

Standard 17, as the constituent authorities had an obligation to fund liabilities of the Board as they fell due.

In response to questions, the Force Director of Finance and Asset Management clarified that:

- while the pensions reserve built up by the Board would require to transfer to the Scottish government when the latter took over responsibility for police pensions, it was not open to the constituent authorities to retain the element of their annual requisition earmarked for the pensions reserve
- the overspend in property costs was largely due to increased costs of hilltop radio sites rentals and maintenance and also the costs of renting premises in Nairn during the construction phase of the new station there
- while the Force still carried responsibility for some aspects of ICT, the agency agreement with the SPSA should be fully operational shortly
- the annual Performance Indicators were now available and would be published with the final accounts.

The Working Group **NOTED** the position.

2. Statement on Internal Control and Annual Report 2008/09

There had been circulated Report No. Aud02/09 dated 12 August 2008 by the Head of Internal Audit and Risk Management, The Highland Council, which included an assessment of the adequacy, reliability and effectiveness of the Board's system of internal financial control and information of the Corporate Governance Assurance Statement. The report also provided an overview of the activities of the Highland Council's Internal Audit Section during 2008/09.

The Head of Internal Audit and Risk Management advised Members that the work plan for 2008/09 had not been completed due to staff vacancies and some work diversion. Those elements not completed would be carried forward into the current year and all actions would be tracked and monitored. The Chair confirmed that he was aware of the problems highlighted

The Audit Plan for 2009/10 was presented by the Head of Internal Audit and Risk Management and reassurance was given that priority would be given to ensuring that audits within the Plan would be completed by the end of the year.

In response to a question, the Force Director of Finance and Asset Management confirmed that some reassurance was still required as to SPSA resilience in service delivery and also acknowledged that there was some confusion as to who held the audit responsibility for those Force performance elements dependent on robust SPSA delivery. The Chair emphasised the urgent need for such reassurance on SPSA performance.

Thereafter, the Working Group **NOTED** the position.

3. External Auditor's Report on the Conduct of the Audit

Ms K Jenks, Senior Audit Manager, Audit Scotland, confirmed to Members that the inspection period for the 2008/09 audit had ended the previous day, with no objections or queries raised, and she anticipated that her audit opinion would be issued in September 2009.

She also advised Members, however, that an issue had come to light only the previous day in relation to the application of Financial Reporting Standard 17 and the approach used for accounting for pensions contributions and payments. It was expected that this issue would impact on the accounts of all Police and also Fire and Rescue authorities in Scotland and not just this Board's. While it was expected that legislation would ensure that it was an issue for the 2008/09 accounts only, significant adjustments could be required to be made to these accounts to meet the applicable technical requirements, otherwise an unqualified audit certificate could not be issued. She confirmed that there would be close liaison with the Treasurer's office to address this matter.

The Working Group **NOTED** the position.

4. Audit Scotland – Annual Audit Plan

There had been circulated Report No. Aud03/09 by the Senior Audit Manager for Audit Scotland providing a summary of planned audit activity for 2009/10.

During discussion, it was confirmed that the proposals for a possible housing stock transfer were currently on hold.

The Working Group **NOTED** the position.

5. Monitoring of Retirements

There had been circulated and was **NOTED** Report No. Aud04/09 dated 10 August 2009 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 2009.

6. Action Plan Monitoring

There had been circulated Report No. Aud05/09 by the Chief Constable providing Members with the opportunity to monitor and review the progress of Northern Constabulary on the implementation of recommendations contained within the Force Action Plan. Copies of the Action Plan Monitoring Sheet were tabled at the meeting.

In speaking to the report, Chief Superintendent A Cowie commented that completed actions were removed from the Action Plan and thus action numbers were not fully sequential. He undertook to issue the updated Plan in advance of each future meeting of the Working Group. The Chair confirmed the need for this in order to permit closer Member scrutiny.

In response to a question as to the volume of work required in response to HMICS Inspections, Superintendent J Baird confirmed that the number of Thematic Inspections was being reduced. While some raised issues at a national level, the Inspectorate would examine how such issues were progressed and reported on at Force level.

Following discussion, the Working Group **NOTED** the position.

The meeting ended at 3.20 p.m.

**Northern Joint Police Board
Audit Working Group**

Minutes of Meeting of the Audit Working Group held in Council Headquarters, Glenurquhart Road, Inverness on Friday, 30 October 2009 at 12.00 p.m.

