

# Scottish Police Authority

2019/20 Annual Audit Report



 AUDIT SCOTLAND

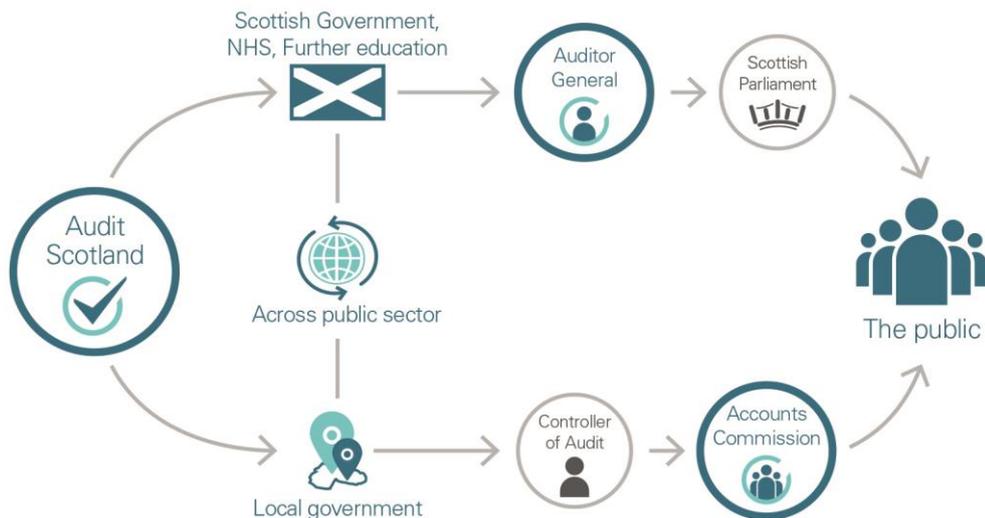
Prepared for the Scottish Police Authority and the Auditor General for Scotland

30 September 2020

## 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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# Key messages

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## 2019/20 annual report and accounts

- 1**The financial statements of the Scottish Police Authority give a true and fair view of the state of affairs of the body as at 31 March 2020 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.
- 2**An Emphasis of Matter paragraph has been included in the Independent Auditor's Report reflecting the market valuation uncertainty highlighted by the valuer due to the Covid-19 pandemic. This reflects the Royal Institution of Chartered Surveyors (RICS) guidance which is the basis of the work undertaken by the valuer.
- 3**The Covid-19 pandemic has not had a significant impact on the accounting and auditing timetable for the 2019/20 financial statements.

## Financial management

- 4**The Scottish Police Authority received additional funding of £17 million for Police Scotland to maintain officer numbers, and was dependent on approval from the Scottish Government to operate a deficit budget position of £24.6 million.
- 5**The year-end total revenue resource outturn of £1,165.4 million resulted in a deficit outturn of £26.8 million. This is made up of the £24.6 million deficit revenue budget approved by the Scottish Government and a further overspend of £2.2 million, relating to year end Covid-19 pressures, which was also approved by the Scottish Government. Additional cash of £32.9 million was provided by the Scottish Government to enable the Scottish Police Authority to meet its expenditure needs.
- 6**Systems of internal control have been improved by the completion of the implementation of the new payroll system, but other weaknesses continue to exist and should be addressed.
- 7**Reacting to the Covid-19 pandemic increased costs at year end and contributed to the overspend. Budgetary reporting on this has been satisfactory.

## Financial sustainability

- 8**2020/21 is the fourth consecutive year where a deficit budget has been approved by the Scottish Police Authority, following confirmation of financial support from the Scottish Government. There is no indication that financial balance is in sight.
- 9**The medium-term financial plan and ten-year financial strategy of the Scottish Police Authority are now out of date and require revision to determine a route to financial balance. The Scottish Police Authority and Police Scotland must work with the Scottish Government in determining the appropriate route.

- 10**The absence of the strategic workforce plan, with an underpinning analysis of demand and productivity, is a key barrier to robust medium and long-term financial plans.
- 11**Whilst an implementation plan is well-established for the Digital, Data and ICT strategy, such plans have only recently been developed to support the new Estates and Fleet strategies. To demonstrate achievement of the planned benefits and efficiencies, regular reporting of activities against implementation plans is required.

## Governance and transparency

- 12**The Scottish Police Authority is responding to work led by the Scottish Government to clarify roles and responsibilities of all the parties involved with policing in Scotland. This should support the Scottish Police Authority in fulfilling the role envisaged by the Police and Fire Reform (Scotland) Act 2012.
- 13**Progress has been made in developing the capacity and capability of staff in the Scottish Police Authority corporate function.
- 14**The Authority continues to work with the Scottish Government to progress the recruitment process to appoint a permanent Chair and new members for the Authority. This will provide an opportunity for increased diversity in the Authority.
- 15**The Scottish Police Authority continues to be open and transparent in the way it conducts its business. It has adapted quickly to the Covid-19 pandemic, holding meetings in public and making appropriate changes to governance arrangements.

## Value for money

- 16**The Scottish Police Authority has developed its corporate plan 2020-2023 which is supported by an annual business plan; this is a key step towards developing best value arrangements.
- 17**The performance framework 2019/20 has not delivered the expected improvements in performance reporting; a revised performance framework was approved in June 2020. It is vital that there are robust arrangements in place to monitor progress.
- 18**Progress has been made in the implementation of the Procurement Improvement Plan and momentum should be maintained to deliver benefits to Police Scotland. Contract management needs further improvements.

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# Introduction

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1. This report summarises the findings from our 2019/20 audit of the Scottish Police Authority.
2. The scope of our audit was set out in our Annual Audit Plan presented to the 30 January 2020 meeting of the Audit Committee. This report comprises the findings from:
  - an audit of the Scottish Police Authority's annual report and accounts, which encompasses the Scottish Police Authority and Police Scotland.
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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3. The main elements of our audit work in 2019/20 have been:
  - an audit of the Scottish Police Authority's 2019/20 annual report and accounts including the issue of an Independent Auditor's Report setting out my opinions
  - a review of Police Scotland's financial systems
  - consideration of the four audit dimensions.

4. Subsequent to the publication of our Annual Audit Plan, in common with all public bodies, the Scottish Police Authority has had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have significant impact into the financial year 2020/21. This has had significant implications for the services provided by Police Scotland including the new powers under the [Coronavirus \(Scotland\) Act 2020](#) and the [Health Protection \(Coronavirus\) \(Restrictions\) \(Scotland\) Regulations 2020](#), and the Scottish Police Authority's scrutiny of these enhanced powers. There have been further implications including increased sickness absence levels, the pausing of non-essential projects and activities, including elements of the transformation programme. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

## Adding value through the audit

5. We add value through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Responsibilities and reporting

6. The Scottish Police Authority has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that is in accordance with the accounts direction from the Scottish Ministers.

7. The Scottish Police Authority is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable the board to successfully deliver its objectives.

8. Our responsibilities as independent auditor are established by the [Public Finance and Accountability \(Scotland\) Act 2000](#) and the [Code of Audit Practice 2016](#), and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

9. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officer(s) and dates for implementation. It also includes any outstanding actions from last year and progress against these.

## Auditor Independence

**11.** 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 comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**12.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £206,110 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**13.** This report is addressed to both the Scottish Police Authority and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**14.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

# Part 1

## Audit of 2019/20 annual report and accounts



### Main judgements

The financial statements of the Scottish Police Authority give a true and fair view of the state of affairs of the body as at 31 March 2020 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.

An Emphasis of Matter paragraph has been included in the Independent Auditor's Report reflecting the market valuation uncertainty highlighted by the valuer due to the Covid-19 pandemic. This reflects RICS guidance which is the basis of the work undertaken by the valuer.

The Covid-19 pandemic has not had a significant impact on the accounting and auditing timetable for the 2019/20 financial statements.

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance.

### Our audit opinions on the annual report and accounts are unmodified

**15.** The annual report and accounts for the year ended 31 March 2020 were approved by the Authority on 30 September 2020. We reported within the Independent Auditor's Report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework, expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

**16.** We have included an 'Emphasis of Matter' paragraph in our Independent Auditor's Report which refers to the impact of Covid-19 on the valuations of land, properties and investment properties. Emphasis of Matter paragraphs are added to auditors' reports where the auditor considers it necessary to draw users' attention to matters which are fundamental to the understanding of the accounts. This stems from RICS guidance which is the foundation of the work carried out by the valuer. Note 32 in the annual report and accounts describes the uncertainty caused. The audit opinion is not modified in respect of this matter. Further information is contained in [Exhibit 3](#).

**17.** The working papers provided to support the accounts were of a good standard and the audit team received good support from finance staff which helped ensure the final accounts audit process ran smoothly.

## The accounting framework was not changed due to the Covid-19 pandemic

18. In May 2020, HM Treasury provided an addendum to the Financial Reporting Manual (FReM) which would permit some streamlining of the performance report, particularly the performance analysis section. The Scottish Police Authority decided that it would not reduce its disclosures and complied with the full disclosures included in the FReM.

## Whole of Government Accounts

19. In accordance with the Whole of Government Accounts guidance we will complete the required assurance statement and submit this to the National Audit Office (NAO) by the revised deadline of 31 December 2020.

## The annual report and accounts were signed off in line with the planned timetable

20. The unaudited annual report and accounts were received in line with our agreed audit timetable on 22 June 2020. There were no absences of key finance staff relating to the Covid-19 pandemic and audit evidence was provided promptly despite the limitations of communicating virtually. This has allowed the annual report and accounts to be signed in line with the planned timetable.

## Overall materiality is £20 million

21. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and the nature of a misstatement in the financial statements.

22. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations made at the planning stage and revised them upwards; this is a consequence of the movement in pension charges. However, there was no impact on our audit approach.

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## Exhibit 2 Materiality values

Overall materiality	£20 million
Performance materiality	£9 million
Reporting threshold	£200,000

Source: Audit Scotland

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## Appendix 2 identifies the main risks of material misstatement and our audit work to address these

23. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team were directed. [Appendix 2](#) also summarises the work we undertook to address these risks and our conclusions from this work.

24. Any issues we have to report from our work on the risks of material misstatement are captured in [Exhibit 3](#) below.

## We report significant findings on the annual report and accounts in [Exhibit 3](#)

25. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have no significant findings to report around the qualitative aspects of the body's accounting policies, accounting estimates and financial statements disclosures. The significant findings are summarised in [Exhibit 3](#).

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### Exhibit 3

#### Significant findings from the audit of financial statements

##### 1. Impact of Covid-19 on valuations of land, properties and investment properties

The Scottish Police Authority's land and properties are part of a rolling 5-year valuation programme with investment properties revalued each year. In 2019/20 £74.9 million of these assets were revalued by the external valuer Graham & Sibbald. This resulted in a decrease of £24m across land, buildings and investment properties.

