



Scottish Police Authority

2015/16 Annual audit
report to Members and
the Auditor General for
Scotland

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively (www.audit-scotland.gov.uk/about/).

Gillian Woolman, Assistant Director, Audit Scotland is the appointed external auditor of the Scottish Police Authority for the period 2012/13 to 2015/16.

This report has been prepared for the use of the Scottish Police Authority and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in it may be used by the Auditor General in support of her wider responsibilities, including reporting to the Scottish Parliament.

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Key messages

Audit of financial statements

- We have issued an unqualified independent auditor's report on the 2015/16 financial statements. There is, however, a modification to the auditor's report in respect of the opinion on Other Matters as follows: 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 2015/16 financial year.
- This is the third year that a modified opinion on Other Matters has been issued on the SPA accounts.

Financial management and sustainability

- The Scottish Police Authority (the SPA or Authority) operated with a total resource budget (grant in aid) of £1088.8m against which it reported an overspend of £20.5m against the revenue budget and an underspend of £19.4m against the capital budget. On an exceptional basis, with the approval of the Scottish Government, the Authority was permitted to offset capital and revenue outturns to give a net outturn of £1.2m overspend at year end.
- The closing financial position, on the Statement of Financial Position, is a negative equity position of £12.5billion. This is attributable to the unfunded pension liability and described in further detail below.
- Whilst a high level long term financial strategy was prepared in March 2016 the Authority has yet to produce a detailed long term financial strategy to secure the financial sustainability of policing in Scotland, as recommended in the November 2013 report by the Auditor General for Scotland.
- Whilst finance staff have worked hard to respond to past criticism and striven to improve systems of internal control and key finance systems, leadership arrangements are in a state of transition, and there remains a shortage of capacity and competency for key areas, such as capital accounting.

Governance & accountability

- A Review of Governance in Policing was published by the new Chair in March 2016. It is intended to lead to: increased clarity in the role of the SPA, enable the SPA to focus on strategic governance matters, and for the SPA to delegate appropriately to allow Police Scotland to deal with operational requirements within defined parameters while still holding the Chief Constable to account for the performance and quality of policing. The recommendations are also intended to allow for local accountability to be fully discharged. A number of the target dates have now been revised and put back recognising the degree of consultation that is required. The intention is for there to be full implementation by the end of the financial year.
- With regard to governance arrangements in place in 2015/16, improvements can be made, and this is acknowledged by the aforementioned Review of Governance.
- Whilst overall internal controls in key financial systems have improved relative to last year, there is still improvement required and arrangements for the financial accounting of certain aspects of fixed assets were below acceptable standards.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of the Scottish Police Authority (the Authority or SPA). In accordance with the terms of the Police and Fire Reform (Scotland) Act 2012 the financial performance of the Police Service of Scotland is included within those accounts. Consequently all references hereon to the Scottish Police Authority implicitly include the Police Service of Scotland (Police Scotland or PS).
2. Management of the SPA is responsible for:
 - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
 - ensuring the regularity of transactions, by putting in place systems of internal control
 - maintaining proper accounting records
 - publishing, with their financial statements, a management commentary, a remuneration report, and an annual governance statement.
3. Our responsibility, as the external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at [appendix II](#) and [appendix III](#).
6. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that the Authority understands its risks and has arrangements in place to manage them. The Audit and Risk Committee should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

9. 2015/16 is the final year of the current audit appointment. From 2016/17 Stephen Boyle from Audit Scotland will be the new auditor of the SPA. In accordance with agreed protocols and International Standards on Auditing we will liaise with the incoming auditor as part of this transition.

Audit of the 2015/16 financial statements

Audit opinions

Financial Statements	<ul style="list-style-type: none">• An unqualified opinion on the financial statements has been issued that the financial statements of the Scottish Police Authority for 2015/16 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.• However the opinion on Other Matters has been modified as follows: '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 2015/16 financial year'. This modification was similarly made on the 2014/15 financial statements.• We confirm that the financial statements have been properly prepared in accordance with the 2015/16 Financial Reporting Manual (FReM) and the requirements of the Police and Fire Reform (Scotland) Act 2012 and directions from Scottish Ministers. However substantial revision was required to ensure the management commentary was compliant with the new requirements of the 2015/16 FReM.
Regularity	<ul style="list-style-type: none">• In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.
Other prescribed matters	<ul style="list-style-type: none">• The part of the remuneration report to be audited has been properly prepared in accordance with the requirements of the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers.• The information given in the performance report of the annual report is consistent with financial performance as shown in the financial statements.

Submission of financial statements for audit

10. We received the unaudited financial statements on 29 July 2016, in accordance with the agreed timetable. Whilst a set of supporting working papers was not passed over to the audit team, working papers were provided on request as the audit progressed. With the exception of fixed assets those papers were generally of a good standard. Due to the volume of 'matters arising', relating to the accounting treatment of fixed assets, additional audit work was required and deadlines were not met for the completion of the audit. On-site fieldwork concluded on 3 November 2016.

Overview of the scope of the audit of the financial statements

11. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit and Risk Committee on 19 April 2016.
12. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2015/16 agreed fee for the audit was £210,000. In view of the additional audit work that was required to gain the necessary level of assurance we will be reviewing the level of input and advise the Authority where any additional fee may be necessary.

13. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.
14. [Appendix I](#) sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
15. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

16. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. We assess the materiality of uncorrected misstatements, both individually and collectively.
17. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

18. We summarised our approach to materiality in our Annual Audit Plan. We revised our planning materiality for 2015/16 on receipt of the unaudited accounts to £17million.
19. We also set a lower level, known as performance materiality, when defining our audit procedures. This is determined to ensure that uncorrected and undetected audit differences do not exceed our materiality level. Performance materiality was set at £4.2million. In addition we report all misstatements greater than £100,000.

Evaluation of misstatements

20. A number of misstatements and presentational adjustments were identified in the financial statements in the course of the audit. These were discussed with one senior finance officer who took the decision to amend the financial statements. Between the first set of draft accounts to the final set of accounts the aggregate amount by which the results have changed is an increase of £5.9m in expenditure and an increase in the net liability of £5.3m. A significant aspect of this has been the post balance sheet event, referred to elsewhere. Furthermore, the result as shown in the Statement of Resource Outturn (by which the Scottish Government measures financial performance relative to budget) has changed from a net underspend of £1.7m to a net underspend of £13.6m.
21. In addition we have identified a number of errors which have not been adjusted for. These amount to £2.7m in aggregate and predominately relate to matters which officers acknowledged late in the concluding stages of the audit e.g. a provision of £750k that

ought to have been released, a £1.3m undercharge of amortisation, and items which are smaller in value. In addition, through our extensive work to determine the potential level of error associated with the revaluation of fixed assets, we concluded that the statement of financial position is not materially misstated. However the risk is that the revaluation movement or impairment charge is misstated. The maximum extent of this potential misstatement is £6.4m.

22. The total value of adjusted and unadjusted errors exceeds our overall performance materiality level of £4.2m. Consequently we have had to evaluate the implications for the financial statements as a whole. We are satisfied that due to the nature of those errors: we can isolate them, that they are not indicative of further systemic errors within the account area concerned, nor are pervasive to the financial statements as a whole. We considered the impact of these misstatements on our audit approach and adapted our audit testing appropriately.
23. Whilst we request that all errors be corrected, the final decision on this matter rests with those charged with governance taking into account advice from officers.

Significant findings from the audit

24. International Standard on Auditing 260 (ISA 260) requires us to communicate to you significant findings from the audit as detailed below:

- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
 - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
25. The following table details those issues or audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.

Table 1: Significant findings from the audit

Significant findings from the audit in accordance with ISA260

1. Non compliance with the government's Financial Reporting Manual (FReM)

The first draft of the annual accounts was of a higher quality than in prior years. However the management commentary was not fully compliant with new requirements of the government's Financial Reporting Manual. Despite Internal Audit also reporting this, a revised management commentary was not submitted to external audit until 26 October. This corrective action was very late and has led to protracted audit work.

The management commentary is now satisfactory. Arrangements must be put in place to ensure the Authority has the necessary capacity and competency for the financial accounting obligations of a public sector body of this size.

Appendix IV – Action Plan No.1

Significant findings from the audit in accordance with ISA260

2. Accounting for plant, property and equipment

We highlighted in our 2014/15 annual audit report that a new accounting standard would have to be implemented in 2015/16: International Financial Reporting Standards (IFRS) 13 Fair Value Measurement. It sets out requirements for non-operational assets (i.e. investment properties or assets held for sale) to be valued at fair value. It also applies to operational assets which are surplus to requirements. This was included as a key risk in our 2015/16 annual audit plan.

Due consideration was not given to the identification of surplus assets, and numerous errors were identified in the valuation of assets held for sale and investment properties as a result of assets being revalued under the incorrect asset category. This resulted in the accounting entries being incorrect and we were unable to agree the revaluation figures in the accounts to the asset register for these assets and land and buildings. In addition several other issues were identified over the accounting for Property Plant and Equipment including: the lack of a formal year end impairment review of assets; the lack of verification checks over assets on the asset register; and the lack of identification of heritage assets.

Management was late in applying additional resource to review these figures for accuracy and considerable additional external audit time has been applied to determine the level of misstatement. We have now concluded that the level of misstatement is not material; net errors identified have been taken to the summary of unadjusted differences.

Arrangements must be put in place to ensure the Authority has the necessary capacity and competency for the capital accounting obligations of a public sector body of this size.

Appendix IV – Action Plan No. 2

Significant findings from the audit in accordance with ISA260

3. Statement of Resource Outturn

Of particular interest to stakeholders is financial performance relative to the funding allocated by the Scottish Government; this is not readily apparent from the primary financial statements. Consequently there is a Statement of Resource Outturn (SORO) included within the Management Commentary. From our audit work on the SORO (which includes the non-cash and AME outturn) we established that an amount had been double counted and that there was an omission to reconcile this statement to the Statement of Comprehensive Net Expenditure. Correction and implementation of this control has led to a significant revision to the reported financial performance, from a net underspend of £1.7m to a net underspend of £13.6m.

Appendix IV – Action Plan No. 3

Exceptionally in 2015/16 the Scottish Government has agreed for an amount of capital budget underspend, capped at £10m, to be set against the revenue budget overspend. Currently SPA has offset a capital underspend of £19.4m.

