

# Scottish Police Authority

2021/22 Annual Audit Report



 AUDIT SCOTLAND

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

September 2022

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# Contents

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Key messages	3
Introduction	5
1. Audit of 2021/22 annual report and accounts	8
2. Financial management	17
3. Financial sustainability	22
4. Governance and transparency	27
5. Value for money	32
Appendix 1. Action plan 2021/22	36
Appendix 2. Summary of 2021/22 national performance reports and briefing papers	43

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# Key messages

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## 2021/22 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 2022 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 2021/22 financial statements.
- 3** Adjustments have been made to the annual accounts as a consequence of the audit process, in relation to provisions and in the remuneration and staff report.
- 4** The financial position of the Authority is most significantly impacted by the inclusion of the unfunded police pension scheme, which now sits at £24.2 billion. The benefits paid out are deficit-funded by Scottish Government grant. There was a 26% (£42 million) increase this year in the funded deficit, partly due to an increasing trend to commute annual pension benefits for lump sums.

## Financial management

- 5** The Scottish Police Authority overspent on its budget by an approved £3.5 million, after setting a balanced budget for 2021/22. The overspend related to Covid-19 expenditure.
- 6** The Scottish Police Authority has appropriate and effective financial management arrangements in place with regular budget monitoring reports provided to the Authority.
- 7** Systems of internal control operate effectively, and these have not been adversely affected by home working.

## Financial sustainability

- 8** Medium to long term financial planning needs to be closely monitored and include scenario planning to enable the Scottish Police Authority to respond flexibly to an increasingly challenging financial landscape so that key services continue to be delivered.

- 9 Until the next iteration of the Strategic Workforce Plan is delivered in April 2024, the Authority needs to ensure that Police Scotland uses the data and intelligence it has available to deliver the correct skill mix for effective policing.
- 10 The Scottish Police Authority progressed some transformation plans despite the Covid-19 pandemic.

## **Governance and transparency**

- 11 Governance arrangements, adapted to reflect the impact of the Covid-19 pandemic, continue to be appropriate and effective.
- 12 Whilst there is evidence of a commitment to advancing equalities, developing and analysing data relating to equality needs to be enhanced to support this commitment and reporting on equality outcomes.

## **Value for money**

- 13 Whilst the Scottish Police Authority has made good progress in establishing its approach to best value arrangements, including a comprehensive self-assessment exercise, Police Scotland have yet to develop their approach which is a duty of the Chief Constable.
- 14 A revised performance framework was introduced for 2021/22, but there was limited benchmarking. The refreshed framework for 2022/23 will include benchmarking against other UK police forces.
- 15 At a time of transformation, it is recognised that improved reporting of the (cash and non-cash) benefits realised relative to the investment made must be produced to both aid management and support effective scrutiny by members.

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# Introduction

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1. This report summarises the findings from our 2021/22 audit of the Scottish Police Authority.
2. The scope of our audit was set out in our Annual Audit Plan presented to the 18 March 2022 meeting of the Audit, Risk and Assurance Committee. This report comprises the findings from:
  - an audit of the Scottish Police Authority's annual report and accounts, which encompasses the Scottish Police Authority and Police Scotland
  - consideration of the four audit dimensions that frame the wider scope of public audit as set out in the [Code of Audit Practice 2016](#).
3. The main elements of our audit work in 2021/22 have been:
  - an audit of the Scottish Police Authority's 2021/22 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 global coronavirus pandemic continued to have an impact on the Scottish Police Authority during 2021/22. This has had significant implications for Police Scotland in terms of the services it delivers, sickness absence levels, and accumulation of overtime and untaken annual leave. We have taken this into consideration when conducting our audit work over staff costs. There were no specific risks relating to the pandemic included in our annual audit plan. We reviewed our assessment of the key risks in advance of the year-end financial statement audit, and considered that our risk assessment remained relevant, and there were no new or emerging risks that affect our audit.

## 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 2) and good practice guides
  - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Responsibilities and reporting

- 6.** The Scottish Police Authority has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers.
- 7.** Also, the Scottish Police Authority is 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 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 the 2021/22 audit fee of £210,280 as set out in our 2021/22 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.

## Audit appointment from 2022/23

**15.** The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

**16.** The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Grant Thornton UK LLP will be the appointed auditor for the Scottish Police Authority. We will work closely with the new auditors to ensure a well-managed transition.

**17.** A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

**18.** We would like to thank Board members, Audit, Risk and Assurance Committee members, Executive Directors, and other staff, particularly those in finance for their co-operation and assistance over the last six years.

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# 1. Audit of 2021/22 annual report and accounts

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

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## 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 2022 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 2021/22 financial statements.

Adjustments have been made to the annual accounts as a consequence of the audit process, in relation to provisions and in the remuneration and staff report.

The financial position of the Authority is most significantly impacted by the inclusion of the unfunded police pension scheme, which now sits at £24.2 billion. The benefits paid out are deficit-funded by Scottish Government grant. There was a 26% (£42m) increase this year in the funded deficit, partly due to an increasing trend to commute annual pension benefits for lump sums.

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

**19.** The annual report and accounts for the year ended 31 March 2022 were approved by the Authority on 29 September 2022. 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 audit report and accounts were submitted in line with our agreed audit timetable

20. The unaudited annual report and accounts were received in line with our agreed audit timetable on 20 June 2022. The working papers provided to support the accounts were of a good standard and the audit team received prompt responses from finance staff.

## Overall materiality is £20 million

21. 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 and revised upwards as summarised in [Exhibit 1](#). However, there was no impact on our audit approach.

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### Exhibit 1 Materiality values

Materiality level	Planning	Revised
Overall materiality	£18 million	£20 million
Performance materiality	£10.5 million	£12 million
Reporting threshold	£250,000	£250,000

Source: Audit Scotland

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22. In determining performance materiality, we considered the following factors:

- our understanding of the Scottish Police Authority
- the nature and extent of misstatement identified in previous years
- issues identified through our risk assessment processes.

23. The overall scope of the audit was planned to incorporate the significant assessed risks of material misstatement included within [Exhibit 2](#).

## Audit assurances have been obtained to address significant risks of material misstatement

24. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Exhibit 2

### Significant 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 (ISA) 240 require audits to be 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>Assess the design and implementation of controls over journal entry processing.</p> <p>Detailed testing of journals and other adjustments at the year-end and post-closing entries.</p> <p>Identify and evaluate significant transactions outside the normal course of business.</p> <p>Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</p> <p>Review the methods and underlying assumptions used to prepare accounting estimates.</p> <p>Focused testing of accounting accruals and prepayments to confirm they are accounted for in the correct financial year.</p>	<p>We did not identify any significant issues in our work on journals or accounting estimates. Our testing of accruals and prepayments did not identify any errors and our work on income and expenditure did not identify any significant transactions outside the normal course of business.</p> <p><b>Conclusion:</b> No issues were identified that indicated management override of controls.</p>
<p><b>2. Risk of material misstatement due to fraud in expenditure recognition</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 materially misstated in the financial statements.</p> <p>The Scottish Police Authority incurs material amounts of non-pay expenditure.</p> <p>A new Purchase to Payment (P2P) system has been</p>	<p>Detailed testing of controls over expenditure/payables.</p> <p>Detailed testing of the new P2P system controls.</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>Substantive cut-off testing of expenditure to ensure that it</p>	<p>From our testing of controls over expenditure/payables (including the P2P system), we found the control environment to be robust, apart from some weaknesses around processing changes to supplier bank details, which we reported in our 2021/22 Management Report.</p> <p>Consequently, we reviewed transaction listings for duplicate payments as part of our detailed testing of</p>

