

# The 2016/17 audit of the Scottish Police Authority



AUDITOR GENERAL 

Prepared for the Public Audit and Post-Legislative Scrutiny Committee by the Auditor General for Scotland  
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000  
December 2017

# Auditor General for Scotland


The Auditor General's role is to:

- appoint auditors to Scotland's central government and NHS bodies
- examine how public bodies spend public money
- help them to manage their finances to the highest standards
- check whether they achieve value for money.

The Auditor General is independent and reports to the Scottish Parliament on the performance of:

- directorates of the Scottish Government
- government agencies, eg the Scottish Prison Service, Historic Environment Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Police Authority, Scottish Fire and Rescue Service.

You can find out more about the work of the Auditor General on our website:

[www.audit-scotland.gov.uk/about-us/auditor-general](http://www.audit-scotland.gov.uk/about-us/auditor-general) 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

---

# Contents

|   |    |
|---|----|
| Introduction .....  | 4  |
| The auditor's opinion on the Scottish Police Authority's 2016/17 annual report and accounts ..... | 4  |
| Key findings from the 2016/17 audit of the Scottish Police Authority .....                        | 5  |
| Reviews of governance.....  | 9  |
| Long-term financial strategy .....  | 10 |
| Developing information and communications technology for policing .....                           | 11 |
| Conclusion .....  | 11 |

---

## Introduction

1. 2016/17 was the fourth full year of operation for the Scottish Police Authority and the Police Service of Scotland (Police Scotland). This is the sixth report I have made to the Scottish Parliament on the two bodies since their establishment on 1 April 2013.<sup>1</sup> The Scottish Police Authority's accounts include all £1.1 billion spent by it and by Police Scotland. The chief executive of the Scottish Police Authority is the accountable officer for this expenditure, while the vast majority of the expenditure is made by Police Scotland.
2. This report draws the Parliament's attention to:
  - The auditor's opinion on the [Scottish Police Authority's 2016/17 annual report](#) and accounts (paragraph 3)
  - Key findings from the 2016/17 audit of the Scottish Police Authority, in particular:
    - The final outturn for 2016/17 in terms of the revenue, capital and reform budgets (paragraphs 4 and 5)
    - The process for setting the Police Scotland budget for 2017/18 (paragraph 6)
    - Disclosures in the 2016/17 remuneration report relating to the appointment of temporary senior staff in both the Scottish Police Authority and Police Scotland and the approval of relocation expenses (paragraphs 7 to 15).
  - Reviews of governance conducted during 2016/17 and during 2017/18 and changes in leadership (paragraphs 16 to 23).
  - An update on progress in developing a long-term financial strategy for the Scottish Police Authority and Police Scotland and the long-term financial sustainability of the two organisations (paragraphs 24 to 26).
  - A summary of progress in developing information and communications technology following the termination of Police Scotland's i6 programme in July 2016 (paragraphs 27 and 28).

## The auditor's opinion on the Scottish Police Authority's 2016/17 annual report and accounts

3. The Scottish Police Authority's accounts for 2016/17 are unqualified. In contrast to the previous three years, the auditor has not expressed a modified opinion on those matters on which he is required to report by exception. This reflects an encouraging improvement in the quality of accounting records and access to information.

---

<sup>1</sup> *Police Reform*, Audit Scotland, November 2013; *The 2013/14 audit of the Scottish Police Authority*, Audit Scotland, December 2014; *The 2014/15 audit of the Scottish Police Authority*, Audit Scotland, December 2015; *The 2015/16 audit of the Scottish Police Authority*, Audit Scotland, December 2016; *i6: a review*, Audit Scotland, March 2017.

## Key findings from the 2016/17 audit of the Scottish Police Authority

### Scottish Police Authority's outturn for 2016/17

4. The Scottish Police Authority's main financial objective is to ensure that the financial outturn is within the budget allocated to it by the Scottish Government. In 2016/17, it overspent its budget by £16.9 million (1.6 per cent of the total budget) and therefore did not meet this objective ([Exhibit 1](#)). This deficit was accommodated from underspends from elsewhere in the Scottish Government's budget. There were overspends on both the revenue and the capital budgets. These had been forecast and reported to the Scottish Police Authority throughout 2016/17.

