

Scottish Police Authority

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

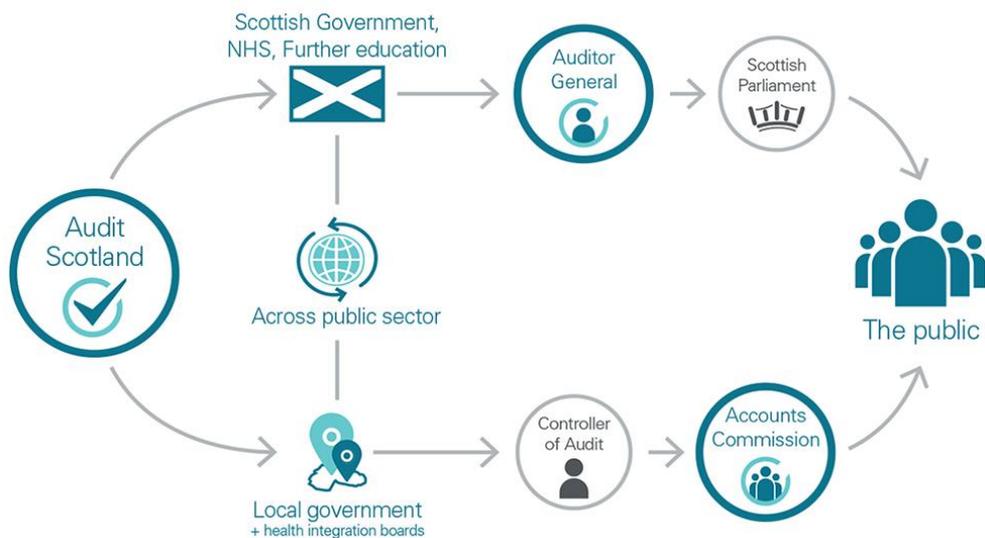
Prepared for the Scottish Police Authority

February 2019

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

Adding value

3. We aim to add value to the Scottish Police Authority by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the Scottish Police Authority promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for the Scottish Police Authority. We have categorised these risks into financial risks and wider dimension risks as detailed in [Exhibit 1](#).

Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be significant in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable in this instance. 	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Identification and evaluation of significant transactions that are outside the normal course of business.

 Audit Risk	Source of assurance	Planned audit work
<p>2 Risk of fraud over income</p> <p>Scottish Police Authority receives income from a range of sources other than Scottish Government funding. The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud.</p>	<ul style="list-style-type: none"> • Management has a system of internal controls in place to prevent and detect the risk of fraud over income. 	<ul style="list-style-type: none"> • Testing of controls over receivables. • Carry out analytical procedures on income streams, other than funding from Scottish Government, to identify areas of risk and to direct our testing. • Detailed testing of revenue transactions focusing on the areas of greatest risk. • Substantive cut-off testing of income to ensure that it has been recognised in the correct financial year.
<p>3 Risk of fraud over expenditure</p> <p>The Code of Audit Practice and Practice Note 10 extend the assumptions within ISA 240 to the risk of fraud over expenditure. The Scottish Police Authority incurs significant expenditure on contracts and consultancy arrangements and therefore there is an inherent risk of fraud.</p>	<ul style="list-style-type: none"> • Management has a system of internal controls in place to prevent and detect the risk of fraud over expenditure. 	<ul style="list-style-type: none"> • Testing of controls over payables. • Carry out analytical procedures on expenditure streams to identify unexpected variances which will direct our testing. • Detailed testing of expenditure transactions focusing on the areas of greatest risk. • Substantive cut-off testing of expenditure to ensure that it has been recognised in the correct financial year.
<p>4 Estimation and judgements - pensions</p> <p>There is a significant degree of estimation and judgement used in the measurement and valuation of the material account areas of pensions relating to the Police Pension Schemes and the Local Government Pension Schemes.</p> <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Hymans Robertson LLP: Actuarial Valuation and Results Schedule (LGPS schemes). • Government Actuary's Department: <ul style="list-style-type: none"> – Police Pension Schemes (Scotland) – Resource Accounts 2018-19. • Management review by finance staff. 	<ul style="list-style-type: none"> • Assessment of the appropriateness of the actuarial assumptions. • Establish management arrangements for assessing the impact of any movement in fund values between the IAS19 valuation date and the year end.