Audit risk	Assurance procedure	Results and conclusions
<p>implemented during 2021/22 including a new procurement module in the financial ledger. As this is a new system there is potential for there to be weaknesses in the control environment which may present opportunities for fraud.</p>	<p>has been recognised in the correct financial year.</p>	<p>expenditure and found no issues.</p> <p>We did not identify any significant issues from our testing of expenditure transactions, and no instances of fraud were identified.</p> <p><b>Conclusion:</b> No fraud issues were identified.</p>
<p><b>3. Estimation and judgements in the valuation of 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.</p> <p>However, these values were not used in the 2020/21 accounts due to Covid-19 related delays.</p> <p>The 2021/22 accounts will include the revalued liabilities.</p> <p>The subjective nature of the assumptions applied increases the risk that the pension costs and liability in the financial statements will be materially misstated.</p>	<p>Review management's assessment of the appropriateness of actuarial assumptions.</p> <p>Review the accounting treatment applied based on reports received from third parties.</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>Consider use of an auditor's expert to review the estimations and judgements used by management's expert, GAD.</p>	<p>The GAD valuation from 31 March 2020 was used in the 2021/22 accounts.</p> <p>From review of the disclosures relating to the pensions' schemes, we did not identify any material misstatements.</p> <p>Actuarial assumptions differ slightly between the two pension schemes but are all considered to be reasonable.</p> <p>Management's arrangements for assessing impact of movement in fund values, and for assessing assumptions are appropriate.</p> <p>For both pension schemes we commissioned, along with other audit agencies, PwC and Grant Thornton to carry out reviews of the actuaries to support our work.</p> <p><b>Conclusion:</b></p> <p>The statement of financial position records pension liabilities with a value of £24.456 billion at 31 March 2022. This is an increase of £2.293 billion from 2020/21.</p> <p>No issues in relation to estimations and judgements over pension valuations were identified.</p>

## Other areas of audit focus

**25.** In our 2021/22 Annual Audit Plan, we also identified a risk of material misstatement within the Police Pension Account. Funding is made through a Police Specific Grant (£399.70. million in 2021/22) which takes into account the funding to meet the cost of the employer contributions. Due to the significant value of liabilities, which are increasing each year, and the uniqueness of the funding it is a specific area of audit focus.

**26.** Other areas of focus we identified included the legal provisions register and the accuracy of the carrying value of assets not revalued in year.

**27.** We kept these areas under review throughout our audit and, based on the findings of the audit procedures performed, all further matters identified to be brought to your attention are detailed within [Exhibit 3](#).

## Total comprehensive net expenditure reported in the 2021/22 Financial Statements is £3.64 billion

**28.** As shown in the Statement of Comprehensive Net Expenditure, the Scottish Police Authority incurred total comprehensive net expenditure of £3.64 billion in 2021/22. Of this amount, £2.00 billion relates to the in-year actuarial loss and pension fund interest, leaving a remaining balance of £1.64 billion.

**29.** The pension liability has increased by £2.29 billion in the Statement of Financial Position to £24.46 billion, of which £24.24 billion relates to police officer pensions and £0.21 billion relates to police staff.

**30.** The Police Pension Account is maintained to record the payments made and income received in respect of police pensions. In 2021/22, the Scottish Police Authority reported contributions in of £286.28 million and benefits paid out of £491.95 million. Lump sums paid out increased by 41.9% from 2020/21, and this was due to an increase in leavers compared to the previous year.

**31.** Factors contributing to the increase in leavers include both the lifting of the commutation cap (whereby officers could retire with a more generous lump sum than had previously been anticipated) and by some officers having postponed their retirement due to Covid-19 and COP26. A direct consequence of this has been that the element of the police pension grant from the Scottish Government which is required to meet the deficit in employer contributions has had to increase by 25.5%, from £164.07 million in 2020/21 to £205.84 million in 2021/22.

**32.** The Police Pension Grant is a separate line in the budget of the Scottish Government. It will be important to anticipate retirement trends to enable preparation of forecasts of this budget line.

**Exhibit 3****Findings from the audit of financial statements**

Issue	Resolution
<p><b>1. Legal Provisions Estimates</b></p> <p>In our review of legal provisions estimates, we found that a number of legal cases had been provided for at prudent values, contrary to the “best estimate” requirements in the accounting standards, causing the provisions balance in the Statement of Financial Position to be overstated.</p> <p>There were a number of cases across the legal provisions register which had not been reviewed at year-end. This can cause issues where cases have progressed and the register is not updated, or a mistake in the register may not be identified prior to the financial statements being drafted.</p> <p>We distinguished these errors noted above from cases which had been settled post-year end. Accounting standards require adjustments for such cases but they are not considered to be errors.</p>	<p>Finance and Legal officers worked together to consider solicitors’ judgements on the likelihood of success and potential value for each high value case, then applied a weighting to arrive at a best estimate. This is now consistent with the accounting standards.</p> <p>The financial statements were adjusted to reflect this improved estimate. The result of this is that both the provisions balance and other expenditure have been reduced by £4.142 million.</p> <p>Cases which have settled post-year end have also been adjusted, resulting in further reduction of these balances of £0.504 million. These are not errors.</p> <p>The Authority has undertaken to complete a year-end review of legal provisions in future, with significant cases being discussed between the Legal and Finance teams. This will help to ensure that cases are being valued using the most up to date information, and that accounting requirements are being consistently applied.</p> <p><b>Recommendation 1</b> (Refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>2. Duplicate Motor Liability provision</b></p> <p>While testing legal provisions, we identified a motor liability claim which had been double counted, causing the provisions balance in the Statement of Financial Position to be overstated. The claim was valued at £0.300 million on one register and at £0.204 million on another.</p>	<p>The total provision recorded for this claim was £0.504 million and it has now been settled. The duplicated element of the original balance has been corrected by reducing both the provisions balance and other expenditure by £0.300 million.</p>
<p><b>3. Carrying value of property and land assets not revalued in year</b></p> <p>For assets not subject to revaluation during the year (£423.325m out of a total of £520.472m) there is a risk that the carrying value does not reflect the current value. Combined with the current volatility in the property market, this results in a higher level of uncertainty over these amounts. We found</p>	<p>Our additional work allows us to take assurance that properties are not materially misstated.</p> <p>Senior management have accepted that further work needs to be undertaken to review the assets not scheduled for revaluation in year and consider if they should be revalued ahead of time to give</p>

that the current level of consideration given to the carrying value of assets not revalued in year was insufficient to provide evidence and assurance over those amounts.

We therefore carried out additional work including consideration of: the value of assets held by the Authority; indices for similar style properties where appropriate; and discussion with Professional Support colleagues.

assurance that the carrying value is not misstated.

### Recommendation 2

(Refer [Appendix 1](#), action plan)

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## 4. Exit packages

There were two exit packages which had been disclosed in the wrong period (with a value of £0.288 million) and a further package which had been understated due to the omission of the lump sum of £0.016 million in the total.

We also identified that compensatory added years (CAY) estimated future costs, which had been included in the reports for approving exit packages, had not been included in the exit package totals in the disclosure. These costs are included by actuaries in their pension estimates, so these were only missing from the exit packages disclosure, not the financial statements.

The finance team reviewed the exit packages not included in our testing and discovered a further two exit packages (total value £0.057 million) accounted for in the wrong period.

The additional lump sum has now been added into the total (£0.016 million increase in total), and the four exit packages which relate to 2020/21 or 2022/23 were removed (£0.346 million).

The 2020/21 exit package note has been updated for two exit packages which relate to 2020/21 (£0.286 million).

Senior management have taken the decision not to adjust the financial statements for these errors.

The CAY estimated future costs have now been included in the exit package notes, which increased the value of exit packages by £0.654 million in the disclosure. These costs were already included in the financial statements so no further adjustments were required.

Senior management should ensure that there is an enhanced quality assurance process for reviewing the exit packages disclosures given their high profile in the annual report and accounts.

### Recommendation 3

(Refer [Appendix 1](#), action plan)

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## 5. Remuneration and Staff Report

We identified that a number of corrections were required to the Remuneration and Staff Report, the content of which is material by nature. This included amendments to the remuneration of Members and Senior Management within the Scottish Police Authority and Police Scotland.

