

# Central Scotland Joint Police Board

## Annual report on the 2010/11 audit



Prepared for Central Scotland Joint Police Board  
October 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Key messages

## 2010/11

We have given an unqualified opinion on the financial statements of Central Scotland Joint Police Board for 2010/11.

The general fund balance stands at £0.978 million as at 31 March 2011. This balance is being retained to assist the board in dealing with the current economic challenges and is above the target level identified in the board's reserve strategy. The amounts carried forward by the board were within the overall carry forward limits set by Scottish Ministers.

Capital expenditure for 2010/11 was £1.41 million which was broadly in line with the budget.

The 2010/11 financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) instead of the previous practice of preparing financial statements under UK Generally Accepted Accounting Practice (GAAP). The achievement of full transition to IFRS-based financial statements required a significant input of resources by the board and officers have responded well to this challenge.

Overall the board's governance arrangements in 2010/11 were soundly based and operated effectively. No material weaknesses in the accounting and internal control systems were identified during the audit, which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

The board has not yet carried out a self-assessment of the effectiveness of the Best Value & Audit Sub-committee. A self-assessment exercise is planned for 2012.

The Accounts Commission and Her Majesty's Inspector of Constabulary for Scotland (HMICS) have jointly developed an audit and inspection regime for the review of the performance of police authorities and forces in delivering their statutory duties on Best Value and Community Planning. The programme of audit and inspection visits is to be re-considered following the announcement of police reform. In advance of an audit and inspection, the board carried out a review of its arrangements and identified a number of improvements that require to be made. These have been included in a Force Improvement Plan which is monitored by both officers and Members.

The board is making some progress in developing its management arrangements:

- Asset management: the board and its Forth Valley partners have set up a discrete project aimed at delivering shared premises solutions, with the aim of taking advantage of opportunities to co-locate and cost share
- Managing people: the board has set up a Learning Strategy & Oversight Group which considers the training needs of officers and staff across the Force.

The board is also streamlining procurement processes through the introduction of on-line ordering. However, the board has been unable to progress many of the actions required to implement best-practice in its procurement activity due to the current economic climate. The board also considers it imprudent to introduce any significant further investment in local procurement expertise pending police reform.

The board's Members and Officers are to attend a conference to be held by Her Majesty's Inspectorate of Constabulary in November 2011 to discuss how the self-assessment process is to be taken forward.

## Outlook

The economic conditions which prevailed at the end of last year remain and the outlook for public spending for the period 2012/13 to 2014/15 remains very challenging. The high level figures for Scotland that were announced in the UK Comprehensive Spending Review indicate that significant budget reductions will be required in the coming years. The board will not be immune from the impact of the current financial constraints on the public sector or from the difficult trading environment. Decisions on future budgets have yet to be finalised, however the decision by the Scottish Government to move to a single police service for Scotland in 2013/14 will be factored into the financial planning of the board.

# Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of Central Scotland Joint Police Board. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A report on our review of the internal controls in place for the main financial systems was issued in June 2011 and concluded that, overall, the high level financial system controls were operating satisfactorily. This annual audit report focuses on the financial statements and any significant findings from our wider review of the board.
3. Appendix A is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the board understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to members and the Controller of Audit and will be published on our website after consideration by the Board.
5. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all the weaknesses or risks that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

# Financial statements

6. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
7. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
  - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
8. Auditors review and report on, as appropriate, other information published with the financial statements, including the Treasurer's Explanatory Foreword, statement on the system of internal financial control and the remuneration report. This section summarises the results of our audit on the financial statements.

## Audit opinion

### Opinion on the financial statements

9. We have given an unqualified opinion that the financial statements of Central Scotland Joint Police Board for 2010/11 give a true and fair view of the state of the affairs of the board as at 31 March 2011 and of the income and expenditure of the board for the year then ended.

### Going concern

10. The board's balance sheet has an excess of liabilities over assets of £393.81 million due to the accrual of pension liabilities in accordance with accounting standards. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on financial statements. One of the indications that may give rise to going concern considerations is an excess of liabilities over assets.
11. The board has considered it appropriate to adopt a going concern basis for the preparation of the financial statements as the ongoing pension liabilities will be met from Scottish Government funding and contributions from constituent authorities of the board. We are satisfied that the process the board has undertaken to consider going concern is reasonable.

