

News release

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Auditor General reports for a second time on issues with Scottish Police Authority accounts

The Auditor General has reported to the Scottish Parliament for a second consecutive year on significant issues arising from the annual audit of the Scottish Police Authority's accounts.

In 2014/15, the Scottish Police Authority (SPA) oversaw total expenditure of approximately £1.76billion. Together with Police Scotland, the body is also responsible for fixed assets valued at more than £550million.

Today's report says that incomplete records and poor financial management delayed the audit of the SPA's accounts and substantial corrections were needed before completion. These issues led to the auditor modifying her opinion on the accounts for a second consecutive year.

While some progress has been made towards creating a long-term financial strategy, it has been slow. This is now critical as Audit Scotland estimates the SPA and Police Scotland could face a potential funding gap of around £85million by 2018/19. The SPA intends to approve a financial strategy covering the period to 2025/26 by the end of March 2016.

Caroline Gardner, Auditor General for Scotland, said: "Police Scotland is one of our largest and most important public bodies. I first reported on the need for a long-term financial strategy for the service in November 2013. What was once important has now become critical, given the scale of the challenges ahead.

"The Scottish Police Authority and Police Scotland must collectively provide stronger leadership in strategic and operational financial management. This is essential if they are to deliver effective modern policing for the public and ensure their long-term financial sustainability."

The report also highlights the need for greater transparency in how the bodies have used reform funding from the Scottish Government, significant budget constraints such as staffing commitments and VAT liability, and new pressures on policing from emerging crime, like cybercrime and heightened terrorist threats.

The Auditor General will report again on the progress of the SPA and Police Scotland in 2016.

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Notes to editors

1. The SPA's accounts for 2014/15 are unqualified. An auditor's opinion statement can either be unqualified or qualified. An unqualified opinion is given when the auditor considers the information in the financial statements to be sound. When the opinion is qualified, the auditor is questioning the accounting principles and/or scope of the information provided. For the second consecutive year, the auditor has issued a modified conclusion for the SPA accounts on certain matters which are required to be reported by exception. This does not impact on the unqualified opinion on the accounts. The modification relates to the adequacy of aspects of accounting records in certain areas.

2. The auditor expressed a modified conclusion on those matters on which she is required to report by exception noting that: "Aspects of the accounting records and access to information and explanations in the area of property, plant and equipment were of poor quality. In my opinion, therefore, adequate accounting records have not been kept in respect of these areas for the 2014/15 financial year."

Following the establishment of SPA and Police Scotland, fixed asset registers were not maintained. During 2014/15, staff from SPA and Police Scotland worked to implement and populate a single fixed asset register known as Asset 4000. This was not completed prior to the start of the audit. This prevented testing until very late in the audit. Once this work began a number of errors were discovered. This resulted in the auditor temporarily withdrawing from the audit to allow SPA and Police Scotland the opportunity to address the problems.

3. The SPA's 2014/15 accounts show total expenditure of £1,760 million. Over £500 million of this relates to a non-cash movement to recognise the increase in the pension fund liability for the year. At the time of writing, the SPA is forecasting an overspend for 2015/16 of £22.3 million.

4. In the absence of a long-term financial strategy to demonstrate the financial sustainability of policing for the next decade, Audit Scotland has estimated the potential funding gap to 2020/21, based on information available at 15 December 2015. If a one per cent real terms budget increase is assumed for every year from 2016/17 to 2020/21, we estimate that there will be still be a cumulative funding gap of £84.6 million by 2018/19.

5. The Deputy First Minister and Cabinet Secretary for Finance and Sustainable Growth stated in his budget announcement of 16 December 2015 that the Scottish Government will provide an increase of £17.6 million in the budget for the Scottish Police Authority in 2016/17, and an overall funding commitment of £100million over the course of the next Parliament, subject to the results of the May 2016 Scottish parliamentary election. The Deputy First Minister also confirmed additional £55 million for the Scottish Police Authority intended to support a new phase of change and transformation funding for the police.

6. 2014/15 was the second full year of operation for the SPA and Police Scotland. This is the third report the Auditor General has made to the Scottish Parliament on progress made by the two bodies since their establishment on 1 April 2013. The first was [Police Reform](#), and the second was a [Section 22 report](#) published in December 2014 on the 13/14 audit of the Scottish Police Authority's accounts.

7. This report has been made under section 22 of the Public Finance and Accountability (Scotland) Act 2000, which allows the Auditor General to draw the Scottish Parliament's attention to matters of concern arising from an audit of accounts. The Auditor General will present this report to the Scottish Parliament's Public Audit Committee in January 2016. The committee will then decide what further steps it may wish to take.

8. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

- The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
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