 Audit Risk	Source of assurance	Planned audit work
<p>5 Provisions</p> <p>Our 2017/18 audit work identified a number of issues with the provision amounts disclosed in the financial statements. The current processes and procedures for identifying and recording provisions are being reviewed to ensure complete and accurate information flows between legal, HR and finance and is disclosed in the annual report and accounts.</p> <p>There is a risk for the completeness and accuracy of provisions in the financial statements.</p>	<ul style="list-style-type: none"> Revised planned methodology proposals to be shared with Audit Scotland for agreement in advance of 2018-19 year end. Working papers including relevant referencing for year end. 	<ul style="list-style-type: none"> Review the revised processes which have been introduced during 2018/19. Assess the revised methodology for calculating the dilapidations provision. Carry out detailed testing of provision balances in the 2018/19 financial statements.
<p>6 National Payroll System</p> <p>A new national payroll system is being rolled out to replace the legacy systems. The scale and complexity of the project has been considerable. More than 85% of operating expenditure relates to officer and staff costs. It is therefore essential that the control environment is robust and that the reporting capability of the system meets the needs of management for budget setting and monitoring.</p> <p>There is a risk that the new system does not fully address the control weaknesses identified in previous internal and external audit reports.</p>	<ul style="list-style-type: none"> Relevant internal and external audit reports. Payroll Project progress records and supporting information. 	<ul style="list-style-type: none"> Carry out a detailed review of the new system and the control environment. Perform testing of system controls to assess adequacy and the extent to which they can be relied on to provide assurance. Substantive testing will be carried out, as appropriate, once controls have been assessed. Review the quality and nature of management reporting from the system.
<p>7 Performance Report</p> <p>The performance report in the 2017/18 annual report and accounts contained a summary of performance measurement arrangements and the outcomes for the year as required by the Government Financial Reporting Manual (FReM). However, the disclosures could be strengthened to improve overall understanding of performance against Key Performance Indicators (KPIs).</p> <p>The weaknesses in the current performance management framework may impact on the quality of performance reporting for 2018/19.</p>	<ul style="list-style-type: none"> 2018/19 Financial Reporting Manual (Section 5.2) compliance. Police Scotland Analysis and Performance Unit : Quarterly Performance Reports. Papers on the <i>Revised Police Scotland Planning Approach and Performance Framework</i>, as presented to the SPA Strategy, Performance and Policy Committee (Feb 2019). 	<ul style="list-style-type: none"> Early review and discussion with staff on the performance report requirements to support improved disclosures. Assessment of the 2018/19 Performance Report disclosures against the FReM requirements.

	Audit Risk	Source of assurance	Planned audit work
8	<p>Remuneration Report</p> <p>Previous audit reports have commented on errors in the remuneration report disclosures. Our 2017/18 audit identified improvements in the accuracy of the amounts reported. There has been a high turnover of Board members during 2018/19 with seven new members joining.</p> <p>Induction training for new members should include the procedures for payment of expenses to ensure that previous improvements are maintained and that the remuneration report disclosures are accurate.</p>	<ul style="list-style-type: none"> • PS Payroll records for all Board members. • SPA Board member pack as provided to all members by the Board Services Co-ordinator, along with follow up instructions. • SPA also retain records of all expense claim requests and payments, with required backing evidence retained. 	<ul style="list-style-type: none"> • Detailed testing of all amounts and disclosures in the remuneration report.

