

# Scottish Police Authority

2020/21 Annual Audit Report



 AUDIT SCOTLAND

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

September 2021

---

# Contents

---

Key messages	3
Introduction	5
1. Audit of 2020/21 annual report and accounts	7
2. Financial management	12
3. Financial sustainability	18
4. Governance and transparency	24
5. Value for money	31
Appendix 1. Action plan 2020/21	35
Appendix 2. Significant audit risks	43
Appendix 3. Summary of 2020/21 national performance reports	47

---

# Key messages

---

## 2020/21 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 2021 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.
- 2 The Covid-19 pandemic has not had an impact on the accounting and auditing timetable for the 2020/21 financial statements.

## Financial management

- 3 The year-end total revenue resource outturn of £1,214.8 million resulted in a deficit outturn of £36 million. The approved budget deficit was set at £44 million after taking into account a projected reduction in income of £8 million due to Covid-19 pressures. The Scottish Government then approved additional funding to meet this income shortfall. Additional cash of £36 million was provided by the Scottish Government to enable the Scottish Police Authority to meet the original deficit.
- 4 Systems of internal control continue to operate effectively and have not been adversely affected by a move to homeworking.
- 5 Standards for the prevention and detection of fraud and error have been maintained.

## Financial Sustainability

- 6 In January 2021 the Scottish Government announced a baseline increase of £60 million to the Authority's core revenue budget. As a result of this additional funding, the structural deficit was eliminated and the Authority was able to set a balanced budget for 2021/22.
- 7 A five-year financial plan and capital strategy have been prepared for approval by the Authority by the end of 2021.
- 8 Supporting strategies are now in place. Regular reporting of progress against implementation plans is necessary to ensure that planned outcomes are achieved.

## Governance and transparency

- 9** We have considered the governance arrangements in place and how these have been adapted to reflect the impact of the Covid-19 pandemic. We have concluded that they remain appropriate.
- 10** As a result of the impact of Covid-19 on policing powers, there has been an increased focus on how Police Scotland and the Authority engage and communicate with the public.

## Value for money

- 11** The Scottish Police Authority has made progress in establishing its approach to developing best value arrangements. Work to agree the Police Scotland approach has still to be developed.
- 12** Improvements to the Performance Framework continue with a revised Performance Framework in place for 2021/22.
- 13** Performance monitoring has continued throughout 2020/21. The pandemic has impacted on Police Scotland's key performance indicators.

---

# Introduction

---

1. This report summarises the findings from our 2020/21 audit of the Scottish Police Authority.
2. The scope of our audit was set out in our Annual Audit Plan (AAP) presented to the May 2021 meeting of the Audit, Risk and Assurance Committee (ARAC). 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](#).
3. The main elements of our audit work in 2020/21 have been:
  - an audit of the Scottish Police Authority's 2020/21 annual report and accounts including the issue of an independent auditor's report setting out our opinions
  - a review of Police Scotland's key financial systems, from which the financial statements of the Scottish Police Authority are produced
  - consideration of the four audit dimensions.
4. The financial year covered by the annual report and accounts has been dominated by the impact of the coronavirus pandemic. Covid-19 has had significant implications for services delivered by Police Scotland. Risks relating to the pandemic were included in our AAP, and we have adapted our planned audit work to address any new emerging risks.

## Adding value through the audit

5. We add value to the Scottish Police Authority 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 3](#)) 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 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.

**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 internal control.

**10.** Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers 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 2020/21 audit fee of £206,310, 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.

---

# 1. Audit of 2020/21 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

---

## 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 2021 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.

The Covid-19 pandemic has not had an impact on the accounting and auditing timetable for the 2020/21 financial statements.

---

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

**15.** The annual report and accounts for the year ended 31 March 2021 were approved by the board on 29 September 2021. As reported in the independent auditor's report:

- 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.

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

**16.** The unaudited annual report and accounts were received in line with our agreed audit timetable on 21 June 2021. The working papers provided to support the accounts were of a good standard and the audit team received prompt responses from finance staff. The lessons we learned from carrying out the audit remotely last year helped the audit process run smoothly again this year and enabled the annual report and accounts to be signed in line with the planned timetable.

## Whole of Government Accounts

**17.** The National Audit Office (NAO) has advised that, due to the late completion of 2019/20 WGA, the process for 2020/21 has been pushed back. The NAO are unable to give us a revised timescale at this time. Once further guidance has been issued, we will work with finance staff to complete the required assurance statement and submit to the NAO by the revised deadline.

### Overall materiality is £18 million

**18.** We apply the concept of materiality in performing the audit, using it to evaluate the effect of identified misstatements on our approach or audit opinion. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts. Our materiality remains unchanged and is summarised in [Exhibit 1](#).

---

#### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£18 million
Performance materiality	£9 million
Reporting threshold	£200,000

Source: Audit Scotland Annual Audit Plan 2020/21

---

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

**19.** [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 identifies the work we undertook to address these risks and our conclusions from this work.

### We have significant findings to report on the annual report and accounts

**20.** 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 Authority's accounting practices. The significant findings are summarised in [Exhibit 2](#).

**21.** We have reported a number of issues from the work done on the identified risks of material misstatement and these are included in the action plan at [Appendix 1](#).

## Exhibit 2

### Significant findings from the audit of financial statements

Issue	Resolution
<p><b>1. Actuarial Valuation of the Police Pension Scheme</b></p> <p>The police pension scheme was subject to quadrennial actuarial valuation as at 31 March 2020 based on full membership data as at 31 March 2020. However, due to time constraints as a result of Covid-19 and the difficulties in validating the data, the Government Actuary's Department (GAD) deemed that it was not practicable to utilise this data. Therefore, they have taken the decision to roll forward the March 2016 figures to March 2021. This means that the roll forward is 5 years, which is greater than the maximum permitted roll forward of 4 years.</p> <p>GAD have given assurance to the Authority that the level of uncertainty introduced from a 5 year roll forward this year is not materially different from the previous 4 year roll forward. HM Treasury has confirmed that this approach is acceptable and there are proposals for the Financial Reporting Manual (FRM) to be amended to permit this extension to the frequency of full actuarial valuations in future.</p>	<p>For the purpose of the 2020 quadrennial actuarial valuation of the scheme, GAD carried out an analysis of the scheme membership data as at 31 March 2020, as compared with the data provided for the 2016 actuarial valuation. This work indicates that the 2020 data is broadly consistent with the 2016 data which has been rolled forward. This analysis has allowed GAD to assure the Authority that their use of rolled-forward 2016 data for the purpose of the 2020/21 pension disclosures "...has not materially impacted on the disclosed liabilities".</p> <p>We have sought additional formal assurances in our ISA580 Letter of Representation to confirm that management have received the appropriate confirmation from GAD that by using membership data that is now 5 years old, the police pension liability is not materially misstated.</p>
<p><b>2. Police Pension Scheme</b></p> <p>The financial statements contain financial results relating to the police pension schemes in accordance with International Accounting Standard 19 Employee Benefits (IAS19). These figures are provided by GAD. As part of our audit testing, we identified an amount of £1.6 million that had been incorrectly categorised as an IAS19 actuarial loss in Other Comprehensive Expenditure (OCE) in the Statement of Comprehensive Net Expenditure (SCNE).</p>	<p>This has been amended in the financial statements by correctly recognising the amount in Staff Costs in Net Expenditure and decreasing OCE by a corresponding amount. This has had a nil net effect on the bottom line of the SCNE.</p>
<p><b>3. Review of Legal Provisions register</b></p> <p>In the course of our testing of legal provisions, we found that one of the cases sampled had not been updated on the legal provisions register. The effect of this was that the Provisions balance in the</p>	<p>The financial statements were adjusted to correct the identified error. The result of this is that both the provisions balance, and other expenditure have been reduced by £0.445 million.</p> <p>We received assurance from the legal team that the legal provisions register</p>