Graham & Sibbald's final valuation report contains a 'market valuation uncertainty' clause relating to the impact of Covid-19 on the property market. It highlights that a higher degree of caution should be attached to the valuation than would normally be the case.

The unaudited accounts did not provide sufficient information about this in Note 32.

This was discussed with finance staff who agreed to include additional disclosure in note 32 to highlight the uncertainty relating to the market valuation.

After consideration, we have included an 'Emphasis of Matter' paragraph in the Independent Auditor's Report as this disclosure is important to users' understanding of the accounts. This relates solely to the impact of the Covid-19 pandemic. The audit opinion is not modified in respect of this matter.

##### 2. Police Officers – pension valuations

In July 2020, HM Treasury opened a consultation to consider options to remove the discriminatory elements of the transition from final salary to career average pension schemes.

GAD (the Government Actuary Department) carried out work post year end, to assess the potential impact this may have on the police officers' pension liability.

This was considered an adjusting event after the reporting period, in line with accounting standards.

This has been adjusted for in the audited accounts as a change in the actuarial loss in year (which relates to actuarial assumptions) and an amendment to the past service cost.

As a result of this, the pension liability decreased by £112 million, with a similar movement in the pension reserve.

In addition, a narrative disclosure has been included in Note 31 in the annual report and accounts as this is an event after the reporting period.

##### 3. Dilapidations prepayment

In 2018/19, the accounting treatment of the dilapidations' provision was revised as a result of an audit finding. It was recognised in its entirety rather than built up over several years. The process is now in line with accounting standards.

There should have been a corresponding prepayment so that other expenditure in the Statement of Comprehensive Expenditure would

The estimation of the value of the prepayment is £4.2m. As the balance is below materiality, finance staff do not propose to make the change however they will include the prepayment in the 2020/21 accounts.

Furthermore, the treatment for the dilapidation is due to change again in 2021/22 with the introduction of IFRS 16, the new accounting standard for leases.

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have only been attributed with one year's worth of the provision rather than the full amount. This is a technical adjustment to comply with accounting standards.



**Recommendation 1**  
(refer [Appendix 1](#), action plan)

It was identified in 2019/20 that this had not been completed. As the error was below materiality it can be adjusted for prospectively i.e. from 2020/21.

#### 4. Provisions for legal cases

There were issues with two legal provisions:

(1) A provision was included at the correct amount at the end of the reporting period. Between that date and signing the accounts, the case concluded, and agreement was made on the amount due to the claimants and an up to date estimate on legal fees was available. The overall figure was lower than that provided.

This was considered an adjusting event after the reporting period, in line with accounting standards. This is not an error.

(2) A provision was being held at a value higher than the probable estimate required to settle the case to be prudent. The accounting standards require it to be held at the probable estimate. This was classified as an error.

(1) This has been adjusted for in the accounts by reducing the provisions balance by £0.90m.

As a result of this, the provisions balance in the Statement of Financial Position reduced by £0.90 million, and other expenditure in the Statement of Comprehensive Net Expenditure decreased by the same amount.

(2) The value for this was £0.27m and has not been adjusted for in the accounts. This will be reviewed during 2020/21.

#### 5. Remuneration Report

Work on the remuneration report identified that an allowance element of senior staff remuneration for Scottish Police Authority Executive and Police Scotland Force Directors was incorrectly coded and therefore not included in the draft accounts' remuneration figures, nor in the 2018/19 signed annual report and accounts.

This figure, although below the clearly trivial threshold, is material by nature, to the remuneration report.

This has been amended in the annual report and accounts, including for 2018/19, with this additional allowance now correctly included in the salary and allowances figures.

#### 6. Contingent liabilities

Our audit approach includes work to be assured that cases of outstanding litigation are appropriately classified between provisions and contingent liabilities.

This includes the monitoring of post balance sheet events to ascertain whether any have occurred that would be indicative of a liability as at 31 March 2020.

Through our understanding of process, and examination of underlying documentation, we are satisfied that officers have taken due cognisance of what needs to be provided for based on the best available evidence at year end.

We have also sought specific management representation in this regard.

Source: Audit Scotland

### Although misstatements were identified, they were not adjusted for in the accounts and did not impact the budgeted position

**26.** Total misstatements identified were £4.47 million, which would have reduced net expenditure in the Statement of Comprehensive Net Expenditure by £4.47 million. Due to the nature of them, they would not impact the budgeted position

([Appendix 3](#)). They consist of the dilapidations' prepayment and the second provision, both of which feature in [Exhibit 3](#). We have concluded that the misstatements identified arose from isolated issues: we have identified the entirety of the dilapidations issue; and for the provision we carried out further testing. We are satisfied that it does not indicate systematic error. We therefore concluded that no further audit work was required.

**27.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and with reference to materiality. Management have not adjusted for these two items as per [Exhibit 3](#). Management advised that they want to carry out modelling on the impact of the dilapidations' prepayment before including in the accounts in 2020/21 and will revise the provision in 2020/21.

### **Progress has been made on prior year recommendations**

**28.** We have followed up the actions which were agreed and reported in our 2018/19 Annual Audit Report. Overall, the Scottish Police Authority has made progress in implementing prior year audit recommendations and, for those which are not fully actioned, work is ongoing to address them. Two main recommendations where work has not been completed are: the revision of the medium and long-term financial plans; and the delivery of the strategic workforce plan. These are set out in [Appendix 1](#) and are identified by the prefix b/f (brought forward).

# Part 2

## Financial management



### Main judgements

The Scottish Police Authority received additional funding of £17 million for Police Scotland to maintain officer numbers, and was dependent on approval from the Scottish Government to operate a deficit budget position of £24.6 million.

The year-end total revenue resource outturn of £1,165.4 million resulted in a deficit outturn of £26.8 million. This is made up of the £24.6 million deficit revenue budget approved by the Scottish Government and a further overspend of £2.2 million, relating to year end Covid-19 pressures, which was also approved by the Scottish Government. Additional cash of £32.9 million was provided by the Scottish Government to enable the Scottish Police Authority to meet its expenditure needs.

Systems of internal control have been improved by the completion of the implementation of the new payroll system, but other weaknesses continue to exist and should be addressed.

Reacting to the Covid-19 pandemic has increased costs at year end and contributed to the overspend. Budgetary reporting on this has been satisfactory.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

### The Scottish Police Authority reported a deficit outturn of £26.8 million. All of this was approved in advance by the Scottish Government.

**29.** The main financial objective for the Scottish Police Authority is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. The financial performance of the Scottish Police Authority is shown in [Exhibit 4](#).

**30.** The primary financial statements show total comprehensive net expenditure of £4,044 million (2018/19: £1,459 million). The significant variance between years arises from movement in the pension liability: a significant charge of £2,325 million in 2019/20 relative to a credit of £863 million in 2018/19. The same factor gives rise to the increase in net liabilities on the Statement of Financial Position: negative taxpayers' equity of £19,433 million (2018/19: £16,608 million).

**31.** In the Accountability Report the Scottish Police Authority has reported a total resource outturn (revenue and capital) of £1,205.6 million, against a budget of £1,179.0 million, resulting in an overspend of £26.6 million. This is a £26.8 million overspend in revenue offset by £0.2 million of capital. The budget approved by the Authority had planned for a revenue core operating deficit of £24.6 million. Towards year end approval was sought and received for a further £2.2 million overspend against the budgeted position. This related to Covid-19 pressures.

**32.** The Scottish Government accommodated this overspend position. As in 2018/19, the Scottish Government agreed to provide additional working capital to support this overspend position, £32.9 million cash.

## Exhibit 4 Performance against budget in 2019/20

	Initial budget	Final budget	Outturn	Over/(under) spend
	£m	£m	£m	£m
Revenue DEL	1,095.100	1,114.538	1,141.431	26.893
Revenue Reform Funding	25.000	24,000	23.967	(0.033)
<b>Total Revenue Outturn</b>	<b>1,120.100</b>	<b>1,138.538</b>	<b>1,165.398</b>	<b>26.860</b>
Capital DEL	35.000	35.821	35.585	(0.236)
Capital Reform Funding	4.600	4.600	4.600	-
<b>Total Capital Outturn</b>	<b>39.600</b>	<b>40.421</b>	<b>40.185</b>	<b>(0.236)</b>
<b>Total Resource</b>	<b>1,159.700</b>	<b>1,178.959</b>	<b>1,205.583</b>	<b>26.624</b>
Non-cash DEL	35.000	35.000	41.173	6.173
Expenditure outside DEL	3.640	3.640	3.640	-
Annually Managed Expenditure (AME)	-	35.000	64.997	29.997

Source: Scottish Police Authority Annual Report and Accounts 2019/20

## The Statement of Financial Position 2019/20 shows a significant negative taxpayers' equity balance

**33.** The Statement of Financial Position summarises what is owned and owed by the Scottish Police Authority. At year end it shows a net liability of £19.5 billion, a deterioration of £2.8 billion from last year. The net liability position is due to the pension liabilities for police officers and staff, of £19.8 billion. The Scottish Government is aware of the liability and has provided assurance that they recognise the responsibility for funding these costs as they fall due. In light of this assurance we agree with the Scottish Police Authority's conclusion that this does not represent a going concern issue.

**34.** Excluding pension liabilities, the net asset position for the Scottish Police Authority has continued to reduce and as at 31 March 2020 was £332.4 million (2018/19: £346.8 million). This is mainly due to the reduction in carrying values of property, plant and equipment (£21.3 million), with some minor other movements offsetting this.

**35.** The difference between the Statement of Comprehensive Net Expenditure (SoCNE) and the Statement of Resource Outturn is that non-cash costs are included in the SoCNE, the biggest one being pension costs. Financial performance throughout the year is monitored against budget figures in the Statement of Resource Outturn.

## Budget processes were appropriate but there was a financial impact due to Covid-19

**36.** The Scottish Police Authority approved its 2019/20 budget in March 2019. The budget clearly identified the financial challenges being faced and provided detailed information on the available funding and planned expenditure for revenue, capital and reform.

### Revenue

**37.** The approved revenue budget for 2019/20 forecast a core operating deficit of £24.6 million. The three-year financial plan approved in May 2018 assumed a reduction in officer numbers of 400 by the end of 2019/20. In February 2019, it was agreed that the reduction of 100 officers in-year was to be reversed and that the planned reduction of 300 officers in 2019/20 could not go ahead due to the risks associated with EU withdrawal. The costs of maintaining these officers was £17million which, in June 2019, the Scottish Government agreed to fully fund.

**38.** More than 85% of revenue expenditure relates to payroll costs, highlighting the importance of strong workforce planning to determine the most cost-effective staffing model for the organisation to meet current and anticipated future demand. The strategic workforce plan will provide an evidence base for financial planning. Progress in this area is captured in paragraph [64](#). The majority of cost pressures in revenue relate to the impact of pay awards for officers and staff.

