

# Scottish Police Authority

Annual Audit Plan 2017/18



 AUDIT SCOTLAND

Prepared for the Scottish Police Authority

February 2018

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Audit risks

3. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for the Scottish Police Authority. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1

### 2017/18 Key audit risks

Audit Risk	Source of assurance	Planned audit work
<b>Financial statement issues and risks</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> <li>Owing to the nature of this risk, assurances from management are not applicable in this instance.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed testing of journal entries.</li> <li>Review of significant accounting estimates.</li> <li>Focused testing of accruals and prepayments.</li> <li>Evaluation of significant transactions that are outside the normal course of business.</li> <li>Substantive testing of income and expenditure transactions at the financial year end.</li> </ul>
<p><b>2 Risk of fraud over income</b></p> <p>The Scottish Police Authority receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<ul style="list-style-type: none"> <li>Management has a system of internal controls in place to prevent and detect the risk of fraud over income.</li> </ul>	<ul style="list-style-type: none"> <li>Analytical procedures on income streams.</li> <li>Detailed substantive testing of revenue transactions focusing on the areas of greatest risk.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p><b>3 Risk of fraud over expenditure</b></p> <p>The Code of Audit Practice and Practice Note 10 extend the assumptions within ISA240 to the risk of fraud over expenditure. The Scottish Police Authority incurs significant expenditure on contracts and consultancy arrangements and therefore there is an inherent risk of fraud.</p>	<ul style="list-style-type: none"> <li>• Management has a system of internal controls in place to prevent and detect the risk of fraud over expenditure.</li> <li>• It is recognised that these arrangements need to strengthen, and work is currently underway to deliver this.</li> </ul>	<ul style="list-style-type: none"> <li>• Analytical procedures on expenditure streams.</li> <li>• Detailed substantive testing of expenditure transactions focusing on the areas of greatest risk.</li> </ul>
<p><b>4 Remuneration Report</b></p> <p>Over many years, our audits of the SPA have identified numerous errors and omissions in the remuneration report disclosures relating to the Police Scotland Force Executive, the Scottish Police Authority Senior Management Group and Board members. There is a risk that the information in the remuneration report is not accurate and complete and that these remain uncorrected.</p>	<ul style="list-style-type: none"> <li>• The draft remuneration report will be produced earlier to ensure that there is sufficient senior management time to consider each named individual's circumstances to ensure that it is appropriately disclosed.</li> <li>• Throughout 2017-18 SPA Board Members' remuneration claims have been subject to a formal process which is recorded within SPA. The SPA board members' Expenses Policy sets out the remuneration process and the authorisation process for seeking remuneration in relation to any additional days' work undertaken beyond the core requirement. This is contained within the SPA board members' packs and was updated and circulated in February 2017. Monthly reminders are issued to members to complete claims in a timely manner. All queries, correspondence and authorisations to individual claims are fully documented.</li> <li>• A review is underway of all relocation payments made to staff or officers since the inception of Police Scotland to ascertain whether the current relocation policy is being adhered to. The employer's side is seeking to develop further guidance on relocation in negotiation with the staff side, and in doing so may consider whether any amendments to regulations and/or determinations may be necessary.</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed testing of all amounts and disclosures in the remuneration report.</li> <li>• Consideration of wider knowledge to ensure the completeness of the disclosures.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p><b>5 Financial management</b></p> <p><u>Changes in finance function</u></p> <p>Additional temporary finance resources were engaged during 2016/17 with a positive impact on the preparation of the financial statements. A restructure of the finance function has taken place and considerable change is underway at a senior level with some key experienced staff taking voluntary redundancy.</p> <p>There is a risk that continued change within the finance function results in a lack of continuity and has a detrimental affect on the preparation and audit of the financial statements.</p>	<ul style="list-style-type: none"> <li>Recruitment to the new senior posts in the finance function has been completed, including a new Financial Controller and a Statutory Reporting Lead, both of which will have oversight of the Annual Report &amp; Accounts preparation process.</li> <li>External support has been obtained to ensure that the project plan for preparing the accounts is robust, and that the team understand roles and responsibilities.</li> <li>A key member of staff who will be leaving the organisation has agreed to remain in the organisation during the period when the accounts are prepared to ensure that there is continuity and no loss of key information.</li> </ul>	<ul style="list-style-type: none"> <li>Discussions with management over the roles and responsibilities of those involved in the preparation of the annual report and accounts and subsequent audit.</li> </ul>
<b>Wider dimension risks</b>		