Issue	Resolution
<p>Statement of Financial Position was overstated by £0.445 million.</p> <p>While in general we found that the financial information on the legal provisions register was correct, not all of the narrative details had been updated as at the year end. This makes it difficult for Finance to gain assurance over the provisions estimates provided.</p>	<p>was otherwise correct as at the year end. This was substantiated by the significant coverage provided by our sample testing, which found no further errors.</p> <p>As part of our 2021/22 controls testing, we will check that the legal provisions register has been reviewed at the year end.</p> <p><b>Recommendation 1</b> (refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>4. Journal Authorisation Controls</b></p> <p>As part of our testing of year-end journals we found a journal which had been raised and authorised by the same person. From previous controls testing we had understood that this was not possible. Finance investigated the circumstances behind this control failure. Work was carried out to review all journals to establish whether any other journals had been self-authorised and found no other instances.</p>	<p>We received assurance that no other journals had been self-authorised, and that finance are putting in place mitigating actions which will prevent re-occurrence.</p> <p>As part of our 2021/22 controls testing, we will revisit this issue.</p> <p><b>Recommendation 2</b> (refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>5. Personal Protective Equipment (PPE)</b></p> <p>Some PPE was provided free of charge to Police Scotland by NHS National Services Scotland (NHS NSS) and the National Police Chiefs Council (NPCC). Pursuant to guidance issued by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC), all PPE consumed by Police Scotland should have been accounted for as donated inventory but had not been recognised correctly in the financial statements.</p>	<p>This has been amended in the financial statements by recognising expenditure of £1.875 million, and matching income. This has had a nil net effect on the bottom line of the Statement of Comprehensive Net Expenditure.</p>
<p><b>6. Valuation of land, properties and investment properties</b></p> <p>In 2019/20 the Authority's external valuer, Graham &amp; Sibbald (G&amp;S) provided a valuation report which contained a 'market valuation uncertainty' clause relating to the impact of Covid-19 on the property market. The valuation report issued by G&amp;S on 11 May 2021 contained a similar clause for the valuations as at 31 March 2021.</p> <p>The Royal Institution of Chartered Surveyors (RICS) issued updated guidance on 21 July 2021 for valuations where Covid-19 is still a relevant issue, but the property market is properly functioning.</p>	<p>As a result of the revised valuation report, note 32 of the financial statements which disclosed the market uncertainty was amended to reflect this change.</p> <p>The 'Emphasis of Matter' paragraph in our 2019/20 Independent Auditor's Report will be removed for 2020/21.</p>

Issue	Resolution
G&S re-issued their year-end valuation report which removed the previous market valuation uncertainty disclaimer.	

Source: Audit Scotland

### **Identified misstatements of £3.944 million were adjusted in the accounts. These were less than our performance materiality and we did not need to revise our audit approach.**

**22.** Total misstatements identified, referred to in Exhibit 2, were £3.944 million. We have reviewed the nature and causes of these misstatements and have concluded that they arose from isolated issues and do not indicate further systemic error. We are satisfied that the extent of our audit testing was sufficient and that no revision to our audit approach was required.

**23.** Adjustments made in the audited accounts decreased net expenditure in the Statement of Comprehensive Net Expenditure by £0.445 million and increased net assets in the Statement of Financial Position by £0.445 million.

**24.** There are no unadjusted errors to report.

### **Good progress was made on prior year recommendations**

**25.** The Scottish Police Authority has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

---

## 2. Financial management

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

---

### Main judgements

The year-end total revenue resource outturn of £1,214.8 million resulted in a deficit outturn of £36 million. The approved budget deficit was set at £44 million after taking into account a projected reduction in income of £8 million due to Covid-19 pressures. The Scottish Government then approved additional funding to meet this income shortfall. Additional cash of £36 million was provided by the Scottish Government to enable the Scottish Police Authority to meet the original deficit.

Systems of internal control operate effectively and have not been adversely affected by a move to homeworking.

Standards for the prevention and detection of fraud and error have been maintained.

---

### **The Scottish Police Authority reported a deficit outturn of £36 million. This was approved in advance by the Scottish Government.**

**26.** 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.

**27.** The 2020/21 budget was initially set with a £36 million operating deficit. As the impact of Covid-19 started to emerge in early 2020, the budget was revised to take account of an estimated reduction in income of £8 million. The revised budgeted deficit was set at £44 million and approved by the Authority on 25 March 2020. In November 2020 the Scottish Government approved additional funding of £8.2 million to make up the reduction in income.

**28.** As with previous years this deficit position was supported by the Scottish Government with a commitment to meet working capital requirements throughout the year.

**29.** The financial statements show total comprehensive net expenditure of £3,640 million (2019/20: £4,044 million). The reduction between the years arises from a lower charge relating to the pension liability of £1,867 million (2019/20: £2,325 million).

### The reform budget was underspent by £2.5 million

**30.** For 2020/21 the Scottish Government allocated a total reform budget of £29.6 million, including £4.6 million for capital. As the year progressed a projected underspend in reform revenue £2.5 million was identified and reported to the Scottish Government. It was agreed that this underspend could be reallocated to the capital budget.

### Additional capital spending was authorised by the Scottish Government

**31.** The 2020/21 approved capital budget was £45.4 million. In March 2021 the Scottish Government approved the reallocation of the projected reform funding underspend of £2.5 million to use for capital projects.

**32.** In addition, Scottish Ministers also approved a one off capital budget of up to £10 million to be used for the modernisation and renewal of the police fleet. This did not result in an increase in the capital budget for the year but was confirmed by the Scottish Government as authorisation of an overspend of up to £12.5m. As shown in [Exhibit 3](#).

## Exhibit 3

### Performance against budget in 2020/21

	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource DEL	1,145,282	1,156,016	1,192,325	36,309
Resource Reform Funding	-	25,000	22,500	(2,500)
<b>Total Revenue Outturn</b>	<b>1,145,282</b>	<b>1,181,016</b>	<b>1,214,825</b>	<b>33,809</b>
Capital DEL	45,000	45,389	57,728	12,349
Capital Reform Funding	-	4,600	4,600	-
<b>Total Capital Outturn</b>	<b>45,000</b>	<b>49,989</b>	<b>62,328</b>	<b>12,349</b>
<b>Total Resource</b>		<b>1,231,005</b>	<b>1,277,153</b>	<b>46,158</b>
Non-cash DEL	50,000	50,300	44,497	(5,803)
Expenditure outside DEL	3,809	3,809	3,726	(83)
Annually Managed Expenditure	-	54,900	29,970	(24,930)

Source: Scottish Police Authority Annual Report and Accounts 2020/21

## Covid-19 impacted on the 2020/21 budget

**33.** The Scottish Police Authority's 2020/21 budget projected a £8 million reduction in income due to the impact of Covid-19. The main cause for the decrease in income was from the provision of police services to football matches, events and airports, all of which were impacted, significantly reducing their need for policing services. This capacity, and that created by other changes to demand, for example restrictions on the night time economy, enabled those officers to move from normal policing activities to supporting the Covid-19 response.

**34.** The Scottish Government provided additional funding to compensate for the impact of Covid-19 on income (£8.2 million) and £2.8 million for other initiatives. There were a number of offsetting variances in expenditure resulting from underspends in overtime and travel costs.

**35.** Additional Covid-19 costs of £5.7 million were incurred for PPE and hygiene supplies etc.

**36.** We observed that senior management and the board continued to receive regular and accurate financial information on the Scottish Police Authority's financial position and detailed budget monitoring reports.

## The Statement of Financial Position 2020/21 shows a significant negative taxpayers' equity balance

**37.** The Statement of Financial Position summarises what is owned and owed by the Authority. At the year-end it shows a net liability of £21.8 billion, an increase of £2.4 billion from last year. The net liability position is due to the pension liabilities for police officers and staff, of £22.2 billion, offset by total assets of £607 million.

**38.** 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 Authority's conclusion that this does not represent a going concern issue.

## The pension liability has increased to £22.2 billion

**39.** The Police Pension Scheme (PPS) was subject to a quadrennial actuarial revaluation by the Government's Actuary Department (GAD) as at 31 March 2020 based on full membership data as at 31 March 2020. However, GAD deemed that it was not practicable to utilise this data for use in calculating the 2020/21 results due to the time constraints as a result of Covid and the difficulties in validating the data. Therefore, they have taken the decision to roll forward the March 2016 liability to March 2021. This means that the roll forward is 5 years, which is greater than the maximum permitted roll forward of 4 years.

**40.** GAD reported in their 2020/21 valuation report:

"The value of liabilities has been calculated as at 31 March 2021 by rolling forward the liability calculated as at 31 March 2016 to 31 March 2021. This approach is reasonable but introduces some degree of uncertainty. It should therefore be recognised that the results may differ from those that would

emerge following an actuarial valuation. However, this approach is anticipated by the FReM and I am satisfied that the data provided, and the approach taken to rolling forward the 31 March 2016 liability calculations are suitably rigorous to ensure that the assessed liability as at 31 March 2021 is sufficiently accurate for the purposes of this report. Whilst the FReM states a maximum roll forward period of 4 years we have had discussions with NAO and HMT and agreed that the overriding requirement is for pensions valuations to be materially correct.