### Capital

**39.** The Authority set a balanced capital budget of £43.1 million for 2019/20 comprising £35 million of capital grant from the Scottish Government, planned capital receipts of £3.5 million and the use of £4.6 million of reform funding. The Capital Investment Group assesses bids for funding. At year end, capital spending was £2.2 million greater than budgeted, and this was fully funded by successful bids to the Scottish Government Justice Transformation Fund, and capital receipts being slightly higher than expected. As reported in our 2019/20 interim management report (July 2020), a significant amount of the spend was in the last quarter of the year which was more in line with the planned profile than in previous years. There remains potential for further improvement in this area.

### Reform

**40.** Since 2013/14 the Scottish Police Authority has received non-recurring reform funding to support expenditure and investment to realise changes to policing in Scotland. Business cases are required which must comply with the internal Investment Governance Framework before being passed to the Scottish Government for approval.

**41.** For 2019/20 the Scottish Government allocated a revised total reform budget of £28.6 million, including £4.6million for capital. The reform funding was used in full, with the majority spent on transformation resources and implementation and pay protection relating to SPRM (Staff Pay and Reward Modernisation). In total £9.8 million was applied to harmonise staff pay, and terms and conditions.

### Covid-19 budget impact

**42.** As a result of the Covid-19 pandemic, in March 2020, the Scottish Police Authority experienced financial pressures and this is reflected in the revenue overspend of £2.2 million. Due to the role of police in supporting lockdown restrictions, annual leave days were cancelled (£0.9 million), overtime incurred (£0.8 million), and PPE (personal protective equipment) purchased (£0.8 million). These were offset by small levels of savings across a number of areas. No additional funding was received in-year to support Covid-19 directly. As detailed in paragraph [32](#) additional working capital cash was obtained to meet expenditure needs.

**43.** We observe that senior management and members receive regular and accurate financial information on the financial position. The monthly and quarterly

budget monitoring reports are presented to the Resources Committee. Other than the need to improve the profiling of capital expenditure, we concluded that the Scottish Police Authority has effective budgetary processes that support the scrutiny of its finances.

## Systems of internal financial control are generally operating effectively

**44.** As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**45.** Our 2019/20 interim management report, presented to the Audit, Risk and Assurance Committee on 16 July 2020, concluded our findings from the review of systems of internal controls. We concluded that the controls tested were generally operating effectively, with the new national payroll system improving controls in this area. There were areas for improvement in terms of consistent use of payroll forms and reconciliations. No significant internal control weaknesses were identified during the audit which could affect the body's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.



### Recommendation 2

## The strengthening of the control environment should continue to be an area of focus despite improvements.

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**46.** The Scottish Police Authority had to make additional Covid-19 related purchases and payments in the final month of 2019/20 and early 2020/21. In some cases, due to market pressures (e.g. for the purchase of PPE) established internal controls could not be applied due to time pressures. A small number of non-competitive actions were awarded, and all have been approved retrospectively by the Scottish Government. This process is allowed under current regulations. Approvals were obtained for each purchase and records have been obtained in each instance. We concluded that appropriate procedures have been followed.

## Internal audit continues to be effective

**47.** The body's internal audit function is carried out by Scott-Moncrieff. The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' to provide an annual internal audit opinion and report to inform the annual governance statement. The 2019/20 opinion provides 'reasonable assurance' regarding governance, internal controls, managing key risks in Police Scotland, with the exception of stock management. Within the Scottish Police Authority, Internal Audit report significant challenges relating to risk management, performance management, governance and internal controls. However Internal Audit acknowledge the progress made since the appointment of the Interim Chief Executive.

**48.** We reviewed the body's internal audit function in terms of International Standard on Auditing (UK) 610: Using the Work of Internal Auditors to determine the extent to which we could use the work of internal audit. Having gained that assurance, we placed formal reliance on their work relating to payroll, and also considered areas that supported our conclusions on the wider dimension audit responsibilities, including strategic workforce planning, relocation costs and fraud reporting.

## **Arrangements for the prevention and detection of fraud and error are appropriate, except for the absence of an overarching fraud prevention policy**

**49.** The Scottish Police Authority and Police Scotland are both required to establish arrangements for the prevention and detection of fraud, error and irregularities. Furthermore, the Authority and Police Scotland are responsible for ensuring that affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**50.** We have reviewed the arrangements in place to maintain standards of conduct including the Staff Handbook, and Civil Service and Members' Codes of Conduct. There are established procedures for preventing and detecting any breaches of these standards, including any instances of corruption.

**51.** Internal Audit reported in July 2019 that although there are appropriate arrangements in place to manage fraud risks on a day to day process, neither the Scottish Police Authority or Police Scotland has an overarching fraud prevention policy and some of the key underpinning requirements in order to be fully compliant with the Scottish Public Finance Manual (SPFM). We also identified this position as part of our planning work for 2019/20. Some progress has been made with the approval of the Scottish Police Authority whistle blowing policy in March 2020.

# Part 3

## Financial sustainability



### Main judgements

**2020/21 is the fourth consecutive year where a deficit budget has been approved by the Scottish Police Authority, following confirmation of financial support from the Scottish Government. There is no indication that financial balance is in sight.**

**The medium-term financial plan and ten-year financial strategy of the Scottish Police Authority are now out of date and require revision to determine a route to financial balance. The Scottish Police Authority and Police Scotland must work with the Scottish Government in determining the appropriate route.**

**The absence of the strategic workforce plan, with an underpinning analysis of demand and productivity, is a key barrier to robust medium and long-term financial plans.**

**Whilst an implementation plan is well-established for the Digital, Data and ICT strategy, such plans have only recently been developed to support the new Estates and Fleet strategies. To demonstrate achievement of the planned benefits and efficiencies, regular reporting of activities against implementation plans is required.**

Financial sustainability looks forward to the medium and longer term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

### The Scottish Police Authority requires to revise its medium-term financial plan and ten-year financial strategy

**52.** In May 2018 a three-year financial plan to 2020/21 and a ten-year financial strategy to 2027/28 were approved by the Authority. These outlined the plan to achieve financial balance in 2020/21, and this was dependent on significant transformation and improved efficiencies, without which they would remain in a deficit position. The plan to achieve financial balance was predicated on reducing officer numbers by 750 by the end of 2020/21. In February 2019, it was agreed that the reduction in officer numbers could not go ahead due to the risks associated with EU withdrawal. Therefore, financial balance by 2020/21 was no longer achievable.

**53.** In September 2019, two scenarios were presented to the Authority: to receive the current levels of funding and adjust the size and mix of the workforce, or receive additional funding whilst maintaining current workforce numbers. This new report sought to achieve financial balance by 2021/22. There have been no actions in 2019/20 to reduce the workforce and reported officer numbers are at their highest level since the introduction of Police Scotland (17,431 FTE as at 31 March 2020).

**54.** The Scottish Police Authority continues to engage with the Scottish Government about the long-term financial sustainability of a police service for Scotland. A number of financial scenarios have been formally shared, and these

show that the deficit will continue to increase unless there is further corrective actions e.g. increased funding or changes in the workforce.

**55.** New three and ten-year financial plans due in spring 2021, are expected to outline revised plans to achieve financial balance. The Interim Chair reported in the Authority meeting of 19 August 2020 that there may be a deficit of £50 million in 2021/22 and that reaching financial balance may not be achieved for 2-3 years with an increasing deficit in that intervening period.

### A deficit revenue budget has been approved for 2020/21

**56.** A £44 million deficit budget was approved for the year 2020/21 by the Authority in March 2020. A zero-based budgeting approach was adopted. Included in the budget was recognition of the impact of Covid-19 on income, an estimated reduction of £8 million, e.g. due to cancellation of the Euro 2020 football championships, reduced policing in airports, etc. The Scottish Government has committed to support the Authority and acknowledged that Covid-19 may result in further support being required.

**57.** This will be the fourth consecutive year where a deficit budget has been approved by the Scottish Police Authority following written confirmation that this would be supported by the Scottish Government. This confirmation has had to be sought each time and now extends to the year 2020/21. The main financial objective for the Scottish Police Authority is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. The Accountable Officer has a personal responsibility for the propriety and regularity of the finances for the Scottish Police Authority, Police Scotland and Forensics, including ensuring that resources are used economically, efficiently and effectively. The role of the Chief Constable is to be responsible for policing in Scotland and to be accountable to the Authority. As noted above (paragraph 37) the planned reduction of 750 officers over the period 2018/19 to 2020/21 will no longer go ahead. This had been key to achieving financial balance. The need for the implementation of the strategic workforce plan is now critical (paragraph 64) so that progress can be made in achieving financial sustainability.



### Recommendation 3

**The Scottish Police Authority and Police Scotland must develop revised medium and long-term financial plans which detail how financial balance will be achieved. Both parties must engage with the Scottish Government to determine the route map to financial balance. In the interim, if deficit budgets are anticipated, the support of the Scottish Government must be sought.**

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### The 2020/21 budget position faces increased challenges

**58.** The revenue budget for 2020/21 is £1,189 million and includes a planned operating deficit of £44 million as outlined above. The budget includes:

- Provision to maintain officer numbers at 17,234
- A three percent increase in staff pay, part of the 2019/20 two year pay settlement
- Increases in non-pay budgets of £17 million.

**59.** The 2020/21 capital budget is £51.7 million; £45 million from the Scottish Government, reform funding of £4.6 million, and expected capital receipts of £2.1 million. £30.8 million relates to regulatory change or committed projects, £5 million to support 'green' vehicles, and £5 million for estate modernisation. The remainder

has been allocated to projects on a priority basis, however there is no investment in new transformation projects.

**60.** The 2020/21 approved reform budget is £29.6 million, of which £4.6 million is capital. Of this, £20.5 million is already committed to business cases from prior years. This includes the continuing implications of SPRM (Staff Pay and Reward Modernisation) and phase one of the mobile working project.

### **Work is ongoing to review the budget and plans for 2020/21 due to the impact of the Covid-19 pandemic**

**61.** Work is ongoing in 2020/21 to understand the impact of Covid-19 on the budgeted position. Several papers have been provided to the Resources Committee since March 2020 identifying increased cost pressures, implications for savings plans and the challenges for capital projects. Total costs pressures could be up to £8 million, and certain actions are in place to mitigate these. Plans include:

- Officers – new probationer intakes to be balanced against the number of leavers
- Staff – adopt a ‘one out, one in’ approach to mitigate lower turnover
- Travel - reduce non-essential travel and increase use of teleconferencing.

**62.** There is also the potential to accelerate initiatives which are part of existing transformation plans to generate recurring savings. This may include more teleconferencing, less travel, and different estates profile if some home working is retained.

### **Transformation is challenging with current levels of investment. The strategic workforce plan needs to be completed to identify pathways for the future.**

**63.** The Joint Strategy for Policing 2020 was approved in March 2020. This is the refreshed strategic police plan and updates Policing 2026, following the introduction of the new [Strategic Police Priorities](#) by the Scottish Government in December 2019. Integral to the success of this plan is a flexible and adaptable workforce and building partnerships that can address new and changing demands. It also identifies the critical role that new technology and inventive approaches will play in improving outcomes.