<p><b>6 Financial sustainability</b></p> <p><u>2017/18 Financial Position</u></p> <p>The 2017/18 budget was approved in March 2017 with a £47.2m deficit. This budget includes £8m of unidentified savings which are not supported by detailed plans.</p> <p>The 3 year financial plan shows a balanced budget by 2020/21. Achievement of this objective is at risk in the absence of robust and detailed savings plans.</p>	<ul style="list-style-type: none"> <li>The 2017/18 budget position has been managed through monthly monitoring reports which are presented to Police Scotland's Corporate Finance &amp; Investment Board, as well as the SPA's Finance Committee.</li> <li>A further savings exercise was undertaken during summer 2017 in order to identify where the £8m of unidentified savings could be found from. This exercise was successfully completed, and the budget is forecast to be exceeded.</li> </ul>	<ul style="list-style-type: none"> <li>Review financial year-end reporting of outturn performance.</li> <li>Review the evidence of Scottish Government permission to offset and underspends against the projected revenue overspend.</li> <li>Review the revised 3 year financial plan which supports the 2018/19 budget.</li> <li>Review the financial position and arrangements for securing financial sustainability including the appropriateness of plans to address identified funding gaps.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p><b>7</b> <u>Long term financial planning</u></p> <p>Policing 2026 is underpinned by a number of supporting strategies, including the 10 year financial strategy and a 3 year financial plan both of which were approved by the Board in September 2017. A number of other corporate strategies relating to ICT, workforce, estates and fleet remain in development but are crucial to the delivery of the overall strategy. The financial plan and strategy will be refreshed in March 2018 to support the setting of the 2018/19 budget and at this time it will be crucial that the various corporate strategies are complete.</p> <p>There is a risk that without supporting plans in place the long term financial strategy does not fully and accurately reflect the costs and benefits of the various transformation projects required to deliver Policing 2026.</p>	<ul style="list-style-type: none"> <li>• The 10 Year Financial Strategy and 3 Year Financial Plan will be presented to the SPA Board in March 2018 in line with the agreed timescales.</li> <li>• These documents will be produced using the most up to date information available from across the organisation, which will for the first time incorporate the early financial data coming out of the integrated ICT, digital and data strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the arrangements for securing financial sustainability including the robustness of savings plans to address identified funding gaps.</li> <li>• Monitor progress on developing strategies for ICT, workforce, estates and fleet including how these align to the overarching Policing 2026 strategy.</li> </ul>
<p><b>8</b> <u>ICT Strategy</u></p> <p>The delivery of the 2026 Policing Strategy is dependent to a significant extent on the successful utilisation and management of technology.</p> <p>An ICT Health Check carried out by Scott Moncrieff in Autumn 2017 highlighted that the ICT strategy remains in draft and does not sufficiently demonstrate the vision of the future ICT function or the role of ICT in achieving the transformation activities outlined in the Policing 2026 strategy.</p> <p>The absence of an appropriate ICT Strategy could hinder the achievement of the improvements outlined in Policing 2026.</p>		<ul style="list-style-type: none"> <li>• Carry out detailed ICT audit work to assess the arrangements in place.</li> <li>• Review progress in addressing the Internal Audit recommendations.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p><b>9 Governance and transparency</b></p> <p><u>Leadership changes</u></p> <p>There have been a number of changes at leadership level within both the Scottish Police Authority and Police Scotland. During 2017 a new Chair and interim Chief Officer were appointed and in February 2018 the Chief Constable resigned from his post after an extended period of leave.</p> <p>There is a risk that the strategic direction and focus required to deliver the Policing 2026 strategy is adversely affected by persistent change at leadership level.</p>	<ul style="list-style-type: none"> <li>• Correspondence and records are available within SPA regarding the departures of the former Chair, former Chief Executive and the former Chief Constable.</li> <li>• Following the resignations of the former Chair and Chief Executive, succession planning arrangements and processes were followed in close liaison with Scottish Government for the Scottish Ministers to recruit and appoint the new Chair and for an interim Chief Officer to be appointed by the SPA. This is fully documented within Scottish Government. In both cases the timing of the new appointees' taking up their new roles was set in order to allow for hand-over conversations and induction.</li> <li>• An accelerated, regulated board appointment round is currently underway within Scottish Government to bring up to 5 new members to the board to enhance its focus and capability.</li> <li>• The new chair and Chief Officer have instigated a series of monthly board workshops (12 January, 6 February and 8 March 2018) involving SPA Members and senior personnel from Police Scotland to maintain focus on the strategic direction set by Policing 2026 and on delivery of its implementation. More generally, the new Chair and Interim Chief Officer have engaged in multiple discussions about Policing 2026 delivery with SPA staff and with the Police Scotland leadership team to ensure no loss of momentum.</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the progress and pace of the key projects which are required to support progress towards the delivery of the strategic objectives of Policing 2026.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p><b>10</b> <u>Governance arrangements</u></p> <p>During 2016/17 the governance arrangements in the Scottish Police Authority were subject to significant attention and criticism. A number of changes have recently been made to strengthen the governance framework including re-instating the Complaints and Conduct Committee and the establishment of a Forensics Committee.