overall reduction of 14.9% in recorded anti-social community crimes.
- Class 2 – sexual crimes are down by 25% resulting in 107 fewer victims.

68. There are opportunities to significantly improve reporting, for example, the summary could highlight key indicators where results were unfavourable and how the Force intends to address these to provide a more balanced reporting to the public. The report includes detailed statistics but only reports on the results for 2009/10 and would be enhanced by comparing them with previous years results and targets for the year to put the figures into context.

### ***Key risk area 5***

## Performance outlook

69. The Accounts Commission commented on the lack of progress in realising efficiencies through developing shared services in its Overview of the local authority audits 2008 and recommended that

this be given high priority in the light of financial pressures and the drive for efficiency. As part of the budget exercise for 2010/11, the board has been pro-active in identifying areas for shared services and has an approved Shared Services Best Value Review Programme. The following areas have been identified as having the potential for savings to be made:

- Call and Demand Management
- Operational estate.
- Procurement
- Vehicle Fleet
- Forensic Medical Services

# Final Remarks

70. 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.
71. 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 2010/11 audit.
72. The co-operation and assistance given to us by Northern Joint Police Board members and staff is gratefully acknowledged.

# Appendix A: Reports and Opinions

## External audit reports and audit opinions issued for 2009/10

| <b>Title of report or opinion</b>                               | <b>Date of issue</b> | <b>Date presented to Audit Working Group</b> |
|---|----------------------|--|
| Annual Audit Plan   | 19/02/10             | 19 March 2010                                |
| Report on financial statements to those charged with governance | 26/08/10             | 27 August 2010                               |
| Audit opinion on the 2009/10 financial statements               | 22/09/10             | N/A (to be presented to the board)           |
| Audit opinion on Whole of Government Accounts                   | 29/09/10             | N/A  |

# Appendix B: Action Plan

## Key Risk Areas and Planned Management Action

| Action Point | Refer Para No | Risk Identified  | Planned Management Action  | Responsible Officer                    | Target Date |
|--------------|---------------|--|--|--|-------------|
| 1            | 36            | <p>The board does not have revenue budgets and efficiency plans in place beyond 2010/11 although workable solutions for 2011/2012 onwards and high level budgets based upon a number of scenarios have been prepared.</p> <p><b>Risk: The board's priorities and objectives may not be affordable and current service levels may not be sustainable.</b></p> | <p>The Force will continue to undertake budget planning as the funding position changes. This will be at a local and national level.</p>   | Director of Finance & Asset Management | Ongoing     |
| 2.           | 42            | <p>The board does not confirm the assumptions made by the actuary in calculating pension costs reflect local circumstances and experience.</p> <p><b>Risk: Actuarial assumptions may not be relevant to or reflect the experience of the board resulting in a misstatement of the financial statements.</b></p>  | <p>Actuaries request and are provided fund specific information on which to base their FRS 17 estimates.</p> <p>The Pensions team in the Highland Council will in future conduct a high level check of the FRS 17 reports for assurance where possible that the reports are broadly consistent with the fund specific data provided.</p> <p>However it will not be possible to conduct a detailed review all of the actuarial assumptions and consequent outcomes.</p> | Treasurer                              | 31 May 2011 |
| 3.           | 51            | <p>There is currently no approved risk management strategy in place. In addition, risk management issues are not regularly reported to the board.</p> <p><b>Risk: The board is not fully aware of the risks faced and risk management procedures are not robust resulting in risks crystallizing.</b></p>  | <p>Risk Management Strategy now in place – from the Nov 2010 meeting of the Audit Working Group, Risk Management will become a standing agenda item.</p>   | Complete                               | N/A         |



| Action Point | Refer Para No | Risk Identified  | Planned Management Action  | Responsible Officer      | Target Date |
|--------------|---------------|--|--|--------------------------|-------------|
| 4.           | 66            | <p>Not all of the SPPF indicators are collected and submitted. They do not include measuring public satisfaction and emergency response times. There is also lack of audit trail covering the sickness absence indicator.</p> <p><b><i>Risk: Public performance reporting is incomplete and the sickness absence indicator could be misstated.</i></b></p> | The Force will continue to make improvements which will increase compliance with SPPF reporting  | Head of Support Services | Ongoing     |
| 5.           | 68            | <p>The Public Performance Report for 2009/10 focussed on statistical information which showed favourable results during the year and lacked contextual information such as comparison with previous years' and/or targets.</p> <p><b><i>Risk: Public performance reporting does not provide a balanced picture of the outcomes for the year.</i></b></p>   | There are not plans to change the structure of the PPR – this document is supported by other readily available statistical comparisons | N/A                      | N/A         |