We have satisfied ourselves that the level of uncertainty introduced from a 5 year roll forward this year is not materially different from the previous 4 year roll forward. We understand that the FReM will be amended next year to allow for a longer roll forward period (subject to materiality) so that this is not an issue in future years”.

**41.** We can take assurance from the approval given by HM Treasury and the proposal that the Financial Reporting Manual (FReM) will be updated to permit a 5 year roll forward and consider this to be an acceptable approach.

**42.** On an annual basis, with the other national audit agencies, we jointly commission PwC to carry out a review of the work of the actuaries involved in public sector pension schemes. This work considers the methodologies used by actuaries and the actuarial assumptions they use in preparing the IAS19 reports. The 2020/21 review concluded that the methodologies and assumptions used by GAD are reasonable, allowing us to rely on their work.

### **Financial systems of internal control are operating effectively**

**43.** Our management letter presented to the Audit Committee on 15 July 2021 concluded the findings from our review of systems of internal controls. We concluded that the controls tested were generally operating effectively. No significant weaknesses were identified during the audit which could affect the Scottish Police Authority’s ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

**44.** Some minor issues were identified in relation to payroll and expenses forms, changes to supplier details and non-current asset reconciliations. We also identified a self-authorized journal when carrying out our substantive year end testing.

---

## **Recommendation 2**

The strengthening of the internal control environment should continue to be an area of focus.

---

### **The Internal audit opinion on the framework of controls in 2020/21 was that of reasonable assurance.**

**45.** The Scottish Police Authority’s internal audit function is carried out by Azets. The Public Sector Internal Audit Standards (PSIAS) require the ‘chief audit executive’ to provide an annual internal audit opinion and report that can be used to inform the annual governance statement.

**46.** The opinion given for 2020/21 is that the “framework of controls provides reasonable assurance regarding the organisations’ governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.”

**47.** At the request of the Audit, Risk and Assurance Committee an amendment was made to the annual audit plan to include a review of the Management Response to Covid-19. An additional review was also added to the plan to cover Homeworking Security as a result of the impact of Covid-19 on working practices.

**48.** We reviewed the Scottish Police Authority’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. We have reviewed the work of internal audit in the following areas for our 2020/21 wider dimensions audit responsibilities:

- Staff Wellbeing
- Benefits Realisation and Efficiency Targets
- Performance Management
- Management Response to Covid-19

### **Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate**

**49.** There are appropriate arrangements for the prevention and detection of fraud, error and irregularities. The Authority is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, the Authority is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**50.** From work we have carried out on governance arrangements, financial system controls and procurement processes, we have concluded that there are appropriate arrangements in place for the prevention and detection of fraud, error and irregularities. However, neither the Authority nor Police Scotland had an overarching fraud prevention policy in place during 2020/21. A Fraud Policy has been prepared and is due to be discussed by the Professionalism and Assurance Strategy Group in September 2021 and approved before the end of 2021/22.

**51.** 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.

**52.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Scottish Police Authority has made good progress with all high risk and payroll matches now investigated.

**53.** We carried out an assessment of the arrangements in place at the Authority to prevent fraud and corruption in the procurement function. We concluded that the arrangements in place are reasonable and operate as designed. There is a clear process for adding new suppliers to the eFinancials system, credit checks are carried out as part of the tender selection process, and suppliers are required to supply information and make declarations regarding anti-corruption and fraud matters.

---

# 3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether the Scottish Police Authority is planning effectively to continue to deliver its services

---

## Main judgements

In January 2021 the Scottish Government announced a baseline increase of £60 million to the Authority's core revenue budget. As a result of this additional funding, the structural deficit was eliminated, and the Authority was able to set a balanced budget for 2021/22.

A medium year financial plan and capital strategy have been prepared for approval by the Authority by the end of 2021.

Supporting strategies are now in place. Regular reporting of progress against implementation plans is necessary to ensure that planned outcomes are achieved.

---

## Scottish Police Authority's medium-term financial plan should be revised to reflect the impact of the Covid-19 pandemic

**54.** In May 2018 the Authority approved a three-year financial plan to 2020/21 and a ten-year financial strategy to 2027/28 which outlined plans to achieve financial balance in 2020/21. The plans were based on a number of assumptions including savings from a workforce restructure and reducing officer numbers by 750 by the end of 2020/21 and generating significant savings and efficiencies from a range of transformation projects.

**55.** Due to the pressures associated with EU withdrawal, the planned reduction in officer numbers could not go ahead. The 2020/21 budget was set with a deficit of £44 million. As with previous years, the Authority sought and received written confirmation from the Scottish Government confirming their support for this deficit position and a commitment to make additional working capital available during the year.

## A balanced budget has been set for 2021/22

**56.** The financial modelling work carried out as part of the budget setting process for 2021/22 and in advance of the Spring 2020 Spending Review discussions with the Scottish Government highlighted a 'baseline' deficit of around £50 million.

**57.** As the impact of Covid-19 and subsequent lockdowns continued, the initial £50 million deficit target was no longer achievable. Further work highlighted an additional in-year Covid-19 impact of £15 million that could not be absorbed.

**58.** In January 2021 the Scottish Government announced in their draft budget a £60 million uplift in the Authority's core revenue funding. This additional funding resolved the structural deficit of £50 million and funded an approximate 1% staff pay increase, in line with Public Sector Pay Policy (PSPP). An additional, one off payment of £15 million was also provided to mitigate the costs of Covid-19.

**59.** As a result of this additional funding the Authority was able to set a balanced budget for 2021/22 which was approved by the Authority in March 2021.

**60.** Since the announcement in January 2021, there were changes to the PSPP for 2021/22 which exceeds the 1% assumption budgeted for. As a result of discussions with the Scottish Government, additional grant in aid funding of £7.5m has been committed to meet the additional PSPP cost for police officers and police staff in 2021/22.

**61.** In the preparation of the 2021/22 budget, costs relating to the upcoming 26th UN Climate Change Conference of the Parties (COP26) have been accounted for separately as they will be met by the UK Government.

### **Capital and reform funding remains at previous year's levels**

**62.** While core revenue funding has been increased for 2021/22, capital and reform funding has remained at a flat cash level, £49.6 million (including capital reform of £4.6 million) and £25 million respectively. Proceeds from capital disposals, estimated at £3.6 million, can also be retained and used to fund capital projects.

**63.** The capital funding for 2021/22 is lower than requested therefore the Capital Investment Group (CIG) will allocate available funding to projects which meet the criteria and are aligned to organisational priorities. Projects which are necessary for health and safety reasons, to meet legislative requirements, or relate to committed or unavoidable spend will be prioritised before other transformation projects.

**64.** The Crown Office and Procurator Fiscal Service (COPFS) currently has a contract with the University of Glasgow to provide post-mortem toxicology services, due to expire in March 2022. A business case was prepared by the Authority in December 2020 to take over the provision of these services from December 2022. Additional capital funding of £4.6 million has been committed by the Scottish Government to support the capital costs for the transfer of these services to the Authority.

### **The Scottish Police Authority has revised its medium-term financial plan**

**65.** The ongoing impact of Covid-19 on revenue budgets will remain a key part of medium and long-term financial planning as income and expenditure are unlikely to return to normal levels in the immediate future.

**66.** The Authority has prepared a draft five-year financial plan, which will go to the Resources Committee in September 2021 before approval by the Authority. This updates the previous plan which covered the period 2018-2021.

**67.** Since the ten-year financial strategy was published in 2018, there have been significant developments in the financial position of the Authority, with the challenges brought by Covid-19 as well as the increase to the baseline revenue budget and the elimination of the structural deficit.

**68.** The Authority must develop a revised long-term financial plan which takes account of the Strategic Workforce Plan, published in January 2021, and which details how the financial balance achieved in 2021/22 can be maintained.

---

### **Recommendation 3**

The Authority must produce medium to long-term financial plans to demonstrate how the financial balance achieved in 2021/22 will be sustainable in the longer term.

---

#### **A medium-term capital strategy is being produced**

**69.** While work is progressing on the medium and long-term financial plans, the Authority is also developing a medium-term Capital Strategy. This document will provide a five-year plan which will bring together in one document current and planned capital investment projects and how they help meet the strategic objectives in the Joint Strategy for Policing.