### Legality

12. Each year we request written confirmation from the Treasurer that the board's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in the audit programmes and checklists. The Treasurer has confirmed that, to the best of his knowledge and belief and having made appropriate enquiries of the Chief Constable and the Senior Management Team of Central Scotland Joint Police Board, the

financial transactions of the board were in accordance with the relevant legislation and regulations governing its activities. There are no additional legality issues arising from our audit which require to be brought to members' attention.

### Statement on the system of internal financial control

13. The financial statements include a Statement on the System of Internal Financial Control (SSIFC) which highlights the Treasurer's view that reasonable assurance can be placed upon the adequacy and effectiveness of the board's internal financial control system.
14. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.
15. CIPFA's *Delivering good governance in local government* recommends that the review of the effectiveness of the system of governance, including internal control, should be reported in an annual governance statement. Plans are being made to ensure that the board will comply with best practice by publishing an Annual Governance Statement to replace the SSIFC in 2011/12.

### Accounting issues

16. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code) which constitutes proper accounting practice for the purposes of section 12 of the Local Government Scotland Act 2003.
17. The 2010/11 Code required local authorities to prepare their financial statements under International Financial Reporting Standards (IFRS). This has resulted in some significant changes to the presentation of the financial statements
18. The Local Authority Accounts (Scotland) Act 1985 and Scottish Governance finance circular 8/2011 introduced the requirement for a remuneration report to be included in the financial statements from 2010/11. This was a significant change to the level of disclosure required. We are satisfied that the remuneration report has been prepared in accordance with the relevant legislation. The disclosures within the 2010/11 financial statements include all eligible remuneration for the relevant officers and elected members under a number of categories including pension benefits.

### Accounts submission

19. The unaudited accounts were submitted to the Controller of Audit prior to the 30 June deadline. Final accounts preparations and working papers were of a good standard and this enabled the audit to progress smoothly.
20. Audited accounts were finalised prior to the deadline of 30 September and are now available for presentation to the Board and for publication.



## Prior year adjustments

21. This is the first year (2010/11) that the local authority accounting Code has been based on international financial reporting standards (IFRS). The move to an IFRS-based Code from a UK GAAP based Statement of Recommended Practice (SORP) has resulted in a number of significant changes in accounting practice which, in turn, have resulted in the restatement of prior year balances. We have reviewed the board's arrangements for restating the prior year balances and found them to be satisfactory.
22. Further to the IFRS adjustments above, a revision in the accounting policy in relation to the calculation of the injury benefit liability resulted in a significant movement in the liabilities in prior years. The revision in the calculation is to include an estimate of active members who may be paid benefit in the future. We have also reviewed the board's arrangements for restating these prior year balances and found them to be satisfactory.

## Pension Costs

23. Central Scotland Joint Police Board participates in three pension schemes:
  - The Falkirk Council Pension Fund
  - The Police Pension Scheme
  - The Police Pension Scheme (New)
24. The Falkirk Council Pension Fund is a multi-employer, defined benefit scheme and in accordance with pensions accounting standard IAS19 'Retirement Benefits', the board has recognised its share of the net liabilities for the pension fund in the balance sheet. The valuation at 31 March 2011 provided by the scheme's actuaries reduced the board's share of the deficit from £12.48 million last year to £6.23 million this year.
25. The Police pension schemes are unfunded and have no assets to be valued. The board's estimated Police pension schemes liabilities as at 31 March 2011 were £399.90 million (2009/10 £462.10 million). As the schemes are unfunded, the pension liabilities will fall to be met by serving officers' contributions and by taxpayers in the future (through Scottish Government Funding).
26. The large decreases are primarily due to a change in one of the financial assumptions, with future pensions' increases now linked to the consumer prices index (CPI) rather than the retail prices index (RPI). This is reflected as non-recurring income of £56.58 million in the Comprehensive Income and Expenditure Statement but local government accounting rules mean that this is reversed in the Movement in Reserves Statement.

## Whole of Government Accounts

27. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The board submitted the consolidated pack to support its 2010/11 WGA return to the Scottish Government prior to the deadline of 29 July. This has now been audited and the audited return submitted by the target date of 30 September.