Appendix IV – Action Plan No. 4

4. Use of reform funding

Reform funding of £67.9m was made available in 2015/16 by the Scottish Government to meet the costs of expenditure on projects relating to police reform. The amount actually spent has been subject to review and revision during the audit process. The final amount recorded for actual spend is £50.3m on revenue expenditure and £10.0m on capital expenditure. At our request the annual report and accounts now includes more information on how it was applied, including disclosure that a significant number of these costs form part of the recurring revenue baseline expenditure.

Given that in excess of £200m has been made available in the first three years of the life of the new organisations for both additional VAT costs and reform activity, it would be appropriate to review how those monies have been applied and what reform has been secured.

Appendix IV – Action Plan No. 5

Significant findings from the audit in accordance with ISA260

5. Post balance sheet event: termination of i6 project

Whilst the initial draft set of accounts made reference to there being a post balance sheet event, no consideration had been given, at that time, to whether it was an adjusting post balance sheet event. On 15 September the proposed accounting entries were shared with us.

The asset value will diminish by £19.1m leaving a residual value of £0.2m. The supplier is repaying a sum of money for non-delivery of the contract. Consequently the extent of the impairment in the 2015/16 accounts is £6.0m. In addition a compensation payment has been agreed, for receipt by end of 2016/17, in recognition of efficiency savings that will not now be realised as a consequence of the failure of this project. We are satisfied as to the accounting treatment now posted in the financial statements. We have commented further on other aspects of this project from paragraph 81 of this report.

Finance officers were late in evaluating the adjustment required on the 2015/16 financial results.

Appendix IV – Action Plan No. 6

6. Going concern

As in previous years a sizeable negative financial position is reported. This arises due to the unfunded police pension liability being included within the SPA accounts. The narrative within the accounts makes it clear that this liability will be addressed by future funding from the Scottish Government and written assurance has been received from the Scottish Government that it is appropriate for the accounts to be prepared on a going concern basis.

7. Contingent liabilities

It is important that up until the accounts have been approved by the Board, management has systems in place to be alerted to any contingent liabilities which may have arisen. Following our request we have been assured by the internal legal teams that the current note on contingent liabilities is complete. In addition a Pay Modernisation Programme Board manages risks in connection with potential contingent liabilities.

Future accounting and auditing developments

Code of Audit Practice

26. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. It outlines the objectives and principles to be followed by auditors. It is part of the overall framework for the conduct of public audit in Scotland.
27. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. In addition to publishing all annual audit reports, annual audit plans and other significant audit outputs will be put on the website for all audited bodies. This is irrespective of

whether the body meets in public or makes documents such as audit committee papers routinely available on its own website.

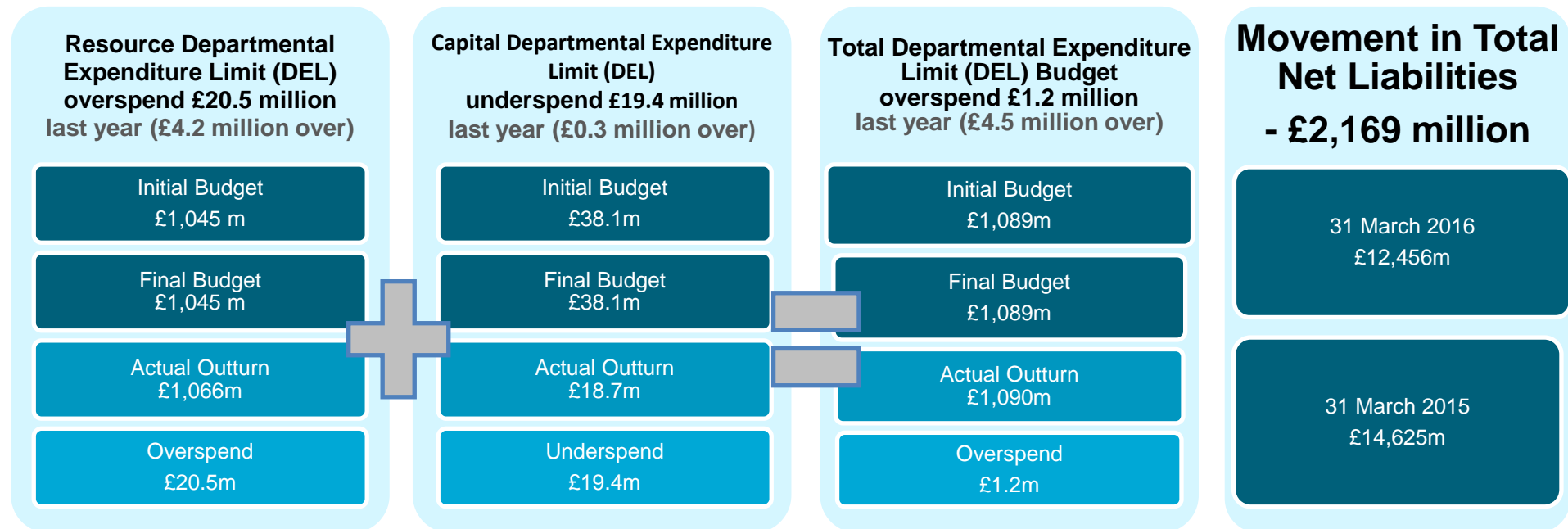
28. Also, under the new Code, appointed auditors are required to provide conclusions on the four dimensions of wider-scope public audit: financial sustainability; financial management; governance and transparency; and value for money.

Public Sector Internal Auditing Standard

29. The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued a revised public sector internal auditing standard. We will assess arrangements at SPA against this revised standard as part of our 2016/17 audit.

Financial management and sustainability

2015/16 financial position



In addition to its resource budget above, the SPA also had an Outside Departmental Expenditure Limit (ODEL) budget of £5.4million for funding of loan charges on borrowing by local authorities pre 2004/05. It also had a non cash DEL budget of £50 million (outturn: £2.7million underspend) and an Annual Managed Expenditure (AME) budget of £20million (outturn: £12 million underspend) in respect of the release of provisions previously created and some impairments.

30. The main financial objective for the SPA is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. As illustrated above the SPA overspent on

revenue DEL and underspent on capital DEL. Exceptionally Scottish Government permitted these results to be aggregated, resulting in a small overspend of £1.2m.

31. The statement of financial position at 31 March 2016 shows a net liability of £12,456m, a decrease of £2,169m from 2014/15. This position is largely attributable to the pension scheme liability at the year end amounting to £12,844m, a reduction of £2,195m from 2014/15.

Financial statements

32. Our 2014/15 audit opinion was modified: we reported that record keeping in relation to property, plant and equipment was not adequate. An action plan was put in place by senior officers to correct these issues with a commitment to making improvements in the fixed asset register to provide greater completeness and accuracy. In addition accounting processes and controls were to be enhanced to ensure the robustness of accounting for fixed assets for 2015/16.
33. Despite a number of improvements in the accounting for fixed assets, we encountered a number of issues in relation to accuracy and completeness. As a result our audit work was protracted and continued into November 2016. The most significant issues have been captured in the table above: Significant findings arising from the audit.

Financial Planning

34. Grant in Aid funding from the Scottish Government is the SPA's primary source of income, thus giving a greater degree of certainty over future funding streams than some other public sector

organisations. The key financial objective is to remain within the annual allocation.

35. The SPA's corporate plan covers a three year period and includes a high level financial plan covering that period based on the assumed level of funding that will be available. It also sets out the cost reductions required to deliver a balanced budget for each year of the plan. Below this the annual business plan sets out how the SPA will achieve their delivery commitments each year.
36. A high level long term financial strategy was approved by the board in March 2016. The intention was to produce a detailed strategy by September 2016. However, with the development of Policing 2026 as the key strategy for implementation from April 2017, the preparation of financial detail has been deferred to coincide with the publication of Policing 2026. The publication date is, currently, January 2017. Consequently the Authority has yet to produce a detailed long term financial strategy to secure the financial sustainability of policing in Scotland, as recommended in the November 2013 report by the Auditor General for Scotland.

Appendix IV – Action Plan No. 7

37. Since the creation of the single police service in 2013/14 the Scottish Government has provided reform funding as part of the annual Grant in Aid funding. This is to fund the costs of reform activities as part of the formation of the single police service. From 2016/17 the Scottish Government intends to support reform through the Police Change Fund.

Financial management

38. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the director of finance has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the body
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - audit and risk committee members provide a good level of challenge and question significant variances.
39. We reported in 2014/15 that financial management arrangements were complex due to there being two bodies, the SPA and Police Scotland, and yet one set of annual accounts. Furthermore lines of accountability created challenges in directing the work of the two finance teams. This tension manifested itself in operational challenges and created gaps in accountability. The Auditor General for Scotland referred to a lack of leadership in financial management in the s.22 statutory report on the 2014/15 audit.
40. Two interim Chief Finance Officers have been appointed. However this happened just before and after year end, respectively, and consequently their impact on financial management in 2015/16, and in respect of the 2015/16 financial accounts, has been limited. Once again responsibility for financial accounting has largely fallen on one individual and this is too onerous for an organisation of this size.
41. In recent months it is evident that the two interim chief finance officers have had important roles to play in the preparation of in year management accounts, forecasts and medium and long term financial plans. This has required much engagement with senior non-finance professionals to secure their understanding of the very real challenges ahead.
42. In the context of 2015/16, the role of director of finance has not had sufficient status to deliver good financial management. Measures have now been taken, with the recent appointment of the Director of Corporate Services, Strategy and Change in Police Scotland, with recruitment underway for one permanent Chief Finance Officer (CFO), and structural revisions being made to bring the whole of the finance function within Police Scotland but with an additional reporting line from the new CFO to the Chief Executive of the SPA, the Accountable Officer.
43. Throughout the audit process the lack of capacity and competency of key skills in the finance function was acknowledged by the Police Scotland interim Chief Finance Officer. We are pleased to learn that approval has recently been received to recruit, at least on an interim basis, into 15 key vacancies in the finance team.
44. The SPA Director of Financial Accountability has made progress with revising financial regulations and standing financial instructions

but these have yet to be fully concluded and disseminated across both organisations.