Present:

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| Representing The Highland Council | Mr W J Ross Mr J Rosie Mr G Smith |
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| Representing Western Isles Council | Mr P Carlin |
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| Representing Shetland Islands Council | Mr A Duncan |
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| Representing Orkney Islands Council | Mr A Drever |
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Officials in attendance:

Chief Superintendent A Cowie
Mrs E Ward, Force Director of Finance
Mrs M Grigor, Treasurer's Office
Mrs R Moir, Assistant Clerk

Also in attendance:

Mrs M Bowman, Senior Audit Manager, Audit Scotland

Mr W J Ross in the Chair

1. Report to Those Charged with Governance on the 2008/09 Audit

There had been circulated Report No. Aud08/08 dated September 2009 by the Senior Audit Manager for Audit Scotland, comprising her Report to Those Charged with Governance on the 2008/09 Audit of the Board's financial statements. The Report set out the relevant matters arising from the Audit that required reporting under the provisions of the International Standard on Auditing 260 (ISO 260). The Statement of Accounts for 2008/09 had also been circulated.

The Senior Audit Manager highlighted to Members that the anticipated auditor's report would be qualified due to a technical issue in relation to the accounting treatment of certain pension costs. This had arisen due to a discrepancy between the relevant Regulations, which the Scottish Government intended to correct by legislation in the course of the current financial year. Given the temporary nature of this anomaly and the amount of work required to amend the accounts to address it, a pragmatic decision had been taken not to amend the Board's financial statements, despite their containing a material misstatement in this regard.

Having heard the Senior Audit Manager summarise the other main points contained in the Report, and confirm that all other errors identified had been corrected, the Working Group **NOTED** the Report and the Statement of Accounts for 2008/09.

2. Summary of Audit Findings on the Review of Internal Control Systems

There had been circulated Report No Aud7/09 dated September 2009 by Audit Scotland comprising a Summary of Audit Findings on the Review of Internal Control Systems, covering payroll and budgetary systems. Actions proposed to address a number of weaknesses identified in internal control were set out in the action plan appended to the report. The report required to be considered in the context of the stewardship responsibilities of the management of the Board.

Having heard the Force Director of Finance comment on the issues raised in the report, the Working Group **AGREED** the action points identified.

3. Report to Members and the Controller of Audit on the 2008/09 Audit

There had been circulated Report No. Aud10/09 dated October 2009 by Audit Scotland, comprising the Draft Report to Members and the Controller of Audit on the 2008/09 Audit, summarising Audit Scotland's findings from their 2008/09 audit of the Northern Joint Police Board.

The draft Report considered the Board's financial statements and governance arrangements and the key aspects of the Board's/Force's statutory performance indicators. It drew attention to the joint best value audit of the Board/Force being carried out and set out an Action Plan to address the report's recommendations.

In relation to the Board's financial statements, the Report highlighted the qualification also outlined at item 1 above and expressed some concern that the Internal Audit programme for 2008/09 had not been completed, as noted by the Working Group at its previous meeting held on 28 August 2009. Members were reminded that assurances had been given then that, the staffing levels in that unit having stabilised, the backlog would be cleared and the current plan completed by the end of the current financial year.

During discussion, various points of clarification were explained. Members welcomed in particular the reported reduction in sickness absence levels. Chief Superintendent Cowie commented on some of the proactive management steps being taken in this area and suggested that the new Variable Shift Arrangement could lead to further improvement.

After discussion, the Working Group **NOTED** the terms of the draft Report and **AGREED** that the finalised Report be circulated together with the Minutes of this meeting for the information of all Board Members.

4. Action Plan Monitoring

There had been circulated Report No Aud9/09 dated 26 October 2009 by the Chief Constable on Northern Constabulary's progress with the implementation of recommendations contained within the Force Action Plan.

The Working Group was invited to review (i) the Action Plan Monitoring Sheet, (ii) the actions proposed for closure, and (iii) the circulated Action Plans responding to both the Police Complaints Commissioner for Scotland (PCCS) Audit, and the Scottish

Information Commissioner's Assessment Report. A further copy of the latter Action Plan, annotated to update the status of all actions, was tabled at the meeting.

The Working Group **AGREED** that consideration of the Action Plan responding to the PCCS Audit be referred to the Complaints Working Group, meeting later in the day.

During discussion on the other circulated papers, a number of points were raised/responses given, including:

- the Force made a professional judgement as to the staffing resource required for call management handling at peak and other times; it was envisaged that the new Variable Shift Arrangement could assist in this
- a balance had to be struck between desk availability at smaller stations and cover for call management, given that most public contact in this area was by telephone rather than in person
- the extension of the main custody suite in Inverness further bolstered the Force's capacity to cope with any increased demand to provide a place of safety for drunk and incapable individuals and to maintain levels of care
- a full list of all ongoing actions would be provided for the next meeting of the Working Group.

After discussion, the Working Group **NOTED** the position.

5. Risk Management Strategy

There had been circulated Report No. Aud8/09 dated 23 October 2009 by the Chief Constable on the introduction of a Risk Management Strategy to Northern Constabulary, providing information on proposed content, purpose and timescales for implementation.

The Working Group **NOTED** the progress made and the timescales for implementation and that the finalised Strategy would be reported to the Working Group.

The meeting ended at 1.30 p.m.