#### Exhibit 1

##### Performance against Departmental Expenditure Limit (DEL), 2016/17 (£ millions)

|                                    | Initial budget   | Final budget     | Outturn          | (Overspend)/underspend |
|------------------------------------|------------------|------------------|------------------|------------------------|
| Revenue                            | 1,003.380        | 1,024.510        |                  |                        |
| Reform funding                     | -                | 34.834           |                  |                        |
| <b>Total revenue</b>               | <b>1,003.380</b> | <b>1,059.344</b> | <b>1,070.462</b> | <b>(11.118)</b>        |
| Capital                            | 16.200           | (2.300)          |                  |                        |
| Capital reform funding             | -                | 17.800           |                  |                        |
| <b>Total capital</b>               | <b>16.200</b>    | <b>15.500</b>    | <b>21.315</b>    | <b>(5.815)</b>         |
| <b>Total resource</b>              | <b>1,019.580</b> | <b>1,074.844</b> | <b>1,091.777</b> | <b>(16.933)</b>        |
| Non-cash                           | 50.0             | 50.0             | 35.721           | 14.279                 |
| Expenditure outside DEL            | 5.404            | 5.404            | 5.036            | 0.368                  |
| Annually Managed Expenditure (AME) | -                | 44.000           | 14.727           | 29.273                 |

5. The £16.9 million overspend would have been larger but the Scottish Police Authority received a payment of £13.6 million as part of the negotiated settlement associated with the termination of the i6 programme.<sup>2</sup> The Scottish Government gave permission for the Scottish Police Authority to retain this payment.

### Setting Police Scotland's budget for 2017/18

6. The report on the 2015/16 audit of the Scottish Police Authority noted that there was limited publicly available detail about what Police Scotland's 2016/17 budget allocation was to deliver.<sup>3</sup> On 22 March 2017, the Scottish Police Authority approved a revenue budget for 2017/18 of £1,069.6 million with a forecast deficit of £47.2 million. The process for setting the 2017/18 budget was more transparent and comprehensive. It provided frank commentary on the scale of the financial challenge facing policing in Scotland and more detailed information on planned revenue, capital and reform expenditure.

### Disclosures in the remuneration report

7. Due to initially incomplete disclosures, there were considerable changes to the 2016/17 remuneration report that the Scottish Police Authority provided for audit. These disclosures related to:
  - the appointment of temporary senior staff in both the Scottish Police Authority and Police Scotland at a total cost of £344,819 (paragraphs 8 to 10)
  - relocation expenses paid to a deputy chief constable of £49,000. The Scottish Police Authority also met the costs (£53,000) of the officer's personal tax liability (paragraphs 11 to 15).

### Appointment of temporary senior staff

8. In late 2015/16 and 2016/17, the Scottish Police Authority and Police Scotland made three interim senior appointments ([Exhibit 2](#)). The two interim chief financial officer appointments were, in part, intended to address some of the past weaknesses in financial leadership. These three appointments together cost £344,819. The auditor has concluded that the appointments of Police Scotland's interim chief financial officer and interim director of people and development did not demonstrate value for money in the use of public funds. Furthermore, the process for appointing the Scottish Police Authority's interim chief financial officer was inconsistent with procurement procedures.

---

<sup>2</sup> *i6: a review*, Audit Scotland, March 2017.

<sup>3</sup> *The 2015/16 audit of the Scottish Police Authority*, Audit Scotland, December 2016.