45. Financial monitoring reports are reported to the Finance and Investment Committee on a regular basis. However as financial plans tend to be at a high level and lack a clear connection to operational performance, public monitoring reports are similarly lacking in such detail.
46. Through our audit of the annual accounts we have identified errors in how actual financial performance was being reported against the Grant in Aid (see page 11 above). This therefore means that in-year reporting of such performance was similarly incorrect.
47. The lack of permanent senior capacity in financial accounting has resulted in a lack of effective and timely management review of the financial accounts, and, overall, a lack of ownership and professional pride in what is the public reporting of financial performance of policing in Scotland.
48. SPA recognises that financial management arrangements and the reporting of financial performance need to be improved.

Appendix IV – Action Plan No. 1 & 2

2016/17 budget

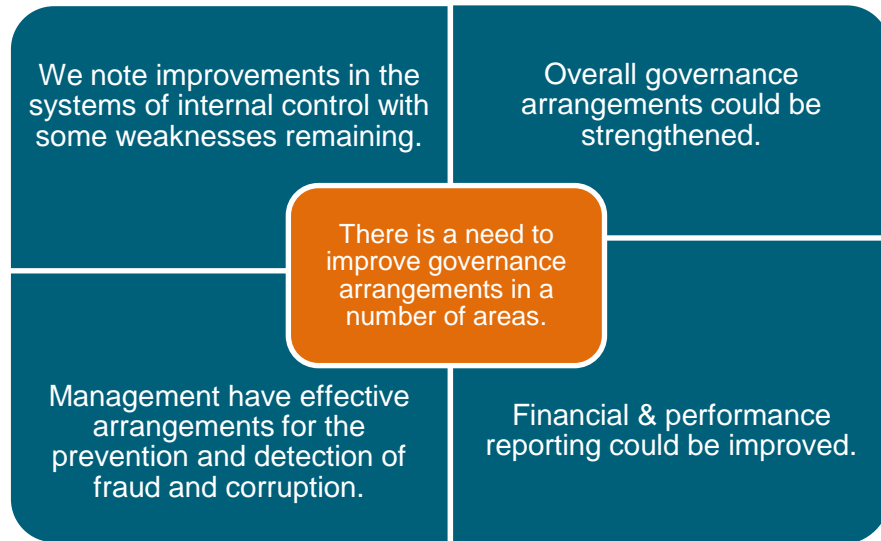
49. The SPA has an allocated budget of £1,075million for 2016/17 (2015/16: £1,069million); an increase of 0.5%. Included within this is capital funding of £16.2million (2015/16: £28.1million). In addition to the budget of £1,075m, there is a new Police Change Fund

(£53.8m), replacing the Police Reform Fund of previous years (2014/15: £68.7m). This is available for the next phase of change and transformation of policing.

50. The Authority is responsible for ensuring that service delivery is managed within overall budget availability and to manage the impact between competing revenue and capital budget pressures. The 2016/17 budget which was presented to the Board for approval prior to the beginning of 2016/17 was very limited in detail with one overall sum for the revenue budget allocated to the Chief Constable: £972.9m. Consequently the monitoring reports which are reviewed at the public meetings of the Board and Finance and Investment Committee are very limited. As at end October 2016, Police Scotland is forecasting an underspend of £9.6m against capital and an overspend of £27.1m against revenue. The overspend is attributed to an overspend in officer and staff paycosts, and the non-realisation of savings plans for non-pay costs.
51. It is evident that service delivery is not being managed within overall budget availability.

Appendix IV – Action Plan No. 8

Governance and transparency



Corporate governance

52. The SPA consists of up to 15 Non Executive Members, including a Chairman, appointed by Scottish Ministers in line with the Code of Practice for Ministerial Public Appointments in Scotland. The role of SPA Members is to provide leadership, direction, support and guidance to ensure the SPA delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of Scottish Ministers.

53. During the year Board membership changed: four members and the Chair left; three new members took up post; and a new Chair joined in September 2015.
54. During 2015/16 the Board was supported in its role by four sub-committees, as illustrated in Exhibit 1 below. There had been plans to revise the committee structure. However this was put on hold when the Cabinet Secretary for Justice invited the in-coming Chair to conduct a review of the governance arrangements in policing in Scotland. The Chair established an advisory group and consulted with many partners as part of this review.
55. The Review was published in March 2016 and makes 30 recommendations for improvement in the practice of governance arrangements for policing in Scotland. In particular improvement is recommended to ensure representatives of local communities feel sufficiently listened to regarding local policing, are able to input effectively into the development of national policy issues, and have a way of recording their ‘voice’ on the quality and effectiveness of Police Scotland’s engagement with them.
56. The report’s other main findings include:
- SPA to strengthen its governance procedures and review with the Scottish Government and Police Scotland how working arrangements and protocols reinforce the positioning and authority of the SPA.
 - Clearer definition of the SPA’s areas of responsibilities and how it conducts its business.

- Review of the underlying systems and processes used by Police Scotland to provide information with a view to improving clarity and enhancing the quality of analysis and benchmarking.
57. Whilst there is routine reporting to the Board on progress on the implementation of those recommendations, in a 'dash board' format, the information available on public papers is very limited making it difficult for stakeholders to know what progress has been made, particular given that a number of deadlines have been revised subsequent to publication of the original action plan.

Exhibit 1: The SPA Governance Structure 2015/16



Transparency

58. The Scottish Government's On Board guidance (<http://www.gov.scot/Publications/2015/04/9736/0>) for board members of public bodies was updated and reissued in April 2015. On Board states that boards should demonstrate high standards of corporate governance at all times including openness and transparency in decision making. It recommends boards should consider:
- holding an annual open meeting

- holding board meetings in public unless there is a good reason not to
 - publishing summary reports and/or minutes of meetings
 - inviting evidence from members of the public in relation to matters of public concern
 - consulting stakeholders and users on a wide range of issues
 - making corporate plans and the annual report widely available.
59. Audit Scotland also believes in the transparency of financial reporting within the Annual Report and Accounts to ensure that the users of the accounts have a clear picture of the financial position of the body.
60. However the annual report and accounts presented for audit did not include helpful comparator information between funding granted and the actual outturn achieved. There was also insufficient detail on how reform funding had been applied and the accountability report had to be revised to comply with the new requirements of the FReM. There was limited evidence of senior management review of the management commentary of the draft accounts.
61. We have highlighted above, in relation to budget setting and the monitoring of financial performance in-year, and in respect of tracking the action plan arising from the Review of Governance, that the material available in public papers is limited and consequently is not demonstrating high standards of openness and transparency in decision-making.

62. In addition agendas and papers for meetings are not available online until shortly before a meeting commences. This is compliant with current Standing Orders. However this limits the ability of interested stakeholders to observe key governance meetings. Finally, from our review, certain papers taken in the private session do not appear to be of a confidential or operational nature and could therefore be made available to the public.

Appendix IV – Action Plan No. 9

Registers of interest

63. The SG guidance for board members titled 'On Board (A guide for board members of public bodies in Scotland)' sets out what is required to be disclosed in a register of interests.
64. We note that a number of improvements have been made with respect to the completeness and timeliness of the information now held. However further improvement could be made by including complete disclosure with respect to remuneration received from employment, self-employment and other directorships, and by ensuring that the web-site is kept up to date with the information contained on declaration forms.
65. We also noted that registers of interest for Police Scotland Executive Team and SMG officers are not disclosed on the SPA website.
66. Overall we concluded that the SPA could improve their level of openness and transparency by implementing the recommendations

made in the Scottish Government's On Board guidance applicable to executive agencies. Both the PS and SPA websites should be kept up to date with full and accurate disclosures during the year and not just as a year end process.

Appendix IV – Action Plan No. 10

Internal control

67. We conducted and reported on our review of internal controls in July 2016. Where controls were operating we found that they were operating satisfactorily. However, as in previous years, there were a number of instances where those controls were absent, in-year. There, had, however, been improvement overall with the number of instances of non-compliance diminishing.
68. Internal audit reported at year end that: 'the controls in place within the Scottish Police Authority are not yet robust enough to manage the organisation's key risks and provide assurance regarding the effective and efficient achievement of objectives'.
69. We amended our audit approach to the financial statements in light of the results of both external and internal audit work.
70. Whilst management has a process in place to track implementation of actions agreed in response to recommendations made by external and internal audit, it was not fully effective during 2015/16 and consequently a number of the same weaknesses were encountered in some finance offices.

71. Management in both SPA and PS are aware of the challenges and must be rigorous in their consideration of how best to support the finance function such that there is the capacity and competency to ensure, at any point in time, there are no material weaknesses in the accounting and internal control systems which could adversely affect the organisation's ability to record, process, summarise and report financial and other relevant data.

Appendix IV – Action Plan No. 11

Internal audit

72. Internal audit provides the Audit and Risk Committee and the Accountable Officer with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit. In addition, to avoid duplication, we place reliance on internal audit work where possible.
73. A new internal audit provider, Scott Moncrieff, was appointed for two years from April 2015. Due to delays in the procurement and vetting processes, internal audit work by the external provider for the year 2015/16 only commenced in November 2015. The 2015/16 internal audit plan was presented to the January 2016 Audit and Risk Committee, based upon a plan agreed with the previous internal audit provider, updated to reflect new priorities, and with some audits postponed to 2016/17. Consequently the audit work conducted for the year 2015/16 has been lighter and later than what might normally be expected. This has had implications for the flow

of material to the Audit and Risk Committee (ARC) to enable them to discharge scrutiny activities that fall within their remit. In addition the Accountable Officer has had to reflect on how he has gained his assurance to conclude the Annual Governance Statement.

74. We reported in our 2015/16 Annual Audit Plan that the internal audit service provided by Scott Moncrieff complies with Public Sector Internal Audit Standards (PSIAS) and that there are sound documentation standards and reporting procedures in place. The planned seven internal audit reports were complete by the July ARC meeting.
75. Due to the timing of internal audit work, late in the year, there was overlap in the work of internal and external audit work. This was also the case for additional pieces of work commissioned at the commencement of 2016/17, designed to provide assurance to management on the draft annual accounts. However there were many weaknesses identified which were then formally reported to the ARC in September 2016 and duplicated the findings of external audit.
76. Included within contractual arrangements is the management of two in-house internal auditors. There is little evidence, from the quality of certain associated reports, that this arrangement is proving cost effective for all parties. We are pleased to learn that actions are being taken to address this.
77. Scott Moncrieff has been appointed for two years. In view of the gap in internal audit work after the last appointment round,

arrangements must be put in place to ensure no such gap arises in future.