**70.** The capital strategy should also encompass the considerable investment implications contained in the other supporting strategies: Fleet, Estates and Digital, Data and ICT (DDICT).

**71.** The draft strategy will go to the Resources Committee in September 2021 before approval by the Authority.

**72.** There is now a more stable and sustainable position with regard to core revenue funding due to the increase of £60 million in the 2021/22 budget. However, the Authority has ambitious projects which cannot be met within the current capital budget allocation. A detailed and forward looking plan for capital expenditure over the longer term will allow more strategic decision making and will help the Authority to clearly articulate its future funding requirements.

---

### **Recommendation 4**

The Authority should produce a medium-term capital strategy to demonstrate how it will use the capital funding available in a way that prioritises achievement of strategic objectives.

---

#### **The Authority continued to progress transformation projects during the pandemic**

**73.** The Authority has ambitious transformational plans. Some projects were delayed during 2020/21, with the unused funding used to fund the supporting strategies: DDICT, Fleet and Estates.

### Supporting Strategies have been developed

**74.** 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 the building of 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

**75.** In 2020/21, payroll costs accounted for more than 86% of expenditure. In January 2021 the Authority formally adopted the Strategic Workforce Plan (SWP), which has been a significant piece of work to produce.

**76.** The SWP is ambitious in aiming to link up financial planning, diversity and equalities outcomes and the Target Operating Model. Success will be dependent on the effective gathering, analysis and application of demand data, as well as strong communication between different business areas and police divisions.

**77.** Implementation is at an early stage, although progress has been made in gathering demand data within Local Policing and National Divisions. There is oversight of implementation of the strategy with the establishment of the Police Scotland Strategic Oversight Board and bi-annual update reports to be taken to the People Committee.

**78.** The SWP identified a resource gap, across local policing divisions and National Services of £55 million. The workstream to create capacity through efficiencies is expected to remove the resource gap of £34 million that is attributable to local policing. This leaves an unfunded resource gap of £21 million. The significant role that the SWP plays in the overall financial sustainability of the service means that it is crucial that efficiencies are closely monitored and reinvested to meet the unfunded resource gap.

### Estates Strategy

**79.** 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.

**80.** 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 over this period. The 2021/22 capital budget assumes disposal proceeds of £3.6 million. Only £0.7 million was

achieved in 2020/21. Factors such as Covid-19 may suppress property sales and values. The pressures on funding present a risk to Police Scotland's ability to fulfil this strategy.

**81.** The experience of Covid-19 and the move to remote working for many staff has highlighted opportunities to work more flexibly. This will be taken into account in future estate and workplace planning. A number of opportunities for co-location with other public sector partners in local government, the NHS and Scottish Fire and Rescue have been implemented and other projects are planned to enable efficiencies in the use of public sector workspaces

**82.** An Estates Implementation Plan has been prepared but has yet to be approved by the Authority. Regular reporting of activities against the implementation plans will be required.

### Digital, Data and ICT Strategy

**83.** 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. A budget of £298 million over the next nine years was projected.

**84.** In September 2020 the Authority approved a Cyber Strategy, Keeping People Safe in the Digital World. This strategy supports the Joint Strategy for Policing and highlights the increase in cyber enabled and cyber dependent crime, particularly during the Covid-19 pandemic. The strategy details the need for investment in technology to enable a policing response that is equipped to meet the changing nature and complexity of this type of crime.

**85.** 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.

**86.** In 2020/21, £10 million funding was approved for existing DDICT projects. Due to rapid changes in technology and the risk of IT software and hardware becoming obsolete, 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. A review and refresh of the DDICT strategy is being considered in order to revisit the ambitions of the original strategy and what is achievable with level of capital funding available.

### Fleet strategy

**87.** A new Fleet strategy was approved in November 2019 and sets out the vision to have a fully ultra-low emission vehicle fleet by 2030. Capital funding of £130 million and £85 million revenue funding are required over the next ten years to achieve this ambition.

**88.** In addition to the environmental benefits of a low emission fleet, there are also revenue savings to be achieved from the modernisation of the fleet in the

longer term. There are significant revenue pressures associated with the ongoing maintenance of an ageing fleet.

**89.** Progress has been achieved with approval in August 2020 by the Authority to purchase £5 million of green vehicles by March 2021, and the procurement of a £21m contract to deliver the necessary supporting infrastructure. The authorisation received from the Scottish Government in March 2021 for the Authority to overspend its capital budget to further modernise the fleet resulted in total capital expenditure of £22 million by the year end, this includes electric vehicles and the associated infrastructure.

---

## Recommendation 5

The Authority must keep its supporting strategies under review to ensure that the original aims and ambitions remain relevant and achievable within the constraints of available funding.

---

### Good practice

**90.** The Authority has proactively sought opportunities with public sector partners in local government, the NHS and Scottish Fire and Rescue to co-locate in existing office space. There are currently three co-locations in operation with more planned. The experience of remote working and social distancing as a result of Covid-19 will make this sort of flexible and cooperative working a more effective way to utilise office space.

---

# 4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

---

## Main judgements

We have considered the governance arrangements in place and how these have been adapted to reflect the impact of the Covid-19 pandemic. We have concluded that they remain appropriate.

As a result of the impact of Covid-19 on policing powers, there has been an increased focus on how Police Scotland and the Authority engage and communicate with the public.

---

## The governance arrangements and controls operating throughout the Covid-19 pandemic have been appropriate

**91.** We commented on governance arrangements in our management report of July 2021 and have concluded that, overall, Scottish Police Authority has appropriate governance arrangements in place.

**92.** The impact of Covid-19 from March 2020 has been set out in the Governance Statement in the Authority's annual report and accounts. Revised governance arrangements have been introduced including the new Governance and Accountability Framework which was published in October 2020 and outlines the roles of the Chair and members, new induction training for new and existing members, and the completion of the SPA Corporate restructure which supports the role of the Chair and members.

**93.** We carried out an evaluation of the key financial systems to assess the impact of Covid-19 and the move to homeworking on the operation of the control environment. We found that improvements have been made during 2020/21 and that there was no significant impact on the operation of controls as a result of homeworking.

## Stability of the leadership of the Authority has continued to improve

**94.** Last year we reported in our annual audit report that during 2019/20 there had been greater stability in the membership of the Authority than in previous years. This has continued in 2020/21. In January 2021 an existing Authority member was appointed to the permanent role of Chair and in March 2021 the

Authority's Interim Chief Executive was appointed to the role on a permanent basis.

**95.** After a recruitment exercise at the start of the year, in April 2021 six new Authority members were appointed. The Board was previously operating with 11 members, including the chairing member: the minimum number of members permitted under the Police and Fire Reform (Scotland) Act 2012. There are now 13 members including the chairing member. Additionally, there is now an equal gender balance. A new Director of Forensics Services, Fiona Douglas, was appointed in August 2021. She will take up her new post in October 2021.

**96.** We have previously highlighted the significant volume of work being referred to the Authority's committees. The Resources Committee in particular had a wide remit meaning that a full day was often required to cover the lengthy agenda and to enable an appropriate level of scrutiny.

**97.** To address this, the People Committee was established during the year and met for the first time in May 2021. Its remit encompasses the people and development elements, including updates on the implementation of the Strategic Workforce Plan, and progress against Diversity and Equality outcomes. These areas were formerly the responsibility of the Resources Committee which now focuses on financial resources, strategic financial planning and budget setting in the short, medium and long-term, as well as investment decisions based on review of business cases.

**98.** During 2020/21 an annual review of committee effectiveness was carried out by members for each committee they sit on to provide evidence that they effectively support the Authority in meeting its governance responsibilities. A self-assessment questionnaire based on five themes: Focus, Engagement, Working, Effectiveness, and Leadership, was used to collect feedback. A summary of the findings was presented at each committee, with all reports submitted to the Audit and Risk Assurance Committee. Comments by members suggested that there is more work to be done to rationalise agendas and the volume of papers.

**99.** A more detailed review by members will be carried out in 2021/22 reflecting the thoughts and experience of those members new to the Authority.

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

**100.** The 2019/20 audit of the Scottish Police Authority (Section 22) report issued by the Auditor General in December 2020 identified the progress which had been made in clarifying roles and responsibilities across policing in Scotland. These included the revised Governance and Accountability Framework, and the greater stability in the membership of the Authority, which has been further strengthened by the permanent appointments of both the Chair and Chief Executive.