## Outlook

### Pension costs

28. The effect on the asset values of the pension fund and the future outlook for employers' contributions was assessed at the triennial valuation of the Falkirk Council Pension Fund as at 1 April 2011. The board will need to take the findings of this valuation into account in the decision to set future employers' contribution rates.
29. Further changes are likely to result as the Government considers the findings of the Hutton Report, which sets out a number of options for the reform of public sector pension schemes. If adopted many of the findings are likely to have a significant impact on the Local Government Pension Scheme.

### Audit appointment for 2011/12

30. Audit appointments are made by the Auditor General or the Accounts Commission, either to Audit Scotland staff or to private firms of accountants for a five year term. This is the last year (2010/11) of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for Central Scotland Joint Police Board will be Grant Thornton. As this is the last year of our audit appointment, we would like to acknowledge the good working relationship that existed during our current appointment term with the board and thank officers and members of the committee for their assistance during the last five years. We have met with the incoming external auditors as part of a managed changeover process.

# Financial position

31. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
32. Auditors consider whether audited bodies have established adequate arrangements and examine:
  - financial performance in the period under audit
  - compliance with any statutory financial requirements and financial targets
  - ability to meet known or contingent, statutory and other financial obligations
  - responses to developments which may have an impact on the financial position
  - financial plans for future periods.
33. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

34. After adjustments for expenditure required by statute and non-statutory practice to be charged to the general fund, the board's deficit for the year was £0.46 million. A sum of £0.03 million was also appropriated to the Insurance Fund during the year, leaving a general reserve balance to be carried forward at the year-end of £0.98 million. This sum is significantly higher than the target level set by the Board and is to be retained to assist the board in dealing with the current economic challenges. The amounts carried forward by the board were within overall carry forward limits approved by Scottish Ministers.
35. Capital expenditure in the financial year totalled £1.41 million and was broadly in line with budget. The majority of this expenditure related to investment in the Force's estate, the acquisition of vehicles and ICT and other equipment. This expenditure was financed by capital grant (£1.26 million) and capital receipts (£0.15 million).

## Budgetary control

36. The Board set a revenue budget for 2010/11 of £49.7m and assumed that no reserves would be utilised in the year. The Treasurer's Report summarises the overall budget position. Gross operating income (excluding government grant and requisition income) was £0.15 million less than budgeted. However, this was off-set by decreased expenditure of £0.31 million on staff costs and £0.14 million on other operating expenditure mainly due to a recruitment freeze, a reduction in overtime and reduced financing and insurance costs.
37. The board has shown a good understanding of the financial challenges it faces and has made progress in addressing these. The most recent budgetary report anticipates a small surplus against budget for 2011/12 and the board is making continuing effort to manage its spending and ensure planned saving levels are delivered.

38. The board faces a significant reduction in funding in the future years. Although the exact size of the reduction will not be known until the last quarter of the year, the board identified a number of scenarios in 2010/11 from which it has estimated that savings of up to £12 million will be required over the four year period to 2014/15. This is equivalent to 24% of the net revenue budget for 2010/11. Decisions on future budgets have yet to be finalised, however the decision by the Scottish Government to move to a single police service for Scotland in 2013/14 will be factored into the financial planning of the board.
39. The board has recognised that there will be a significant impact on service delivery and that a different model of policing will be required. In order to achieve the savings the board has developed a cost reduction strategy consisting of:
- In-Force savings
  - Regional collaboration (specific to policing)
  - Regional collaboration (cross-sectoral)
  - National savings (identified through the Association of Chief Police Officers in Scotland).
40. Work is ongoing to achieve the necessary savings under each category identified above. The board has reported that the bulk of the savings will need to come from in-Force savings and is currently carrying out work to identify areas where savings will have the least impact on services and staff. However, the board has recognised that in-Force savings will need to be centred on staffing reductions with the board terminating the contracts of forty one police staff employees in 2010/11.
41. The Government's recently completed Programme for Government review has confirmed there will be a single Scottish Police Service in future. While there is no immediate impact which materially affects the current financial position of the board, the longer term outcomes of the reform agenda will, potentially, have significant implications.

## Efficiency Programme

42. The Scottish Government Efficient Government Programme 2008/09 – 2010/11 set out targets to deliver cash-releasing efficiency savings amounting to £1.6 billion by 2010/11. To achieve this level of savings the Scottish Government set a target of two per cent cash-releasing savings for each of the three financial years. Public bodies need to be able to deliver year on year efficiency savings and contribute to the achievement of the Scottish Government's savings targets.
43. Achievement of these efficiency savings is monitored through the budgetary process and actual savings reported for the board in 2010/11 were £2.8 million. The board will need to achieve significant efficiencies and other savings in the years ahead. This will require continuing review across all of the board's activities and effective coordination of the board's efforts.