## Exhibit 2

### Interim senior appointments in the Scottish Police Authority and Police Scotland

| Organisation              | Post  | Duration of appointment during 2016/17 | Total cost in 2016/17 (£) | Supplier                               |
|---------------------------|---|--|---------------------------|--|
| Scottish Police Authority | Interim chief financial officer <sup>1</sup>            | 1 April 2016 - 22 December 2016        | 39,127                    | Gleniffer Solutions Limited            |
| Police Scotland           | Interim chief financial officer <sup>2,3</sup>          | 6 June 2016 - 31 March 2017            | 199,500                   | Secondment from PwC                    |
| Police Scotland           | Interim director of people and development <sup>3</sup> | 6 December 2016 - 31 March 2017        | 106,192                   | Recruitment through Badenoch and Clark |

Note:

1. The interim chief financial officer of the Scottish Police Authority was appointed on 9 February 2016 on a three days per week basis.
2. The interim chief financial officer of Police Scotland was appointed as the permanent chief financial officer on 1 July 2017.
3. The costs associated with Police Scotland's interim chief financial officer and interim director of people and development represent the invoiced day-rate, not their salaries.

Source: Scottish Police Authority

9. On 28 January 2016, the chief executive of the Scottish Police Authority offered the position of interim chief financial officer to a director of Gleniffer Solutions Limited. The director accepted this offer on 29 January 2016. The chief executive subsequently retracted the offer and invited Gleniffer Solutions Limited and two other organisations to tender for the role under the established Quick Quote procurement process.
10. The Scottish Police Authority received three tenders. It assessed two as non-compliant, leaving only the tender from Gleniffer Solutions Limited. The chief executive of the Scottish Police Authority was the only assessor of the tender. This was not consistent with the Scottish Police Authority's procurement process. He assessed all criteria as "5" which is defined as "exceptional, response is completely relevant and exceptional". No justification

---

was documented to support the scores awarded. This was not consistent with the Scottish Police Authority's procurement process which requires full justification for scores to be provided. The interim chief financial officer began work on 9 February 2016.

### Relocation expenses

11. The audit identified a payment of relocation expenses of £49,000 during 2016/17 to a deputy chief constable. This followed a previous payment of relocation expenses of £18,000 in 2014/15 to the same officer. In addition, the Scottish Police Authority met the costs (£53,000) of the officer's personal tax liability during 2016/17.
12. The Police Service of Scotland Regulations 2013 set out senior police officers' entitlement to relocation expenses. The regulations do not specify any limit on relocation expenses. The terms of the officer's appointment stated that: "*Should you need to move house as a result of this appointment the Scottish Police Authority will meet reasonable expenses incurred in relation to the move as agreed.*" The payments made were within the scope of regulations and were in accordance with the terms of the officer's appointment. However, relocation payments of this magnitude do not represent a good use of public money.
13. The Scottish Police Authority's chief executive authorised the relocation payments under the former Strathclyde Police Authority Standard Operating Procedures. These procedures were used because, at the time of the deputy chief constable's appointment in December 2012, there was no Scottish Police Authority relocation policy. The Strathclyde Police Authority Standard Operating Procedures state: "*All claims must be made within 18 months of appointment.*" The extended period for settling the relocation payments was attributed to uncertainties around the location of Police Scotland's headquarters. This is not a legitimate argument for payments being made as recently as early 2017.
14. Given the use of the Strathclyde Police Authority Standard Operating Procedures and the extended timescales, additional governance arrangements would have been expected to support the decision. The chief executive advised the auditor that the payments were within his delegated authority and he did not advise members of the Scottish Police Authority of these payments at any board or committee meeting.
15. The 2016/17 relocation expenses payment was processed as a BACS payment rather than through the payroll system. It had been coded incorrectly within the ledger as childcare vouchers. This meant that it was not included in the remuneration report provided to the auditor and the Scottish Police Authority's Audit Committee. As the payment was not processed through the payroll system, no tax or national insurance calculations had been made to make onward payment to Her Majesty's Revenue and Customs. The chief executive of the Scottish Police Authority and the chief financial officer of Police Scotland, who were familiar with the payments, made insufficient efforts to ensure that the remuneration report in the annual report and accounts were free from error and omission.