**101.** A roundtable discussion with all parties involved in policing in Scotland was held in March 2021 to consider governance arrangements. Progress against HMICS recommendations was highlighted in the course of discussion, including that a new structure has been put in place within Scottish Police Authority's corporate function which will enhance the Authority's capacity.

**102.** A paper was produced by the Scottish Government to outline the current Policing Governance Landscape, pulling together all the parties involved and their respective roles and accountabilities. At a future meeting, consideration will be given to how to feed in the views of other stakeholders for example, local government and human rights associations. The Scottish Government have also committed to work with partners to prepare a paper on the Accountable Officer status.

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

**103.** Reorganisation of the Scottish Police Authority corporate function has been completed after the approval of a revised senior staff structure. There are now two Deputy Chief Executives reporting to the Chief Executive with responsibilities for Strategy and Performance, and Resources. Additional senior posts in audit and risk and in strategy and performance have been filled during the year and have strengthened the Authority's corporate function.

**104.** Appropriate levels of resource have now been directed toward areas that have not received sufficient attention in the past, for example, the Authority's' approach to Best Value, the production of a Corporate Plan 2020-23 and the publication of a revised Governance and Accountability Framework.

### **Openness and transparency has continued to be a strength**

**105.** Openness and transparency in how the Authority operates and makes decisions is key to supporting 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.

**106.** During 2020/21 all Authority and committee meetings have continued to be held virtually and livestreamed. Detailed papers and minutes for all meetings are available on the website, with the exception of those taken in private.

### **An Independent Advisory Group had an important oversight role of the additional Covid-19 powers**

**107.** The impact of Covid-19 on the Authority has been significant due to Police Scotland's front-line role in supporting communities and maintaining law and order in a time of uncertainty.

**108.** In April 2020 the Chief Constable commissioned the setting up of an Independent Advisory Group (IAG) led by John Scott QC, to review the use of the temporary additional police powers arising from the Covid-19 legislation and provide independent scrutiny. The work of the IAG looked at the human rights related challenges of the new extraordinary powers of enforcement given to Police Scotland. It also provided a forum for exchange of information and experiences between the police and public to learn from mistakes in real time and to improve communication and engagement.

**109.** Membership of the IAG included Police Scotland, the Scottish Police Authority, Her Majesty's Inspectorate of Constabulary in Scotland, the Crown

Office and Procurator Fiscal Service plus representatives from academia, the third sector and human rights organisations.

**110.** The IAG has reported regularly to Authority meetings during 2020/21. They reported to the Authority on 25 August 2021 that the level of engagement with the public has been high and there has been an appropriate and proportionate response to public reporting of possible breaches.

**111.** It has been consistently reported by the IAG that the use of emergency powers has been compliant with human rights legislation, with Police Scotland's values of integrity, fairness and respect, and in line with the provisions of the Coronavirus (Scotland) Act 2020 and Regulations.

**112.** An impact assessment of the work of the IAG was carried out by two independent consultants during a 6-week period in March and April 2021. Their review concluded that the IAG "provided significant benefits to both the public scrutiny of (via the SPA) policing at a time of unprecedented national crisis, and also the real time transparency of, and community and interest groups input into, police policy and operational decision making".

**113.** More recently the remit of the IAG has been extended to cover other issues such as the policing of football events in May 2021 and a further IAG has now been commissioned to provide independent oversight regarding policing strategies for the upcoming 26<sup>th</sup> UN Climate Change Conference of the Parties (COP26) taking place in Glasgow in November 2021.

### **Increased focus on public opinion of policing and how engagement can be improved as a result of Covid-19**

**114.** The impact of Covid has changed the way that Police Scotland interacts and engages with the public.

**115.** The Authority commissioned three waves of independent public opinion polling (in April, May and October 2020) to measure the public's confidence in policing during the pandemic and what factors affected whether they complied with lockdown restrictions. This allowed for lessons to be learned in real time as the pandemic was unfolding and restrictions were changing.

**116.** Findings have been published on the Authority's website and discussed at meetings of the Authority and the Policing Performance Committee.

**117.** In June 2021 a Joint Memorandum of Understanding (MOU) on engagement and communication between the Authority and Police Scotland was approved. It particularly focuses on new and emerging strategies and policies in areas of significant public interest.

**118.** In August and September 2021, the Authority and Police Scotland hosted two virtual roundtable events to discuss policing during the pandemic and the policing of protests connected with COP26. Both events brought together a variety of partners and stakeholders. Members of the public and other interested parties were invited to submit questions for discussion in advance and both sessions were livestreamed.

**119.** The Scottish Police Authority's Business Plan for 2021/22 includes a strategic outcome to ensure that 'The public are confident in policing with issues of public interest being addressed'. The plan includes a range of actions to meet this outcome, including development of an Engagement Plan and developing an approach to engaging with citizens in relation to issues of confidence in policing.

### **There is evidence of a commitment to mainstreaming equalities**

**120.** In compliance with the Equality Act 2010, the Scottish Police Authority and Police Scotland both published their most recent Equalities Mainstreaming and Outcomes Progress Reports in April 2021. Additionally, a set of Joint Equality Outcomes 2021-23, which recognise shared goals across both organisations, were approved by the Police Scotland Strategic Leadership Board and the Authority in March 2021 and were published in April 2021. These include both public facing areas such as the reporting of hate crimes and accessibility of services, as well as workforce related outcomes including the recruitment, retention and progression of under-represented groups.

**121.** Reports on the progress against equalities outcomes have been reported to both the Authority and the new People Committee which had its first meeting in May 2021. A report to this Committee highlighted that hate crimes have become more prominent against some communities since the start of the Covid-19 pandemic, reinforcing the need for progress to be made against the outcomes which relate to hate crime and accessibility of services.

**122.** The Equalities Outcomes have also identified that building a police force which is reflective of society is crucial to building and maintaining trust with the public. The Police Scotland Equality and Diversity Mainstreaming and Outcomes Progress Report 2021 reported that the recruitment process has been streamlined to make it more accessible for applicants for whom English is not their first language. There have also been awareness events held which are aimed at women and BME, white minority and LGBTI+ communities, and these events have resulted in applications being received from attendees.

**123.** An information sharing event was held by Police Scotland, the Authority and the Scottish Institute for Policing Research (SIPR) on 19 May 2021, which invited academics, researchers and practitioners with an interest in "Seldom Heard" groups. This event focused on under-represented communities, including BME communities, young people from disadvantaged backgrounds, LGBTI+ communities, refugees and asylum seekers.

**124.** Much of the equalities work being undertaken by Police Scotland and the Authority centres around the gathering of diversity data, improving culture and an understanding of why issues such as difficulties in recruiting people from different backgrounds and communities exist, and rolling out equality, diversity and inclusion training across both organisations so that improvement actions can be designed and implemented in a meaningful manner. It is a crucial next step for Police Scotland and the Authority to use the data and information gathered to develop measurable criteria that can be used to evaluate progress against their Equalities Outcomes.

---

## **Recommendation 6**

Both the Authority and Police Scotland have shown commitment to improving the mainstreaming of equalities. It is important that appropriate data is gathered to inform planning and to help develop measurable criteria that can be used to evaluate progress against Equalities Outcomes.

---

## Review of Complaints Handling by Dame Elish Angiolini

**125.** In November 2020, Dame Elish Angiolini's Independent Review was published, making a number of recommendations on complaints handling, investigations and misconduct issues.

**126.** The Police Investigations & Review Commissioner (PIRC) has issued Statutory Guidance on the Handling of Complaints about the Police in Scotland in March 2021, which is intended to "improve police complaint handling and to encourage police bodies to move to a culture that values complaints and promotes learning and improvement as the main focus of the complaint handling process".

**127.** Dame Angiolini's report made a further recommendation that there should be an independent review of equality matters within policing. Police Scotland has established the Equality, Diversity, Inclusion and Human Rights Independent Review Group (EDIHR IRG) with an independent chair supported by two vice chairs. The IRG will have access to all materials, documents and data presented to Police Scotland's Equality, Diversity, Inclusion and Human Rights Strategic Oversight Board (EDIHR SOB). It also has the autonomy to request additional meetings and to consult or engage with officers or staff in order to understand, review and provide feedback.

**128.** An action plan has been prepared which will be updated and reported to each Complaints and Conduct Committee meeting. It will also be used to inform the Highlight Reports submitted to Scottish Government as part of the national governance and reporting arrangements.