All errors identified have been amended in the Remuneration and Staff Report and we are satisfied that it complies with the FReM.

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This related to non-consolidated payments, and the new requirements of the fair pay disclosure, both of which were in the annual report and accounts for the first time.

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## 6. Corporation Tax

Sections 86 and 87 of the Police and Fire Reform (Scotland) Act 2012 note that profits arising from the provision of goods and services are taxed as trading profits. This includes rentals on surplus properties and land used for phone masts.

As reported in the annual report and accounts, the Authority, along with their tax advisors, are currently reviewing the methodology for calculation of any liability and are in dialogue with HMRC to ensure that this is accounted for correctly. This may result in further assessment and an additional corporation tax liability.

No provision or contingent liability was included in the annual accounts for 2021/22 to reflect any payment which may require to be made.

The Scottish Police Authority are in dialogue with HMRC so no conclusion on the value of any provision can be made.

A non-quantified contingent liability has been included in Note 27.

From discussion with the Authority, we are satisfied that this is not material to the accounts.

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Source: Audit Scotland

## Identified misstatements of £4.4 million were adjusted in the accounts. These are less than our performance materiality and consequently we did not need to revise our audit approach.

**33.** Total adjusted misstatements identified through our testing were £4.442 million.

**34.** We have reviewed the nature and causes of these misstatements. Finance and legal colleagues have reviewed the legal provisions figure and provided additional workings. We have reviewed this work and we are satisfied that no additional testing is required.

**35.** Adjustments made in the audited accounts decreased net expenditure in the Statement of Comprehensive Net Expenditure by £4.442 million and there was a corresponding increase in net assets in the Statement of Financial Position. There were no other adjusted misstatements identified that exceeded our reporting threshold.

**36.** There was a further adjustment of £0.654 million to the exit packages disclosure within the Remuneration and Staff Report. This did not affect the financial statements as the future estimated costs involved had already been included in the pension disclosures.

**37.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance, considering advice from senior officers and materiality. During our testing, the finance team identified a formula error which resulted in accrued income being overstated by £0.254 million. There were also adjustments to the exit packages disclosure in the Remuneration and Staff Report, as four exit packages with a value of £0.346 million were accounted for in the wrong year and a lump sum of £0.016 million had been omitted. The net impact of this adjustment on the 2021/22 exit packages disclosure was a reduction of £0.330 million.

**38.** Management have opted not to adjust for these errors in the financial statements, with the result that the Statement of Comprehensive Net Expenditure is overstated by £0.076 million, and net assets in the Statement of Financial Position are overstated by the same amount. There are no further unadjusted errors to report.

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

**39.** 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](#).

### **Whole of Government Accounts 2020/21**

**40.** In accordance with the WGA (Whole of Government Accounts) guidance, we completed the required assurance statement for the delayed 2020/21 WGA, and this was submitted to the National Audit Office (NAO) by the revised deadline of 31 August 2022.



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## 2. Financial management

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

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### Main judgements

The Scottish Police Authority overspent on its budget by an approved £3.5 million, after setting a balanced budget for 2021/22. The overspend related to Covid-19 expenditure.

The Scottish Police Authority has appropriate and effective financial management arrangements in place with regular budget monitoring reports provided to the Authority.

Systems of internal control operate effectively, and these have not been adversely affected by home working.

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### The Statement of Financial Position 2021/22 continues to show a significant negative taxpayers' equity balance

**41.** The Statement of Financial Position summarises what is owned and owed by the Authority. At the year-end, it shows a net liability of £24.05 billion, an increase of £2.25 billion from 2020/21. The magnitude of the net liability position is due to the pension liabilities for police officers and staff, of £24.46 billion. Police officers are part of an unfunded scheme with total liabilities of £24.24 billion, while police staff are part of funded local government pension schemes with net liabilities of £213 million.

**42.** The Scottish Government is aware of the liability and has provided assurance that it recognises its 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.

**43.** On an annual basis, along with 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. We also jointly commission Grant Thornton to review the work of the Government Actuary's Department (GAD) who provide an assessment of the scheme liabilities for unfunded public sector pension schemes. These two auditor experts consider the methodologies used by actuaries and the actuarial assumptions they use in preparing the IAS19 reports. The PwC and Grant Thornton reviews both concluded that the methodologies and assumptions used by Hyman Robertson (for police staff)

and GAD (for officers) are reasonable. Consequently, we can place reliance on the work of management's experts for the IAS19 estimated net liabilities.

**44.** Excluding pension liabilities, the net asset position for the Scottish Police Authority has increased and as at 31 March 2022 was £407.72 million (2020/21: £366.33 million). This is mainly due to the increase in carrying values of property, plant and equipment (£11.75 million) and the increase in cash balances (£35.62 million), with some minor other movements offsetting this.

### **The financial statements report total comprehensive net expenditure of £3.645 billion**

**45.** The 2021/22 financial statements show total comprehensive expenditure of £3.645 billion (2020/21: £3.640 billion). Of this amount, £2.000 billion relates to the in-year actuarial loss, and pension fund interest. A further actuarial cost of £0.293 billion is included in staff costs, leaving a remaining balance of £1.351 billion.

**46.** These actuarial figures, which are obtained at year end from the actuaries, do not feature in the in-year budget reporting of the Authority. The budget reporting of the Authority focuses on expenditure against funding from the Scottish Government and includes direct staff costs and non-pay expenditure including accommodation, equipment and transport. The Authority also reports on spending against capital and reform funding and this is shown in [Exhibit 4](#).

**47.** We observed that senior management and the board received regular and detailed budget monitoring reports in order to monitor and scrutinise the Scottish Police Authority's financial position throughout the year.

### **The Scottish Police Authority overspent on its budget by an approved £3.5 million**

**48.** The main financial objective for the Scottish Police Authority is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. The Scottish Police Authority was able to set a balanced budget for 2021/22 after reporting, for a number of years, a 'structural deficit'. This improvement in position stems from additional funding of £60 million from the Scottish Government for 2021/22, plus an extra £15 million to mitigate costs relating to Covid-19.

**49.** The Scottish Police Authority has reported an outturn of £1,228.5 million against an overall revenue budget of £1,225.0 million for 2021/22, with an approved overspend of £3.5 million. This related to Covid-19 funding, see paragraph 56.

**50.** As in previous years, the Scottish Government provided £27 million of working capital cash to Scottish Police Authority to meet working capital requirements.

**51.** The financial performance against budget is shown in [Exhibit 4](#).

## Exhibit 4

### Performance against budget in 2021/22

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource DEL	1220.3	1225.0	1228.5	3.5
Resource Reform Funding	25.0	23.1	22.9	(0.2)
<b>Total Revenue Outturn</b>	<b>1245.3</b>	<b>1248.1</b>	<b>1251.4</b>	<b>3.3</b>
Capital DEL	45.5	50.1	50.0	(0.1)
Capital Reform Funding	4.6	4.6	4.6	0.0
<b>Total Capital Outturn</b>	<b>50.1</b>	<b>54.7</b>	<b>54.6</b>	<b>(0.1)</b>
<b>Total Resource</b>	<b>1295.4</b>	<b>1302.8</b>	<b>1306.0</b>	<b>3.2</b>
Non-cash DEL		50.000	52.228	2.228
Expenditure outside DEL		3.804	3.804	0.000
Annually Managed Expenditure		75.000	83.586	8.586

Source: Scottish Police Authority Annual Report and Accounts 2021/22

## Capital and reform budgets have been utilised in year

**52.** The capital budget of £54.7 million (inclusive of £4.6 million reform funding) was increased by a further £3.5 million from capital receipts and other grants. There was an underspend of £0.1 million against total funding of £58.1 million. Areas of greatest expenditure were estate, including work on Kittybrewster productions store and fleet, including infrastructure to support electric vehicles, totalling £26 million.