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## Use of Resources

### Asset Management

44. The pressure to get the best out of the board's asset base and the money that is invested in it is greater than ever in the current financial circumstances. Effective management of assets is essential to help the board achieve its objectives and priorities, while getting best value from its reducing resources.
45. The board has an Asset Management Strategy and will be critically evaluating each of the board's properties against the principles outlined in the Strategy. This will influence the board's decisions on the use of its assets in the difficult economic times ahead.
46. Going forward, the board and its Forth Valley partners have set up a discrete project aimed at delivering shared premises solutions, with the first phase focussing on community police facilities in six locations across the Force. The project aims to take advantage of the opportunities to co-locate and cost share and at the same time preserve or improve service delivery and community access.

### Procurement

47. Improved procurement practices are an important source of savings. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement and to deliver value for money and increased efficiency through improved structures, capability and processes.
48. The board has established a number of arrangements that meet the basic requirements of the McClelland Report but a number of issues require further action to assist the board in implementing best-practice in its procurement activity. The board has been unable to progress many of these actions due to the current economic climate.
49. Against the background of significant staffing reductions, however, the board has focussed on streamlining procurement processes through the introduction of on-line ordering and entering into a Service Level Agreement with Strathclyde Police for the provision of police uniforms and protective equipment and this has facilitated the closure of the Police store. In addition, the Force has continued the practice of procuring through Scottish Government and other UK and Scottish national frameworks where the opportunities exist. In the context of moving to a single police service, the board now considers any significant further investment in local procurement expertise to be imprudent.

### Managing People

50. The significant reduction in funding in the years ahead will clearly have implications for the board's workforce. Reducing spending on staff will need to be a key component of the way in which the board responds to the challenges it faces. The board will need to balance the requirement for savings with the need to ensure that it has the right people in the right place to take forward its strategic objectives and priorities, and that any up-front costs represent best value for money.

51. Approximately 85% of the board's budget relates to staff costs. The Strategic Plan 2011-15 identifies a key priority in relation to improving the current levels of service to our communities as developing a staffing profile and skills base which supports service delivery, to create a flexible work force which can meet current and future demand. This will necessitate ensuring that there is an appropriate mix of officers and police staff, with training programmes which support their core roles. In response to this need, the board has set up a Learning Strategy & Oversight Group which considers the training needs of officers and staff across the Force.

## Outlook

52. The economic conditions which prevailed at the end of last year remain. Nationally there is still considerable concern over the health of the economy and growth remains slow. The board will not be immune from the financial pressures arising from the impact of Government spending cuts on the budget of constituent councils and other public sector customers.
53. The board have undertaken a voluntary severance programme to reduce staff numbers in line with cuts to the 2011/12 budget. It is anticipated that future funding settlements will prove challenging for the board.

### **Refer Action Plan No. 1**

54. The Government's recently completed Programme for Government review has confirmed there will be a single Scottish Police Service in future. While there is no immediate impact which materially affects the current financial position of the board the longer term outcomes of the reform agenda will, potentially, have significant implications.

# Governance and accountability

55. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
56. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs, including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
57. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
  - corporate governance and systems of internal control
  - the prevention and detection of fraud and irregularity
  - standards of conduct and arrangements for the prevention and detection of corruption
58. In this part of the report we comment on key areas of governance.

## Corporate governance

### Processes and committees

59. Central Scotland Police is a joint board comprising of 11 elected members from the three constituent councils (2 elected members from Clackmannanshire Council, 6 from Falkirk Council and 3 from Stirling Council).
60. The Board meets regularly throughout the year and meetings are open to the public. Public notice of meetings is given on the Falkirk Council website via the Central Scotland Police Joint Board page. Minutes of meetings are also published on Falkirk Council's website. There is a link from the board's website to the meeting dates and the minutes.
61. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account on service delivery and support the reform and modernisation agenda.
62. In the action plan contained in our 2009/10 annual report on the audit, the board agreed to carry out a self-assessment of the effectiveness of the audit committee. Our report also highlighted that the CIPFA/SOLACE publication '*Audit Committee Principles in Local Authorities in Scotland*' contains a good checklist for this purpose. We note that no self-assessment has yet been carried out.