</p> <p>A review to consider how the executive of the Scottish Police Authority can best support the Board to take informed, transparent decisions was commissioned in 2017 by the Cabinet Secretary for Justice. The review was led by the Scottish Police Authority Board Vice Chair Nicola Marchant and Comhairle nan Eilean Siar chief executive Malcolm Burr and is due to report in early 2018.</p> <p>As a result of the considerable changes to governance arrangements there is a risk that the effectiveness of scrutiny and decision making may be adversely affected.</p>	<ul style="list-style-type: none"> <li>Improving the effectiveness of scrutiny and decision making has been a prime objective of the new Chair and Interim Chief Officer, who have also engaged specific improvement support from HMICS in doing so.</li> <li>Changes have been made in the holding of Board meetings in response to criticisms from HMICS (ending 'Closed' meetings), and action has been taken to improve the quality of Board papers and minutes on key decisions.</li> <li>Work is underway on a revised Governance framework to reflect best practice and to embed the changes to structure, process and practices already implemented. This will include the re-introduction of formal standing orders and a refreshed Scheme of Delegation to bring clarity and transparency to the decision making process.</li> <li>Conclusions of the Executive review carried out by Nicola Marchant and Malcolm Burr will be taken into account in the SPA's improvement activity in 2018 which will be set out in a new SPA Corporate Plan for 2018-19.</li> </ul>	<ul style="list-style-type: none"> <li>Consider the findings of the HMICS Strategic Review and the review carried out by Nicola Marchant and Malcolm Burr.</li> <li>Assess the extent to which there has been improvement in governance and scrutiny and progress made against the recommendations made in the various reviews.</li> <li>Examine the remit and operation of the new committees and how they contribute to good governance.</li> </ul>
<p><b>11</b> <u>Board effectiveness</u></p> <p>A recruitment process is currently underway to appoint five new Board members as a result of members' terms of appointment ending and some resignations. The audit committee is currently operating with only two members, given the importance of the scrutiny role of this committee, action to appoint an additional member should be considered as a matter of urgency.</p> <p>There is risk that the audit committee does not have sufficient capacity to adequately fulfil its scrutiny role.</p>	<ul style="list-style-type: none"> <li>An accelerated, regulated board appointment round is currently underway within Scottish Government to bring up to 5 new members to the Board to enhance its focus and capability.</li> <li>The Chair fully expects that this appointment round will strengthen the membership of committees.</li> <li>A thorough and timely induction process for the new members is currently under development alongside refresher development session for the current board members.</li> </ul>	<ul style="list-style-type: none"> <li>Review at board and audit committee level whether there is effective scrutiny, challenge and transparency on decision-making and finance and performance reports.</li> <li>Assess the experience and background of newly appointed members to ensure that the board has an appropriate level of knowledge and capability.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p><b>12</b> <u>General Data Protection Regulation (GDPR)</u></p> <p>On 25 May 2018, the EU General Data Protection Regulation (GDPR) comes into force and brings with it a significant change to the UK's data protection laws. In addition, the Law Enforcement Directive (LED) will also take effect from May 2018 and generally follows the requirements of the GDPR whilst taking into account the operational needs of law enforcement agencies.</p> <p>In January 2018 Internal Audit reported significant concerns over the progress made in preparing for the implementation of the new legislation. There is a risk that as a result of non compliance, penalties could be incurred.</p>	<ul style="list-style-type: none"> <li>• Internal audit noted on their update report to the committee that limited progress had been made due to capacity shortfall at SPA.</li> <li>• Following agreement and support from Police Scotland, a procurement tender was issued and a contract successfully awarded to Anderson Strathern, who commenced their work with SPA on 14th February. This legal advisor will assist in the day-to-day work to ensure SPA works towards compliance with the new legislation. This additional resource will work closely with the Information Management team who will lead on this key work.</li> <li>• Joint working with Police Scotland, Forensic services and SPA has been established, with a tripartite approach to Programme Managing the delivery of GDPR across Policing.</li> <li>• A meeting is scheduled with Scott Moncrief, on 26<sup>th</sup> February, to discuss how we can improve follow-up reporting on the preparedness of SPA to be compliant with the new legislation.</li> <li>• The key issues for SPA this reporting period include an absence within the Information Management team, which reduces the resource available to progress the GDPR project by 50%. However with the start of the specialised legal advisors it is hoped that the work will progress quickly.</li> <li>• In addition to the above, while a further Data Protection officer has been recruited, due to vetting procedures, the start date of this additional resource will be delayed. SPA will continue to liaise with the vetting unit to ensure this is progressed as quickly as possible.</li> </ul>	<ul style="list-style-type: none"> <li>• Review arrangements and progress in implementing GDPR requirements.</li> <li>• Consider progress against the Internal Audit recommendations.</li> </ul>