**53.** The reform budget was made up of £23.1 million revenue and £4.6 million capital (included above) to support the transformation of policing in Scotland. Spending, as in previous years, has been on resource to support transformational projects and costs associated with the harmonisation of police staff pay and terms (SPRM staff pay and reward modernisation).

## COP 26 expenditure of £51.5 million in 2021/22 was monitored separately

**54.** The UK Government hosted the United Nations Framework Convention on Climate Change 26th Conference of the Parties (COP 26) in Glasgow in autumn 2021. Police Scotland had responsibility for maintaining the security of the event. The revenue and capital costs incurred by Police Scotland in 2021/22 were £51.5 million, with the total programme spend for Police Scotland

estimated at £60.1 million, which also includes costs incurred in 2020/21. All of these directly incurred costs have been recovered in full from the UK government. There was regular reporting of budgets and expenditure to the Resources Committee, and reporting to the Authority at key milestones during the project.

### **Covid-19 continued to have a financial impact on policing**

**55.** £15 million of additional funding from the Scottish Government was provided to support the impact of Covid-19. This was to support: loss of income of £10 million, £3 million for additional personal protective equipment (PPE) and £2 million to support additional cleaning costs. The Scottish Police Authority identified in autumn 2021 that it would not need the full funding and agreed to return £6.2 million to the Scottish Government.

**56.** In December 2021, following the emergence of the Covid-19 Omicron variant, the Scottish Government authorised additional funding cover of up to £6.2 million for the Scottish Police Authority to spend on Covid-19 related costs. The Scottish Police Authority spent £3.5 million of this additional funding. Quarterly financial reports to the Authority identified the spending directly related to Covid-19.

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

**57.** Our management report was presented to the Audit, Risk and Assurance Committee on 14 July 2022. It detailed our findings from the review of the main systems of internal control. We concluded that the controls tested were operating effectively. No significant internal control 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.

**58.** We were pleased to note that processes have been introduced to carry out sample checks on the existence of staff and that the process will continue to evolve to retain better documentation of the work done. We also noted that whilst checks are made when bank supplier details are changed, those checks are not evidenced. Actions are being implemented to address these points.

### **Internal audit continues to be effective, completing all planned work in year**

**59.** The body's internal audit function is carried out by Azets. Public Sector Internal Audit Standards (PSIAS) require the chief internal auditor to provide an annual internal audit opinion and report that can be used to inform the annual governance statement. The opinion provided in 2021/22 is that of "reasonable assurance regarding the organisations' governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks". All planned reviews were completed, and all recommendations made were accepted by the Authority.

**60.** We reviewed the internal audit function in terms of International Standard on Auditing (UK) 610: Using the Work of Internal Auditors and were satisfied that we could place reliance on the work of internal audit. Whilst we have reviewed the work of internal audit in relation to legal claims handling, strategic

planning and overtime and allowances, the conclusions we reached are based upon our own judgement.

## The Authority continues to proactively engage with the National Fraud Initiative

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

**62.** We have reviewed the arrangements in place to maintain standards of conduct and we have concluded that there are appropriate arrangements in place for the prevention and detection of fraud, error and irregularities. A new members' code of conduct and an overarching fraud policy were introduced during 2021/22.

**63.** At the July 2022 Audit, Risk and Assurance Committee, it was noted that although whistleblowing policies are in place, the number of whistleblowing cases being reported are very low. The Authority noted that it would review its whistleblowing policy in 2022/23 and Police Scotland committed to internal communications to increase awareness of its policy.

**64.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. [Exhibit 5](#) summarises the result for the Scottish Police Authority.

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### Exhibit 5 NFI activity



1449

Matches



26

Classified as high and  
medium fraud risks



1449

Completed/closed  
investigations

- Source: NFI secure website: [www.nfi.gov.uk](http://www.nfi.gov.uk)
- 

**65.** 20 errors were identified totalling £42 thousand, with the majority related to duplicate paid invoices. These were reviewed by Police Scotland who were satisfied these stemmed from errors and not fraud. The Authority was proactive in considering and reviewing the matches identified by the NFI system. The results of the work done were last reported to the Audit, Risk and Assurance Committee in July 2021.

# 3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services

## Main judgements

Medium to long term financial planning needs to be closely monitored and include scenario planning to enable the Scottish Police Authority to respond flexibly to an increasingly challenging financial landscape so that key services continue to be delivered.

Until the next iteration of the Strategic Workforce Plan is delivered in April 2024, the Authority needs to ensure that Police Scotland uses the data and intelligence it has available to deliver the correct skill mix for effective policing.

The Scottish Police Authority progressed some transformation plans despite the Covid-19 pandemic.

## We have obtained audit assurances over the wider audit dimension risks relating to Financial Sustainability identified in our 2021/22 Annual Audit Plan

66. [Exhibit 6](#) sets out the wider audit dimension risks we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

### Exhibit 6

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>Financial Sustainability</b></p> <p>A 5 year financial plan was approved by the Authority in September 2021. It maintains a balanced budget under the assumption that unavoidable cost pressures will be met either by funding from Scottish Government (SG) or</p>	<p>Assess the medium-term financial and supporting strategies.</p> <p>Monitor progress of development of the long-term financial strategy.</p>	<p>The medium and long term financial plans are due to be refreshed in Autumn 2022. According to the Financial Planning Framework brought to the Authority in March 2022, financial sustainability is reliant on effective implementation of the Strategic Workforce Plan</p>

Audit risk	Assurance procedure	Results and conclusions
<p>savings across the organisation.</p> <p>Development of a 10 year financial strategy that takes into account the various supporting strategies, including the Strategic Workforce Plan, is still ongoing.</p> <p>There is a risk that SG funding and achievable savings are insufficient, leading to a deficit.</p> <p>There is a risk that the supporting strategies in place are no longer sufficient to enable effective financial management and support long term sustainability.</p>		<p>(SWP) which is to be refreshed, but will not be available until April 2024 (see below).</p> <p>Other costs are projected to continue to increase, and it is not possible to attach any certainty to the extent and timescale of these increases, which presents a challenge to effective financial planning.</p> <p><b>Conclusion:</b> Refreshed medium to long term financial plans need to include scenario planning and any workforce planning data which has been gathered so far, and they will need to be reviewed again alongside the new Strategic Workforce Plan when it is available.</p>
<p><b>Workforce Planning and Benefits Realisation</b></p> <p>The Strategic Workforce Plan (SWP) was endorsed in November 2020 and has now been implemented for over a year. The SWP identified resourcing gaps across Local Policing Divisions and National Services. Efficiencies arising from projects within the Change portfolio are planned to reduce the gaps.</p> <p>There is a risk that productivity gains from Change projects are not realised, monitored and reinvested.</p>	<p>Review the governance and monitoring arrangements for evidencing productivity gains made via the Change programme, and how these become realised benefits.</p>	<p>Productivity gains reported to the Scottish Police Authority do not link in to the SWP. The Authority has identified that the next iteration of the SWP needs to be more data-led, and set out realisable benefits which can be measured, and this is planned for completion by April 2024.</p> <p>In the meantime, the Authority faces a number of financial challenges which will be exacerbated in 2022/23 and 2023/24 by the limitations of their current SWP, as the vast majority of operating expenditure (85% in 2021/22) relates to staff costs.</p> <p><b>Conclusion:</b> The Scottish Police Authority must closely monitor where capacity can be redistributed in the short term, and develop the way in which they measure and</p>

Audit risk	Assurance procedure	Results and conclusions
		record how these benefits are realised.

## Supporting Strategies and the Five-Year Capital Strategy have been refreshed

**67.** Supporting Strategies in relation to Procurement, Forensic Services and Housing have all been updated within the last year, and the draft Fleet Strategy is due to be reported to the Resources Committee in autumn 2022. The Scottish Police Authority have also published their Five-Year Capital Strategy. This strategy includes details of current and planned investment projects assuming flat funding over the next five years, which is a real terms cash decrease.