#### **Strategic Workforce Plan**

**64.** Payroll costs continue to account for more than 85% of expenditure. In May 2019 the Board approved the Framework for Strategic Workforce Planning 2019-2026 which sets out the direction to support the preparation of workforce plans.

**65.** Included in the governance statement are weaknesses relating to the absence of a workforce strategy and failures in establishment management. The issues with establishment management relate to including additional permanent posts in the budget for 2020/21 but not identifying compensating savings to pay for this. This results in an unmanageable cost base, and again highlights the need to have a workforce plan and to look to have the correct skill mix in place.

**66.** There remains an urgent need to develop detailed workforce plans, including robust scenario planning to support the transformation required to deliver the new Joint Strategy for Policing. This should include an underpinning analysis of demand and productivity. Work has been ongoing throughout the year to develop workforce plans for Police Scotland and there has been increased commitment to complete this task. However, it is not expected to be approved by the Authority until spring 2021.



## Recommendation 4

**Detailed workforce plans, including scenario planning, are required to support the new Joint Strategy on Policing, medium and long-term financial plans and the delivery of financial balance.**

### Estates Strategy

**67.** In May 2019 the Board approved the Estates Strategy 2019: A changing estate. The strategy links to the new Joint Strategy of Policing by including key areas such as partnership working via co-location and improving digital capability while recognising the financial implications and constraints that exist.

**68.** The strategy identifies that £400 million investment is required over the next 10 years to support an estate that is fit for purpose. The strategy assumes £150 million from asset disposals for reinvestment. Additional funding of £5 million was provided by the Scottish Government for 2020/21. Capital receipts are currently running significantly lower, and factors such as Covid-19 may suppress property values. The pressures on funding present a risk to Police Scotland's ability to fulfil this strategy. Post year-end, an Estates Implementation Plan has been prepared but has yet to be approved by the Authority. Regular reporting of activities against implementation plans will be required thereafter.

### Digital Data and ICT Strategy

**69.** In 2018 Police Scotland prepared a Digital, Data and ICT (DDICT) Strategy that sets out how information technology would be used to support Policing 2026. The Strategic Business Case was approved by the Board in September 2018 and recognised the need for significant investment. An estimated required budget of £298 million over the next nine years was projected.

**70.** In 2019/20, the funding available to support transformational change was £25.2 million. Some significant projects have been progressed including: increasing the mobility of officers with £10 million invested in mobile devices, £8 million to support core operating solutions and the national network, to enable flexible working across the police estate.

**71.** Transforming Corporate Support Services (TCSS) has not progressed in line with plans. Police Scotland identified this as a key project however the initial business cases have not progressed. Work has started to look at delivering small elements of this wider project. In 2020/21 there is £10.1 million approved funding for existing DDICT projects. Due to rapid changes in technology and the risk of IT software and hardware becoming obsolescent, the strategy should be subject to review to ensure projects remain deliverable and are updated in line with changes in technology. The delay in the implementation of projects impacts on the realisation of anticipated capacity and financial gains.

### Fleet Strategy

**72.** A new Fleet strategy was approved in November 2019. This identifies that £130 million capital funding and £85 million revenue funding are required over the next ten years. This should lead to revenue savings in the future and a more sustainable and ultra-low emission fleet. Progress has been achieved with approval in August 2020 by the Authority to procure £5m of green vehicles by March 2021, and the procurement of a £21m contract to deliver the necessary supporting infrastructure. The infrastructure contract is subject to Scottish Government approval. Regular reporting of activities against implementation plans, and the realisation of benefits, is required.



### Recommendation 5

**To demonstrate future efficiencies, transformation and savings, regular reporting of activities against implementation plans is required. The plans should be subject to periodic review to ensure that projects remain deliverable and revised, as required, for changes in technology.**

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### Conference of Parties 26 (COP 26) has been postponed due to the Covid-19 pandemic

**73.** COP 26 was due to take place in November 2020 in Glasgow; however, it has been postponed due to the Covid-19 pandemic. The climate change conference was expected to be attended by approximately 200 Heads of State and would have required significant police resources. It is now scheduled for November 2021 in partnership with Italy. The UK Government is committed to working with the Scottish Police Authority and Police Scotland to ensure adequate financial cover is provided. £0.38 million of costs relating to preparations for this conference are included in other expenditure in the 2019/20 financial statements; income is due from the UK Government in 2020/21. All other costs thus far have been borne by the UK Government.

# Part 4

## Governance and transparency



### Main judgements

**The Scottish Police Authority is responding to work led by the Scottish Government to clarify roles and responsibilities of all the parties involved with policing in Scotland. This should support the Scottish Police Authority in fulfilling the role envisaged by the Police and Fire Reform (Scotland) Act 2012.**

**Progress has been made in developing the capacity and capability of staff in the Scottish Police Authority corporate function.**

**The Authority continues to work with the Scottish Government to progress the recruitment process to appoint a permanent Chair and new members for the Authority. This will provide an opportunity for increased diversity in the Authority.**

**The Scottish Police Authority continues to be open and transparent in the way it conducts its business. It has adapted quickly to the Covid-19 pandemic; holding meetings in public and making appropriate changes to governance arrangements.**

Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

### Governance arrangements have been reviewed in year

**74.** The Scottish Police Authority's governance arrangements have been subject to a number of reviews since its creation in 2013. The structure of the organisation is complex and consists of the non-executive Scottish Police Authority Board and committees, the Scottish Police Authority corporate function, Forensic Services and Police Scotland.

### Board and Committees

**75.** There has been greater stability in the membership of the Board in 2019/20 than in previous years. The former Chair resigned in December 2019 and the chairing role was assumed by the Vice Chair, who has now held the Interim Chair role since 1 April 2020. One further member resigned in year due to other work commitments. The Board is currently operating at the minimum number of members allowed under the Police and Fire Reform (Scotland) Act 2012, 11, including the chairing member. New recruitment for members will commence shortly via the Public Appointments procedure; Scottish Ministers are responsible for making these appointments. This process has been impacted by the Covid-19 pandemic. As reported by the Interim Chair at the August 2020 Authority meeting and by Robert Black in his Independent Review of the Role of the SPA, the Chair and Members, this creates an opportunity to increase the diversity of the board including location, ethnicity, disabilities, and socio-economic background, to ensure that the board is representative of the Scottish population and complements the wide range of skills and experiences of existing members.



## Recommendation 6

**The Scottish Police Authority should continue to engage with the Scottish Government for the recruitment of a permanent Chair and additional members of the Board. This creates an opportunity to increase the diversity on the Board.**

76. Subsequent to a review of the committees which support the Board there have been revisions to terms and references of several committees: the new Policing Performance Committee has taken over most of the substantive duties of the Strategy, Policy and Performance Committee, and the Audit, Risk and Assurance Committee replaces the Audit Committee.

77. Despite the changes, there is still a significant volume of work being referred to committees. In June and August 2020, Resources Committee meetings were scheduled over two days to provide sufficient time for the agenda. Papers for this and other committees are extensive, and the volume can be challenging.

78. Senior employees, members and secretariat need to work closely together to ensure that the right material is reaching the Authority and associated committees, in the right format to be informative, engaging and permit members to perform effective scrutiny and to make informed decisions at a strategic level. This should ensure high quality submissions and make the length of meetings more manageable.



## Recommendation 7

**The agenda and papers submitted to committee should be kept under review to ensure that the volume and presentation of information does not impact on the robustness of the scrutiny undertaken.**

### Role of chair and members

79. An Independent Review of the Role of the SPA, the Chair and Members was commissioned by the Scottish Government on behalf of the Cabinet Secretary for Justice. This considered the time commitment and remuneration for members; it had been identified that for some members the time commitment was in excess of what was expected in the role, and some members had become more involved with operational matters.

80. The report noted that in addition to governance meetings, members are required to lead working groups for significant issues, which distinguishes their responsibilities from the role of non-executives elsewhere. The report makes the recommendation that members should receive an annual remuneration rather than a daily fee. This would be based on the expected time commitment for the role and recognise that time commitments could fluctuate from month to month. This acknowledges concerns raised that members of the Authority are not compensated for the significant preparatory work/reading required for meetings.

### Work has begun on clarifying roles and responsibilities across policing in Scotland

81. The 2018/19 audit of the Scottish Police Authority (Section 22) report issued by the Auditor General in December 2019 identified that the lack of stability in the role of Chief Executive for the Scottish Police Authority had limited progress in the development of the corporate function. There needed to be a common understanding of the roles and responsibilities of the Scottish Police Authority and

the corporate function and how the Authority will be developed to fulfil the role envisaged by the Police and Fire Reform (Scotland) Act 2012.

**82.** A round table discussion with all parties involved in policing in Scotland was held in March 2020 to consider governance arrangements. The Scottish Government is leading on this work. The key themes in the minutes were:

- Clarity of roles and responsibilities – it was agreed that work should be carried out to ensure that roles are in line with statute and not subject to different interpretations. There was agreement that a wholesale review of the system was not required.
- Accountable officer role – opinions were given on whether this should sit with the Chief Executive of the Scottish Police Authority or the Chief Constable. It was noted that if this role was with the Chief Constable that it would create a direct link between policing and politics.
- Size and capacity of the Scottish Police Authority – capacity should be enhanced to support the Authority to hold Police Scotland to account. At the same time, it was agreed that the Authority would not seek to duplicate functions and tasks for which Police Scotland has the expertise.

**83.** We have noted that some actions are already progressing to address governance issues. A revised Governance and Accountability Framework between the Scottish Government and Scottish Police Authority is currently being prepared and is due in autumn 2020.



### Recommendation 8

**Work on clarifying the roles and responsibilities of all the parties involved with policing in Scotland, led by the Scottish Government, should continue to ensure that the Scottish Police Authority is developed to fulfil the role envisaged by the Police and Fire Reform (Scotland) Act 2012. This requires all the parties to contribute to delivery.**

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### Progress has been made in developing the capacity and capability of the Scottish Police Authority corporate function

**84.** Following the appointment of the Interim Chief Executive in September 2019, progress has been made with the 2018 Improvement Plan for the Scottish Police Authority and work has begun to improve the capacity and capability of staff in the Authority. 17 out of 22 actions in the 2018 Improvement Plan have been completed. This includes improving risk management arrangements, strengthening relationships with local authorities, supporting local policing and a review of the committee structure. The outstanding elements relate to the restructuring of the corporate function, the Governance and Accountability Framework and the website. We note that these are all in progress. A new corporate plan 2020-2023 and annual business plan have been approved (paragraph [101](#)).