Wider dimension issues and risks

9	<p>Financial sustainability</p> <p><u>2018/19 Financial Position</u></p> <p>The revenue budget for 2018/19 is £1,121.6 million and includes a planned operating deficit of £35.6 million. The SPA plans to achieve a balanced budget by 2020/21. Recent budget monitoring shows that the outturn position is at risk with the net expenditure forecast currently £15.1m higher than budget largely due to in-year pay pressures.</p> <p>There have also been delays in implementing the Staff Pay and Reward Modernisation (SPRM) project as a result of the process required to obtain Scottish Government approval.</p> <p>The implications of the UK's decision to leave the EU is already having a cost impact for 2018/19, following Police Scotland's decision to recruit 200 additional officers.</p> <p>Achievement of a balanced budget is at risk and delivery of the required savings will be challenging and requires careful management.</p>	<ul style="list-style-type: none"> • The 2018/19 budget position has been managed through monthly monitoring reports which are presented to Police Scotland's Corporate Finance & Investment Board (CFIB), as well as the SPA Resources Committee. • The Scottish Government Autumn; and Spring Budget Revisions confirm levels of 2018/19 revenue funding. • The 3 year financial plan as presented to CFIB and SPA Resources Committee. • SPRM issue of letters and details to staff in January 2019. 	<ul style="list-style-type: none"> • Review financial reporting of outturn position. • Review progress against planning savings and for the remainder of 2018/19. • Review the revised 3 year financial plan which supports the 2018/19 budget.
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	Audit Risk	Source of assurance	Planned audit work
10	<p><u>Long term financial sustainability</u></p> <p>There are a number of financial pressures facing the organisation. The delivery of the objectives of Policing 2026 is a complex and extensive project with success dependent on a range of factors.</p> <p>The assumptions underlying the Three Year Financial Plan and Ten Year Financial Strategy are based on proposals regarding officer numbers and the level of Scottish Government funding for revenue, capital and reform.</p> <p>Reform funding continues to be required to support the many transformation projects that are underway and planned.</p> <p>Any changes to the agreed assumptions would have an impact on the achievement of financial sustainability.</p>	<ul style="list-style-type: none"> • The Ten Year Financial Plan; and Three Year Financial Plan, as presented to CFIB and SPA Resources Committee. • An update to these plans will be presented to the SPA Board in March 2019, with scenario planning included. 	<ul style="list-style-type: none"> • Review the arrangements for securing financial sustainability including the robustness of savings plans to address identified funding gaps. • Monitor progress on developing strategies for ICT, workforce, estates and fleet including how these align to the overarching Policing 2026 strategy.
11	<p><u>Data, Digital and ICT Strategy</u></p> <p>In May 2018 the Board approved the Data, Digital and ICT Strategy (DDICT) and on 27 September 2018, the Outline Business Case which includes a costed delivery plan. Implementation of the strategy is crucial for the delivery of many of the priorities in Policing 2026.</p> <p>The funding for the strategy, estimated at £298 million over 9 years, has not been agreed with the Scottish Government. Funding for the strategy was not included in the Scottish Government Draft Budget for 2019/20.</p> <p>The strategy is large, complex and inherently risky. Establishing the level, source and timing of funding and following robust governance and monitoring procedures will be crucial to its success.</p>	<ul style="list-style-type: none"> • External support has been sought to ensure appropriate expertise in the development of a strategy, implementation plan and business case. • Internal audit (Scott Moncrieff) review of the strategy and business case was conducted to test the robustness of assumptions and adherence to HMT Green Book standards. • In light of the 2019/20 funding settlement, external support will be sought to rephase the implementation of the strategy. 	<ul style="list-style-type: none"> • Review the arrangements for governance and scrutiny for the programmes within the strategy. • Review the scenario planning based on different funding arrangements.