**68.** To mitigate capital underspend caused by slippage, the strategy involves intentionally over-planning work to ensure that the entire 2022/23 capital budget is spent. In the event that the planned work can be delivered in year, causing the Authority to go over-budget, it plans to deal with this by requesting additional funding from the Scottish Government, find capital savings elsewhere, or pause certain projects, so that the capital works go into the following financial year.

**69.** This type of planning will require the Authority to closely monitor project milestones and spending, particularly as prices of materials and labour continue to increase.

## Recommendation 4

As medium to long term financial plans are refreshed, the Authority must closely monitor the timing and cost of capital projects if the Five-Year Capital Strategy is to be successfully delivered.

## A balanced budget has been set for 2022/23

**70.** The Scottish Police Authority have set a balanced budget for 2022/23. The Scottish Government provided £40.5 million additional funding to maintain the police resource budget in real terms. It will be of paramount importance to closely monitor actual spend against budget, as the economic landscape becomes more challenging. This is a result of the rising cost of fuel and utilities, projections of double digit inflation and changes to pension benefits.

**71.** At the Authority meeting in June 2022, the Chief Executive noted the Scottish Government spending review of May 2022, which set out high level parameters for budgets to 2026/27. The spending review identified funding of £1,246 million to the Authority each year for the 5 years to 2026/27, a flat cash budget settlement. A 2023/24 budget strategy will be reported to the Authority in autumn 2022, along with medium and longer term financial plans.



## Strategic Workforce Planning requires further development

**72.** The Authority approved the first iteration of Police Scotland's Strategic Workforce Plan (SWP) in January 2021. This identified resourcing gaps across Local Policing Divisions and National Services. Efficiencies arising from projects within the wider Change portfolio were planned to reduce the gaps.

**73.** In the 2021/22 annual report and accounts, annual non-cashable efficiencies of 154 FTE officers and 13 FTE staff were reported. It is positive that efficiencies are being identified, however it was not possible to link these back to the SWP. The Authority identified in February 2022 that the SWP needs to be more closely linked to ongoing day to day transformation activity. This is currently being managed by Police Scotland's Organisational Design and Delivery Group, which manages bids for resources in line with risk and demand prioritisation assessment.

**74.** Police workforce numbers have been affected in the year by an increased number of leavers and retirees. A contributing factor has been a relaxation in the cap for commutation (lump sum) in the police officer pension scheme for officers with between 25 and 30 years' service. As the number in post has decreased this has caused an increase in overtime, revision to rostered rest days and, as the Covid-19 pandemic has been ongoing, there have been high levels of sickness.

**75.** These factors, and the other changing economic circumstances, have enhanced the need for effective, measurable, strategic workforce planning, in order that the Scottish Police Authority can ensure that police services are being delivered within budget, having regard to the wellbeing of officers and staff, and taking account of the prioritisation of roles.

**76.** In August 2022, Her Majesty's Inspectorate of the Constabulary in Scotland (HMICS) published its detailed review of the SWP. It recommends two main activities for Police Scotland:

- Develop a strategic assessment of the workforce and a refreshed delivery plan to address the gaps and issues [HMICS] have identified for consideration by the Authority (by April 2023)
- As part of that delivery plan, develop a revised methodology to deliver the next iteration of the SWP in April 2024.

**77.** Developing a revised methodology and using it to prepare a meaningful and data-led workforce plan requires time to deliver. Therefore, in the short term, Police Scotland must use the workforce data and other intelligence it currently has to identify capacity savings and deliver them to prioritised areas so that key services are delivered within budget. This must be measured and monitored so that efficiency savings and benefits can be clearly reported and evidenced.

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## Recommendation 5

Until the next iteration of the Strategic Workforce Plan is available, Police Scotland should use current data and intelligence to ensure capacity savings are

redistributed to deliver key services and develop the way in which it measures and records this, to support development of the SWP.

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# 4. Governance and transparency

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

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## Main judgements

Governance arrangements, adapted to reflect the impact of the Covid-19 pandemic, continue to be appropriate and effective.

Whilst there is evidence of a commitment to advancing equalities, developing and analysing data relating to equality needs to be enhanced to support this commitment and reporting on equality outcomes.

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## Governance arrangements and internal controls have operated appropriately throughout the Covid-19 pandemic

**78.** The impact of Covid-19 during 2021/22 has been set out in the Governance Statement in the Authority's annual report and accounts. In 2020/21 the Authority moved to live streaming of formal governance meetings, and this has continued throughout 2021/22. The work of the Independent Advisory Group on Police Use of Temporary Powers related to the pandemic, which provided assurance to the Authority, has now come to an end as restrictions associated with the pandemic have now ended.

**79.** The Corporate Governance Framework was reviewed in year and revisions were approved by the Authority in March 2022. These changes include the delegation of additional authority to the supporting committees of the Authority and minor revisions to the terms of reference for committees.

**80.** We carried out an evaluation of the key financial systems and, in line with our reporting in 2020/21, we identified that there was no significant impact with the move to homeworking. We found that further improvements have been made during 2021/22. We are pleased to record the significant improvements in the control environment over the duration of this audit appointment (2016/17 to 2021/22).

**81.** In June 2022 there was a refresh of the membership of the committees which support the Authority. The Chair of the Authority reported that these changes seek to broaden 'members experience of different aspects of oversight, transfer skills and insights into different communities and strengthen overall resilience'.

**82.** We have concluded that, overall, the Authority has appropriate governance arrangements in place.

## There is continued stability in the leadership of the Authority

**83.** There are 12 members of the Authority (including the chairing member). The new members who joined on 1 April 2021 have brought a wide range of skills to supplement those of the existing members. There has also been stability in the executive leadership of both the Authority's corporate function and in Police Scotland throughout 2021/22.

**84.** The People Committee was established in May 2021 and met five times during 2021/22. Its remit includes strategic workforce planning, health and safety, and equality and diversity. These areas were previously part of the work 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.

**85.** We had previously reported on the length of meetings and papers at the Resources Committee. The introduction of the People Committee has had a positive impact in reducing the length of papers and duration of Resources Committee meetings, and in doing so, supported effective scrutiny.

**86.** An annual review of committee effectiveness was undertaken during the year. A self-assessment style questionnaire continues to be used and focuses on five key themes: focus, engagement, working, effectiveness and leadership. There is scope for comments on good practice and areas for improvement. All members of all committees were satisfied that each committee had discharged its responsibilities in line with its terms of reference. All reports were submitted to the Audit, Risk and Assurance Committee who considered the findings. Areas of improvement included consideration of the timings of meetings to ensure agendas were more balanced, and improved clarity around the relationships between committees.

## A number of risks in the risk register are outwith tolerance levels

**87.** Risk registers for both Police Scotland and the Scottish Police Authority are regularly reported to the Audit, Risk and Assurance Committee. The format of the reporting is clear and accessible and provides a good summary of the risks to support scrutiny by members.

**88.** The reporting shows the range of risk appetite and risk tolerance and then plots risk scores against these. Currently the reporting shows that the majority of risks for Police Scotland and approximately one third of the risks for the Authority are in excess of the tolerance and appetite levels. These cover areas including financial sustainability, delivery of organisational change, and data management.

**89.** If Police Scotland and the Authority consider the current risk tolerance and appetite levels to be appropriate, then a significant effort will be required, including the introduction of clear timescales in the risk register, to implement the planned mitigations, to remain within risk tolerance and appetite levels.

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## Recommendation 6

The Authority and Police Scotland need to ensure that clear timescales to implement planned mitigations are in place, so that risks can remain within the agreed risk tolerance and appetite levels.

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### Openness and transparency continue to be a positive

**90.** Openness and transparency in how a body 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.

**91.** In 2021/22, the Authority continued to livestream meetings of the Authority and its supporting committees. Detailed papers and minutes of the Authority and committees are available on the Authority website. We are pleased to note that during 2021/22, a summary minute of the private session of the Complaints and Conduct Committee is now also being issued on the Authority website, in line with the recommendation from the Dame Elish Angiolini Review of Complaints Handling, Investigations and Misconduct Issues in Relation to Policing.