Appendix IV – Action Plan No. 12

ICT audit

78. With 2015/16 being the third year of operation of the merged police service, a degree of stability has been achieved in the ICT Department and as part of our planning process we considered it appropriate to undertake a computer services review (CSR) across the organisation's ICT arrangements to provide a high level overview of the way computer systems are managed, and how the information and data stored in them is protected. Two key projects, i6 and C3, were not included within the scope of the audit as they were both subject to either current or future reviews.
79. The overall conclusion of the CSR was that the ICT Department continues to provide and maintain good quality services to departments, however the following challenges were identified:
 - Moving from providing the predominantly responsive operational services in the post-merger period to introducing active and predictive services that will meet stakeholder needs.
 - The need to rationalise and invest in new technological solutions.
 - Recognition that changes in staffing may have caused a degree of uncertainty with potential for this to impact on staff morale and well-being.

- Recruitment and retention strategies will have to be developed in face of the challenges experienced to-date, including training and development opportunities.
 - The cost of responding and performing remediation in relation to cyber-attacks does not feature in the risk assessment process.
 - The need for a centrally held register accurately recording all service arrangements and assets.
80. Management have recently developed an improvement plan to address these challenges and this will be used as a baseline for future follow-up.

i6 Project

81. After the creation of Police Scotland a project was launched to provide a single, fully integrated national ICT solution which would align common, national policing processes to operational priorities and provide a more effective and efficient way of recording, managing and using information.
82. A competitive procurement process was completed and the contract for this project was awarded to Accenture on 28 June 2013. However after a number of delays due to technical problems, the decision was taken by the SPA on 1 July 2016 to cancel the contract with Accenture and terminate the project. At that point in time capital expenditure of £19.3 million had been incurred on the project.

83. In our 2015/16 Annual Audit Plan we stated our intention to carry out work on the i6 project and the scope was amended in light of the termination. The revised scope of the audit work covers:
- the effectiveness of the overall governance arrangements for the i6 programme
 - the overall costs incurred during the i6 programme and the value and nature of potential benefits that will not now be realised
 - what lessons can be learned from the i6 programme
 - what the Scottish Police Authority and Police Scotland plan to do next following the termination of the i6 contract.
84. The results of this work will be reported in due course.
85. Capital expenditure of £19.3 million had been included as an asset in the unaudited accounts as at 31 March 2016. In light of the decision in July 2016 to terminate the project, consideration was given as to whether this was an adjusting post balance sheet event. This has been included in our significant findings from the audit on page 12.

Arrangements for the prevention and detection of fraud

86. The SPA is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We reviewed and reported on these arrangements and have concluded that there are effective arrangements for the prevention and detection of fraud.

National Fraud Initiative in Scotland

87. The SPA and Police Scotland participate in the National Fraud Initiative (NFI). The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error.
88. We reported in our AAP that there were issues with the timeliness and completeness of the participation of SPA and PS in this national biannual exercise and the Assistant Auditor General detailed those concerns in a letter to the SPA in October 2015.
89. Progress has been made since then with all recommended matches being followed up and a report advising the Audit and Risk Committee of the current position was made in April 2016 with a subsequent update in August 2016 where the Audit Scotland national report on NFI was presented.
90. The 2016/17 NFI exercise commenced in September 2016 with the findings to be reported in June 2018.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

91. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders

and financial instructions. We consider whether bodies have adequate arrangements in place and have concluded that appropriate arrangements exist within the SPA.

92. In June 2016 HM Inspector of Constabulary in Scotland (HMICS) published its Assurance Review into the state, effectiveness and efficiency of the Police Scotland's Counter Corruption Unit (CCU). CCU was established in 2013 for police officers and staff to be able to report, with anonymity and confidentiality, any criminality, conduct or integrity concerns. The CCU also has responsibility for carrying out internal investigations into allegations of corruption and wrongdoing on the part of police officers and staff.
93. The review was requested by the Scottish Police Authority (SPA) in response to a finding by the Interception of Communications Commissioner's Office (IOCCO) that there had been contraventions of the Acquisition and Disclosure of Communications Data, Code of Practice 2015 in respect of applications for communications data relating to an investigation being undertaken by Police Scotland's CCU.
94. As a result of this review 39 recommendations were made of which 29 were classed as having high or very high risk exposure: '*where absence / failure of significant controls, procedures and/or policies which puts services at high risk*'. The recommendations were mainly concerned with CCU structures, operating practices and processes. At the SPA Board meeting on 17 October 2016 officers reported that work on all of these recommendations remained ongoing.

95. A revised staff code of conduct covering both PS and SPA was approved by the Board in August 2016.

Correspondence referred to the auditor by Audit Scotland

96. As part of our wider Code responsibilities we are required to consider issues raised and follow these up as part of our risk based approach to the audit if they fall within our remit.
97. Correspondence was received during 2015/16 with regard to the i6 project. We were able to advise the correspondent that a review of i6 was included within the scope of the 2015/16 Annual Audit Plan. At that time we advised that, where appropriate, the findings would be reported in this the annual audit report. Given that the scope of that work has been extended and the work is ongoing, any findings will now be reported in a separate report, as referred to from paragraph 81 above, a report which will be in the public domain.

Best Value

Arrangements for securing Best Value

98. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
99. Quarterly performance reports are made to the Board which report progress towards the delivery of Annual Police Plan (APP) commitments, Corporate Strategy, Benefits of Police Reform and agreed elements of the Performance Framework. This process complies with the legislative requirements set out in Section 39 of The Police and Fire Reform (Scotland) Act 2012.
100. The performance framework contains key performance indicators, which are measured for Scotland and for the 14 local policing divisions, each of which have a local policing plan. Performance against these is published annually.
101. A new revised performance framework is being developed in which Police Scotland's corporate delivery information will seek to include relevant costing and benchmarking information so that performance can be compared and contrasted, in order to drive best value and identify continuous improvement and good practice.

Policing 2026 Project

102. The Policing 2026 programme is a collaboration between Police Scotland and the SPA that will ensure Scottish policing continues to

deliver excellence in a continually changing world. During Quarter One 2016/17 the programme was initiated, with preparatory work to establish the connected work-streams and their teams: Demand Analysis, Communications and Engagement, Leadership, Culture, Staff Engagement and Empowerment. In addition, the teams have begun work on producing Strategic Assessments, a Vision and Strategy Document, a Capability and Capacity Assessment and commenced the development of a Long Term Financial Strategy. The programme is being supported by a team of specialist resource from Deloitte.

National performance audit reports

103. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued as outlined in [Appendix III](#).

Other independent reviews

104. Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) provides independent scrutiny of both the SPA and PS. Their approach is to support both bodies to deliver services that are high quality, continually improving, effective and responsive to local needs.
105. During the last year HMICS has published audit and assurance reports covering a range of areas including: inspections of local custody centres, local policing inspections of Dumfries and

Galloway and Edinburgh divisions, a call handling assurance review, a stop and search assurance review and the 2016 crime audit.

106. As referred to above HMICS also carried out an independent review of the Police Scotland Counter Corruption Unit (CCU) in response to a request from the Scottish Police Authority (SPA) as a consequence of a finding by the Interception of Communications Commissioner's Office (IOCCO). A number of recommendations have been made as a result.

Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
Financial statement issues and risks			
1	<p>Management override of controls – <i>Auditing standards (ISA 240 The auditor’s responsibility to consider fraud in an audit of financial statements)</i> require auditors to consider, on all audits, management’s ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Management assurance over controls forms, in part, an on-going piece of work as audit recommendations are taken forward and procedures strengthened. It is recognised this work is not yet complete. Additional controls have been introduced since Autumn 2015.</p> <p>Financial Accounting team review reconciliations routinely. Since November 2015, they have also conducted a monthly review of automated purchase order accruals.</p> <p>Principal Accountants have responsibility for detailed budget monitoring and the Strategic Principal Accountant conducts a reconciliation of general ledger to final monthly reports for Committee.</p>	<ul style="list-style-type: none"> From our review of journal entries, accounting estimates and evaluation of significant transactions, and after the correction of material misstatements identified in the normal course of audit work, we gained assurance that there was no indication of management manipulating accounting records or preparing fraudulent or biased financial statements by over riding controls that otherwise appear to be operating effectively.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
2	<p>Income – Auditing standards (<i>ISA 240 The auditor's responsibility to consider fraud in an audit of financial statements</i>) requires auditors to presume a risk of fraud where income streams are significant. The majority of SPA's funding comes from allocations from Scottish Government however there other sources of income resulting in an inherent risk that income could be materially misstated.</p>	<p>A full review of income streams has been completed by the Management Accounting team during the year, together with a full review of all deferred income accounts by the Financial Accounting team.</p> <p>Exchequer Services and Financial Accounting will assess the sales ledger post year-end, appropriately inclusive of any necessary bad debt provision.</p>	<ul style="list-style-type: none"> From our evaluation of systems on internal control associated with income and our compliance testing thereon, we gained assurance as to the completeness of income.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
3	<p>Management commentary – The 2015/16 Government Financial Reporting Manual (FReM) requires significant changes to the disclosures in the 2015/16 Annual Report and Accounts. A performance report will be required along with an accountability report comprising a corporate governance report, a remuneration report and a parliamentary and accountability report.</p> <p>There is a risk that the narrative of the management commentary does not comply with the revised guidance and requires substantial revision.</p>	<p>SPA and Police Scotland Directors and the Financial Accounting Team have met to review the new disclosure requirements. A draft set of Accounts has been prepared pre year-end based on the 2014/15 information in order to review the contents.</p> <p>This will be forwarded to Audit Scotland for overall comment prior to the preparation of the 2015/16 Annual Report & Accounts.</p> <p>There is an allowance in the year-end timetable during June and July for a period of review by the SPA Senior Management Team and PSOS Executive Team in order that the draft Accounts presented to Audit Scotland at the beginning of August have been subject to substantial quality assurance checks and peer review.</p>	<ul style="list-style-type: none"> • The initial draft was not consistent with the requirements of the Government’s Financial Reporting Manual. • Management has substantially revised the content and it is now largely satisfactory.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
4	<p>Preparation of financial statements</p> <p>There were significant changes required to the 2014/15 financial statements as a result of the audit process. There was limited evidence of robust management quality assurance over the unaudited financial statements presented for audit.</p> <p>There is a risk that, as with previous years, the unaudited accounts will be subject to a high level of revision.</p>	<p>The Financial Accounting Team is now fully resourced, and the Capital Accounting Team has been fully resourced since December 2015.</p> <p>As noted above, there is an allowance in the year-end timetable during June and July for a period of review by the SPA Senior Management Team and PSOS Executive Team in order that the draft Accounts presented to Audit Scotland at the beginning of August have been subject to substantial quality assurance checks and peer review.</p>	<ul style="list-style-type: none"> • Significant changes required as a results of the audit process • No evidence initially of effective review by the SPA Senior Management Team and PSOS Executive Team prior to the draft accounts being submitted for audit. • By the end of the audit adjustments have been posted to the accounts and subject to audit.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
5	<p>Reporting financial performance</p> <p>The SPA has a funding allocation of £1.162bn for 2015/16 which includes available police reform funding of up to £68.7m. The budget monitoring report which was presented to the board in October 2015 forecast a revenue overspend of £25.3m at period 9.</p> <p>There is a risk that with less than 3 months of the financial year remaining, balancing the projected year end position will not be achieved.</p>	<p>The projected year-end position has been updated since these reports, and reported to Board - with a revenue overspend of £21.8m; and underspends of capital and reform budgets of £8.9m and £4.5m respectively.</p> <p>This position results in a cumulative forecast overspend of £8.4m.</p> <p>Both SPA and PS instigated a financial recovery plan issuing clear guidelines to reduce expenditure following the October Board meeting in order to control and reduce expenditure and with it the overall budget deficit position.</p>	<ul style="list-style-type: none"> Substantial change required to the Management Commentary including the Statement of Resource Outturn (SORO) to make the accounts satisfactory.
6	<p>Use and reporting of reform funding</p> <p>Reform funding of up to £67.7m is available from the Scottish Government for 2015/16. At period 9, £53.4m had been applied to revenue and capital budgets. An element amounting to £20m is described simply as 'reform' with no further breakdown.</p> <p>There is a risk that the board are not fully aware of where reform money is being spent.</p>	<p>The Management Accounting team has a detailed breakdown of all entries in the Financial System which correlate to funding from reform.</p> <p>Further analysis will be provided in the Annual Report & Accounts in 2015/16.</p>	<ul style="list-style-type: none"> The first draft of the accounts contained limited information. This has now been amended.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
7	<p>Accounting for non current assets</p> <p>A modified audit opinion was given on the financial statements for 2014/15 due to inadequate records in the area of property, plant and equipment.</p> <p>There is a risk that the issues raised during the previous audit have not been addressed and that the 2015/16 financial statements presented for audit are not accurate and complete.</p>	<p>Head of Financial Accounting is reporting regularly on the PPE Plan to the Senior Financial Teams in Police Scotland/Scottish Police Authority and SPA Accountable Officer.</p> <p>The plan incorporates all recommendations from Audit Scotland and Internal Audit, together with normal year-end processes and procedures.</p>	<ul style="list-style-type: none"> • Our work on non current assets identified a range of issues, as reported above. A number of adjustments have been made and others have been included in the summary of unadjusted differences. • The challenges in concluding this audit area has resulted in a modified opinion on the accounts.
8	<p>Non current asset revaluations</p> <p>There were specific issues in relation to the revaluation and impairment of non current assets during the 2014/15 audit. Evidence to support the accounting entries was provided very late in the audit process and there were errors in the accounting treatment.</p> <p>There is a risk that valuations are not being conducted in compliance with accounting policies and not being incorporated into the accounting records in a timely basis.</p>	<p>Valuations of all properties in the 5-year cyclical review have been undertaken.</p> <p>Entries have already been made within the Asset 4000 programme in order to inform the journal process within the financial ledger in preparation for the year-end accounts.</p> <p>Revaluations' entries and work forms part of the detailed PPE year-end plan.</p>	<ul style="list-style-type: none"> • Our work on non current assets identified a range of issues, as reported above. A number of adjustments have been made and others have been included in the summary of unadjusted differences. • The challenges in concluding this audit area has resulted in a modified opinion on the accounts.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
9	<p>Accounting for implications of Government Actuary's Department (GAD) ruling</p> <p>Following a ruling by the Pensions Ombudsman in May 2015 on commutation factors, pension benefits paid to members retiring between December 2001 and November 2006 require to be recalculated. The estimated amount due to be paid out is £115m with the Scottish Government liable for this cost.</p> <p>There is a risk that the transaction is not correctly accounted for and disclosed in the 2015/16 accounts.</p>	<p>This was disclosed within the 2014/15 Annual Report & Accounts under Contingent Liabilities, and will form part of the pension debtor disclosure within the 2015/16 Annual Report & Accounts.</p> <p>Monies have been paid in separately identifiable instalments to SPA during the 2015/16 financial year specifically for these commutation payments, which have then been paid out to the SPPA for onward administration.</p>	<ul style="list-style-type: none"> • The accounts disclose a value of £41m for commutation factor payments. This has been verified with the auditors of Scottish Government and the SPPA. Our work identified that this amount had been double counted but this has now been rectified in the accounts. • Information relating to commutation factor payments is disclosed in Notes 17 and 27.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
10	<p>Pension liability and actuarial assumptions</p> <p>The 2014/15 financial statements contain a pension liability of £15.0bn.</p> <p>There is a risk that disclosure of this significant liability and its implications is not sufficiently clear and transparent to aid the readers of the accounts.</p>	<p>2015/16 will see a change in the actuaries presenting the Police Officer Pension Scheme from the prior year. Meetings have taken place with the SPA Director of Financial Accountability to ensure that any assumptions are agreed before the calculations are conducted.</p> <p>There will also be a change in the presentation of the LGPS, bringing all schemes together in one calculation to add to the transparency of the Accounts Disclosures.</p> <p>A collated summary report will provide the reader with further clarity also.</p>	<ul style="list-style-type: none"> • We reviewed the calculations and disclosures throughout the financial statements. Work was also undertaken to ensure that actuarial assumptions had been agreed and appeared appropriate • We have undertaken a review of the application of ISA500, for placing reliance on the work of an expert • Assurance has been received from the Scottish Government to enable the SPA to prepare the accounts on a going concern basis