## A number of initiatives to support staff wellbeing have been developed

**129.** In June 2020 a Wellbeing Framework was developed for inclusion in the People Strategy. Regular updates on the performance measures in the framework are reported to the Resources Committee and the Authority.

**130.** In August 2020, Internal Audit carried out a review of Staff Wellbeing. The report concluded that Police Scotland 'had demonstrated a clear commitment to staff wellbeing' However work is required to develop clear actions and outcomes to evidence the success of the framework.

**131.** The Annual Report on Wellbeing shows the range of initiatives that are in place and provides statistics on the use of the various support services. It reported the actions taken to address the recommendations by IA and advised that 8 of the 11 were complete.

**132.** Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) intends to carry out a Wellbeing audit specifically focusing on COP26.

## Good practice

**133.** In response to the emergency powers extended to the police at the outbreak of Covid-19, the Chief Constable commissioned John Scott QC to lead an advisory group to provide ongoing independent scrutiny of the way the additional powers were used with a focus on human rights. An independent impact assessment of the work of the IAG, published in June 2021, commented positively on the significant benefits for public scrutiny and the “added confidence” that decisions taken during the pandemic were consistent with human rights and the values of policing by consent.

---

# 5. Value for money

Using resources effectively and continually improving services

---

## Main judgements

The Scottish Police Authority has made progress in establishing its approach to developing best value arrangements. Work to agree the Police Scotland approach has still to be developed.

Improvements to the Performance Framework continue with a revised Performance Framework in place for 2021/22.

Performance monitoring has continued throughout 2020/21. The pandemic has impacted on Police Scotland's key performance indicators.

---

## The Scottish Police Authority has developed an appropriate Best Value framework

**134.** [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 characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

**135.** It is the duty of the Authority to make arrangements which secure best value for the Authority, including Forensic Services, and it is the duty of the Chief Constable to make arrangement to secure best value for Police Scotland.

**136.** The Scottish Police Authority Business Plan 2021/22 includes a number of actions to achieve and to demonstrate best value. The revised Corporate Governance Framework explicitly details both the Board's and the Accountable Officer's responsibilities for achieving best value.

**137.** There is regular reporting to ARAC on the work that is being done with a proposed approach approved in July 2021. The approach to demonstrating best value will involve an annual self-assessment by SPA Corporate and Forensic Services which will then be followed by a targeted deep-dive to ensure that all of the best value characteristics are covered on a cyclical basis.

**138.** Further work is required on Police Scotland's approach to demonstrating best value.

## A new performance management framework was implemented during the year

**139.** We reported in 2019/20 that the performance framework in place for Police Scotland had not delivered the expected improvements in performance reporting. In June 2020 a revised performance framework, which is better aligned to the Joint Strategy for Policing and the Annual Policing Plan, was approved by the Authority.

**140.** Reporting under the framework includes a Bi-annual report on progress of activities in the Annual Policing Plan, as well as quarterly performance reports which cover wider aspects of policing performance not limited to the objectives in the Annual Policing Plan. In addition, there is a year-end report on performance by the Chief Constable in accordance with section 34 of the Police and Fire Reform (Scotland) Act 2012.

**141.** Internal Audit reported good practice within the framework including progress in relation to data strategy and planning, well defined governance over performance scrutiny, and good evidence of stakeholder engagement.

**142.** They identified a risk that the remit of the quarterly performance reports is so wide that reports could be very long, or that important information is missed. They also made recommendations for more robust linking of management actions to impact on performance so that it is possible to identify performance issues, prioritise responses and demonstrate that the allocation of resources is consistent with best value. Police Scotland have a number of management actions in response to the recommendations which are due to be completed by May 2022.

**143.** The process of revising the Performance Framework is continuing to develop. A revised Performance Framework for 2021/22 was approved by the Authority in June 2021. The framework aims to make better use of demand data, include both qualitative and quantitative measures, and include the new joint Police Scotland and Scottish Police Authority equality outcomes. A further improvement will be the development of a benchmarking framework which will allow comparisons with other police forces in a number of specific areas for example, estates and fleet etc.

## **The performance report in the annual report and accounts was of a good standard**

**144.** The performance report in the annual report and accounts provides information on Police Scotland and the Scottish Police Authority's main functions and objectives. The information provided was fair and balanced and gave a detailed analysis of operational performance as well as helping stakeholders understand the financial statements.

**145.** There was an effective use of infographics to make the extensive amount of information included in the report as accessible as possible.

## **Performance levels were maintained despite pressures on services as a result of Covid-19**

**146.** Police Scotland and the Scottish Police Authority, including Forensics Services, continued to monitor key performance indicators throughout the year with detailed performance reporting to the Authority and appropriate committees on a regular basis.

**147.** Despite the unprecedented demand on policing services during the last year, operational performance remained good. Due to the restrictions, there was a decrease in certain crimes as people stayed at home with overall crime levels falling by 5.8%. However, some other crimes saw a significant increase for example, fraud and threats and extortion.

**148.** Public confidence in policing during the pandemic remained high.

### **Progress has been made in implementing the Procurement Improvement Plan**

**149.** In early 2020/21, the Procurement team were required to respond rapidly to the outbreak of Covid-19, including acquiring Personal Protective Equipment (PPE) for police officers. As a result of this additional pressure, we reported in our 2019/20 Annual Audit Report that progress against the Procurement Improvement Plan was delayed.

**150.** During 2020/21 progress has been able to continue with all outstanding points in the Procurement Improvement Plan (PIP) now progressed to a stage where they will be closed or they have been built into the continuous improvement plans for the procurement team, and the Procurement Improvement Board has been disbanded. A final report on the PIP will be considered by ARAC in January 2022.

**151.** Improvement of procurement processes will remain an ongoing element of financial monitoring, with oversight of the Chief Finance Officer Board, and regular reporting to the Resources Committee.

### **It is crucial that benefits from transformation projects are accurately measured, realised and reinvested**

**152.** We have reported in the past the importance of the accurate identification and measurement of the benefits arising from transformation projects. The successful realisation and reinvestment of benefits is crucial to the achievement of planned efficiencies and the resulting strategic objectives.

**153.** Police Scotland has a Benefits Management Strategy in place. There is also a clear governance and reporting route from the Portfolio Management Office (PMO) to the PS Change Board and then on a regular basis to the Resources Committee. Reporting on benefits realised focuses on individual project level, for example, mobile working and custody remodelling and provides a breakdown by the following elements:

- Cashable benefits
- Non cashable efficiencies – Officer Full Time Equivalent (FTE)
- Non cashable efficiencies – Staff FTE

**154.** Internal audit carried out a review in October 2020 and found the realisation of financial savings is clear and the planned savings, which are reflected in departmental and divisional budgets, are routinely monitored.

**155.** However, improvements were identified in relation to the measurement of planned non-cashable benefits such as FTE efficiency savings. It is important for success criteria to be set at the outset of these projects and programmes, and then consistently tracked to demonstrate where planned FTE benefits are achieved, and how these are then reinvested.

---

## Recommendation 7

Police Scotland has made progress in their measurement of cash savings from transformation projects but should improve the monitoring and evidencing of non-cashable benefits such as FTE savings are planned.

---

## National performance audit reports

**156.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2020/21 a number of reports were published which may be of direct interest to the Scottish Police Authority. These are outlined in [Appendix 3](#).