### Work continues to address recommendations in the Review of Complaints Handling

**92.** The Review of Complaints Handling, Investigations and Misconduct Issues in Relation to Policing, led by Dame Elish Angiolini, was published in December 2020.

**93.** The Scottish Government has published three six-monthly thematic reviews since June 2021, which detail progress against the recommendations made. A three-tier governance process is in place to oversee and provide assurance on progress against the recommendations, with the minutes of the Ministerial Group published on the Scottish Government website.

**94.** We note the progress reported against the recommendations for Police Scotland and the Authority. However, a number of recommendations are still in progress, including those relating to equality, diversity and inclusion, and governance and accountability.

**95.** An Equality, Diversity, Inclusion & Human Rights Strategic Oversight board is in place in Police Scotland, headed by DCC Taylor. In addition, an Equality, Diversity, Inclusion and Human Rights Independent Review Group (IRG) was newly established in 2021 to provide critical oversight, challenge, review and assurance. All members are independent of Police Scotland and are experienced in advocating for underrepresented communities. This group reported on its planned outcomes, which complement Police Scotland's equality outcomes, to the Authority in September 2021. The outcomes cover cultural change, strategic direction and training and development. A further report is anticipated in late 2022.

## There is evidence of commitment to advancing equalities

**96.** As noted in our reporting in 2020/21, 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. A set of Joint Equality Outcomes 2021-23, which recognise shared goals across both organisations, was approved by the Police Scotland Strategic Leadership Board and the Authority in March 2021 and published in April 2021. The outcomes 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. The revised 2022/23 corporate performance framework includes linkages to equality outcomes. Police Scotland is preparing its first Equality, Diversity and Inclusion Strategy, which is due to be published during 2022/23.

**97.** Biannual Equality and Diversity Reports are now being reported to the People Committee, and subsequently to the Authority. These reports update the committee on progress towards meeting the workforce related equality outcomes. The report presented in June 2022 noted that the IRG has been carrying out field research into equality, diversity and inclusion work streams and it is anticipated that an IRG interim report on findings will be issued to the Authority in late 2022.

**98.** HMICS Thematic Inspection of Police Scotland Training and Development – Phase 2, issued in October 2021, recommended the need to develop timely and meaningful equality, diversity and inclusion data, and also to develop the capability to analyse this data. Such data can then be used to help inform strategy and priorities in relation to recruitment, retention, development and promotion of people from under-represented groups.

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## Recommendation 7

Developing and analysing data relating to equality, diversity and inclusion will help support the Authority's commitments and reporting on equality outcomes.

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**99.** A new exit survey was launched in October 2021 to gain a better understanding on reasons why officers and staff leave. Reviewing this data should allow trends to be identified which will help support diversity, equality and inclusion plans. At the June 2022 Authority meeting, statistics on leavers from Police Scotland were reported, including identifying barriers which may exist for female officers.

**100.** The Authority and Police Scotland both publish equality monitoring reports (latest reports 2019/20). These reports include the gender pay gap. Whilst both bodies publish this, Police Scotland segregates police officers and police staff throughout the reporting and does not publish a gender pay gap for Police Scotland (officers and staff) as a whole. Whilst the current presentation provides some insight into the status of equal pay, to support equality, diversity and inclusion, it is recommended best practice to publish the gender pay gap based on aggregate figures. The spirit of the duty is for disclosure of the gender pay gap to be a lever for change.

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## Recommendation 8

To support equality, diversity and inclusion, consideration should be given to Police Scotland's gender pay gap analysis to include evolving best practice, which is to aggregate figures for police officers and staff.

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### Good practice

**101.** An Integrated Assurance Statement was presented to the Audit, Risk and Assurance Committee in May 2022. This provided committee members with a summary of internal control across the four lines of defence:

- management,
- internal oversight functions,
- internal audit and
- external audit, inspection and reviews (including HMICS).

**102.** The Integrated Assurance Statement included assessment of the internal lines of defence and elaborated on developments in the external lines of defence, to illustrate the assurances accumulated over the year. The clarity of reporting, including the use of infographics, made the statement engaging and accessible. Consequently, we have noted this as an example of good practice.

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# 5. Value for money

Using resources effectively and continually improving services

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## Main judgements

Whilst the Scottish Police Authority has made good progress in establishing its approach to best value arrangements, including a comprehensive self-assessment exercise, Police Scotland have yet to develop their approach which is a duty of the Chief Constable.

A revised performance framework was introduced for 2021/22, but there was limited benchmarking. The refreshed framework for 2022/23 will include benchmarking against other UK police forces.

At a time of transformation, it is recognised that improved reporting of the (cash and non-cash) benefits realised relative to the investment made must be produced to both aid management and support effective scrutiny by members.

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## Best Value arrangements are in development

**103.** [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.

**104.** The Scottish Police Authority has taken steps over the past year to implement a formal approach to monitoring and assessing how best value is being secured. The results of the inaugural self-evaluation highlighted the need for improvements in how Best Value is demonstrated in relation to Performance Management, Sustainability and Equality. Improvement actions have been identified and fed into the Authority's Business Plan for 2022/23.

**105.** Under the Police and Fire Reform (Scotland) Act 2012, the Chief Constable has the duty to make arrangements which secure best value for the Police Service. Work to agree the Police Scotland approach to demonstrating Best Value has still to be developed. However, assessment of arrangements for achieving Best Value has been included in the work carried out by the internal audit function in 2021/22, demonstrating where best value is being secured and highlighting areas for improvement.



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## Recommendation 9

Police Scotland should develop their approach to best value arrangements which is a duty of the Chief Constable.

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### A revised performance framework was introduced for 2021/22 but there was limited benchmarking

**106.** The Scottish Police Authority revised the performance framework for 2021/22 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. It was also planned to include a benchmarking framework to allow comparisons with other police forces in a number of specific areas including, estates and fleet.

**107.** Reporting under the framework includes a bi-annual report on progress of activities in the Annual Police Plan across the five strategic outcomes underpinned by 15 supporting objectives. This is supported by quarterly performance reports which cover wider aspects of policing performance not limited to the objectives in the Annual Police Plan. In addition, there is a year-end performance assessment by the Chief Constable which is in accordance with section 34 of the Police and Fire Reform (Scotland) Act 2012.

**108.** Each quarterly report is readily understandable using infographics, trend information and case studies of specific operations to show how objectives are being met. However, each quarterly report is over 100 pages in length. By contrast the bi-annual reports are shorter, around 50 pages, but are text heavy reports, without the infographics. Although there is a legislative requirement for reporting performance, we would encourage Police Scotland to consider the varying audiences for these reports and how these can be made more accessible.

**109.** Although the 2021/22 quarterly performance reports refer to benchmarking in the reports, this tends to relate to Police Scotland figures in prior years rather than with other UK police forces or other comparative bodies. We noted that in March 2022 a benchmarking update was presented to the Policing Performance Committee to highlight more extensive benchmarking for 2022/23.

**110.** The refreshed 2022/23 performance framework was presented to the Policing Performance Committee in June 2022. The new framework contains 169 performance measures across the five strategic outcomes, and these include gathering management information to support equality outcomes. The change in measures includes 49 which have been added or amended to better reflect police performance or give additional data and insight which was not previously available. There are also 19 benchmarking indicators including six relating to call handling and eight relating to the Your Voice Matters surveys which provide data on staff and officer wellbeing. The benchmarking should allow Police Scotland to learn good practices from other forces and help drive improvement.