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
11	<p>Internal audit</p> <p>Due to delays in the completion of the vetting process, Scott Moncrieff was unable to commence their engagement until November 2015. As a result there has been limited independent internal audit work carried out to date.</p> <p>There is a risk that the accountable officer will be unable to obtain sufficient assurances on the systems of internal control and governance arrangements to be able to adequately complete the annual governance statement.</p>	<p>Scott Moncrieff re-presented the 2015/16 Internal Audit Plan to the January 2016 Audit and Risk Committee meeting noting the revised audit timetable for 2015/16. At this time it was noted the Annual Assurance Statement would be provided to the SPA and reported at the June 2016 Audit and Risk Committee meeting in respect of this revised audit programme.</p> <p>The Statement of Assurance from Scott Moncrieff will help inform the Accountable Officer when preparing the annual governance statement.</p>	<ul style="list-style-type: none"> • IA has completed and reported on all of its planned work for 2015/16 and has concluded that the controls procedures operating within SPA are not yet robust enough to manage the organisation’s key risks and provide complete assurance regarding the effective and efficient achievement of objectives. • This has been included in the Governance Statement. • We amended our audit work in light of Internal Audit and external audit interim audit findings.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
12	<p>Systems of internal control and governance</p> <p>Many of the 2014/15 audit recommendations have not been fully implemented. There is little evidence to date of management ownership of the issues with focus and time spent on the process of populating and updating the improvement tracker rather than making actual progress to close the points.</p>	<p>The work on the 2014/15 audit recommendations is still in progress. The management and tracking of audit recommendations was taken to the 25 February 2016 Board meeting with members receiving weekly updates following this.</p> <p>The work to close the current outstanding audit recommendations is continuing, progress is being made and being monitored by both executive and management owner level. The final sign off and review of recommendations will include approval or otherwise from Audit Scotland on the progress made.</p>	<ul style="list-style-type: none"> • Work has been ongoing within SPA on tracking progress against audit recommendations. However work undertaken by Internal Audit and external audit highlight residual weaknesses in a number of locations. This was reflected in our 2015/16 Internal Controls Report. • The annual governance statements reports weaknesses in certain key systems.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
Wider dimension issues and risks			
13	<p>Long term financial sustainability</p> <p>The long term financial strategy was recently presented to the Board on 31 March 2016. Progress has been made towards the 5 underpinning strategies; however, at the time of our planning work, the ICT and workforce strategies remained incomplete. The strategies which have been completed and approved lack financial content.</p> <p>There is a risk that the long term financial strategy does not sufficiently reflect and address the financial challenges facing policing in Scotland.</p>	<p>The LTFS was presented to Members on 31 March 2016 and circulated to Scottish Government and Audit Scotland. It provides strategic financial projections for the next 10 years, incorporating financial projections from the five Underpinning Strategies.</p> <p>The governance arrangements, risk log and action plan are to be further developed and the document will be updated in Sept 2016 and Mar 2017 to align with the new Long Term Corporate Strategy which will commence from 2017/18.</p>	<ul style="list-style-type: none"> An outline long term financial strategy was presented to the March 2016 Board meeting with further detail expected by September 2016. This has now been subsumed within work for Policing 2026 which has not yet been published.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
14	<p>Financial management and accountability</p> <p>The structures of the SPA and Police Scotland and the roles of the two respective directors of finance have resulted in some gaps in accountability.</p> <p>There is a risk that the operation of the two finance functions is adversely affected by the current structure.</p>	<p>The SPA has appointed an interim Chief Financial Officer.</p> <p>As part of the responsibilities of this role all key financial deliverables will be overseen to ensure that the accountability framework is complete.</p>	<ul style="list-style-type: none"> As a result of the Governance Review the structures of the SPA and Police Scotland are to be revised: a new Director of Corporate Services, Strategy and Change for Police Scotland was appointed in August 2016; the post of Director of Financial Accountability of the SPA is under consideration and consultation in relation to the post potentially becoming redundant. A new post of Chief Finance Officer in Police Scotland will be created and the post of Director of Finance within Police Scotland was removed in early summer 2016. It is clearly a time of transition for both finance teams.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
15	<p>Governance review</p> <p>The Cabinet Secretary for Justice has asked the Chair of the SPA to undertake a review of governance in policing to be reported by the end of March 2016. The review will ensure that accountability arrangements for policing can build on the lessons learned during the operation of the single force to date and ensure robust arrangements are in place for the future. It will also clarify the respective roles and responsibilities of all bodies named within the Police and Fire Reform (Scotland) Act 2012.</p>	<p>The SPA Chair's governance review reported on the 23 March 2016 and made 30 recommendations, including in relation to: ensuring representatives of local policing feel sufficiently listened to regarding local policing, and more specifically for the SPA:</p> <ul style="list-style-type: none"> • to strengthen its governance procedures and review how working arrangements and protocols reinforce the positioning and authority of the SPA • clearer definition of the SPA's areas of responsibilities • review of the underlying systems and processes used by Police Scotland to provide information with a view to improving clarity and enhancing the quality of analysis and benchmarking. 	<ul style="list-style-type: none"> • The latest update presented to the October 2016 Board meeting identified that 3 recommendations are complete and 7 are on target. However, 17 recommendations have been classified as at risk or late but under management control. A number of target dates have been revised in light of the degree of consultation that is required.
16	<p>Audit and Risk Committee (ARC)</p> <p>The new Chair of the ARC is carrying out a review of the committee and how it operates. There is a risk that the ARC is unable to properly discharge its scrutiny responsibilities appropriately.</p>	<p>The Chair of the Audit and Risk Committee has conducted a review of the workings of the committee and will report as such to the 19 April 2016 meeting on this review and recommendations.</p>	<ul style="list-style-type: none"> • Work is ongoing in this area to implement the recommendations of the Chair of the ARC.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
17	<p>ICT arrangements</p> <p>During 2014/15 we reported on a number of areas for management attention and action. These challenges remain in 2015/16 in relation to information governance and assurance with a large number of ICT projects running concurrently.</p>	<p>All Tier 2 management posts within ICT have now been filled and ICT staff re-parented under the new senior management team structure. Within the ICT Directorate a number of governance and assurance groups have been established including specific ICT Project and Programme Boards, a Corporate Strategy Submission Board and the ICT Senior Management Team. These arrangements provide a cohesive link between projects, strategic management and 'business as usual' activities and enable the review of ICT project plans.</p> <p>Further governance and assurance arrangements include the ICT Board, chaired by the DCC Designate and the ICT Governance & Assurance Forum, chaired by the Chief Executive, and the SPA Finance & Investment Committee.</p>	<ul style="list-style-type: none"> We conducted a CSR review with the input of ICT management. A range of issues and challenges were raised (summarised above) and ICT management has prepared an Audit Improvement Plan to address these issues. The improvement plan will be considered by the December 2016 ARC.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
18	<p>i6 Project</p> <p>The i6 project has been subject to considerable delay. The contractor, Accenture, is working with SPA and PS to try and address the significant issues. Should the project continue there are likely to be financial implications related to resolving these issues both for SPA and Accenture. Given the nature of IT systems there is also a risk of technical obsolescence should the project not be implemented soon.</p>	<p>A Summit meeting to review the programme status, chaired by the Chair of the SPA was convened in February 2016. A number of options were discussed.</p> <p>It was agreed that the i6 Programme Team and Accenture would prepare an Options Appraisal over a 12 week period, with due diligence being carried out for all options including commercial and contractual considerations and taking account of all lessons learned from the i6 Independent Technical Audit Report prepared by representatives of the Scottish Government. There will be monthly checkpoints with the Summit attendees, with the final summit scheduled for May 2016.</p>	<ul style="list-style-type: none"> • A settlement agreement was signed between SPA and Accenture in early July 2016 which resulted in SPA receiving a credit note for some of the cost incurred by August 2016, with a compensation payment due in March 2017. The accounting treatment for the post balance sheet event is satisfactory. • Our Performance Audit and Best Value (PABV) team have extended the scope of their review in light of the termination of the project.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
19	<p>Members' expenses</p> <p>We repeated in 2014/15 that there were some inconsistencies in the way that members had been claiming expenses with little evidence of a robust review and approval process. It was recommended that new guidelines be put in place for claiming and approving members' expenses to provide clarity and consistency.</p>	<p>New guidelines have been put in place for member expense claims; these have been effective during the 2015/16 financial year which has brought greater consistency and uniformity to the reporting in this area.</p>	<ul style="list-style-type: none"> • We noted that the number of days and consequently the level of expenses claimed have reduced. • We could see evidence of first level review but there was limited evidence of second level review and review of payruns was not always timeous. • We note that the expenses guidance to members is guidance only and not a policy. Management has agreed to develop a members' expenses policy.
20	<p>Registers of interest</p> <p>We repeated in 2014/15 that there was inconsistent and inaccurate completion of returns by members and senior executive/management team. Guidance should be provided to all those expected to complete a register of interests to remind them of their responsibilities and the importance of timely completion.</p>	<p>Revised guidance on the completion of the Registers of Interests has been produced for Senior Staff and Board members.</p> <p>The Financial Accounting Team will be responsible for collating the Police Scotland Registers of Interest, and the Director of Financial Accountability is responsible for collating the SPA Board and Senior Management Registers of Interest in accordance with the year-end timetable.</p>	<ul style="list-style-type: none"> • Whilst there has been improvement in the completeness and accessibility of information there is further improvement to be made, as reported in the body of the report.

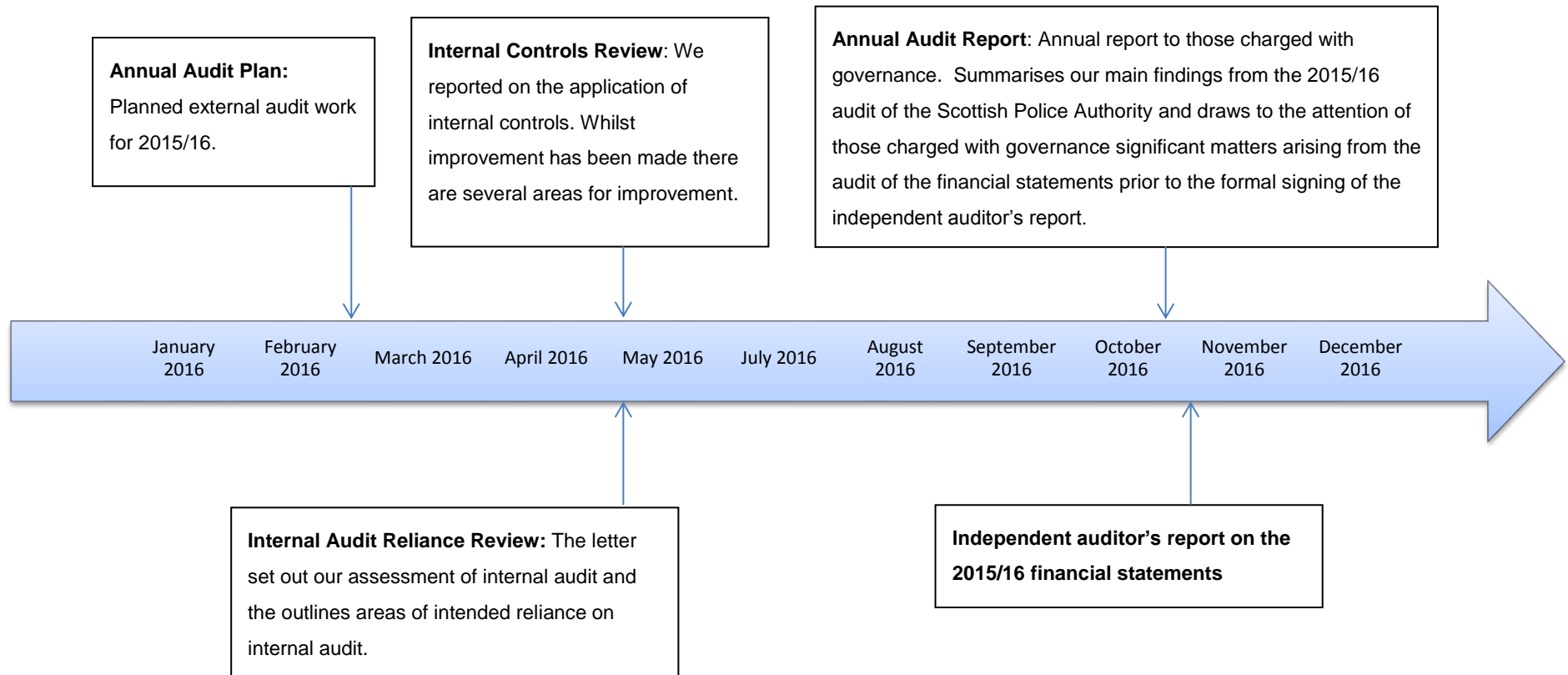
No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
21	<p>Fraud and whistleblowing</p> <p>Where legacy arrangements remain in place for fraud and whistleblowing policies there is a risk of inconsistency in reporting which could lead to a failure to identify and address instances of fraud.</p>	<p>A review of the current whistleblowing policy and procedures is being undertaken within Police Scotland. It is anticipated the outcome of this work will report to the June Audit and Risk Committee meeting.</p>	<ul style="list-style-type: none"> • We noted that no outputs from Integrity Matters had been reported to the ARC • It was agreed at the August 2016 ARC that fraud reporting would thereon be quarterly. We will expand on this in a management letter of more minor findings.
22	<p>National Fraud Initiative (NFI)</p> <p>There has been a lack of focus and overall direction within the SPA/PS in this area and it does not have a high profile in either organisation. This resulted in the Assistant Auditor General issuing a letter to the SPA to express concerns with the timeliness and completeness of the participation of SPA/PS. There is a risk that the findings from the initiative are not used to strengthen internal controls.</p>	<p>Detailed work was completed by staff to investigate all items recommended for investigation.</p> <p>From a review of all items recommended for investigation, no transactions were identified as fraudulent.</p> <p>Procedures will be reviewed in order that the next NFI exercise is actioned timeously, has adequate reporting of progress at Senior Management and by the Audit and Risk Committee, and to ensure the NFI system contains adequate explanations recorded.</p>	<ul style="list-style-type: none"> • At the April 2016 Audit and Risk Committee an action plan was presented by officers to members to demonstrate how performance will improve for the next NFI exercise, due in September 2016. • We reported our findings in our Internal Controls Report which was considered by the July ARC • The results of the NFI exercise fed into the National Fraud Initiative Report which was published in June 2016
23	<p>Reporting of frauds</p> <p>There is limited formal reporting to the ARC of any frauds which have occurred during the</p>	<p>The Professional Standards Department, PSD, manage all incidents of organisational related Fraud and Theft. They receive reports</p>	<ul style="list-style-type: none"> • Reviewed how frauds are reported and followed up in SPA and Police Scotland • Reviewed adequacy of disclosures in the