**Refer Action Plan No. 2**

63. The board has carried out a review of its corporate governance arrangements as part of its preparation for a planned Best Value inspection. The review identified a number of areas for improvement and these have been captured in a Best Value gap analysis. These include:
- to devise and deliver appropriate planned training/awareness sessions to board members regarding operational policing matters and incorporating within the boards training needs analysis
  - developing action logs for Board and sub-committee meetings to improve governance and monitoring arrangements
  - amending the framework for reports presented to the Board to include information on sustainability, optional appraisal and potential access to shared services, to assist in decision making.

### Internal control

64. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
65. As part of our audit work for 2010/11 we undertook a review of the board's key financial systems and were able to conclude that these systems provide a robust internal control framework.
66. Internal audit plays a key role in the board's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. The board's internal audit service is provided by the internal audit team in Stirling Council.
67. As external auditors, we are required by auditing standards to work closely with internal auditors to make optimal use of available audit resources. We sought to rely on the work of internal audit wherever possible and our audit plan included an assessment of the internal audit function in accordance with International Standard on Auditing 610. Based on our review of internal audit, we were able to place formal reliance on work undertaken by internal audit.
68. The board's internal auditors have submitted their final report on the work undertaken in 2010/11 and have concluded that *'reasonable assurance can be placed upon the operation of the internal financial control arrangements in place within Central Scotland Joint Police Board.'*

### Risk Management

69. Effective risk management is an essential element of good corporate governance which, in turn, supports effective decision making and ultimately contributes to improved performance. A board with mature governance arrangements embraces the concept of risk, recognising that awareness, discussion and management of risk represents strength in its management arrangements.



70. The board has a Risk Management Framework, supported by Risk Management Procedures. The board has developed a Corporate Risk Register which is considered as a standing agenda item by the senior management group (the Force Policy Group). Progress is also regularly reported to the Best Value & Audit Sub-committee.
71. The Force Improvement Board is currently reviewing the Corporate Risk Register. It will consider any suggested changes within the register and the progress made against the identified actions for mitigating risks in order to make recommendations to the Force Policy Group about significant or force-wide risks. The Corporate Risk Register continues to be populated by individual governance groups within the Force alerting the Force Improvement Board to emerging risks which could impact on the Force achieving its strategic objectives.
72. The board has recognised, through its Best Value gap analysis, that board members should be provided the opportunity to routinely consider the register, particularly risks identified as significant or higher.

### Public Performance Reporting

73. Local authority bodies have a clear statutory duty to make arrangements for reporting to the public on the outcome of the performance of their functions (Local Government in Scotland Act 2003). Statutory guidance on Best Value requires local authority bodies to manage performance effectively with a view to continuous improvement. This should reflect the local context in which they operate and their own particular priorities.
74. The board has a range of mechanisms for reporting performance to stakeholders including the Chief Constable's Annual Report, the Abstract of Accounts and through the Force Performance Framework reported on the board's website.
75. We also note that this framework sets out the performance of the board, across a wide range of indicators and identifies both improved and reduced performance. Work is currently underway to improve the performance framework by providing contextual information to help explain variations in performance and identify how the board intends to address these.

### Equality and Diversity

76. The board aims to ensure that all of its activities comply with best practice in the field of equality and diversity. A Single Equality Scheme approved in August 2010, following the introduction of the Equality Act 2010 aimed to provide a cross-cutting framework of equality for all. This scheme provides guidance on the approach to equalities in, for example, leadership and management, consultation, involvement and engagement, training and development and procurement.
77. Equality and diversity performance indicators are built into the board's local performance management framework and are reported to the Board. The board, through its Best Value gap analysis, identified the need to ensure key staff across the organisation obtain appropriate training in equalities.