---

## Reviews of governance

### Scottish Police Authority

16. At the request of the Cabinet Secretary for Justice, the chair of the Scottish Police Authority reported on the governance of the organisation in March 2016. In December 2016, the Scottish Police Authority discussed the implementation of these recommendations. One member dissented from one element of the proposed implementation plan relating to holding meetings in private. In January 2017, she resigned from the Scottish Police Authority.
17. During early 2017, there were a number of evidence sessions at the Public Audit and Post-Legislative Scrutiny Committee and the Justice Sub-Committee on Policing that focused on the governance and transparency of the Scottish Police Authority. Following these evidence sessions, HM Inspectorate of Constabulary for Scotland, at the request of the Cabinet Secretary for Justice, conducted a review of the openness and transparency of the Scottish Police Authority.<sup>4</sup> It published the conclusions of this review and 11 recommendations on 21 June 2017.
18. The chair of the Scottish Police Authority resigned on 14 June 2017. He remained in post until the new chair took over on 4 December 2017. In June 2017, the Cabinet Secretary for Justice announced that the deputy chair of the Scottish Police Authority and the chief executive of Comhairle nan Eilean Siar would lead a review of the operation of the Scottish Police Authority as an organisation. This review will report in due course.

### Forensic services

19. In October 2016, HM Inspectorate of Constabulary for Scotland presented options to the Scottish Police Authority for the governance and delivery of forensic services. The options were not communicated to all members of the Scottish Police Authority and were not adopted. Subsequently, in June 2017, HM Inspectorate of Constabulary for Scotland published the results of its inspection of forensic services.<sup>5</sup> It identified a number of weaknesses relating to governance and scrutiny.
20. Following the inspection, there was a change in accountability arrangements so that the director of forensic services reports directly to the deputy chair of the Scottish Police Authority, rather than to the chief executive. This represented a significant change in the responsibilities of the chief executive. At a private meeting on 7 June 2017, the Scottish Police Authority considered a proposed business case for change, outlining the rationale for making the role of the chief executive redundant.
21. The decision to make the role of chief executive redundant was taken in August 2017, by correspondence, not at a meeting of the Scottish Police Authority. Given the significance of

---

<sup>4</sup> Thematic Inspection of the Scottish Police Authority - Phase 1 Review of Openness and Transparency. *HM Inspectorate of Constabulary in Scotland*, June 2017. Audit Scotland supported the conduct of this review.

<sup>5</sup> *Thematic Inspection of the Scottish Police Authority Forensic Service*, HM Inspectorate of Constabulary in Scotland, June 2017.

---

this decision, a formal meeting of the Scottish Police Authority should have been convened to enable a full consideration of all available options including associated costs prior to approving the business case.

22. The Scottish Police Authority placed considerable importance on the chief executive remaining in his role as the accountable officer until he had signed the 2016/17 annual report and accounts. Due to the uncertainty about this date, the Scottish Police Authority agreed that he would receive a payment in lieu of his contractual notice, in addition to his eligibility for an early retirement payment. Given the chief executive had a six months notice period and the decision was made in August 2017, the Scottish Police Authority could have reasonably decided to ask the chief executive to work his notice period from this date as the annual report and accounts must be laid before the Scottish Parliament by the statutory deadline of the end of December. The Scottish Police Authority has met this deadline in every previous year. It has therefore incurred an additional three months salary costs unnecessarily.
23. The chief executive left the Scottish Police Authority on 30 November 2017. An interim chief officer for the Scottish Police Authority took up post on 13 November 2017 on secondment from the Scottish Government.