Audit Risk	Source of assurance	Planned audit work
<p><b>13 Value for money</b></p> <p><u>British Transport Police (BTP) merger</u></p> <p>The Scottish Police Authority is working with Police Scotland, BTP and the British Transport Police Authority to prepare for the planned integration in 2019. It is anticipated that 'operational integration' can be achieved by this date but that administrative and back office functions may not be fully integrated until a later date. The merger will require the transfer of assets and liabilities which is likely to be a complex process requiring negotiation and agreement. Issues relating to the impact on the terms and conditions, including the pensions, of BTP's officers and staff also remain unresolved.</p> <p>There is a risk that without careful project management the planned merger will not be successfully implemented.</p>		<ul style="list-style-type: none"> <li>• Review of the Integration Joint Programme Board (JPB) papers and minutes.</li> <li>• Consider the progress made against the delivery milestones and high level costs outlined in the Programme Plan.</li> <li>• Consider the results of the Gateway Review of the Integration programme planned for early 2018.</li> <li>• Assess the extent to which the findings of the HMICS Strategic Overview have been addressed.</li> </ul>

## Reporting arrangements

**4.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**5.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

**6.** We will provide an independent auditor's report to the Scottish Police Authority, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

**7.** Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year-end, i.e. 31 December. Management are required to submit their audited financial statements to meet the consolidation timetable.

## Exhibit 2

### 2017/18 Audit outputs

Audit Output	Target date	Audit Committee Date
Management Report	30 June 2018	24 July 2018
Annual Audit Report	12 October 2018*	23 October 2018
Independent Auditor's Report	12 October 2018*	23 October 2018

### Audit fee

**8.** The agreed audit fee for the 2017/18 audit of the Scottish Police Authority is £206,100 (2016/17: £187,114). In determining the audit fee we have taken account of the risk exposure of the Scottish Police Authority, the planned management assurances and control environment in place and the level of reliance we plan to take from the work of internal audit. We have also reflected on the significant ongoing engagement to strengthen governance arrangements which increases the cost of delivering the audit.