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

**111.** In addition to the opinion on the performance report covered in Part 1 of our Annual Audit Report, we also consider the qualitative aspects of the Scottish Police Authority's performance report. The performance report should provide information on the Scottish Police Authority, Police Scotland and Forensic Services, the main objectives and the principal risks faced. Additionally, it should provide a fair, balanced and understandable analysis of performance as well as helping stakeholders understand the financial statements.

**112.** The new format of the report better linked the Police Scotland performance with outcomes. There is good use of infographics throughout the report which supports understanding. However, this change in style has led to the report increasing significantly in length, and some duplication. As part of the preparation for the 2022/23 annual report and accounts, we would encourage the Scottish Police Authority to ensure there is tight editing of the report. This will allow focus on key elements of the story, both positive and where challenges exist, to ensure that the reporting is accessible to readers.

## Performance levels were maintained despite the continuing Covid-19 challenge. The demand for drug driving toxicology analysis was significantly higher than forecasted.

**113.** 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.

**114.** Despite the challenges of Covid-19, police operational performance remained good. An increase of 1.5% in overall crime levels from 2020/21 was reported, but this is a 5.3% decrease on the previous five year average. There has been an increase in fraud related crimes of 10.0% from 2020/21, and a 55.8% increase from the previous five year average. This has been exacerbated by the pandemic and focuses the need for people and business to stay safe online. The annual report and accounts note that due to the Covid-19 pandemic, a high degree of caution on trends and comparisons is required for these figures.

**115.** In 2022, drug driving toxicology analysis has proved challenging. Demand for casework is approximately 2,200 cases per year, which is more than the 1,000 cases per year which was forecast. It was reported to the Authority in August 2022, that 384 cases to May 2022, and a further 60 cases through June and July 2022 could not be progressed to prosecution as they had reached the 12-month statutory deadline. The Scottish Government has provided additional funding to outsource testing to reduce backlogs in this area. The Chair of the Authority has agreed with HMICS that it will carry out work on the end-to-end process relating to drug driving sample testing.

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## Recommendation 10

The Scottish Police Authority should work with partner organisations to determine why forecasts relating to drug driving toxicology cases were significantly different from actual cases.

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### Benefits realisation procedures require further enhancement

**116.** The Scottish Police Authority has identified the need for enhanced benefits realisation procedures to be in place across the organisation. Transformation Benefits tracking updates are brought to the Resources Committee regularly.

**117.** As part of this work, the way in which transformation benefits are reported to Committee has been developed to report benefits in a wider context, and further work is being undertaken to focus on tracking non-cashable benefits in relation to, for example, operational policing and enabling services.

**118.** The Enabling Policing for the Future programme has been approved and includes projects from all of the corporate service functions. One of the key aims is to deliver efficiencies and new ways of working, and the importance of articulating and re-evaluating benefits throughout projects has been recognised but is yet to be evidenced.

**119.** As costs increase, it is critical that Police Scotland can identify the areas where expenditure of cash and non-cash resources is most effective, and where it is less efficient so that either improvements can be made to processes, or resources can be redeployed.

**120.** This work is in progress and the challenges are similar to those faced in refreshing the medium to long term financial plans and supporting strategies, including the Strategic Workforce Plan, as there are currently inherent uncertainties in the budgeting and economic landscape, which will continue to require regular monitoring and agility in distributing resources and managing risks as they emerge.

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## Recommendation 11

The Scottish Police Authority should continue to monitor work by Police Scotland towards including meaningful and realistic processes for monitoring and evidencing realised cash and non-cash benefits across all projects.

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### National performance audit reports

**121.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2021/22 several reports were published which may be of direct interest to the body. These are outlined in [Appendix 2](#).

# Appendix 1. Action plan 2021/22

## 2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Legal Provision Estimates</b></p> <p>Legal provisions were held on a prudent basis rather than the 'best estimate' required by IAS 37.</p> <p>Risk – provisions are not accounted for in line with IAS 37 in the financial statements.</p>	<p>At year end, a review of all provisions should take place. This should ensure that all information held is up to date, and that provisions for the accounts are reported in line with the best estimate requirements included in IAS 37.</p> <p><a href="#">Exhibit 3</a></p>	<p>A draft procedure has been produced. This will ensure Finance work with Legal to ensure probabilities are applied to point estimates for legal provisions at year end. This will help ensure a more balanced aggregate estimate is produced for Legal provisions.</p> <p>Responsible officer Michael Steele, Business Investment Lead Agreed date: March 2023</p>
<p><b>2. Carrying value of assets not revalued in year</b></p> <p>There is no evidence to support that checks are made on assets to identify if they require to be revalued out with the standard quinquennial revaluation process.</p> <p>Risk – assets not valued in year are materially misstated.</p>	<p>Documented processes should be in place to identify if assets require to be revalued out with the standard revaluation process.</p> <p>Work done in this area should be documented including meeting notes and instructions to valuers.</p> <p><a href="#">Exhibit 3</a></p>	<p>Revisions to the Capital policy are in development, which require an evidenced review of those properties not scheduled for formal valuation in year. Where the review considers an interim valuation should be undertaken, full records will be retained, regardless of whether that is outsourced or undertaken by suitably qualified Police Scotland staff.</p> <p>Responsible officer Phil Collard, Head of Estates Agreed date: March 2023</p>
<p><b>3. Exit packages</b></p> <p>As a result of errors found as part of the audit process, there have been a number of adjustments to the</p>	<p>Given the high-profile nature of exit packages, we would recommend that an enhanced quality assurance process is in</p>	<p>The exit package disclosures will be subject to evidenced review at year end and, where appropriate, in year. This will be factored into the ARA (annual report and accounts) plan.</p> <p>Responsible officer</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>exit packages disclosure in the remuneration and staff report.</p> <p>Risk – the exit package disclosure is misstated and does not comply with the FReM.</p>	<p>place to check these disclosures.</p> <p><a href="#">Exhibit 3</a></p>	<p>Alasdair Corfield, Financial Controller</p> <p>Agreed date: October 2022</p>
<p><b>4. Capital strategy</b></p> <p>The new Five-Year Capital Strategy has over committed each year to address slippage concerns, and is based on flat cash.</p> <p>Risk – that the Five-Year Capital Strategy does not deliver the required improvements and efficiencies in capital assets.</p>	<p>As medium to long term financial plans are refreshed, the Scottish Police Authority must closely monitor the timing and cost of capital projects if the Five-Year Capital Strategy is to be successfully delivered.</p> <p><a href="#">Paragraphs 67-69</a></p>	<p>We will continue to deliver monthly capital and reform reporting, documenting monthly and full year forecast for each area and for the consolidated view. We have initiated monthly forecasting for every budget holder which will record the progress of spend against funding allocation. This will be discussed regularly with Procurement (and budget holders) to inform forecasts. We will also work collaboratively with budget holders to re-phase spend into Q1 2023/24, where appropriate, to ensure no overspend in 2022/23.</p> <p>Responsible officer: Michael Steele, Business Investment Lead</p> <p>Agreed date: September 2022</p>
<p><b>5. Strategic workforce planning</b></p> <p>The next iteration of the strategic workforce plan is expected in April 2024 and must support delivering efficiencies and ensuring the correct capacity and capabilities are in place.</p> <p>Risk – that prior to the new SWP being produced in April 2024, there are insufficient arrangements in place to support the efficiencies required for policing given the</p>	<p>Until the next iteration of the Strategic Workforce Plan is available, Police Scotland should use current data and intelligence to ensure capacity savings are redistributed to deliver key services and develop the way in which it measures and records this, to support development of the SWP.</p> <p><a href="#">Paragraphs 72-77</a></p>	<p>The development plan for the next SWP will take account of the observations and recommendations from HMICS in their recent Assurance Review. In advance of the agreement and finalisation of the next SWP (in 2024). Police Scotland will ensure that capacity gains and financial savings are identified and re-invested in a prioritised way through force governance under the oversight of the Strategic Leadership Board.</p> <p>Responsible officer Tom McMahon, Directory of Strategy &amp; Analysis</p> <p>Agreed date: Ongoing</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>expectation of flat cash funding.</p>		
<p><b>6. Risk register scoring</b></p> <p>Risk register scores are above tolerance and appetite levels for the majority of strategic risks.</p> <p>Risk – mitigating controls are not effective in returning risks to within tolerance and appetite levels.</p>	<p>The Authority and Police Scotland needs to ensure that clear timescales to implement planned mitigations are in place, so that risks can return to the agreed risk tolerance and appetite levels.</p> <p><a href="#">Paragraphs 87-89</a></p>	<p>The Authority and Police Scotland will work to conduct a review of this.</p> <p>Responsible officers</p> <p>Head of Finance, Audit &amp; Risk (Authority) and</p> <p>Head of Police, Audit, Risk and Assurance (Police Scotland)</p> <p>Agreed date: March 2023</p>
<p><b>7. Equalities outcomes</b></p> <p>There continues to be a clear commitment to equality and diversity issues, and data sources have been identified in the performance framework.</p> <p>However, developing the analysis of this data should help the Authority report effectively on outcomes from this work</p> <p>Risk – the Authority is not able to analyse equality data to demonstrate how they are meeting equality outcomes.</p>	<p>Developing and analysing data relating to equality, diversity and inclusion will help support the Authority's commitments and report on equality outcomes.</p> <p><a href="#">Paragraphs 96-98</a></p>	<p>The Scottish Police Authority and Police Scotland officers will work together through an existing planning and performance short life working group, to enhance and further develop available metrics for reporting against Authority commitments and agreed Equality Outcomes.</p> <p>Responsible officers</p> <p>Tom McMahon, Director of Strategy &amp; Analysis and</p> <p>Amanda Coulthard, Head of Strategy &amp; Performance</p> <p>Agreed date: March 2023</p>
<p><b>8. Gender pay gap</b></p> <p>Police officer and police staff gender pay gaps are reported separately and there are no</p>	<p>To support equality, diversity and inclusion, consideration should be given to Police Scotland's gender pay gap analysis to include evolving best practice, which is to aggregate</p>	<p>The next gender pay gap reporting will consider this taking advice, guidance and benchmarking on this matter.</p> <p>Responsible officer</p> <p>Nicky Page, T/Deputy Director of P&amp;D</p> <p>Agreed date: March 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>aggregate figures for all employees.</p> <p>Risk – gender pay gap figures do not generate a wider discussion about respective roles in an evolving workforce.</p>	<p>figures for police officers and staff.</p> <p><a href="#">Paragraphs 99-100</a></p>	
<p><b>9. Best value arrangements</b></p> <p>Work to agree the Police Scotland approach to demonstrating Best Value have not progressed.</p> <p>Risk – that best value arrangements are not in place to deliver the best possible outcomes for the public.</p>	<p>Police Scotland should develop their approach to best value arrangements which is a duty of the Chief Constable.</p> <p><a href="#">Paragraphs 103-105</a></p>	<p>Police Scotland has arrangements to secure best value, built into its procedures. However, work is underway to develop a systematic assessment of the effectiveness, based on a self-evaluation approach. It is proposed that a progress update will be presented to ARAC in January.</p> <p>Responsible officer Alasdair Corfield, Financial Controller</p> <p>Agreed date: January 2023</p>
<p><b>10. Drug driving toxicology forecasts</b></p> <p>Actual toxicology cases are significantly greater than were forecast at the introduction of this new Scottish Government policy.</p> <p>Risk – reasons for this variance are not captured and learned from to support future forecasting on policies which impact the Authority.</p>	<p>The Scottish Police Authority should work with partner organisations to determine why forecasts relating to drug driving toxicology cases were significantly different from actual cases.</p> <p><a href="#">Paragraph 115</a></p>	<p>This will be considered as part of the HMICS assurance review of Forensics toxicology service provision.</p> <p>Responsible officer Head of Physical Science</p> <p>Agreed date: March 2023</p>
<p><b>11. Benefits realisation</b></p> <p>It is not yet possible to see evidenced tracking of benefits realisation.</p>	<p>The Scottish Police Authority should continue to monitor work by Police Scotland towards including meaningful and realistic processes for monitoring and</p>	<p>Police Scotland and the Scottish Police Authority are continuing to work on a revised benefits realisation approach including the associated reporting to the Authority.</p> <p>Responsible officers</p>