 Audit Risk	Source of assurance	Planned audit work
<p>12 <u>Workforce Strategy</u></p> <p>The Ten Year Financial Strategy includes high level sensitivity analysis for the key areas of expenditure, officer and staff costs, and income, Scottish Government funding. However, the robustness of the financial planning is significantly undermined by the lack of a workforce strategy as more than 85% of the expenditure incurred relates to officer and staff costs.</p> <p>A fully developed workforce strategy which considers the required skills mix and level of demand is now critical to the delivery of financial balance and the achievement of planned transformational changes.</p>	<ul style="list-style-type: none"> • Draft Workforce Strategy is scheduled for March 2019, with further revisions in due course. 	<ul style="list-style-type: none"> • Review progress of the development of a workforce strategy.
<p>13 <u>Estates Strategy</u></p> <p>The Ten Year Financial Strategy must be supported by robust and well developed corporate strategies. To achieve the cost savings detailed in Policing 2026 and to meet the demands of modern policing it is essential that the police estate is used in the most efficient way.</p> <p>A revised estates strategy and accompanying implementation plan are essential components of transformational changes.</p>	<ul style="list-style-type: none"> • An Estates Strategy is expected to be completed by the end of March 2019. 	<ul style="list-style-type: none"> • Review the approved estates strategy and assess the extent to which it is aligned to Policing 2026 and the other related strategies.
<p>14 Financial management</p> <p><u>Preparations for Brexit</u></p> <p>While the specific arrangements for the UK's exit from the European Union on 29 March 2019 remain unknown, the potential implications for operational policing and the financial impact need to be fully developed.</p> <p>As part of its preparations, Police Scotland has already started recruiting 200 additional officers.</p> <p>There is a risk that adequate preparations and funding plans for all possible Brexit scenarios have not been made or prove insufficient to deliver upon.</p>	<ul style="list-style-type: none"> • SPA Board of Management presentation, 30 January 2019: <i>Brexit: Impact on Operational Policing in Scotland Review</i>. • Budget papers for SPA Board, March 2019. 	<ul style="list-style-type: none"> • Assess the extent to which management have considered the financial implications of Brexit and what plans they have in place.

 Audit Risk	Source of assurance	Planned audit work
<p>14 Governance and transparency</p> <p><u>Governance Changes</u></p> <p>In order for the Board to be more strategically focused, the committee structure has been revised. From November 2018 a new Resources Committee is in place to scrutinise matters previously undertaken by the Finance and People Committees. The new Strategy, Policy and Performance Committee will take on the remit and responsibilities of the previous Policing Committee.</p> <p>It is important that the Board keeps the success of these new arrangements under review so that its governance arrangements are effective.</p>	<ul style="list-style-type: none"> • SPA Governance Framework paper presented to the SPA Board meeting on 24 October 2018. • Chairs' Reports from SPA Committees now presented at SPA Board Meeting. • Board agendas / minutes / action logs. • Committee agendas / minutes / action logs. • Self Assessment of Performance from each Committee (at end of each financial year). 	<ul style="list-style-type: none"> • Consider the appropriateness of the new committee remits and whether they are achieving their objectives. • Assess the level of decision-making responsibility that has been delegated to committees and whether it supports board capacity.
<p>15 Executive capacity and capability</p> <p>During 2017/8 there was an increase in the amount of time spent by board members on the oversight and governance of the significant change and transformation projects. Member time has also been spent on tasks which are operational in nature and should be the responsibility of SPA executive directors.</p> <p>By strengthening the level of executive capacity in SPA, following the appointment of a permanent chief executive and a new executive team, the Board can take on a more strategic focus. It should also lead to improvements in the quality and timeliness of reports to the Board and its committees.</p>	<ul style="list-style-type: none"> • Delivery of SPA Improvement Plan 2018/19 and some elements of the SPA Structure review in 2018. • Interim appointments to assist with delivering the SPA Improvement Plan. • New permanent Director of Strategy, Performance and Assurance took up post in January 2019. • SPA Corporate Plan 2019/20 and SPA Corporate Organisation Redesign work progressing in early 2019 following the appointment of the new Chief Executive from 5 November 2018. 	<ul style="list-style-type: none"> • Consider any changes made to the SPA executive and how it enables the Board to focus on strategic matters. • Assess whether reporting to the Board and its committees supports robust scrutiny.

