

Meeting	SPA Board Meeting
Date	24 February 2017
Location	Stirling Court Hotel, Stirling
Title of Paper	Section 22 Report and Action Plan
Item Number	8.1
Presented By	John Foley
Recommendation to Members	For Noting
Appendix Attached	Yes

PURPOSE

The purpose of this report is to advise Members of the actions that will be taken, or are underway, in order to address the key findings from the Auditor General's Section 22 Report on the 2015-16 audit of the Scottish Police Authority.

1. BACKGROUND

- 1.1 Following the completion of the 2015-16 external audit, a Section 22 report was prepared by the Auditor General, setting out the key audit findings that require action. This report is intended to provide Members with assurance that appropriate management actions are underway, or will shortly commence to address the points raised.
- 1.2 SPA's internal auditors will assist in addressing matters regarding auditing the Section 22 Action Plan and assessing it's adequacy to ensure all proposed remediation actions are appropriately closed off in advance of the 2016/17 audit.
- 1.3 The Scottish Parliament's Public Audit Committee heard evidence from Auditor General on Thursday, 26 January 2017 on the 2015/16 audit of the SPA where the Audit Scotland Annual Audit Report and Section 22 Report were discussed in more detail. The SPA and Police Scotland have been invited to give evidence to the Committee on Thursday, 2 March 2017.

2. FURTHER DETAIL ON REPORT TOPIC

- 2.1 The tables below set out the specific issues raised and the management actions that will be taken to address them.

ACCOUNTING FOR FIXED ASSETS

Issue	Action	Responsible Officer & Timescale
Completeness of accounting records – inadequate asset descriptions on the fixed asset register to confirm existence of all assets.	A new capital finance manager has been appointed to lead on this work, and an additional member of staff has been trained on Fixed Asset Controls Progress will be monitored by the Capital Finance Manager and reported back to the Audit Committee.	Capital Finance Manager Deadline: 28 Feb 2017 Ongoing

NOT PROTECTIVELY MARKED

Issue	Action	Responsible Officer & Timescale
Valuation of fixed assets – As a result of the adoption of a new accounting standard there were implications for the valuation of certain categories of assets which were not picked up by the finance service.	All Fixed Assets as at 31 March 2016 were made compliant with FRS13 prior to audit close. The finance service has plans in place to ensure that all valuations required under accounting standards will be obtained in good time to be input into the fixed asset register. The new capital finance manager will lead on this work.	Capital Finance Manager Deadline: 31 May 2017

FINANCIAL LEADERSHIP

Issue	Action	Responsible Officer & Timescale
Weak financial leadership –changes in personnel, and interim financial leadership arrangements in place	An Interim Chief Financial Officer for Police Scotland, was appointed in July 2016 and his interim appointment will extend until after the 2016/17 financial year. A single Chief Financial Officer post has been created to replace the role of Police Scotland Director of Financial Services, and the role of SPA Director of Financial Accountability. The Post has now been advertised and an appointment should be made during Spring 2017.	Accountable Officer Deadline: 30 Apr 2017
Shortage of capacity and competence in key areas such as capital accounting.	Approval was given to recruit additional qualified accounting staff in the first quarter of 2016/17. Notwithstanding, Police Scotland Finance was given permission in October 2016 to recruit 15 additional finance professionals to fill key gaps within the service.	Chief Financial Officer Deadline: Partly discharged by 28 Feb 2017

INTERNAL AUDIT FUNCTION

Issue	Action	Responsible Officer & Timescale
Internal Audit Service – late delivery of the 2015-16 internal audit plan due to delays in procurement	The Accountable Officer has been working with the procurement service to ensure that arrangements are in place to ensure continuity of the internal audit service regardless of tender cycles.	Accountable Officer Deadline: 31 Mar 2017