## Sustainable development

78. Best Value requires local government to consider sustainability including the social, economic and environmental impacts of their activities and decisions. The Best Value gap analysis identified a need to develop the board's arrangements in this area including:
- developing and implementing a strategic framework for all element of sustainability
  - developing and implementing the Carbon Management Plan
  - developing and implementing an appropriate energy strategy
  - developing appropriate performance management measurements in respect of sustainability activities
79. The board's Carbon Management Plan, including targets, has been completed and reported to the Physical Resources sub-committee. The wider energy strategy is being developed and progress is monitored through the Force Improvement Plan.
80. The Environmental Community Planning Group, one of the community planning partnership groups, has objectives to improve the local environment, including the local response to climate change. The group is chaired by Scottish Natural Heritage and includes representatives from Stirling Council, Going Carbon Neutral Stirling, Historic Scotland, Loch Lomond & Trossachs National Park Authority, and Scottish Environmental Protection Agency, as well as board officers.

## Prevention and detection of fraud and irregularities

81. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
82. The board has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. The board has an approved Anti-Fraud Policy, Fraud Response Plan and Professional Standards Reporting Policy which contribute to sound arrangements to prevent and detect fraud and corruption.

## NFI in Scotland

83. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£40 million to 2008). If fraud or overpayments are not identified in a body, assurances may be taken about internal arrangements for preventing and detecting fraud.
84. The current NFI round is being carried out under new powers approved by the Scottish Parliament in terms of the Public Finance and Accountability (Scotland) Act 2003 (as amended) and which came into force from 20 December 2010. These provide for more collaboration with other UK agencies to detect 'cross border' fraud, extend the range of public

sector bodies involved, and allow data matching to be used to detect other crime as well as fraud.

85. The board took part in the most recent NFI review in 2010/11. Payroll and finance staff have investigated 75 data matches from 10 reports covering payroll and pension data. With the initiative substantially complete, ahead of the required timetable, outcomes have been positive with no frauds or errors identified.
86. The Audit Scotland report *The National Fraud Initiative in Scotland; making an impact* (May 2010) highlighted that much of the information used in the last NFI round was collected before the recession really took hold. An economic downturn is commonly linked to a heightened risk of fraud, and public bodies need to remain vigilant.

## **Standards of conduct and arrangements for the prevention/detection of bribery and corruption**

87. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the board's arrangements are satisfactory and we are not aware of any specific issues that we need to identify in this report.

# Best Value, performance and improvement

88. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value.
89. This section includes a commentary on the performance management arrangements within the board. We also note any headline performance outcomes/ measures used by the board.

## Management arrangements

### Vision and strategic direction

90. The Board at its meeting on 20 May 2011 approved a new Force Strategic Plan 2011-2015. The plan sets out the Board's vision and key business objectives for the period to 2015 under the theme of "*Building Trust, Confidence and Satisfaction*".
91. The board's key themes and priorities have been developed following a wide ranging consultation process and associated risk assessment. These are also reflected in the Single Outcome Agreements and the Scottish Policing Performance Framework. The board has developed an electronic monitoring system for its Force Improvement Plan. The system captures the improvement activities, which are derived from the objectives of the Strategic Plan, and target completion dates and identifies the scrutiny activity in place to monitor action.
92. The current economic climate and the reduction in public sector spending present significant challenges to the board. Despite the reductions in funding, there is increasing demand on police services and the board needs to explore whether there are better, more cost effective ways of delivering quality services. The board recognises that difficult decisions will have to be made over the next few years and a significant programme of change is inevitable.
93. Effective strategic planning requires a clear link between corporate planning, service planning and financial planning. In the action plan included in our 2010/11 Report on the Audit, the board stated that it planned to further develop future budgetary plans to more explicitly identify the financial impact of new demands and strategic priorities. Action to develop mechanisms to improve the understanding of the costs of specific policing activities is still required to ensure that this is fully developed within the board, at a time when good financial planning takes on even more significance. This has been included in the Force Improvement Plan.