**85.** The reorganisation of the Scottish Police Authority corporate function is underway, and a new structure has been proposed with consultations ongoing relating to the proposed senior staff structure. Other elements of work to support this include: a new learning and development programme with all staff completing development programmes appropriate to their role; and surveys to identify issues relating to organisational culture to highlight and prioritise areas for improvements. Plans are also underway to produce a People Plan for the Authority.

**86.** The recruitment for a permanent Chief Executive will commence after a permanent Chair is appointed. This is to permit the Chair to be part of the Chief

Executive's recruitment process. As a result of this, the interim Chief Executive's role has been extended to 31 March 2021.

## **Risk management arrangements have improved in the Scottish Police Authority**

**87.** Risk management is about the identification, evaluation and prioritisation of risks and is a critical part of every organisation. The Audit, Risk and Assurance Committee receives regular progress reports on the new risk management arrangements. Police Scotland's risk management arrangements are now generally well developed, with risk appetite and tolerance levels now agreed.

**88.** The Scottish Police Authority now has an overarching risk register. This is supported by a newly approved risk framework and the approval of a strategic risk register. The development of this should support critical decision making. We welcome the improvements in this area.

## **The Scottish Police Authority is open and transparent in the way it conducts its business**

**89.** There is an increasing focus on how public money is used and what is achieved, with the Covid-19 pandemic bringing the public sector and its role into even greater focus. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how the Board is taking decisions and how it is using resources such as money, people and assets.

**90.** We have concluded that the Scottish Police Authority operates in an open and transparent manner. Board and committee meetings are held in public with items being taken in private only where supported by justification as permitted in Standing Orders. Board meetings continue to be streamed live online and agendas, papers and minutes are available on the Scottish Police Authority's website. Covid-19 has meant that members of the public cannot attend meetings in person, but the Authority moved quickly to utilise technology enabling virtual meetings to continue to be livestreamed.

**91.** For the first time, the annual report and accounts also includes the Chief Constable's Annual Review of Policing. In line with the Police and Fire Reform (Scotland) Act 2012, this is required to be completed each year, but the Authority can determine how this is presented. Combining the documents should make this more accessible to the public.

## **The Covid-19 pandemic had a significant impact on governance arrangements from March 2020**

**92.** The impact of Covid-19 from March 2020 has been set out in the Governance Statement in the Scottish Police Authority's annual report and accounts. The effect was significant due to the unprecedented level of threat to Police Scotland and communities across Scotland. The following steps were taken to allow Police Scotland to prioritise its front-line role in supporting communities:

- At the instigation of the Chief Constable, an Independent Advisory Group led by John Scott QC, with a particular focus on human rights, was set up in April 2020 to review the use of the temporary additional powers provided to Police Scotland to address challenges arising from the Covid-19 pandemic. This group maintains its independence by reporting to the Authority and secretariat support provided by the Authority.
- The Authority approved standing up an Exceptional Circumstances Committee as part of its governance framework to deal with any urgent business that could not go through normal channels.

- Work was carried out to expedite the procurement of required equipment: including PPE to support front line duties and laptops to support home working.

**93.** The arrangements put in place so far have been appropriate and adequate and support good governance and accountability.

## **The Scottish Police Authority and Police Scotland comply with the Equalities Act 2010 and have identified areas for improvement**

**94.** Police Scotland and the Scottish Police Authority published their most recent Equalities Mainstreaming and Outcomes Progress Report in April 2019, as required by the Equalities Act 2010. Through these reports and other internal reviews, both organisations have identified further measures required to effectively embed equalities and human rights across all of their services. These include making it easier to report hate crimes and complaints against the police; improvements to Equality and Human Rights Impact Assessments (EqHRIAs); and recruitment campaigns to increase the diversity of the police force.

**95.** The need for improvements to the content and consistency of EqHRIAs for policies was identified as part of an internal exercise carried out in February 2020 by the Police Scotland Risk, Audit and Assurance team. A lack of consistency and depth in comments on Equalities Implications included within covering papers to the Scottish Police Authority and Committees has also been noted by the audit team. Some of the findings in the internal report indicate that it will take further efforts over time to embed a culture of equalities and human rights across the organisation, including training staff across all departments to assess the equalities implications of both internal and external policies and of the content of reports.

**96.** Police Scotland have identified a need to improve the diversity of the police force, with the Positive Action Team working to recruit more officers with protected characteristics. This work includes an upcoming online recruitment event for people from BME communities in September.

**97.** Work is also ongoing by Police Scotland to raise awareness of hate crime, and to make the process of reporting hate crime and making complaints to the Police more accessible to those who are deaf, blind, do not speak English as a first language, or who face other barriers to reporting. The Scottish Police Authority has a key role in providing robust scrutiny and support to Police Scotland as they work to make the improvements identified. Certain types of crime, which disproportionately affect people with protected characteristics, have become more prominent since the outbreak of Covid-19, including domestic violence and cybercrime, and these are highlighted on the Police Scotland website.

**98.** Police powers have been extended in response to the outbreak of Covid-19. As police enforcement can greatly impact on the enjoyment of human rights, it is crucial that these new powers are exercised proportionately and fairly. Police Scotland has commissioned a human rights lawyer, John Scott QC, to lead an advisory group to provide ongoing independent scrutiny of the way in which the extended powers are used.

# Part 5

## Value for money



### Main judgements

The Scottish Police Authority has developed its corporate plan 2020-2023 which is supported by an annual business plan; this is a key step towards developing best value arrangements.

The performance framework 2019/20 has not delivered the expected improvements in performance reporting; a revised performance framework was approved in June 2020. It is vital that there are robust arrangements in place to monitor progress.

Progress has been made in the implementation of the Procurement Improvement Plan and momentum should be maintained to deliver benefits to Police Scotland. Contract management needs further improvement.

Value for money is concerned with using resources effectively and continually improving services.

### Further work is required for the Scottish Police Authority to fully demonstrate how it achieves best value

**99.** *Ministerial guidance to Accountable Officers* for public bodies and the *Scottish Public Finance Manual* (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key principles of best value and the requirement to have a systematic approach to self-evaluation and continuous improvement. It is the duty of the Authority to make arrangements which secure best value for the Authority and it is the duty of the Chief Constable to make arrangements which secure best value for the Police Service.

**100.** In July 2019, internal audit reported that limited best value arrangements had been developed by the Scottish Police Authority. It was noted that a key issue was the absence of a corporate plan and planning framework to articulate the key objectives and outcome measures.

**101.** Progress has been made with the approval of a Scottish Police Authority corporate plan 2020-2023. This outlines its key functions and strategic outcomes. This is supported by an annual business plan for 2020/21 which identifies the priorities for the year. Each strategic outcome has several deliverables which are planned for completion in year. Performance updates are reported to the Authority. The Scottish Police Authority will be able to illustrate in the 2020/21 annual report and accounts how it has performed against plan including identifying any areas of slippage and how these will be achieved. We note the progress to date and concluded that this is a sound base to contribute to best value arrangements.

### Improvements in performance management are required

**102.** In March 2019, a new performance framework was approved for Police Scotland. The performance framework contained a broad range of impact measures and insights which were designed to allow Police Scotland to report

progress against the strategic outcomes and objectives described in the Annual Police Plan. However, this framework included some impact measures for which there was currently no method of gathering information, and new sources of information gathering would have to be developed. This framework has also been subject to constructive criticism from the Policing Performance Committee in 2019/20.

**103.** A revised performance framework was approved by the Authority in June 2020. It was noted that this is the first step in what will be a series of improvements over the next three years. It is aligned to the new strategy and annual police plans. There are plans for quarterly reports to continue and these will be supplemented by bi-annual reporting. The revised Joint Strategy for Policing outlines the vision for future policing and, given the extent of change required, it is vital that there are robust performance management arrangements in place to demonstrate progress. The first reporting under the new framework is due in September 2020 and has not yet been subject to audit review.

**104.** In addition to the opinion on the performance report covered in Part 1 of our Annual Audit Report, we also consider the qualitative aspects of the performance report included in the annual report and accounts. The performance report should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of performance as well as helping stakeholders understand the financial statements.

**105.** In the report it was hard to identify the linkages between the narrative and the graphs illustrating policing performance. This is an area which could be improved upon. Furthermore, whilst there was good information about what was achieved in year, a performance report should also include information about outcomes in the Annual Police Plan which were not achieved and how these will be addressed. Overall, the 2019/20 annual report and accounts is very text heavy with limited use of infographics. Addressing this would also support wider accessibility of this key document.



### Recommendation 9

**To support the change required by the Joint Strategy on Policing, it is vital there are robust performance management arrangements in place to demonstrate where progress is made. Public reporting should provide a balanced view of performance and be more accessible through use of infographics.**

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### Progress has been made in procurement and contract management, but further improvements are required

**106.** Progress against the Procurement Improvement Plan is ongoing and was delayed by four months as a result of pressures on the procurement function caused by Covid-19. Of the eighteen audit actions, seven are outstanding and these are all expected to be discharged by December 2020. Some good practice has been noted in communicating with key suppliers regarding Covid-19 restrictions, ensuring continuity in supply of key goods and services.

**107.** Methods for the monitoring of costs and benefits vary depending on the value, nature, and assessed risk of contracts. These are the responsibility of the individual contract managers, and there are some limitations within the current system for monitoring actual costs against expected costs, so this requires a degree of staff time.

**108.** There has been an improvement in the consistency of detail in the contract register, however this could still be improved. For example, there are instances

where the contract value has been varied between the supplier and Police Scotland, but the register has not been updated to reflect this.

**109.** In accordance with the Public Reform (Scotland) Act 2010, it is mandatory for the Scottish Police Authority and Police Scotland to publish all expenditure transactions over £25,000 on their website. This is not evident on either website, in breach of the Act.



### Recommendation 10

**Work should continue to complete the Procurement Improvement Plan. Progress should be made in enhancing the contract register and the measurement of costs and benefits across all contracts. A list of expenditure over £25,000 should be added to the website as soon as possible.**

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### The monitoring and reporting of transformation benefits realisation has seen some improvement this year

**110.** There are many significant transformation projects ongoing across Police Scotland, some to address the transformation from legacy forces into one national body, and others to develop policing for the future. Business cases are brought for approval to the relevant Scottish Police Authority board and committee meeting, each identifying the expected benefits. Reporting of actual benefits against planned has improved, and there is identification of the cash/non-cash benefits realised, including any increased capacity and productivity. We note the progress made this year and anticipate that this will continue to improve.

### National performance audit reports

**111.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 several reports were published which are of direct interest to the Scottish Police Authority. These are outlined in [Appendix 4](#).

# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Dilapidations' prepayment</b></p> <p>The provision for dilapidations was included but there was no associated prepayment which meant that the expenditure in the SOCNE was overstated.</p> <p><b>Risk</b></p> <p>The correct accounting treatment is not used resulting in an error in the accounts.</p>	<p>Modelling should be undertaken to determine the correct value for the prepayment for 2020/21.</p> <p>Work should also begin on reviewing dilapidations to ensure this provision will comply with the requirements of IFRS 16 due in 2021/22.</p> <p><a href="#">Exhibit 3</a></p>	<p>Agreed.</p> <p>Modelling to determine prepayment value, and updated methodology, will be progressed and shared with Audit Scotland in advance of 2020/21 year end. The planned further preparatory work for the full implementation of IFRS16 in 2021/22 will include appropriate dilapidation factors in calculations where relevant.</p> <p>Chief Finance Officer</p> <p>April 2021</p>
2	<p><b>Control environment</b></p> <p>Control weaknesses were identified in our 2019/20 Management report including in key areas such as payroll forms and reconciliations.</p> <p><b>Risk</b></p> <p>Weaknesses in the control environment, including inconsistent practices, increase the likelihood of fraud or error.</p>	<p>The strengthening of the control environment should continue to be an area of focus despite improvements.</p> <p>Paragraph <a href="#">44 - 45</a></p>	<p>Agreed.</p> <p>The points raised in the Audit Scotland Management Report (July 2020) were all accepted. We recognise the importance of reconciliations and strong controls and remain committed to the actions set out in responses to that report. The improvements are now in place.</p> <p>Chief Finance Officer</p> <p>August 2020</p>
3	<p><b>Medium and long-term financial plans</b></p> <p>The Scottish Government has only committed to supporting a deficit budget until 2020/21.</p> <p>Currently there are no plans to show how financial balance will be achieved.</p> <p><b>Risk</b></p> <p>Financial balance is not achieved in the medium term,</p>	<p>The Scottish Police Authority and Police Scotland must develop revised medium and long-term financial plans which detail how financial balance will be achieved. Both parties must engage with the Scottish Government to determine the route map to financial balance.</p> <p>In the interim, if deficit budgets are anticipated, the support of</p>	<p>All the component parts of a medium-term financial plan and long-term financial strategy are available. In order to develop these documents, key stakeholders – Police Scotland, SPA and Scottish Government need to agree the scenario to achieve financial planning. Once this has been done, the financial plans can be finalised and published.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	and the Scottish Government no longer supports a deficit position.	the Scottish Government must be sought. Paragraph <a href="#">52 - 57</a>	In the meantime, any further deficit budgets will only be agreed by the SPA if there is explicit support from Scottish Government for this, and an undertaking that they will meet any in year deficit.  Chief Executive and Chief Finance Officer  April 2021
4	<p><b>Strategic Workforce Plan</b></p> <p>Workforce plans are a critical element of financial planning, with payroll costs in excess of 85% of expenditure. The Strategic Workforce Plan due to be published in November 2020 is crucial to support delivery of financial balance and the transformation required to deliver the new Joint Strategy on Policing.</p> <p><b>Risk</b></p> <p>The absence of such a plan will impact on long term financial sustainability and the achievement of transformational change.</p>	Detailed workforce plans, including scenario planning, are required to support the new Joint Strategy on Policing, medium and long-term financial plans and the delivery of financial balance.  Paragraph <a href="#">64 - 66</a>	A Strategic Workforce Plan project was established in 2019 applying the 6-Step Methodology as recommended by Audit Scotland. The SWP is in its final stages of development and is scheduled for approval by the Police Scotland executive in November 2020. Once approved it will be presented to the SPA in advance of implementing a three-year SWP action plan commencing April 2021.  Director People and Development  April 2021
5	<p><b>Strategies supporting the Joint Strategy on Policing</b></p> <p>Data, Digital and ICT (DDICT), Estates and Fleet Strategies are now in place. Whilst an implementation plan is well-established for the Digital, Data and ICT strategy, such plans have only recently been developed to support the new Estates and Fleet strategies. The delivery of these plans is required to support the transformation detailed in the Joint Strategy for Policing 2020.</p> <p><b>Risk</b></p> <p>The planned efficiencies, savings and transformation will not be achieved.</p>	To demonstrate future efficiencies, transformation and savings, regular reporting of activities against implementation plans is required. The plans should be subject to periodic review to ensure that projects remain deliverable and revised, as required, for changes in technology.  Paragraph <a href="#">67 - 72</a>	Agreed.  The key implementation plans relating to DDICT, Fleet and Estate will be monitored through the SPA Resources Committee.  On an annual basis the plans will be reviewed and refreshed as required to ensure that they remain current and aligned to the organisation's strategic direction.  Deputy Chief Officer  Immediate