2015/16 FINAL OUTTURN POSITION

Issue	Action	Responsible Officer & Timescale
There was a £20.5m revenue overspend during the year, which exceptionally had been off-set by a capital underspend.	The capital underspend in 2015/16 increased from £9m to £20m due to adjustments for the closure of the i6 programme, the treatment of which was finalised after the first draft Annual Report & Accounts for 2015/16 were prepared. A 3-year financial plan has been developed to set out how the revenue position will move over this period.	Accountable Officer and Chief Financial Officer Deadline: 31 Mar 2017
Transparency over the use of Reform funding.	The final set of 2015/16 annual accounts clearly set out how the Reform funding has been utilised. The application of Reform Funding has been reported in financial monitoring reports to SPA Finance & Investment Committee throughout 2015/16 and 2016/17 and this will continue going forward.	Chief Financial Officer Deadline: 30 Jun 2017

THE PROCESS FOR SETTING THE 2016/17 BUDGET

Issue	Action	Responsible Officer & Timescale
There was a lack of publicly available information on the 2016-17 budget.	The 2017-18 budget will be presented to the Finance Committee in March before going forward to the board at the end of the month. At this meeting, the template for reporting the budget to the Board will be agreed, and will contain an appropriate amount of detail for the public.	Accountable Officer and Chief Financial Officer Deadline: 31 Mar 2017

TERMINATION OF THE i6 PROJECT

Issue	Action	Responsible Officer & Timescale
Audit Scotland is currently reviewing the i6 programme and will report the findings in early 2017.	Any learning points identified in the report will be taken on board by the SPA and Police Scotland and an action plan developed as necessary.	Accountable Officer Deadline: 30 Jun 2017

LONG-TERM FINANCIAL SUSTAINABILITY & FINANCIAL PLANNING

Issue	Action	Responsible Officer & Timescale
A Long-term Financial Plan should be developed that supports the delivery of the Policing 2026 Strategy	A Long-term Financial Plan will be presented to the Board in 2017. It will set out how the funding made available will support the delivery of the Policing 2026 strategy.	Chief Financial Officer Deadline: 30 Jun 2017

Issue	Action	Responsible Officer & Timescale
Financial Sustainability – Audit Scotland estimate a £0.2bn cumulative budget gap by the end of the current Parliament.	The 3-year financial plan will set out how the underlying revenue deficit at Police Scotland will be addressed over 3 years.	Chief Financial Officer Deadline: 31 Mar 2017

2.2 These actions will ensure that all issues identified in the Audit Scotland Section 22 report are addressed prior to the follow-up report which will be produced in late 2017.

REVIEW OF GOVERNANCE

2.3 In relation to the Review of Governance, Audit Scotland noted within their report that 12 of the 30 recommendations had been completed as at December 2016. They also reported this to the Public Audit Committee on 26 January 2017. However, comments contained within the report in relation to the Review of Governance are not recommendations. Progress on the Review of Governance will continue to be reported to the full board on a quarterly basis.

2.4 On the 25 January the 'Review of Police Governance Implementation Steering Group' met at Tulliallan to further evaluate progress. This governance steering group comprises of representation from SPA, Police Scotland and Scottish Government Officials. The Group concluded that, excluding the recommendation on SPA structure, all recommendations that were not of an ongoing nature were forecast to be completed by 31 March 2017.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising as a direct result of this report.

4. PERSONNEL IMPLICATIONS

4.1 There are no personnel implications associated with this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications associated with this report.

6. REPUTATIONAL IMPLICATIONS

6.1 A failure to address the key issues arising in the Section 22 Report will result in significant reputational damage when the follow up report is published in late 2017.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications directly associated with this report.

8. COMMUNITY IMPACT

8.1 There are no community impact implications directly associated with this report.

9. EQUALITIES IMPLICATIONS

9.1 There are no equalities implications directly associated with this report.

10 ENVIRONMENTAL IMPLICATION

10.1 There are no environmental implications associated with this report.

RECOMMENDATIONS

Members are requested to:

Note the Action Plan in place to address the key issues in the Auditor General's Section 22 report.