



pension liabilities arising in the future. All Police Boards in Scotland were in the same position. The position with regard to pension reserves could vary significantly year on year.

In response to questions raised regarding proposed revised arrangements for Time Off In Lieu (TOIL), the Deputy Chief Constable (DCC) advised that where staff or officers were required to work overtime, for example if a rural Officer were called out at night, s/he had a choice of either claiming overtime or of taking TOIL during normal working hours. Under the current arrangements it was also possible for Officers who were due to retire to use TOIL to bring forward their official retirement date by a few days. Previously TOIL arrangements had worked on a relatively informal basis, but as estimates had shown that outstanding TOIL owed to Officers amounted in financial terms to around £300,000, there was now a need for the position to be more formally quantified and for TOIL to be taken within 3 months of its accrual. Every effort would be made to be flexible in the introduction of the change, as the discretionary effort made by staff and Officers was greatly valued.

Questions were also raised as to the Constabulary's Energy Management Policy, in view of increasing energy costs. In response, the Force Head of Finance and Asset Management advised that the practice of monitoring all energy costs by the Estate Office had been introduced two years previously, so an overall picture could be gained and any areas of unexpectedly high energy usage could be identified and investigated. The Constabulary would work with the Highland Council in energy procurement to help drive down costs, and would use Strathclyde Police's Energy Management Plan to guide good practice in this area. The Chairman commented on the importance of including energy management in all aspects of the Constabulary's work, including investment in buildings, and stressed the importance of a culture change amongst staff in relation to energy use.

Having heard that the Audited Accounts would be submitted to the next meeting of the Audit Working Group (date to be arranged), the Working Group **NOTED** the position.

### **3. Internal Audit Annual Report 2006/07**

There had been circulated Report No. Aud3/07 dated 25 July 2007 by the Head of Internal Audit and Risk Management, the Highland Council, comprising his Annual Report for 2006/07, summarising the operations undertaken by the Internal Audit Section Staff on behalf of the Board and Constabulary.

The Head of Internal Audit and Risk Management advised that the purpose of his report was two-fold: (a) to provide an opinion on the system of internal financial control, and (b) to provide Members with an overview of the Internal Audit Section's activities over the past year. In relation to (a) above, he reiterated his conclusion set out in the report that, despite the areas of concern identified in Section 2.5 of the report, it was considered that key systems were operating soundly and that there were no fundamental breakdowns of control resulting in material discrepancy, therefore reasonable assurance could be placed upon the adequacy and effectiveness of the Constabulary's internal control system in the year to 31 March 2007.

He drew Members' attention to the proposed scope of the audit for 2007/08, which would cover areas including: Software Licensing, Appointment of Consultants, Records Management, Revenue Contracts, Procurement, Health and Safety, Asset Management and Inverness Area Command.

In response to questions raised with regard to risk management, Members were advised that, whilst risk management was being practised within the Constabulary, there was no evidence of a documented Corporate Risk Management process being in place. The DCC gave a strong assurance that risk management activities were carried out in practice at all levels of operation, and cautioned against the introduction of additional bureaucracy at the expense of front line services. Members' comments included that (a) they accepted the DCC's assurance, and (b) risk management was important as it gave a formal opportunity to look at the wider picture, identify potential risks and prepare contingency plans.

The Working Group **NOTED**:

- i. the terms of the report; and
- ii. that talks would be held between the Head of Audit and Risk Management and Constabulary Officers and staff to address the issues raised.

#### **4. Internal Audit Review**

There had been circulated Report No. Aud4/07 dated 10 August 2007 by the Head of Internal Audit and Risk Management, the Highland Council, outlining work undertaken by the Internal Audit Section since the previous meeting of the Working Group held on 18 January 2007. There had also been circulated confidential final internal audit reports on the following, which the Working Group looked at in turn:

- Human Resources – Training and Development
- Police Area Commands – Orkney and Shetland Areas
- Northern Constabulary Police Officers' Payroll
- Police Fleet Management – Maintenance and Running Costs
- Police Rents – Radio Sites – Northern Constabulary.

The Head of Internal Audit and Risk Management commented on issues arising from the final internal audit reports and confirmed that the Force had satisfactory procedures in place to address the required action plans. Any issues which in his view were not satisfactorily addressed would be reported back to the Working Group. The DCC reported that action was being taken in response to the recommendations arising from the review and thanked the audit staff for their valuable assistance during the review process.

In response to questions raised, the Head of Audit and Risk Management confirmed that all Operational Areas within Northern Constabulary were audited on a rolling programme, over a 4-5 year period. Audit findings, both of matters requiring improvement and where good practice had been identified, were disseminated to all Areas. The DCC also explained the revised procedures for dealing with "found cash" – this was now banked for the period during which it could be claimed by the rightful owner, but thereafter, if unclaimed by the finder also, it could be given to the appropriate Benevolent Fund.

Questions were raised with regard to the future of those existing radio communications sites and facilities which were no longer required following the introduction of the new Airwaves communication system. The DCC advised that the position was uncertain. Whilst the Constabulary no longer had an immediate requirement to retain the facilities, the facilities allowed a back-up radio system to be provided. In addition, the facilities would continue to be required by both Fire and Ambulance Services for the next few years, until such time as these Services ceased to use analogue systems. It was also uncertain whether radio staff (and by implication, the wider costs and income connected with the provision of the radio facilities) would transfer to the forthcoming Scottish Police Services Agency in 2008 along with other civilian staff. Decommissioning of the facilities had therefore been put on hold for 3 months until the position became clearer, although work would continue to identify and decommission (or dispose of as a going concern) any sites which were surplus to requirements.

The Working Group welcomed the positive outcome of the audit review and **NOTED:**

- i. the position, and
- ii. that a report would be brought to the appropriate Working Group outlining proposals for radio communications sites and facilities, once the position became clearer.

## 5. External Auditor's Report on the Conduct of the Audit

The Senior Audit Manager, Audit Scotland, reported that work on the final accounts audit was nearly concluded, with adjustments to the accounts being finalised. The International Standards on Auditing required the exchange of two documents prior to the External Auditor issuing his report, these being: (a) a letter of representation from the Treasurer – the signed version of this was expected in the very near future; and (b) the report to those charged with governance on the 2006/07 audit – this would be addressed to Members and would be submitted to the next meeting of the Audit Working Group and would set out the status of the Audit, the conduct of the Audit and any matters arising. The Senior Audit Manager advised that the only matter arising would be the excess of the Board's liabilities over its assets, but that Audit Scotland were nonetheless satisfied that the Board could continue as a going concern. He anticipated submitting an Unqualified Audit to the Treasurer the following week and thanked staff for their efforts and co-operation.

The Working Group **NOTED** the position.

## 6. Monitoring of Retirements

There had been circulated and **NOTED** Report No. Aud5/07 dated 28 June 2007 by the Payroll and Pensions Manager, The Highland Council, advising Members of the number of retirements of Northern Joint Police Board members of the Local Government Pension Scheme for the year to 31 March 2007.

At the suggestion of the Chairman, the Working Group **AGREED** that a report be brought to a future meeting of the Working Group, setting out (i) the Board's current practices with regard to budgeting for pensions and ill health retirements, (ii) the pros and cons of this approach in comparison with practices adopted elsewhere, such as in England, and (iii) the implications for the Board should a

change in pensions and ill health retiral practices be recommended, with a view to the Board being in a position to influence Scottish Government policy in this regard.

The meeting ended at 3.05 p.m.