## Best value

94. The Accounts Commission and Her Majesty's Inspector of Constabulary for Scotland (HMICS) have jointly developed an audit and inspection regime for the review of the performance of all police authorities and forces in delivering their statutory duties on Best Value and Community Planning. Following the announcement of national police reform, further consideration will be given to the review programme and a decision taken on whether the current programme of Best Value and Community Planning reviews should be continued.
95. In anticipation of the audit and inspection, the board undertook an internal review of the Force's arrangements for Best Value and Community Planning in its operational activities. Discussions are ongoing over the extension of the review to cover the Best Value and Community Planning arrangements of the governing Board.
96. The board's analysis identified fifty nine points for action and an action plan was developed covering forty two of these points. These have been approved by the Force Policy Group for inclusion in the Force Improvement Plan. Updates on progress are provided to the Best Value & Audit Sub-committee at regular intervals.
97. The Force Improvement Plan covers a variety of the board's arrangements including Corporate Governance, Risk Management, Equalities and Diversity and Sustainable Development. Improvements identified in the Force Improvement Plan relating to strategic direction include:
  - to devise and introduce a corporate planning framework cycle
  - to develop and implement the Force Improvement Plan
  - to monitor through the Force Improvement Plan, the improvement activities which in effect represent the business plans of individual business areas and business units
  - to produce appropriate service planning guidance documentation
  - to ensure chief officers' leadership and management development training plans are appropriately updated.

**Refer Action Plan No. 3**

## Partnership Working

98. The board is an active partner in the Clackmannanshire, Falkirk and Stirling Community Planning Partnerships and together with its community planning partners has a strong commitment for working together for the benefit of the local area.
99. Strategic Community Plans are in place for all three partnerships, which set out the key partnership priorities and are underpinned by the single outcome agreements which aim to provide improved outcomes for the communities. The single outcome agreements feed directly into the board's performance reporting framework.
100. The Assistant Chief Constable is a member of the strategic groups of each community planning partnership and the operational groups for the community safety aspect of the

partnerships are chaired by Area Commanders from the Force. This reflects the key role the board has to play in the partnerships.

## Community engagement

101. The Scottish Government introduced the Scottish Community Policing Engagement Principles which identified the need for a Community Engagement Standard. In February 2010 the Board approved a Community Engagement Standard which sets out the standards for engaging with local communities to establish an understanding of the issues that effect their quality of life, sense of security and improve police visibility and accessibility within communities.
102. The board also undertakes ongoing user satisfaction surveys, the results of which are reported on the board's website, and which show broadly positive results. The board recognises the continuing need to develop and improve communications with the public and has included the aim of building trust confidence and satisfaction (TCS) within its Strategic Plan 2011-2015.
103. TCS surveys have demonstrated improved levels of satisfaction from communities. In particular, there has been a significant improvement in satisfaction with the way the Force provides feedback on incidents to service users. There has also been an increase in the use of social media which has resulted in positive feedback from members of the public.

## Self-evaluation

104. In 2008/09, HMICS introduced a process of self-assessment, based on EFQM principles to replace the previous inspection regime. For 2009/10 HMICS identified a number of indicators of performance and highlighted key factors to be considered in assessing how these were met. The 2009/10 self-assessment produced a lot of information on performance and identified potential areas for improvement. These were taken forward to inform the work on creating a new Strategic Plan, and formulating a Policing Assessment to drive future force activity.
105. At its meeting in September 2011, the Best Value and Audit Sub-committee considered a report on the updated self-evaluation process where forces now compile combined strategic and organisational assessments which tie in with their planning cycle. This process has now been completed by the board and HMICS are holding a conference in November with the Force Officers and Board Members to allow informal dialogue about taking forward the self-assessments.

## Thematic inspections

106. HMICS issued sixteen thematic reports in the period 2008-2010 including specific recommendations for action. Progress against thematic recommendations has been regularly reported to the Best Value and Audit Sub-committee, with the amount of detail made available having increased steadily in order to allow greater scrutiny. The September 2011 report indicates that from the seventeen recommendations previously outstanding, eight have been

completed, five are from a national perspective (with three of these outstanding) and the four remaining local recommendations are now being managed under the Force Improvement Plan.