## Long-term financial strategy

24. In November 2013, we recommended that the Scottish Police Authority and Police Scotland should develop a long-term financial strategy.<sup>6</sup> This has been reiterated in subsequent reports to the Scottish Parliament on the 2013/14, 2014/15 and 2015/16 audits. In September 2017, the Scottish Police Authority considered three-year and ten-year financial strategies. It plans to consider more detailed financial strategies in March 2018. The development of these strategies is an important first step and provides essential context and understanding for the organisations' future financial sustainability and the delivery of the *Policing 2026* vision.
25. Ultimately, the financial strategies will be underpinned by corporate strategies for fleet, estates, information and communications technology and workforce. These strategies are all at different stages of development. Ensuring that these are completed and the financial strategies reviewed and updated in the context of those strategies is essential.
26. The three year financial strategy notes that in 2017/18, there is a forecast deficit of £47.2 million (see paragraph 6). It indicates that the Scottish Police Authority will be in deficit in 2018/19 and 2019/20 with projected deficits of £35.6 million and £15.9 million respectively. It envisages that the Scottish Police Authority will achieve a balanced budget in 2020/21. The elimination of the deficit is based on recurring savings being secured in the intervening years. The ten year financial strategy suggests that, after achieving financial balance in 2020/21, the Scottish Police Authority will move back into a position of annual deficits due to unaddressed recurring cost pressures.

---

<sup>6</sup> *Police Reform*, Audit Scotland, November 2013.

---

## Developing information and communications technology for policing

27. In March 2017, Audit Scotland published a report on Police Scotland's i6 programme which was terminated in July 2016.<sup>7</sup> In June 2017, the Scottish Police Authority and Police Scotland published *Policing 2026* which set out their shared vision for the future of policing in Scotland. *Policing 2026* placed great emphasis on a vastly expanded role for information and communications technology ranging from the use of body-worn and mobile devices to sophisticated, integrated operational and corporate systems.
28. There has been progress, for example, with the successful roll-out of a national custody system. However, in September 2017, Scott-Moncrieff prepared a report on the current capacity and capability of Police Scotland's ICT function. It concluded that "[...] *conditions do not yet exist within Police Scotland to provide a satisfactory level of comfort that sufficient technology delivery capability is in place to support the delivery of Policing 2026.*" It is critical that an ICT strategy capable of delivering the vision described in *Policing 2026* is finalised, and more importantly, supported, resourced and implemented.

## Conclusion

29. 2016/17 was the first year that the auditor did not make a modified opinion on the Scottish Police Authority's accounts. I welcome this progress in terms of the financial management of the Scottish Police Authority and Police Scotland. This has, in part, been helped by an investment in the Police Scotland finance function. The development of initial three and ten-year financial strategies represents an important first step. These must be reinforced by the development and implementation of detailed, underpinning strategies if the two organisations are going to achieve a balanced budget by 2020/21 and then address the longer-term deficits forecast in the ten-year financial strategy.
30. *Policing 2026* sets out an ambitious vision for the future of policing. Realising this vision over the next eight years will be immensely challenging in the context of:
  - the scale of transformational change needed;
  - current and future financial constraints;
  - the integration of British Transport Police functions into Police Scotland;
  - instability created by ongoing changes in the leadership of the two organisations; and
  - the current capacity and capability of Police Scotland's ICT function.
31. Since the publication of the report on the 2015/16 audit of the Scottish Police Authority, there has been significant public attention on its governance. Responding to the recommendations of the review on the operation of the Scottish Police Authority (paragraph 18) and ensuring that the organisation operates effectively and transparently must be an immediate priority for the new chair and interim chief officer. In addition, rapid progress must be made on finalising

---

<sup>7</sup> *i6: a review*, Audit Scotland, March 2017.

---

the various strategies (see paragraph 25) that will support the transformational change necessary to deliver the vision outlined in *Policing 2026*.

32. The 2016/17 audit of the Scottish Police Authority identified a number of instances of poor governance and poor use of public money in the Scottish Police Authority and Police Scotland. This is unacceptable. The new chair and interim chief officer must ensure that the culture, policies and operating systems of both the Scottish Police Authority and Police Scotland improve so that such occurrences are not repeated.

# The 2016/17 audit of the Scottish Police Authority

This report is available in PDF and RTF formats, along with a podcast summary at:

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

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500

or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

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