	Audit Risk	Source of assurance	Planned audit work
16	<p><u>Performance management</u></p> <p>It is vital that there are robust performance management arrangements in place to demonstrate progress in the delivery of Policing 2026. Key performance indicators (KPIs) must be developed that link to strategic objectives. The Scottish Police Authority should track performance against these measures and identify areas of underperformance that need to be addressed.</p> <p>In the absence of a robust performance management framework that clearly links outcomes and priorities there is a risk that the Scottish Police Authority are unable to demonstrate that they are adequately holding Police Scotland to account.</p>	<ul style="list-style-type: none"> • Papers on the <i>Revised Police Scotland Planning Approach and Performance Framework</i>, as presented to the new SPA Strategy, Performance and Policy Committee (5 February 2019). • Police Scotland 3 Year Plan 2019-2022 and the associated Performance Framework which are due at the Board on 28 March 2019. 	<ul style="list-style-type: none"> • Review the revised performance management framework. • Assess the level and quality of reporting against this framework to the Board. • Consider how performance against the framework is reflected in the 2018/19 annual report and accounts.
17	<p><u>Risk Management</u></p> <p>Risk management is an area that is now being developed and established within the Scottish Police Authority and Police Scotland, including the development of a risk management framework.</p> <p>The identification and reporting of risks that align to the delivery of Policing 2026, must be clearer to improve scrutiny and enable risk based decision making.</p>	<ul style="list-style-type: none"> • Police Scotland's Risk Management Framework. • Risk Registers: <ul style="list-style-type: none"> – a. Police Scotland (Strategic, Organisational and potentially the DCC/DCO Tier 2 registers and divisional / departmental) – b. Forensic Services. – c. SPA Corporate. • Police Scotland Strategic and Organisational risks, as well as SPA Corporate risks (incorporating Forensics), are reported to SPA Audit Committee and SPA Board on a quarterly basis. • Direct discussion with risk team and first line management. 	<ul style="list-style-type: none"> • Assess the adequacy of the new risk management arrangements.

 Audit Risk	Source of assurance	Planned audit work
<p>18 Value for money</p> <p><u>Procurement and Contract Management</u></p> <p>To support the delivery of its transformation programme, Police Scotland is using external professional support organisations and consultancy firms.</p> <p>There is a risk that the planned benefits are not realised and that contract costs are not managed due to capacity issues.</p> <p>Public bodies have recently experienced service delivery difficulties following the collapse of key suppliers. Ongoing monitoring of key contracts is an essential part of effective business continuity arrangements.</p>	<ul style="list-style-type: none"> • Procurement Strategies and associated pre-procurement; business case; and contract documentation. • Internal audit review and assurance. • Management recognises the importance of delivering Value for Money for the taxpayer, and this requires additional effort when working with expensive professional services organisations. As such, a dedicated temporary procurement specialist, with experience of tendering and managing professional services contracts, has been recruited into the procurement team to solely focus on the professional services spend. • It is clear that wider contract management, other than that of professional services firms, needs to be strengthened across the organisation, and this will be addressed through the Procurement Improvement Plan. • The Change function has been established and has responsibility for benefits tracking and benefits realisation. • Suppliers are credit checked using a reputable credit agency prior to the award of any contract. For existing suppliers, a credit check was undertaken for all suppliers on the contracts register during 2018/19 and reported upon. Plans are underway to establish periodic review of suppliers credit rating so that management action can be taken as necessary to manage or mitigate supplier risk. 	<ul style="list-style-type: none"> • Detailed testing of the procurement process for contracts awarded during the year. • Review the contract management arrangements to ensure that the realisation of benefits and monitoring of costs are robust. • Consideration of the findings from Internal Audit's review of procurement processes.

Reporting arrangements

- 5.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.
- 6.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.
- 7.** We will provide an independent auditor's report to Scottish Police Authority, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.
- 8.** Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year – end, i.e. 31 December. Management are required to submit their audited financial statements to meet the consolidation timetable.