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
	<p>year and any actions arising to address any identified weaknesses in controls. These should be reported regularly as a matter of course.</p>	<p>from a number of sources.</p> <p>For all incidents PSD conduct a procedural review and from this appropriate immediate action is taken if and as required. This process will occur regardless of any further investigations which may be directed by the Crown Office. The CCU record full details of all reports of fraud within the Confidential Reporting Mechanism at Police Scotland which is reported at Executive Level within Police Scotland.</p>	<p>annual governance statement</p>
24	<p>Reporting of data losses</p> <p>Reports to the ARC concerning data losses during the year have been inadequate with a lack of detail and no values attached to any of the cases. The reports make no reference to whether these losses have been reported to the Information Commissioner's Office (ICO) and the likelihood of any fines or penalties being levied.</p>	<p>Reporting of incidents of Data Loss will follow the guidelines issued by the Information Commissioners Office and will be reported as such to the April 2016 Audit and Risk Committee and thereafter.</p>	<ul style="list-style-type: none"> • The Data Loss Annual Report was considered at the April ARC although noted that no monetary values have been assigned. • No incidents have been reported to the Information Commissioner as a breach of the Data Protection Act 1998 as none met the threshold of a significant incident as set out in the Commissioner's guidance.

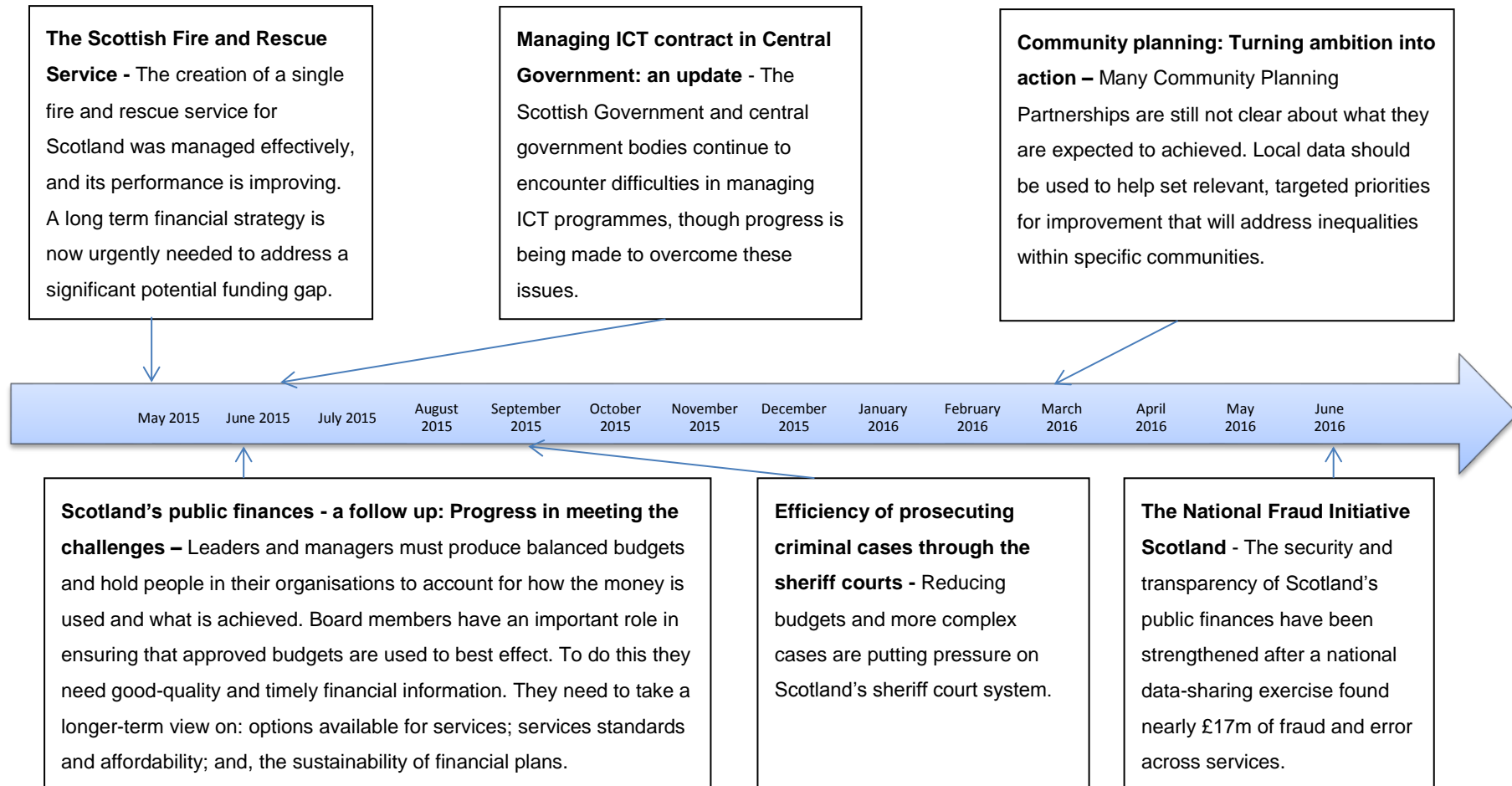
No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
25	<p>Scottish Public Pensions Agency (SPPA) The administration of the police pension scheme was transferred to SPPA in January 2015. However a year on, the formal Service Level Agreement (SLA) between the bodies has not been signed or agreed.</p> <p>There is a risk that the working relationship between the parties is adversely affected by a lack of agreement over respective roles and responsibilities.</p>	<p>Employees representing both SPA and Police Scotland are represented on the Scottish Police Pensions Scheme Advisory Board and the Police Pensions Scheme Board. The working relationship with SPPA has been strengthened with work carried out to agree the service level agreement.</p>	<ul style="list-style-type: none"> We reviewed the arrangements between SPPA and SPA to ensure that there was no detrimental effect on the management and operation of the police pension scheme. No issues were identified.

No	Audit Risk	Management source of assurance	Results and conclusions of audit assurance procedure
26	<p>Organisational structure and workforce planning</p> <p>There remain gaps in the organisational structure with a considerable number of unfilled posts at the unqualified finance officer level including payroll. There has also been significant turnover in senior management and board members during the year.</p> <p>There is a risk that the lack of staff continuity and loss of experience at a senior level will impact on the ability of SPA/PS to run effectively.</p>	<p>Recruitment within the Police Scotland finance team took place throughout the 2015 calendar year.</p> <p>There are plans for Finance structure to be reviewed from April 2016 onwards, as there is an indication that the structure does not support the needs of the organisation. At present, the recruitment of additional finance officers would not fulfil those needs.</p> <p>The SPA is currently in the process of recruiting further Board members following the recent member resignations.</p>	<ul style="list-style-type: none"> • A number of key posts remain vacant or are filled on an interim basis. The new Director of Corporate Services, Strategy and Change has recently received agreement to fill 15 posts. • Five board members have recently been re-appointed for a further two years and the Board is looking for board members with finance, audit and risk, human rights & civil liberties and tech/cyber industry skills. The senior management of the SPA and PS has been supplemented with interim staff. A permanent Director of Finance should be appointed for Police Scotland. • Our local follow up of Audit Scotland's report on <i>Scotland's Public Sector Workforce</i> identified that there is no workforce plan yet in place. A People and Development Strategy is in draft form and work is ongoing in finalising this.

Appendix II: Summary of local audit reports 2015/16



Appendix III: Summary of Audit Scotland national reports 2015/16



Appendix IV: Action plan

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
1.	Page 9 Item 1	<p>FReM compliance</p> <p>The first draft of the management commentary was non-compliant with the new requirements of the Government's Financial Reporting Manual (FReM). Arrangements must be put in place to ensure the Authority has the necessary capacity and competency for the financial reporting obligations of a public sector body of this size.</p>	<p>This is accepted.</p> <p>The Authority appointed an interim Chief Financial Officer in February 2016. We also reviewed and re-organised the senior finance functionality in May 2016 which included the creation of the post of Chief Financial Officer which sits within Police Scotland. This position is being filled on an interim basis presently and the recruitment of a permanent CFO is underway. We are also recruiting additional qualified accountants to supplement the 20 qualified accountants which currently operate across Police Scotland / SPA.</p> <p>Moving forward, it will be the responsibility of the permanent CFO to thoroughly review the first draft of the management commentary to ensure full compliance with FReM. The CFO will subsequently submit the management commentary to the Accountable Officer for final review prior to issue to Audit Scotland.</p>	Chief Financial Officer / April 2017

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
			As an additional control, the reporting of technical updates is now a standing agenda item to be formally reported upon by Police Scotland at every Audit and Risk Committee meeting of the Authority.	
2.	Page 10 Item 2	<p>Accounting for property, plant and equipment</p> <p>Due consideration was not given to applying a new International Financial Reporting Standard and numerous errors were identified in the valuation of assets held for sale and investment properties as a result of assets being revalued under the incorrect asset category. We were unable to agree the revaluation figures in the accounts to the asset register for these assets and certain land and buildings. In addition other issues were identified including: a lack of a formal year end impairment review; a lack of verification checks over assets on the asset register; and a lack of identification of heritage assets.</p> <p>Arrangements must be put in place to ensure the Authority has the necessary capacity and competency for the capital accounting obligations of a public sector body of this size.</p>	<p>This is accepted.</p> <p>As noted in response to item 1, the Authority appointed an interim Chief Financial Officer in February 2016. We also reviewed and re-organised the senior finance functionality in May 2016 which included the creation of the post of Chief Financial Officer which sits within Police Scotland. This position is being filled on an interim basis pending the recruitment of a permanent CFO which is underway. We are also recruiting additional qualified accountants to supplement the twenty qualified accountants currently operating across both organisations. Additional finance staff who are not qualified accountants are also being recruited.</p> <p>Additionally, a new capital accountant is in post.</p> <p>We are also in the process of securing the services of an experienced asset accountant from NHS who</p>	Chief Financial Officer / April 2017