No.	Issue/risk	Recommendation	Agreed management action/timing
6	<p><b>Board recruitment</b></p> <p>Currently there are 11 members of the Authority including the chairing member. This is the minimum number allowed by statute. There has also been an interim chair for 9 months.</p> <p><b>Risk</b></p> <p>There is insufficient capacity to support good succession planning for members of the Authority.</p>	<p>The Scottish Police Authority should continue to engage with the Scottish Government for the recruitment of a permanent Chair and additional members of the Board. This creates an opportunity to increase the diversity on the Board.</p> <p>Paragraph <a href="#">75</a></p>	<p>Scottish Government Ministers are responsible for recruitment of members of the Authority and will deliver this action. SPA will continue to engage with the Scottish Government and is fully supportive of expanding diversity in its Board members.</p> <p>Scottish Government</p> <p>April 2021</p>
7	<p><b>Committee agendas and papers</b></p> <p>There continues to be a significant volume of material taken to the Authority and committee meetings. Senior employees, members and secretariat need to work together to ensure that the right information is submitted to members to allow them to carry out their strategic role.</p> <p><b>Risk</b></p> <p>The high volume of information/length of papers may impact on the level of scrutiny taking place. It may also make it challenging to recruit new members.</p>	<p>The agenda and papers submitted to committee should be kept under review to ensure that the volume and presentation of information does not impact on the robustness of the scrutiny undertaken.</p> <p>Paragraph <a href="#">76 - 78</a></p>	<p>Work is already well advanced to review and refresh the SPA governance framework. This includes a review of committee terms of reference, scheme of delegation and matters reserved for the Board. An update will be provided to the Board at the September meeting. The next phase will include a review of reporting to committees and financial delegations that will seek to consider the volume of material taken to committees and the Board whilst maintaining sufficient oversight. This review will be done in conjunction with Police Scotland and align to their internal governance structures and processes.</p> <p>Chief Executive</p> <p>April 2021</p>
8	<p><b>Roles and responsibilities</b></p> <p>Since the formation of the Scottish Police Authority, there has been a number of reviews of governance arrangements, coupled with significant changes in key personnel.</p> <p><b>Risk</b></p> <p>The role of the Scottish Police Authority is not fully understood by all parties involved in policing in Scotland.</p>	<p>Work on clarifying the roles and responsibilities of all the parties involved with policing in Scotland, led by the Scottish Government, should continue to ensure that the Scottish Police Authority is developed to fulfil the role envisaged by the Police and Fire Reform (Scotland) Act 2012. This requires all the parties to contribute to delivery.</p> <p>Paragraph <a href="#">81 - 82</a></p>	<p>SPA will continue to work with key partners including the Cabinet Secretary for Justice, HMICS, Chief Constable and SPA Chair to clarify roles and responsibilities. SPA will be participating in a series of virtual workshops which are being arranged by Scottish Government, with the aim of establishing greater clarity around roles and responsibilities of all partners in the system, including Parliament and Audit</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
			<p>Scotland. Furthermore, the revised Governance and Accountability Framework work led by the Scottish Government which is due to be finalised in the coming weeks, sets out clearly each partner's responsibilities to aid understanding.</p> <p>Scottish Government (as they are leading on this) with other partners, the Scottish Police Authority, Police Scotland, and HMICS.</p> <p>April 2021</p>
9	<p><b>Performance management framework</b></p> <p>An effective performance management framework is not in place to enable the monitoring of progress of the new Joint Strategy in Policing.</p> <p><b>Risk</b></p> <p>The inability to understand performance impact on the delivery of policing.</p>	<p>To support the change required by the Joint Strategy on Policing, it is vital there are robust performance management arrangements in place to demonstrate where progress is made. Public reporting should provide a balanced view of performance and be more accessible through use of infographics.</p> <p>Paragraph <a href="#">102 - 105</a></p>	<p>In parallel to drafting the Joint Strategy for Policing 2020, an aligned performance framework was co-produced. This work had a clear focus on; a more impactful style of presentation, better balance of quantitative and qualitative information and improved use of available demand and performance data. This new framework was approved by the SPA Board on 30 June 2020.</p> <p>Chief Executive</p> <p>June 2020</p>
10	<p><b>Procurement and contract management</b></p> <p>Weaknesses have been identified in previous audit reports. Some progress has been made in delivering the improvement plan, but there remain weaknesses in maintaining the contract management register and the monitoring of costs and benefits.</p> <p><b>Risk</b></p> <p>The spend on procurement is not monitored effectively and the contract register is incomplete. Procurement activities may therefore not fully comply with legislation.</p>	<p>Work should continue to complete the Procurement Improvement Plan. Progress should be made in enhancing the contract register and the measurement of costs and benefits across all contracts. A list of expenditure over £25,000 should be added to the website as soon as possible.</p> <p>Paragraph <a href="#">106 – 109</a></p>	<p>Agreed</p> <p>Priority will be placed on continuing the Procurement Improvement Plan including the roll out of Procure to Pay (P2P).</p> <p>Chief Finance Officer</p> <p>30 June 2021</p> <p>Listings of purchase transactions exceeding £25,000 will be published on the SPA website on an annual basis, subject to redaction for covert expenditure.</p> <p>Chief Finance Officer</p> <p>April 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
<b>Follow up of prior year recommendations reported in the 2018/19 Annual Audit Report</b>			
1	<p><b>Capital budget profiling</b></p> <p>At the end of Q3, capital spend was £16.5 million below the capital plan. This led to significant spend in the last few months of the year.</p> <p><b>Risk</b></p> <p>Poor capital profiling and management impacts on the delivery of planned projects and increases the risk that the budget is not fully utilised in year due to slippage.</p>	<p>The profiling of the capital budget should be reviewed to ensure it reflects the likely timing of the expenditure.</p>	<p><b>Partly acted on</b></p> <p>Capital budget profiling has improved in 2019/20, however significant spend was incurred in quarter four. This has been reported in our 2019/20 interim management report.</p>
2	<p><b>Control environment</b></p> <p>Control weaknesses still exist in key areas such as payroll validation and segregation of duties in areas such as journals and credit notes.</p> <p><b>Risk</b></p> <p>Weaknesses in controls increase the likelihood of fraud and error.</p>	<p>The strengthening of the control environment should continue to be an area of focus.</p>	<p><b>Partly acted on</b></p> <p>The implementation of the new national payroll system has been completed. Work has taken place to enforce segregation of duties for journals. The planned purchase to pay system in 2020/21 should further improve the control environment. Issues identified were reported in our 2019/20 interim management report.</p>
3	<p><b>Medium- and long-term financial plans</b></p> <p>The medium and long-term financial plans identified that financial balance would be achieved in 2020/21 and the Scottish Government therefore agreed to support a deficit budget until 2020/21. Planned officer reductions are no longer going ahead because of the UK's withdrawal from the EU and financial balance will now not be achieved before 2022/23.</p> <p><b>Risk</b></p> <p>Financial balance is not achieved in the medium term, and the Scottish Government no longer supports a deficit position beyond 2020/21.</p>	<p>Revised medium and long-term financial plans are required which detail how financial balance will be achieved. Engagement with the Scottish Government must confirm that ongoing support exists for the extended timeline.</p>	<p><b>In progress</b></p> <p>Medium terms financial scenarios were presented to the Authority in September 2019. The plan to achieve financial balance has been delayed. There is ongoing discussion with the Scottish Government about how to achieve financial balance in the medium and longer term.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
4	<p data-bbox="256 412 576 439"><b>Strategic Workforce Plan</b></p> <p data-bbox="256 456 612 663">There is now an urgent need to prepare detailed workforce plans, including robust scenario planning, to support the transformation required to deliver Policing 2026 and financial balance.</p> <p data-bbox="256 689 316 712"><b>Risk</b></p> <p data-bbox="256 734 612 1066">Workforce plans are a critical element of financial planning, particularly with the level of payroll costs incurred by the Scottish Police Authority, and until these are in place it is impossible to accurately determine long term financial sustainability. This will impact on the achievement of transformational change.</p>	<p data-bbox="659 412 986 562">Detailed workforce plans, including scenario planning, are required to support the delivery of financial balance and Policing 2026.</p>	<p data-bbox="1054 412 1203 439"><b>In progress</b></p> <p data-bbox="1054 456 1423 730">Work to produce a strategic workforce plan has gained momentum in 2019/20 and is expected to be produced by November 2020. It will then go through internal governance procedures before being presented to the Authority in spring 2021.</p>
5	<p data-bbox="256 1106 520 1133"><b>Committee structure</b></p> <p data-bbox="256 1151 612 1323">A new committee structure was put in place during 2018/19 including the creation of a Resources Committee which considers all the people and finance related issues.</p> <p data-bbox="256 1350 316 1373"><b>Risk</b></p> <p data-bbox="256 1395 612 1547">Due to the wider scope of the committees, the increased volume of information may impact on the level of scrutiny taking place.</p>	<p data-bbox="659 1106 1023 1279">The committee structure should be kept under review to ensure that the volume of information doesn't impact on the robustness of the scrutiny undertaken.</p>	<p data-bbox="1054 1106 1203 1133"><b>In progress</b></p> <p data-bbox="1054 1151 1410 1335">There have been changes to terms of reference for committees in year. However, the volume of information to meetings continue to be significant.</p>
6	<p data-bbox="256 1588 472 1615"><b>Role of the Chair</b></p> <p data-bbox="256 1632 612 1783">The time commitment and remuneration indicate that the work of the Chair is more than would normally be expected of the role.</p> <p data-bbox="256 1809 316 1832"><b>Risk</b></p> <p data-bbox="256 1854 612 1995">This could impact on the ability of the Chair to provide the necessary scrutiny if already involved in operational matters.</p>	<p data-bbox="659 1588 1015 1794">The Chair should engage with the Scottish Government on the time required to fulfil the role and ensure that there is no risk of the Chair and other board members operating in an executive capacity.</p>	<p data-bbox="1054 1588 1203 1615"><b>In progress</b></p> <p data-bbox="1054 1632 1423 1805">The Independent Review of the Role of the SPA, the Chair and Members was published 7 August 2020. This considers the time commitment and activities of members.</p> <p data-bbox="1054 1827 1423 2007">The recommendations from this review should be and considered by the Scottish Police Authority and relevant partners in policing in Scotland.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
7	<p><b>Scottish Police Authority corporate function</b></p> <p>Despite the Board approving the Scottish Police Authority Improvement Plan 2018/19 in May 2018 there has been no progress in building the capacity and capability of the corporate function.</p> <p><b>Risk</b></p> <p>The Scottish Police Authority corporate function is unable to support the Board in holding the Chief Constable to account.</p>	<p>Detailed plans to build the capacity and capability of the Scottish Police Authority corporate function are urgently required to enable it to operate as envisaged by the legislation.</p>	<p><b>In progress</b></p> <p>Several activities have been carried out to build capacity and capability. 17 out of 22 objectives from the Improvement Plan has been completed, and actions in place to deliver the remaining points.</p> <p>The restructuring of the Authority's corporate function is also underway which will address three outstanding objectives from the Improvement Plan.</p>
8	<p><b>Accountable Officer arrangements</b></p> <p>The Chief Financial Officer (CFO) has been appointed as Interim Accountable Officer. However, the CFO reports directly to the Deputy Chief Officer of Police Scotland, and therefore the Chief Constable, and the Chief Executive of the Scottish Police Authority.</p> <p><b>Risk</b></p> <p>There is a potential conflict between governance and operational roles.</p>	<p>If an Interim Accountable Officer arrangement is required for an extended period, the Scottish Government should be engaged to identify a more appropriate solution.</p>	<p><b>Completed</b></p> <p>The Interim Chief Executive assumed this role on 1 October 2019.</p>
9	<p><b>Risk register for Scottish Police Authority</b></p> <p>Although the Audit Committee receives regular progress reports on the new risk management arrangements, the development of a strategic risk register for Scottish Police Authority is still ongoing.</p> <p><b>Risk</b></p> <p>The Scottish Police Authority has not identified all potential obstacles and challenges which it faces, and this may impact on decision making.</p>	<p>The development of a strategic risk register for the Scottish Police Authority is now critical to support decision making.</p>	<p><b>Completed</b></p> <p>An overarching risk register for the Scottish Police Authority has been completed and this is supplemented by a strategic risk register for the Authority.</p>
10	<p><b>Scottish Police Authority Corporate Plan</b></p>	<p>The Scottish Police Authority should develop a corporate plan as a key step to</p>	<p><b>Completed</b></p> <p>A corporate plan 2020-2023 was approved in March 2020.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>The Scottish Police Authority does not have a corporate plan and planning framework in place.</p> <p><b>Risk</b></p> <p>The Accountable Officer is unable to satisfy his responsibilities to secure best value.</p>	<p>demonstrating the achievement of best value.</p>	<p>An accompanying annual business plan 2020/21 was approved in May 2020.</p>
11	<p><b>Procurement</b></p> <p>A number of internal audit reports and external audit work have identified weaknesses in the procurement function and an improvement plan has now been developed.</p> <p><b>Risk</b></p> <p>The spend on procurement is not monitored effectively and the contracts register is not complete. Procurement activities may not fully comply with legislation.</p>	<p>The Scottish Police Authority should finalise the procurement strategy, implement the improvement plan and report progress to the committee.</p>	<p><b>In progress</b></p> <p>The procurement improvement plan is ongoing, and there are visible areas of improvement e.g. the completion of the Procurement Annual Report 2019/20 approved in June 2020, and improvement in the contract register.</p> <p>The procurement strategy extension to 2020/21 has been approved by the Authority in August 2020.</p>

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

Risks of material misstatement in the financial statements		
<p><b>1 Risk of material misstatement caused by management override of controls</b></p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk 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"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focused testing of accruals and prepayments.</li> <li>• Identification and evaluation of significant transactions that are outside the normal course of business.</li> </ul>	<p><b>Results</b> – We did not identify any significant issues within our work on journals or accounting estimates. Our testing of accruals and prepayments did not identify any errors and our work on income and expenditure did not identify any significant transactions outside the normal course of business.</p> <p><b>Conclusion</b> – No issues were identified that indicated management override of controls</p>
<p><b>2 Risk of material misstatement caused by fraud in expenditure</b></p> <p>Practice Note 10 extends the risk of fraud over income, as set out in ISA 240, to the risk of fraud over expenditure in public bodies. There is a risk that expenditure may be materially misstated in the financial statements.</p> <p>The Scottish Police Authority incurs material amounts of non-pay expenditure on contracts and significant amounts on consultancy arrangements. There is an inherent risk of fraud over this type of expenditure.</p>	<ul style="list-style-type: none"> <li>• Testing of controls over expenditure/ payables.</li> <li>• Carry out variance analysis on expenditure streams to identify unexpected variances which will direct our testing.</li> <li>• Detailed testing of expenditure transactions focusing on the areas of greatest risk.</li> <li>• Substantive cut-off testing of expenditure to ensure that it has been recognised in the correct financial year.</li> </ul>	<p><b>Results</b> – We did not identify any significant issues from our testing of expenditure transactions, and we did not identify any issues which would constitute a fraud risk.</p> <p><b>Conclusion</b> – No fraud issues were identified.</p>
<p><b>3 Estimations and judgements</b></p> <p>The main areas of significant estimation and judgements in the accounts are pensions,</p>	<ul style="list-style-type: none"> <li>• Review management’s assessment of the appropriateness of the actuarial assumptions.</li> <li>• Review management arrangements for</li> </ul>	<p><b>Results</b> – Management has reviewed actuarial assumptions for appropriateness and, has sought IAS 19 values as at 31 March 2020. There was a further revision to the valuation for the</p>

provisions, valuations, including PFI, and accruals.

There are resultant higher risks of error in the following areas due to the significant degree of estimation and judgement used in their measurement and valuation:

- pensions relating to the Police Pension Schemes and the Local Government Pension Schemes
- provisions.
- PFI valuations.

Higher levels of subjectivity represent an increased risk of misstatement in the financial statements.

assessing the impact of any movement in fund values between the IAS19 valuation date and the year end.

- Review any guidance relating to significant changes in the wider pension landscape.
- Review the further revisions to the processes of identifying and recoding provisions.
- Carry out detailed testing of provision balances in the 2019/20 financial statements.
- Carry out detailed testing of the PFI model in 2019/20.

Police Pension Schemes to reflect further changes resulting from the McCloud case.

We noted the contingent liability included in the accounts relating to the Goodwin (pension equality for opposite sex survivors) case.

A material valuation uncertainty was included in the valuer's report due to the impact of Covid-19 on the wider market. Additional disclosures were required in Note 32 of the accounts.

No issues were identified with the PFI valuation.

Provisions and contingent liabilities were reviewed. One case which concluded after the reporting period has been revised in line with accounting standards. One provision was overstated, and this has been reported as an unadjusted error.

**Conclusion** – Estimates and judgements included in the audited accounts are satisfactory.

#### 4 Performance Report

The performance report included in the 2018/19 annual report and accounts complied with the FReM (Government Financial Reporting Manual). It contained a summary of performance measurement arrangements and the performance against priorities for the year.

The disclosures in the performance report could be strengthened to improve overall understanding of performance against Key Performance Indicators (KPIs) and performance against outcomes. Improvements in the performance report are expected in 2019/20 due to the implementation of the new Police Scotland Performance Management Framework.