**9.** Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 30 July 2018. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

### Responsibilities

#### Audit Committee and Accountable Officer

**10.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**11.** The audit of the financial statements does not relieve management or the audit committee as those charged with governance, of their responsibilities.

#### Appointed auditor

**12.** Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the auditing profession's ethical guidance.

**13.** Auditors in the public sector give an independent opinion on the financial statements and other specified information accompanying the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Financial statements

**14.** The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the Scottish Police Authority and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the Scottish Police Authority will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**15.** We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the 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
- the regularity of the expenditure and income.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Materiality

**16.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinion in the auditor's report. We calculate materiality at different levels as described below. The calculated materiality values for the Scottish Police Authority are set out in [Exhibit 3](#).

## Exhibit 3

### Materiality values

Materiality level	Amount
<b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2017 based on the audited accounts.	£15 million
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 35% of planning materiality.	£5 million
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£150,000

17. We review and report on other information published with the financial statements including the performance report and the accountability report including the annual governance report and the remuneration and staff report. Any issues identified will be reported to the Audit Committee.

### Timetable

18. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

## Exhibit 4

### Financial statements timetable

 Key stage	 Date
Consideration of unaudited accounts by those charged with governance	24 July 2018
Latest submission date of unaudited accounts with working papers package	30 July 2018
Latest date for final clearance meeting with Chief Financial Officer	28 September 2018
Latest date for signing of WGA return	28 September 2018
Agreement of audited unsigned annual accounts; Issue of Annual Audit Report including ISA 260 requirements, letter of representation and proposed independent auditor's report	15 October 2018
Latest date for signing of independent auditor's report signed	31 October 2018

## Internal audit

**19.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function.

**20.** Internal audit is predominately supplied by Scott Moncrieff in addition to a small in-house team within the Scottish Police Authority. The contract with Scott Moncrieff is due to end in May 2018 and the tendering exercise to award a new contract commenced in January 2018. Previous appointments have been subject to delays which have impacted on the commencement of the audit plan. We will monitor progress in the award of this contract.

### Adequacy of Internal Audit

**21.** We have carried out a review of internal audit and have concluded that it operates in accordance with Public Sector Internal Audit Standards (PSIAS).

### Areas of Internal Audit reliance

**22.** To support our audit opinion on the financial statements we do not plan to place formal reliance on the work of internal audit, however in respect of our wider dimension audit responsibilities we plan to consider the following areas of internal audit work:

- Budget and Reporting
- Risk Management
- Governance
- ICT Strategy

## Audit dimensions

**23.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

### Exhibit 5

#### Audit dimensions



### Financial sustainability

**24.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the medium term (two to five years) and longer term (longer than five years). We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

### Financial management

**25.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively including:

- the arrangements in place to ensure systems of internal control are operating effectively
- whether the Scottish Police Authority can demonstrate the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- how assurance has been gained that the financial capacity and skills are appropriate
- whether appropriate and effective arrangements for the prevention and detection of fraud and corruption have been established.

### Governance and transparency

**26.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the Scottish Police Authority can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

### Value for money

**27.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the Scottish Police Authority can provide evidence that it is demonstrating value for money in the use of its resources, has a focus on improvement and that there is a clear link to the outcomes delivered.

### Independence and objectivity

**28.** 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 also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit

and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

**29.** The engagement lead for the Scottish Police Authority is Stephen Boyle, Assistant Director. Auditing and ethical standards require the appointed auditor, Stephen Boyle, to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Scottish Police Authority.

## Quality control

**30.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

**31.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and relevant supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

**32.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

## Adding Value

**33.** Through our audit work we aim to add value to the Scottish Police Authority. We will do this by ensuring our Annual Audit Report provides a summary of the audit work done in the year together with clear judgements and conclusions on how well the Scottish Police Authority has discharged its responsibilities and how well it has demonstrated the effectiveness of its arrangements. Where it is appropriate we will recommend actions that support continuous improvement and summarise areas of good practice identified from our audit work.

# Scottish Police Authority

## Annual Audit Plan 2017/18

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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)