## Performance management

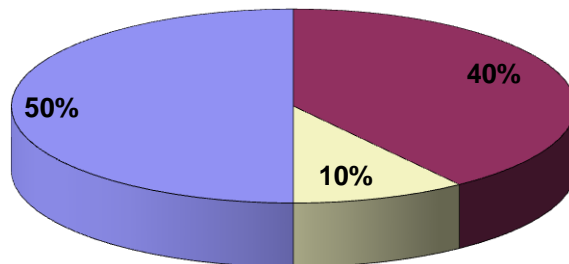
107. The board has a performance monitoring framework in place. The framework is based on the Scottish Policing Performance Framework (SPPF) and is augmented by local performance indicators, linked to the board's strategic objectives and the SOAs relevant to each of the Community Planning Partnerships. The framework also provides the basis for reporting the Statutory Performance Information.
108. An improved performance monitoring framework has been discussed at the September 2011 Best Value & Audit Sub-committee. The proposed framework will provide data to members on performance based on current, past year and on 3 year averages, and linking these for example to Force level, to Area Commands and to Local Authority areas. This is an evolving process with decisions on which indicators to report and how these are reported continually being reviewed.
109. The Force Performance Improvement Board supports a culture of continuous improvement within the force, based on control and accountability approaches to performance management. The Force Improvement Plan is viewed as a significant driver in ensuring continuous improvements, with updates on progress monitored by the Force Improvement Board, and the structure of the Force Improvement Plan allows managers at all levels to access the information about progress at any time.
110. Key performance outcomes highlight that performance continues to improve in many of the measured areas from the previous strategic plan (2008-2011):
  - the number of people killed or injured in road collisions continues to fall
  - while the number of crimes recorded remains consistent, the detection rate remains above the national average
  - the proportion of time lost to sickness absence has fallen from 2009/10, and for police officers remains below the national average.

## Overview of performance in 2010/11

111. Performance information is reported in the Chief Constable's Annual Report. The 2010/11 report provides a comparison of performance information with the previous year and demonstrates whether performance is improving, deteriorating or remains neutral. The report includes indicators set out in the following categories: service response; public reassurance & community safety; criminal justice & tackling crime; sound governance & efficiency (including a number of input measures); context measures.
112. The information provided for the 52 indicators included in the report (excluding the input measures) reflects a generally improving service as reflected in the graph below:



■ Improving performance ■ Deteriorating performance □ Neutral



113. Improvements achieved include, for example, emergency calls answered within 10 seconds, reduction in the number of complaints, reduction in the number of people killed or injured in road accidents, reduction in sickness absence levels, reduction in the proportion of salary costs accounted for by overtime and the value of efficiency savings made.

114. However performance in a number of areas has declined including service users satisfaction, emergency incidents attended within target, Class A drugs seizures and the ratio of staff leaving the organisation.

## Outlook

115. The current economic climate is likely to present a number of significant challenges to managing and improving performance due to rising costs and public sector spending cuts and will impact directly on the ability to deliver improvements in service. Workforce morale is likely to decline due to pay constraints, inflation and changes to the public sector pension scheme and proposed organisational changes. These challenges will increase the importance of robust monitoring and management of performance to ensure that the board can deliver more for less.



# Appendix A: action plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	55-56	<p><b>Financial Planning</b></p> <p>Moving forward it is important that the board has a clear understanding of what its spending priorities are, developing these in partnership with other public sector organisations where appropriate and has plans in place to deliver against these priorities.</p> <p>Effectively managing performance will remain a key challenge as budgets are reduced. Crucially, the board will need to use its performance information to understand and manage the effect of spending decisions.</p> <p><b>Risk: the board is unable to meet its commitments and available funding is not effectively directed to priorities.</b></p>	<p>The SSR2011 Programme Board, chaired by the DCC, will consider funding scenarios and approve options for delivering services within financial constraints, for the period up to the creation of the new single police service.</p> <p>To assist the process of prioritisation, police objective analysis will provide improved management information in relation the costs of key elements of the Force. Additionally, shared services/premises projects will be delivered with local partner agencies to contribute to maximising value for money.</p>	Director of Finance & Resources	March 2012
2	65	<p><b>Scrutiny</b></p> <p>The board has previously agreed to carry out a self-assessment of the effectiveness of the Best Value &amp; Audit Sub-committee. We note that no self-assessment has yet</p>	<p>The Board will undertake a self - assessment in preparation of the BV review.</p>	Clerk to the Board	March 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>been carried out.</p> <p><b>Risk: the Best Value &amp; Audit Sub-committee may not be fully effective.</b></p>			
3	100	<p><b>Best Value</b></p> <p>The board has identified a number of areas in its self assessment against best value principles and has developed an action plan (Best Value gap analysis) to address the issues. This will require to be regularly monitored to ensure continuous improvement.</p> <p><b>Risk: the board does not address the issues raised and is not seen to be delivering continuous improvement</b></p>	<p>A comprehensive gap analysis, segmented into discrete actions, has been developed. Action owners have been identified and progress is monitored through the Force Improvement Plan</p>	Superintendent, Strategic Development	March 2012