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
			<p>is skilled in the application of Asset 4000 which is the relatively new fixed asset system in operation within Police Scotland. A year-end Fixed Asset Action Plan has been agreed and revaluations due for the 2016/17 period are already underway.</p> <p>As aforementioned, accounting technical updates are now a standing agenda item to be formally reported upon by Police Scotland at every Audit and Risk Committee meeting of the Authority.</p>	
3.	Page 11 Item 3	<p>Reporting financial performance (SORO)</p> <p>From our audit work we identified an error in how overall financial performance had been reported at year end relative to funding.</p> <p>It is important that this exceptional reporting requirement in central government accounts is subject to additional review.</p>	<p>This is accepted.</p> <p>The process for 2016/17 will include an additional review by the permanent Chief Financial Officer who will be recruited by that time.</p>	Chief Financial Officer / June 2017

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
4.	Page 11 Item 3	<p>Permission to offset capital and revenue results</p> <p>Scottish Government is rigorous in its monitoring of capital and revenue spend. On an exceptional basis permission has been granted for SPA to offset capital underspend against revenue overspend. The amount permitted has not been revised until very late in the audit process.</p> <p>It is important that budget setting processes are not presumptive in this respect, going forward, unless explicit guidance has been received in that regard from the Scottish Government.</p>	<p>This is accepted.</p> <p>Scottish Government Sponsor Division granted permission on an exceptional basis and this was accepted. As the full year financial out turn position emerged it became clear that additional permission in relation to the set off would be required. Notwithstanding that discussions were taking place in relation to this matter with Scottish Government , and the position was not unknown, additional permission should have been formally sought in a more timely manner.</p> <p>If such arrangements are required in future the formal permissions will be sought in earlier course.</p> <p>Written permission has now been received from the Sponsor Division to offset capital underspend against revenue overspend for 2015/16.</p>	Chief Financial Officer / April 2017

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
5.	Page 11 Item 4	<p>Use of reform funding</p> <p>As disclosed in the annual accounts a significant number of reform costs form part of the recurring revenue baseline expenditure.</p> <p>After three years it would be appropriate to review what reform has been secured through application of those additional monies, with the exception of that part set aside for VAT liabilities.</p>	<p>This is accepted.</p> <p>It is acknowledged that after a three year period that it is now timely that a review should be undertaken. This review will be undertaken within the 2016/17 financial year by the Police Scotland finance section and the results reported to the Accountable Officer for review prior to submission to the SPA Audit Committee. The review may warrant separate independent comment dependent upon the outcome of the analysis.</p>	Chief Financial Officer / March 2017

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
6.	Page 12 Item 5	<p>Post balance sheet event</p> <p>A significant post balance sheet event took place but it was some time before consideration was given to the implications on the 2015/16 annual accounts.</p> <p>It is important that at such times financial leadership is shown in recognising the need to address the consequences, from a financial reporting perspective.</p>	<p>This is accepted.</p> <p>Commercial negotiations in relation to the significant post balance sheet event concluded on 1 July 2016. It was not an event which is a regular occurrence and it was underpinned by significant legal and contractual documentation. Management took time to consider financial and legal implications and sought legal advice prior to making a determination in respect of the 2015/16 annual accounts. It is accepted that financial leadership ought always to be shown at such times. The recruitment of a permanent Chief Financial Officer within Police Scotland will assist with improving financial leadership moving forward.</p>	Chief Financial Officer / ongoing

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
7.	Page 15 Para 36	<p>Detailed long term financial strategy</p> <p>In the absence of a full business case prior to the establishment of the Scottish Police Authority and Police Scotland in April 2013, the Auditor General recommended in her report Police Reform, published November 2013, that a long term financial strategy be prepared. Whilst a high level strategy was approved by the board in March 2016 a more detailed strategy has not been produced by the revised deadline of September 2016. This is attributed to the development of Policing 2026, a new key strategy for implementation from April 2017.</p> <p>In the absence of a detailed long term financial strategy the SPA is unable to demonstrate how it is securing the financial sustainability of policing in Scotland. We repeat our recommendation about the necessity of such an important process and product.</p>	<p>It is acknowledged that a long term financial strategy (LTFS) was approved by the Board in March 2016 which remains in place.</p> <p>It is also acknowledged that a new LTFS will be produced to align to the overarching Policing 2026 corporate strategy. Management decided to extend the period over which the Policing 2026 corporate strategy would be produced which moved publication of a first draft from September to January. The purpose was to improve the quality of the product which will be subject to public consultation. The effect on the LTFS was that, as it must align to Policing 2026, the period over which it is produced is the same.</p> <p>Notwithstanding, the LTFS model has been created. It is recognised that there is a strong relationship between the LTFS and the Policing 2026 Strategy which is scheduled to be issued for wider public consultation in January 2017. Timing is also important in relation to the Comprehensive Spending Review, the details of which become known in mid-December 2016.</p>	Accountable Officer / March 2017

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
8.	Page 17 Para 51	<p>2016/17 projected outturn</p> <p>The Authority is responsible for ensuring that service delivery is managed within overall budget availability and to manage the impact between competing revenue and capital budget pressures. As at end October 2016 Police Scotland is forecasting an underspend of £9.6m against capital and an overspend of £27.1m against revenue. It is evident that service delivery is not being managed within overall budget availability.</p> <p>The Authority and Police Scotland will have to determine what difficult decisions will have to be taken to ensure that expenditure is contained within the funding available by the end of 2016/17.</p>	<p>This is accepted.</p> <p>The Authority and Police Scotland are working closely together to ensure that expenditure is contained within the funding available by the end of 2016/17.</p> <p>Progress and updated forecasts will be presented for rigorous scrutiny to each Authority Finance Committee up to and beyond the financial year end 2016/17.</p> <p>Preparation of a three-year plan is already underway to deliver a sustainable position over the longer term.</p>	Accountable Officer / April 2017
9.	Page 20 Para 62	<p>Corporate governance arrangements</p> <p>Public board and committee papers are, at times, insufficiently transparent to enable interested parties and stakeholders to monitor the progress of key initiatives, they are only issued on the day of the actual meeting, and it may be more appropriate for a number of papers taken to private session to sit on the agenda of public meetings.</p>	<p>The Chair of the Authority published his review of governance in March 2016. Implementation of this review is underway.</p> <p>There will be more frequent public Board meetings; a minimum of eight per annum. Key decisions that require the approval of the SPA will now be taken by the full Board of publicly appointed Authority Members, with an end to some decisions being</p>	Accountable Officer / March 2017

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
		<p>The SPA is recommended to review whether it has fully embraced the increasing emphasis of the Scottish Government to demonstrate high standards of corporate governance at all times including openness and transparency in decision making.</p>	<p>delegated to committees.</p> <p>Committees will provide a summary report of business at each public Board meeting and this will be published along with other Board papers.</p> <p>The Authority is committed to improving public transparency and openness which will include, where possible, taking papers which may have been previously taken in private session to now be taken in public. Our public Board meetings are open to attendance from any member of the public and are also video broadcast live, in full, on the internet.</p> <p>The Authority plans to publish the Agenda for its Board meetings one week in advance of the meeting taking place. The Authority will also publish the work plans for the Board at the beginning of each year.</p> <p>A forward program of regular engagements with the staff associations and trade unions is being implemented to increase openness, transparency and two way dialogue with our workforce representatives.</p> <p>Similar engagement is already taking place in</p>	

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
			<p>relation to localism work streams involving key stakeholders.</p> <p>The Authority is committed to reviewing our Governance arrangements on an annual basis.</p>	
10.	Page 21 Para 66	<p>Registers of Interest</p> <p>Whilst a number of improvements have been made there is still more to be done to ensure registers of interests, which are closely associated with codes of conduct are complete, timely and accessible, in line with best practice, for both members and senior personnel in both bodies.</p>	<p>This is accepted.</p> <p>It is acknowledged that improvements have been made and registers of interests are subject to a process of continuous improvement moving forward. A planned re-structure of SPA corporate will further strengthen the application of internal guidelines. Members' interests are published on the SPA website.</p> <p>A new Policy will be developed in 2016/17 as opposed to a set of guidelines which are currently in existence. This Policy will also apply to senior personnel who currently have their interests logged on a spreadsheet register. Moving forward all register of interests will be published on the internet.</p>	Accountable Officer / March 2017

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
11.	Page 21 Para 71	<p>Internal control</p> <p>Whilst a number of improvements have been made in the application of controls on key financial systems, there remain a number of deficiencies in certain locations. Internal systems to track improvements did not always capture that regional variation.</p> <p>Management must ensure that the finance function is supported to have the right level of capacity and competency in place such that there are no material weaknesses in internal control systems.</p>	<p>This is accepted.</p> <p>It is acknowledged that improvements have been made in the application of controls on key financial systems. It is also acknowledged that deficiencies exist in certain locations and that these require further improvement. The recruitment of a permanent CFO is underway and additional qualified and experienced resources are being appointed which will support improvements. We have made improvements to our ICT financial systems which will also improve internal controls across locations. We shall utilise our internal auditors, Scott Moncrieff, to carry out additional assurance work moving forward.</p>	Chief Officer / Chief Financial Officer / April 2017

No.	Page & Paragraph ref.	Issue/Recommendation	Management action/response	Responsible officer / Target date
12.	Page 22 Para 77	<p>Internal audit</p> <p>Due to delays in the procurement and vetting processes, internal audit work by the external provider for the year 2015/16 only commenced in November 2015</p> <p>Given that the current contract is due to expire in the foreseeable future it is important that management put arrangements in place to assure continuity of service where there is the possibility of a change in provider.</p>	<p>This is accepted.</p> <p>It is acknowledged that issues in procurement and vetting resulted in delays to our internal audit program for 2015/16. It is recognised that Scott Moncrieff performed exceptionally well to deliver on all planned audit work for 2015/16 prior to completion of the annual audit. During the period where there was no external provision for internal audit, we were able to utilise the services of the two internal auditors who are employees of the SPA.</p> <p>Our contractual arrangement with our current provider is on a two year plus one year extension basis. This contract was structured to provide protection in relation to continuity of service moving forward. Arrangements are underway to ensure the continuity of external service moving forward and our procurement arrangements are robust in this respect.</p>	Accountable Officer / March 2017