Issue/risk	Recommendation	Agreed management action/timing
Risk – resources are being used inefficiently in an increasingly challenging financial environment, to the detriment of value for money and the delivery of critical services.	evidencing realised cash and non-cash benefits across all projects. <a href="#">Paragraph 116-120</a>	Chief Digital Information Officer (Police Scotland) and Head of Change and Operational Security (Authority) Agreed date: June 2023

## Follow-up of prior year recommendations from our 2020/21 Annual Audit Report

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. 2020/21 AAR: 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>We have identified improvements in the detail held in the legal provisions register as well as in the regularity of updates. We also note the new forum in place to bring colleagues from legal and finance together.</p> <p>We have identified in year that further discussion to ensure that provisions are in line with IAS 37 is required.</p> <p><b>Ongoing – see action point 1.</b></p>
<p><b>2. 2020/21 AAR: 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>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>We noted the additional controls to prevent self-authorisation of historic journals and no issues were identified in year.</p> <p>Our management report identified that there have been improvements in the control environment in year.</p> <p><b>Complete</b></p>



Issue/risk	Recommendation	Agreed management action/timing
<p>Risk – Weaknesses in the control environment, including inconsistent practices or self-authorisation increase the likelihood of fraud or error.</p>		
<p><b>3. 2020/21 AAR: 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>The five-year financial plan 2022/23-2026/27 was approved in September 2021, and it noted that this was an iterative process.</p> <p>The financial planning framework was published in March 2022. This noted that the medium-term plan will be updated in autumn 2022.</p> <p><b>In Progress – see action point 5</b></p>
<p><b>4. 2020/21 AAR: 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>The revised capital strategy was approved by the Authority in September 2021. meeting.</p> <p><b>Complete</b></p>
<p><b>5. 2020/21 AAR: Supporting Strategies</b></p> <p>The Authority must keep its supporting strategies under review to ensure that the original aims and ambitious remain relevant and achievable within the</p>	<p>In light of the increase in the revenue budget allocation, changes due to 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 number of strategies underpinning financial plans have been developed and approved by the Authority in year. These include the procurement strategy, the capital strategy and Forensics Services strategy approved in September 2021,</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>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>and the housing strategy in March 2022.</p> <p><b>Complete</b></p>
<p><b>6. 2020/21 AAR: 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 in 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>There continues to be a clear commitment to equality and diversity issues, and data around leavers has been ingathered.</p> <p>Measurable criteria to support equalities outcomes are detailed in the revised 2022/23 performance framework.</p> <p>This continues to be an area for development.</p> <p><b>In Progress – see action point 7</b></p>
<p><b>7. 2020/21 AAR: Benefits Realisation</b></p> <p>While the monitoring of financial savings has improved, Internal Audit have identified a need to set 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>Police Scotland should improve on the monitoring and evidencing of benefits in programmes where non-cashable benefits such FTE savings are planned. This will also assist the Authority in its scrutiny role.</p>	<p>Whilst there has been progress in reporting to the Resources Committee in this area, this is still in progress. Work on evidencing non-cashable benefits needs to be demonstrated and how these are also being used to support policing.</p> <p><b>In Progress – see action point 11</b></p>

# Appendix 2. Summary of 2021/22 national performance reports and briefing papers

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## May

[Local government in Scotland Overview 2021](#)

## June

[Covid 19: Personal protective equipment](#)

## July

[Community justice: Sustainable alternatives to custody](#)

## September

[Covid 19: Vaccination programme](#)

## January

[Planning for skills](#)

[Social care briefing](#)

## February

[NHS in Scotland 2021](#)

## March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

# Scottish Police Authority

## 2021/22 Annual Audit Report

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