There is a risk that the 2019/20 performance report does not fully comply with the FReM should implementation of the new performance management

- Review the revised performance management framework.
- Assess the level and quality of performance reporting to the Board against the new performance framework.
- Assessment of the 2019/20 performance report against the FReM requirements.

**Results** – The revised Police Scotland performance management framework has not fully met member expectations. It has been revised again in June 2020.

The 2019/20 draft performance report was an improvement on 2018/19 and, with some minor amendments, complies with FReM requirements.

**Conclusion** – The 2019/20 performance report in the audited accounts complies with the FReM. With further revisions made to the performance management framework we expect further improvement in the 2020/21 performance section of the annual report and accounts.

framework not deliver the expected improvements.

## 5 Remuneration report

Previous audit reports have commented on errors in the remuneration report. While there have been some recent areas of improvement e.g. members expenses are now only paid following the submission of receipts, there remained a number of errors in 2018/19.

The turnover of members and staff who will be included in the 2019/20 remuneration report represents a risk of error in the completeness and accuracy of disclosures.

- Detailed testing of all amounts and disclosures in the remuneration report.

**Results** – An element of directors' remuneration was excluded from the draft report which has now been amended.

One low value expenses overpayment (£148.70) was reported in our 2019/20 interim management report and the balance has been repaid.

**Conclusion** – A number of issues in remuneration report disclosures have been corrected in the audited accounts.

## Risks identified from the auditor's wider responsibility under the Code of Audit Practice

### 6 Financial sustainability

The three-year financial plan to 2020/21 and the ten-year financial strategy to 2027/28 outlined the plan to achieve financial balance in 2020/21, based on assumptions about the level of Scottish Government funding for revenue, capital and reform and plans to reduce officer numbers.

Due to challenges around the UK withdrawal from the EU the reduction in officer numbers has been postponed and there is no funding in place for these posts beyond 2019/20. The Scottish Police Authority will no longer be able to achieve financial balance as planned in 2020/21, with this now postponed to 2021/22.

Two scenarios were presented to the Scottish Police Authority in September 2019 regarding medium to long-term financial sustainability; receive current anticipated levels of funding and adjust the size and mix of the workforce, as the current size of workforce is not sustainable within the current budget; or receive additional

- Review the varied scenarios included in the revised three-year financial plan to achieve financial balance.
- Review the arrangements for securing financial sustainability including the robustness of savings plans to address identified funding gaps.
- Monitor progress on developing costed implementation plans for ICT, workforce, estates and fleet including how these align to delivering the overarching Policing 2026 strategy.

**Results** – The outturn was a deficit of £26.8 million. This is made up of the £24.6 million deficit revenue budget approved by the Scottish Government and a further overspend of £2.2 million, relating to year end Covid-19 pressures, which was also approved by the Scottish Government.

The Scottish Government also provided £17 million additional funding to support retention of officer numbers, relating to EU withdrawal.

The revised three and ten-year financial plans have still not been completed.

**Conclusion** – Budget challenges remain, and the financial balance planned for 2021/22 looks unachievable.

funding whilst maintaining current workforce numbers.

There are no current plans to reduce the workforce. New three and ten-year financial plans are not due to be issued before Summer 2020. These should outline revised plans, including a range of scenarios, to achieve financial balance by 2021/22 and for the following years.

## 7 Workforce strategy

The ten-year financial strategy includes high level sensitivity analysis for key areas of expenditure, including officer and staff costs, income and Scottish Government funding.

However, the robustness of financial planning is significantly undermined by the lack of a detailed workforce strategy which links to the financial plan. More than 85% of total expenditure relates to payroll costs.

A fully developed workforce strategy which considers the required skills mix and level of demand remains critical to the delivery of financial balance and the achievement of planned transformational changes.

- Review progress of the development of the workforce strategy.

**Results** – A Framework for Strategic Workforce Planning was approved by the Board in May 2019. This sets out the vision for the workforce plan. The strategic workforce plan is under development and has gained momentum during 2019/20, however it is not expected to be approved until spring 2021.

**Conclusion** – Work remains ongoing and the development of a workforce plan is now critical.

## 8 Strategies underpinning the ten-year financial strategy

The ten-year financial strategy must be supported by robust and well-developed corporate strategies.

In 2018 and 2019 there was progress with the Scottish Police Authority's approval of data, digital and ICT (DDICT), estates and fleet strategies. To achieve the cost savings detailed in Policing 2026 and to meet the demands of modern policing it is essential that fully costed implementation plans are developed so these strategies can be advanced.

Funding for implementing these strategies has been limited and this will impact on

- Review the approved strategies and assess the extent to which it is aligned to Policing 2026 and the other related strategies.
- Review progress of the revisions to Policing 2026 presented to the Board in January 2020, following the refresh of the Strategic Police Priorities.
- Review progress in developing fully costed implementation plans for the strategies.

**Results** – The revised Joint Strategy for Policing was approved by the Scottish Police Authority in March 2020. The estates and fleet strategies were completed during 2019/20.

Whilst an implementation plan is well-established for the Digital, Data and ICT strategy, such plans have only recently been developed to support the new Estates and Fleet strategies.

These should be kept under revision to take account of factors including changing technologies, changes to markets and the longer-term impact of the Covid-19 pandemic should be included in these plans e.g. if there is increased home working.

the timing and achievement of delivering the anticipated savings and benefits detailed in the strategies.

**Conclusion** – Strategies are in place. There now requires to be clear linkages with medium and longer-term financial planning. To demonstrate achievement of the planned the benefits and efficiencies, regular reporting of activities against implementation plans is required.

## 9 Governance and transparency

### Scottish Police Authority

The 2018/19 Section 22 report by the Auditor General for Scotland called for an urgent need to formally agree a common understanding of how the Scottish Police Authority will be developed to fulfil the role envisaged by the Police and Fire Reform (Scotland) Act 2012.

- Consider any work carried out by the Scottish Government, the Scottish Police Authority, Police Scotland and others to achieve a common understanding of how the Scottish Police Authority will be developed as envisaged by the Police and Fire Reform (Scotland) Act 2012.
- Consider any changes made to the Scottish Police Authority corporate function and how this supports the Board focus on strategic matters.

**Results** – Work has been ongoing during 2019/20 at a strategic level, including round table meetings with the parties involved in policing in Scotland, to reach a common understanding.

**Conclusion** – Work is in progress, but it is too early to determine the impact this will have for the Scottish Police Authority.

## 10 Scottish Police Authority corporate function

In May 2019, a Scottish Police Authority Improvement Plan was developed which identified four priority areas, including building the capacity and capability of the Scottish Police Authority corporate function.

Limited progress has been made during 2019.

- Consider any changes made to the Scottish Police Authority corporate function and how this supports the development of the function.
- Consider progress against the objectives of the Scottish Police Authority Improvement Plan.

**Results** – Progress has been made against the Improvement Plan. Matters outstanding include the restructure of the corporate function which has now started.

**Conclusion** – There has been some good progress in developing the Scottish Police Authority corporate function.

## 11 Risk Management

Risk management is an area that is being developed and established within the Scottish Police Authority and Police Scotland, including the development of a risk management framework. However, progress has been slow.

Police Scotland now prepare strategic and operational risk registers. The Scottish Police Authority is still working on developing its own risk register.

The identification and reporting of risks that align to the

- Assess the adequacy of the risk arrangements at Police Scotland and Scottish Police Authority.
- Review the Scottish Police Authority risk register when it is issued.

**Results** – A new risk framework has been put in place. An overarching risk register for the Scottish Police Authority along with a strategic risk register have been approved in year.

Police Scotland continue to have strategic and operational risk registers, and these are of a good standard.

**Conclusion** – Progress has been made in year particularly for the Scottish Police Authority.

delivery of Policing 2026, must be clearer to improve scrutiny and enable risk based decision making.

## 12 Value for money

### Procurement and contract management

Weaknesses have been identified in the procurement function in both internal and external reports. An improvement plan has been developed to address these weaknesses.

There remains a risk that the contracts register is not complete, that spend on procurement is not monitored effectively and that expected benefits from these contracts may not be realised. Additionally, procurement activities may not fully comply with legislation.

- Assess progress against the procurement improvement plan.
- Detailed testing of the procurement process for a number of contracts awarded during the year.
- Review the contract management arrangements to ensure that the realisation of benefits and monitoring of costs are robust.

**Results** – Detailed testing of the procurement of new contracts in year identified no issues.

Progress has been made in the improvement plan and we note the completion and approval of the Procurement Annual Report for 2019/20 and the Procurement Strategy extended to 2020/21.

Contract management arrangements to monitor costs and benefits have improved in year, and there is further progress to be made.

**Conclusion** – There have been improvements in year against the improvement plan which is welcome. We note that there are further developments to be progressed.

# Appendix 3

## Summary of uncorrected misstatements

**We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £200,000.**

The table below summarises misstatements that were identified during our audit testing and have not been corrected by management. Cumulatively these errors are below our performance materiality level as shown in [Exhibit 2](#). We are satisfied that these errors do not have a material impact on the financial statements however we request that they be corrected.

The Scottish Police Authority wish to carry out modelling of the impact of the dilapidations prepayment before including in the accounts, and the provision will be reviewed in 2020/21.

	Dr £000	Cr £000	Dr £000	Cr £000
<b>1</b>			4,200	
Prepayment (Dilapidations)				
Operating expenditure (Premises costs)		4,200		
<b>2</b>			273	
Provision (Legal provision)				
Operating expenditure (Legal costs)		273		
<b>Net impact</b>		<b>4,473</b>	<b>4,473</b>	

**Notes:**

Entry 1 relates to the creation of a prepayment for the dilapidations provision. This would ensure that the total charge to expenditure relating to the provision is spread across the years for which the provision is required. This was not recognised in the 2019/20 accounts.

Entry 2 relates to a legal provision which was overstated in the accounts. This was not revised in the 2019/20 accounts.

# Appendix 4

## Summary of national performance reports 2019/20



		Apr	
Social security: Implementing the devolved powers		<b>May</b>	
Scotland's colleges 2019		<b>Jun</b>	 Enabling digital government
		Jul	
NHS workforce planning - part 2		<b>Aug</b>	
Finances of Scottish universities		<b>Sept</b>	
NHS in Scotland 2019		<b>Oct</b>	
		Nov	
Local government in Scotland: Financial overview 2018/19		<b>Dec</b>	
Scotland's City Region and Growth Deals		<b>Jan</b>	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		<b>Mar</b>	 Early learning and childcare: follow-up

### Relevant reports

[Enabling digital government](#) – June 2019

[Scotland's City Region and Growth Deals](#) – October 2019

[Privately financed infrastructure investment: The Non-Profit Distributing \(NPD\) and hub models](#) – Jan 2020

# Scottish Police Authority

## 2019/20 Annual Audit Report

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