Exhibit 2 2018/19 Audit outputs

Audit Output	Target date	Committee Date
Management Report	22 April 2019	1 May 2019
Annual Audit Report	2 September 2019	12 September 2019
Independent Auditor's Report*	2 September 2019	12 September 2019

*This date will be dependent on the planned board approval of the annual accounts.

Source: Audit Scotland

Audit fee

9. The agreed audit fee for the 2018/19 audit of Scottish Police Authority is £210,900 (2017/18, £206,100). In determining the audit fee we have taken account of the risk exposure of Scottish Police Authority, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts with a complete working papers package on 1 July 2019.

10. Where our audit cannot proceed as planned through, for example, late receipt of unaudited accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Accountable Officer and Audit Committee

11. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

12. The audit of the annual report and accounts does not relieve management or the audit committee as those charged with governance, of their responsibilities.

Appointed auditor

13. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

14. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

15. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the Scottish Police Authority and the associated risks
- assessing the key systems of internal control, and establishing the impact of any identified weaknesses
- identifying major transaction streams, balances and areas of estimation and understanding how the Scottish Police Authority will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

16. We will give an opinion on:

- whether the financial statements give a true and fair view of the state of affairs of the Scottish Police Authority as at 31 March 2019 and of the income and expenditure of the Scottish Police Authority for the year then ended
- whether the financial statements have been properly prepared in accordance with the financial reporting framework
- the regularity of the expenditure and income.

Other information in the annual accounts

17. We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been prepared in accordance with the appropriate regulations and frameworks in our independent auditor's report.

18. We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.

Materiality

19. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.



characteristics



responsibilities



principal activities



risks



governance arrangements

20. We calculate materiality at different levels as described below. The calculated materiality values for Scottish Police Authority are set out in [Exhibit 3](#).

Exhibit 3 Materiality values

Materiality	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2019, based on the latest audited accounts.	£17 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, including consideration of the extent of prior year issues, we have calculated performance materiality at 35% of planning materiality.	£6 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality (rounded).	£200,000

Source: Audit Scotland

Timetable

21. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4 Annual accounts timetable

 Key stage	 Date
Submission of unaudited annual accounts with working papers to audit	1 July 2019
Issue of draft annual audit report for clearance	16 August 2019
Latest date for final clearance meeting with Chief Financial Officer	23 August 2019
Agreement of audited unsigned annual accounts	28 August 2019
Issue of annual audit report, letter of representation and proposed independent auditor's report for Audit Committee consideration	2 September 2019
Consideration of audited annual accounts and audit reporting by Audit Committee	12 September 2019
Independent auditor's report signed after approval by the Board	By 30 September 2019

Source: Audit Scotland

Internal audit

22. Internal audit is provided by Scott Moncrieff. As part of our planning process we carried out an assessment of the internal audit function and concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

Using the work of internal audit

23. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication.

Areas of Internal Audit reliance

24. To support our audit opinion on the financial statements we do not plan to place formal reliance on the work of internal audit. However, in respect of our wider dimension audit responsibilities, we plan to consider the following areas of internal audit work:

- Financial Planning
- Risk Management
- Tendering
- Information Management
- Transformational Change Programme.

Audit dimensions

25. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5 Audit dimensions



Financial sustainability

26. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the medium term (two to five years) and longer term (longer than five years). We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether the Scottish Police Authority can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

27. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on whether the Scottish Police Authority:

- has arrangements in place to ensure systems of internal control are operating effectively
- can demonstrate the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- has assured itself that its financial capacity and skills are appropriate
- has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

28. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the Scottish Police Authority can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

29. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the Scottish Police Authority can:

- provide evidence that it is demonstrating value for money in the use of its resources
- demonstrate that there is a clear link between money spent, output and outcomes delivered
- demonstrate that outcomes are improving.

Independence and objectivity

30. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

31. The engagement lead and appointed auditor for the Scottish Police Authority is Stephen Boyle, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Scottish Police Authority.

Quality control

32. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

33. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) has been commissioned to carry out external quality reviews.

34. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Scottish Police Authority

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