

**Northern Joint Police Board  
Audit Working Group**

Minutes of Meeting of the Audit Working Group held in Council Headquarters, Glenurquhart Road, Inverness on Friday, 29 August 2008 at 2.25 p.m.

**Present:**

<b>Representing The Highland Council</b>	Mr W J Ross Mr G Smith
<b>Representing Western Isles Council</b>	Mr P Carlin
<b>Representing Shetland Islands Council</b>	Mr A Duncan
<b>Representing Orkney Islands Council</b>	Mr A Drever

**Officials in attendance:**

Chief Superintendent L Stewart  
Mrs E Ward, Force Head of Finance and Asset Management  
Mrs V MacDonald, Force Finance Manager  
Mr N Rose, Head of Internal Audit and Risk Management, The Highland Council  
Miss D Sutherland, Acting Principal Auditor, The Highland Council  
Mr D Robertson, Treasurer's Office  
Mrs C Nicoll, Clerk's Office

**Also in attendance:**

Mr R Clark, Senior Audit Manager, Audit Scotland

**Mr W J Ross in the Chair**

**1. Statement of Unaudited Accounts 2007/08**

There had been circulated Report No. Aud02/08 comprising the Statement of Unaudited Accounts for 2007/08.

In speaking to the Report, the Treasurer highlighted a number of points including:

- the statement of unaudited accounts 2007/08 had been signed off by the Treasurer on 23 June 2008
- the budgeted net cost of services for 2007/08 had been £60.125M, while the actual spend for the year had been £56.750M, thereby creating an underspend of £3.402M
- a number of changes to accounting policies had altered the descriptions of the capital reserves on the balance sheet
- supplies and services costs had resulted in an underspend of £1.988M, a significant part of which had related to budgets provided for the Forensic Science Service and Common Police Services which had subsequently transferred to the Scottish Police Services Authority

- the sum of £2.285M under the Discontinued Operations budget head related to the transfer of ICT Services from Northern Constabulary to the Scottish Police Services Authority
- that the Board was considered a going concern, notwithstanding that its total assets were less than the sum of its liabilities due to the application of Financial Reporting Standard 17. The obligation of the constituent authorities to fund liabilities of the Board as they fell due made this the appropriate accounting policy to be adopted.

The Working Group **NOTED** the position.

## **2. Statement on Internal Control and Annual Report 2007/08**

There had been circulated Report No. Aud03/08 dated 21 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 2007/08.

The Head of Internal Audit reported that, on the basis of work undertaken during 2007/08, it was considered that the Board's key systems operated in a sound manner. He reminded Members that the 2007/08 tactical plan had previously been presented to the Audit Working Group and provided an outline of performance against the tactical plan. In relation to revenue contracts, Members were advised that work was currently being undertaken to ensure that procurement processes complied with the terms of the McClelland Report.

In conclusion, the Head of Internal Audit and Risk Management informed Members that during 2007/08 seven audit reports had been issued with a total of 50 recommendations and he was pleased to report that these recommendations had been actioned.

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

## **3. Internal Audit Review**

There had been circulated Report No. Aud04/08 dated 21 August 2008 by the Head of Internal Audit and Risk Management, The Highland Council, outlining work undertaken by the Internal Audit Section since the last meeting of this Group held on 1 November 2007. There had also been circulated confidential final internal audit reports on the following:

- Found Property
- Appointment of Consultants
- Police Records Management
- Oracle 11i, Payroll and Software Licensing

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. The Force Director of

Finance and Asset Management reported that work was ongoing to address the recommendations arising from the review.

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

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

Mr B Clark, Senior Audit Manager, Audit Scotland provided a verbal report on the conduct of the 2007/08 audit.

In his report, Mr Clark drew attention to a number of points, including:

- his formal report would set out matters which required reporting to the Board under ISA 260
- work on the financial statements was almost complete and it was anticipated that the audit would be unqualified - anything further arising would be brought to the attention of the Treasurer
- any significant issues arising from the review of accounting and internal control systems would be highlighted in his report to Members and the Controller of Audit on the 2007/08 audit
- presently, the only issue which in his view required to be brought to the Board's attention was an excess of liabilities over assets of £300.977M due to the accrual of pension liabilities. In view of the fact that pension liabilities were based on long-term actuarial projections and did not require immediate funding other than through increased employers' contributions, which were already built into the Board's budgets and plans, he was satisfied that the process which the Board had undertaken to ensure the Board's ability to continue as a going concern was reasonable.

In conclusion, Mr Clark expressed thanks to all staff for their help and assistance during the audit.

The Working group **NOTED** the position.

#### **5. Audit Scotland – Annual Audit Plan**

There had been circulated and was **NOTED** Report No. Aud05/08 by the Senior Audit Manager for Audit Scotland providing a summary of planned audit activity for 2007/08.

#### **6. Monitoring of Retirements**

There had been circulated and was **NOTED** Report No. Aud06/08 dated 29 July 2008 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 2008.

The meeting ended at 3.05 p.m.