# Appendix 1. Action plan 2020/21

## 2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Register of Legal Provisions</b></p> <p>As part of our testing of legal provisions we identified a case that had been settled but had not been updated on the Legal Provisions Register. This resulted in an overstatement at the year-end of £0.445 million.</p> <p>Risk – The register which informs the year end provisions estimates may be inaccurate or out of date due to not having been reviewed at or near the year end.</p>	<p>Both the narrative and financial information on the Legal Provisions Register should be reviewed at the end of the year by the legal team so that Finance can be assured that the provisions estimates in the financial statements are accurate and complete.</p> <p><a href="#">Exhibit 2</a></p>	<p>Accepted.</p> <p>Legal Services shall implement a system of evidenced, quarterly reviews of the Legal Provisions Register. We will update case details, including the provision, where appropriate. In the event that a case settles or is brought to an end by some other form of disposal, the Legal Provisions Register shall be amended accordingly at that time.</p> <p>Responsible officer - James Douglas, Legal Services Manager</p> <p>Agreed date - 31 December 2021</p>
<p><b>2. Control environment</b></p> <p>Some minor control weaknesses were identified in our 2020/21 Management report in relation to payroll and expenses forms, changes to supplier details and reconciliations.</p> <p>We also identified a year-end journal which was raised and authorised by the same person.</p> <p>Risk – Weaknesses in the control environment,</p>	<p>The strengthening of the control environment should continue to be an area of focus.</p> <p>As there is no system control preventing self-authorisation of historic journals, a mitigating control should be put in place to prevent this issue from recurring.</p> <p><a href="#">Exhibit 2</a></p> <p><a href="#">Paragraph 44.</a></p>	<p>Accepted.</p> <p>This is an issue for historic journals only. An additional financial systems control is being put in place by adding a check to the closedown procedure that all historic journals are separately authorised, and amending process notes to mandate authorisation of any historic journals. This will be validated by routine 100% checks of system generated reports.</p>

Issue/risk	Recommendation	Agreed management action/timing
including inconsistent practices or self-authorisation increase the likelihood of fraud or error.		Responsible officer – Paul Colley, Financial Transactions Lead  Agreed date – 31 October 2021
<p><b>3. Medium and long-term financial planning</b></p> <p>There have been significant developments in the financial position of the Authority since 2018 when the medium and long-term financial plans were last prepared.</p> <p>Risk – the medium to long-term financial plans in place are out of date and no longer sufficient to enable effective financial management and support long term sustainability.</p>	<p>The draft five-year plan is due to go to the Resources Committee in September 2021, before approval by the Authority.</p> <p>There is a need to develop a revised ten-year financial strategy which takes account of the Strategic Workforce Plan, and which details how the financial balance achieved in 2021/22 will be maintained.</p> <p><a href="#">Paragraph 68.</a></p>	<p>Accepted.</p> <p>A ten-year financial strategy will be developed in line with the development of the capital strategy and other key strategic inputs, with a key focus on maintaining financial balance over the longer term.</p> <p>Responsible officer - Chief Financial Officer</p> <p>Agreed date - 30 September 2022</p>
<p><b>4. Capital Strategy</b></p> <p>The strategies supporting the medium and long term financial plans contain ambitious capital investment requirements.</p> <p>Risk – There is a risk that without a medium term capital strategy that the Authority is not able to make the best use of the capital budget made available to it by the Scottish Government</p>	<p>A draft Capital Strategy will go to the Authority for approval by the end of 2021. It should contain details of current and planned investment projects clearly detailing how they align with the strategic objectives.</p> <p><a href="#">Paragraph 72.</a></p>	<p>Accepted.</p> <p>The Capital Strategy for Policing is currently progressing through governance to SPA Board in September. It focuses on the delivery of established strategies and the financial requirements over a 5 year view, as well as plans for future strategies. The document details how the capital strategy supports the Police Scotland Strategic Planning Framework as well as the Scottish Government National Framework.</p> <p>Responsible officer – Michael Steele, Business Investment Lead</p> <p>Agreed date – 30 September 2021</p>
<p><b>5. Supporting Strategies</b></p>	<p>In the light of the increase in the revenue budget allocation, changes due to</p>	<p>Accepted.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>The Authority must keep its supporting strategies under review to ensure that the original aims and ambitions remain relevant and achievable within the constraints of available funding.</p> <p>Risk – There is a risk that the outcomes envisioned by the original strategy become out of date or are unachievable and require revision.</p>	<p>Covid-19 and the publication of refreshed financial and capital strategies, it is important that the other supporting strategies are kept under review.</p> <p><a href="#">Paragraph 74.</a></p>	<p>Our suite of strategies are kept under review and are each formally revised and updated to reflect the changing world in which we operate, approximately every three years. We recognise the importance of iterating the constituent strategies to ensure they reflect the changing threats and opportunities, as well as to ensure they integrate effectively with the other strategies.</p> <p>Responsible officer – David Page, Deputy Chief Officer</p> <p>Agreed date - Ongoing</p>
<p><b>6. Equalities Outcomes</b></p> <p>There is a clear commitment within Police Scotland and the Authority to progress their equalities outcomes. However, some outcome measures remain “under development”, while data is being gathered to better understand what the right measures would be.</p> <p>Risk – Progress against equalities outcomes could be limited if there are not reliable ways of measuring or evidencing them.</p>	<p>As more data and information is gathered on equality and diversity issues, a crucial next step for Police Scotland and the Authority to use this to develop measurable criteria that can be used to evaluate progress against their Equalities Outcomes.</p> <p><a href="#">Paragraph 124.</a></p>	<p>Following approval of the Joint Equality Outcomes in March 2021, Equality Outcome measures were mainstreamed into the Performance Framework and approved at the SPA Board in June 2021. Progress reporting against the Equality Outcome measures will come through quarterly and annual performance reporting to the Policing Performance Committee and SPA Board along with specific reporting to the SPA People Committee in relation to the workforce elements of the Equality Outcomes.</p> <p>Responsible officers – DCC Taylor and Amanda Coulthard, SPA Head of Strategy &amp; Performance</p> <p>Agreed date – 30 June 2021</p>
<p><b>7. Benefits realisation</b></p> <p>While the monitoring of financial savings has improved, Internal Audit have identified a need to set</p>	<p>Police Scotland should improve on the monitoring and evidencing of benefits in programmes where non-cashable benefits such as</p>	<p>Accepted</p> <p>Benefits realisation encounters many dependencies - as such, the refreshed realisation</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>success criteria at the outset of projects and programmes where non-cashable benefits are planned.</p> <p>Risk – If efficiency savings are not reliably measured or evidenced, it could be difficult to identify that a project has been successful, or to reinvest the savings in an effective way.</p>	<p>FTE savings are planned. This will also assist the Authority in its scrutiny role.</p> <p><a href="#">Paragraph 155.</a></p>	<p>approach looks to separate the eventual organisational impact (FTE) from the identification of the efficiency opportunity (time saved). This facilitates workforce management and organisational design while allowing for simpler monitoring at each stage</p> <p>Responsible officer – Andrew Hendry, Chief Digital Information Officer</p> <p>Agreed date – 30 April 2022</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. 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>Risk – 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>Complete</p> <p>The provision for dilapidations has been correctly accounted for in the 2020/21 financial statements.</p> <p>Good progress has been made in preparation for the implementation of IFRS 16 in 2021/22.</p>
<p><b>2. Control environment</b></p> <p>Control weaknesses were identified in our 2020/21 management report including in key areas such as payroll forms and reconciliations.</p> <p>Risk – 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>In Progress.</p> <p>Management actions in response to the control weaknesses are either completed or are in progress. We will test these controls improvements as part of our 2021/22 audit.</p>
<p><b>3. Medium and long-term financial plans</b></p>	<p>The Scottish Police Authority and Police Scotland must</p>	<p>Complete.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>The Scottish Government has only committed to supporting a deficit budget until 2020/21. Currently there are no plans to show how financial balance will be achieved.</p> <p>Risk - Financial balance is not achieved in the medium term, and the Scottish Government no longer supports a deficit position.</p>	<p>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 the Scottish Government must be sought.</p>	<p>In January 2020 the Scottish Government confirmed a £60 million baseline uplift to the Authority's revenue budget for 2021/22. As a result, in March 2021 the Authority was able to set a balanced budget for the first time in some years.</p> <p>Approval of a five year financial strategy and capital strategy are due in September 2021.</p>
<p><b>4. 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>Risk - The absence of such a plan will impact on long term financial sustainability and the achievement of transformational change.</p>	<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.</p>	<p>In progress.</p> <p>The Strategic Workforce Plan (SWP) was formally adopted in January 2021.</p> <p>As the implementation of the SWP progresses, we will monitor governance arrangements and assess how efficiency savings are identified and reinvested.</p>
<p><b>5. Strategies supporting the Joint Strategy on Policing</b></p> <p>Digital, Data 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</p>	<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.</p>	<p>Complete.</p> <p>The strategies supporting the Joint Strategy for Policing are in place. These plans will continue to be reviewed and revised as appropriate. Regular reporting to the relevant committees and the Authority is taking place regularly.</p> <p>Work to demonstrate the reinvestment of efficiencies and savings arising from transformation projects will continue to develop.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Joint Strategy for Policing 2020.</p> <p>Risk - The planned efficiencies, savings and transformation will not be achieved.</p>		
<p><b>6. 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>Risk - 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>Complete.</p> <p>In January 2021 an existing Authority member was appointed to the permanent role of Chair.</p> <p>In April 2021 six new Authority members were appointed. Excluding the Chair, the Authority now has an equal gender balance.</p> <p>In March 2021 the Authority's Interim Chief Executive was appointed on a permanent basis.</p>
<p><b>7. 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>Risk - 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>In progress.</p> <p>Some changes have been made to the committee structure but more needs to be done to reduce agendas and the volume of papers.</p>
<p><b>8. 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</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</p>	<p>In progress.</p> <p>The revised Governance and Accountability Framework has provided further clarity over the roles and responsibilities of those</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>significant changes in key personnel.</p> <p>Risk - The role of the Scottish Police Authority is not fully understood by all parties involved in policing in Scotland.</p>	<p>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>involved with policing in Scotland.</p> <p>A roundtable discussion with all parties involved in policing in Scotland was held in March 2021 to consider governance arrangements.</p> <p>The Scottish Government have committed to prepare a paper for a future roundtable on the Accountable Officer status.</p>
<p><b>9. 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>Risk - 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>In progress.</p> <p>A revised performance management framework was approved in June 2020 and, while significant improvements and elements of good practice have been identified, there is further work to be done in linking actions under the framework to impact on performance. Police Scotland have proposed a number of actions in response to recommendations, which are due to be completed by May 2022.</p>
<p><b>10. 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>Risk - The spend on procurement is not monitored effectively and the contract register is incomplete. Procurement activities may</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>Complete.</p> <p>The Procurement Improvement Plan has been completed, with some improvements being taken forward into “business as usual” financial monitoring.</p> <p>A list of expenditure over £25,000 for 2020/21 has been added to the Scottish Police Authority website.</p>

Issue/risk	Recommendation	Agreed management action/timing
therefore not fully comply with legislation.		

---

# Appendix 2. Significant audit risks

The table below sets out the audit risks we identified on the 2020/21 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 financial statements and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

## Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Standards on Auditing require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of the management override of controls to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries</p> <p>Review of accounting estimates</p> <p>Focused testing of accruals and prepayments</p> <p>Identifications and evaluation of significant transactions that are outside the normal course of business.</p>	<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. We identified one self-authorised journal, which was of low value, but we are satisfied that this was an isolated incident.</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>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be</p>	<p>Testing of controls over expenditure/payables</p> <p>Carry out variance analysis on expenditure streams to identify unexpected variances which will direct our testing</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<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>

Audit risk	Assurance procedure	Results and conclusions
<p>materially misstated in the financial statements.</p> <p>The Scottish Police Authority incurs material amounts of non-pay expenditure on contracts and in prior years we have identified issues over procurement controls, which can increase the risk of fraud over expenditure.</p>	<p>Substantive cut-off testing of expenditure to ensure that it has been recognised in the correct financial year.</p>	
<p><b>3. Estimation and judgements - Provisions and property valuations</b></p> <p>There is a significant degree of estimation and judgement for provisions and property valuations in the accounts. This results in a higher level of uncertainty over those amounts.</p> <p>There is a risk of continued uncertainty in property valuations for 2020/21 due to Royal Institute of Chartered Surveyors (RICS) guidance that valuations should only be carried out via desktop exercise because of the ongoing Covid-19 pandemic and restrictions.</p>	<p>Review management's assessment of the appropriateness of valuer assumptions.</p> <p>Review the further revisions to the processes for identifying and recording provisions.</p> <p>Carry out detailed testing of provision balances in the 2020/21 financial statements.</p>	<p><b>Results:</b> We reviewed the valuation report provided by the external valuer in relation to property. In the course of our audit, following a revision to RICS guidance, the valuer re-issued their valuation report, removing reference to material valuation.</p> <p>Our testing of a sample of legal Provisions identified an error which resulted in an adjustment to the financial statements (see <a href="#">Appendix 1. Recommendation 2</a>) We sought further assurances from the legal team on the accuracy of the claims register to provide assurance that there is not a material misstatement in the Provisions balance.</p> <p><b>Conclusion:</b> Estimates and judgements included in the audited accounts are satisfactory.</p>
<p><b>4. Estimation and judgements – Pensions</b></p> <p>Pension valuation is a key area of significant estimation and judgement. A full valuation was carried out by management's expert, the Government Actuary Department (GAD) for the Police Pension Scheme for 2020/21. However, these values are not being used</p>	<p>Review management's assessment of the appropriateness of actuarial assumptions</p> <p>Review management arrangements for assessing the impact of any movement in fund values between the IAS19 valuation date and year end</p>	<p><b>Results:</b> We confirmed that management had engaged with the pension fund actuaries, Hymans Robertson and GAD, in relation to actuarial assumptions.</p> <p>We obtained assurance from GAD that the roll forward of the 2016 valuation figures for an additional year did not</p>

Audit risk	Assurance procedure	Results and conclusions
<p>due to Covid-19 delays in finalising the amounts. Therefore, for 2020/21, GAD have advised that they are rolling forward their 2019/20 valuation figures for the Police Pension Schemes.</p> <p>This increases the risk that the pension costs and liability in the financial statements will be materially misstated.</p>	<p>Consider use of an auditor's expert to review the estimations and judgements used by management's expert, GAD.</p>	<p>result in a risk of material misstatement.</p> <p>We referred to work carried out on our behalf by PwC to gain third party assurance over the actuarial assumptions and methodologies used by Hymans Robertson and GAD in preparation of the IAS19 reports.</p> <p><b>Conclusion:</b> Estimates and judgements in relation to pensions are satisfactory.</p>
<p><b>5. Remuneration Report</b></p> <p>Previous audit reports have commented on errors and late changes to the amounts disclosed in the remuneration report.</p> <p>The 2020/21 remuneration report will include the changes to members and staff, including the backdated pay award and the effects of the SPA restructure.</p> <p>There is a risk of error in the completeness and accuracy of disclosures.</p>	<p>Detailed testing of all amounts and disclosures in the remuneration report.</p> <p>Ensure that all appropriate persons are correctly disclosed in the remuneration report as a result of the SPA Executive restructure.</p>	<p><b>Results:</b> We tested the amounts and disclosures in the remuneration report and assessed the completeness of those individuals disclosed.</p> <p><b>Conclusion:</b> The 2020/21 remuneration report accurately disclosed the required amounts and disclosures with very minimal changes required.</p>

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>6. Financial sustainability</b></p> <p><b>Planned budget deficit</b></p> <p>The 2020/21 budget was set with a planned deficit of £44 million. As with previous years the Scottish Government has agreed this position with the understanding that over the course of the year steps will be taken to minimise the</p>	<p>Assess the five-year financial strategy when published in September 2021.</p>	<p><b>Results:</b> An increase of £60 million to the baseline revenue budget for 2021/22 has enabled a balanced budget to be set.</p> <p><b>Conclusion:</b> To address longer term financial sustainability a draft five year financial strategy has been prepared and will be</p>

Audit risk	Assurance procedure	Results and conclusions
<p>extent of the deficit as far as possible.</p>		<p>presented to the Authority for approval in September 2021.</p>
<p><b>7. Transformation and benefits realisation</b></p> <p>The new Strategic Workforce Plan (SWP) was endorsed by the Police Scotland Strategic Leadership Board in November 2020 and is now being implemented.</p> <p>The SWP identified a resource gap across the Local Policing Divisions and National Services of £55.4 million, based on current practice and predicted demand. The productivity gains which are anticipated from the various Change projects will reduce the gap to £20.6 million. A Demand, Design and Resourcing Board has been established to monitor the realisation of Change Project benefits including reducing the resource gaps in the SWP.</p> <p>There is a risk that without robust monitoring, the realisation and reinvestment of productivity gains are not achieved.</p>	<p>Review the Strategic Workforce Plan alongside Audit Scotland's <i>Good Practice Guide</i> on workforce planning.</p> <p>Review implementation of the SWP.</p> <p>Review the governance arrangements for evidencing efficiency savings made via the Change programme, and how these become realised benefits.</p>	<p><b>Results:</b> The SWP has been prepared in line with the Good Practice Guide on workforce planning, but implementation is still at an early stage.</p> <p><b>Conclusion:</b> As the implementation of the SWP progresses, we will monitor governance arrangements and assess how efficiency savings are identified and reinvested.</p>

# Appendix 3. Summary of 2020/21 national performance reports

---

## April

[Affordable housing](#)

## June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

## July

[The National Fraud Initiative in Scotland 2018/19](#)

## January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

## February

[NHS in Scotland 2020](#)

## March

[Improving outcomes for young people through school education](#)

# Scottish Police Authority

## 2020/21 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)