

**SCOTTISH POLICE
AUTHORITY**

Meeting	Audit & Risk Committee
Date and Time	23rd October 2014
Location	Royal Scots Club, Abercromby Place, Edinburgh
Title of Paper	Workplan and Progress Report
Item Number	18.1
Presented By	Mark White
For Approval / For Noting	For Noting

PURPOSE

The attached report sets out progress against the approved Internal Audit Work Plan 2014/15.

Background

The 2014/15 internal audit plan was approved by the Audit and Risk Committee in June 2014. This report (18.1(a)) provides a progress update against the plan up to 30 September 2014.

Additionally, at its June 9 2014 meeting ARC requested that the proposed Whistleblowing Review to be undertaken as part of the 2014-15 annual internal audit plan specifically included both SPA and PS staff within its scope. The Draft Terms of Reference are provided as an attachment (18.1(b)) to this item.

RECOMMENDATION

The Audit and Risk Committee is asked to note progress towards delivery of the Plan.

Scottish Police Authority

Internal Audit Workplan and Progress – 10
October 2014

1. Workplan and Progress – 10 October 2014

1.01 We set out below the progress and status on the programme of work in relation to the approved Internal Audit Plan for 2014-15.

2014-15 Audit Area	Sub Audit Area	Resource	IA Days Plan	IA Days Used	Status –10 October 2014	To ARC
Financial Planning and Budgetary Control	Budget Setting	IHT	50	50	Draft Report Issued	Jan 15
	Budget Monitoring and Reporting	IHT	50	3	Fieldwork	Jun 15
Post External Audit Review		PwC	30		TOR agreed	Jan 15
Procurement	Contract Management	IHT	65		TOR agreed	Jun 15
Key Financial Controls	Joint Ledger	IHT	35		TOR agreed	Jan 15
	Key systems – Duplicate Payments	IHT	50	20	Final	Oct 14
	Treasury Management	IHT	40	40	Final	Oct 14
Operational Reviews	Warrants	IHT	40	40	Final	Oct 14
	Complaints	IHT	40	5	Fieldwork	Jan 15
	Whistleblowing	IHT	25		TOR agreed	Jun 15
	Scope System	IHT	40		TOR agreed	Jun 15
Productions		IHT	55	5	Fieldwork	Jan 15
ICT	IT Security	PwC	30	12	Draft Report pending	Jan 15
	IT Project Delivery	PwC	30		TOR to be agreed	Jun 15
	Data Loss	PwC	30	30	Final	Oct 14
Capital Investments		IHT	55		TOR agreed	Jun 15
Corporate Strategy		PwC	30		TOR to be agreed	Jun 15
Performance Framework	Benefits Realisation Monitoring	PwC	30	2	Fieldwork	Jan 15
Audit Action Follow Up		IHT	50	10	Fieldwork	Jan 15
Total Days			775	217		

2. 2014-15 Internal Audit Reviews

	Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
1	<p>Financial Planning and Budgetary Control</p> <p>The SPA faces an extremely challenging financial planning and budgeting process due to: -</p> <ul style="list-style-type: none"> • An extensive savings and efficiency target; • The merging of several different base budgets; and • The departure from the organisation of key personnel involved in the previous budget setting and monitoring process. <p>The ability of the SPA to identify and achieve the required savings, and the reliability of the budgeting procedures, is crucial to the achievement of the Business/Strategic Plan. As such, we would propose a review which would examine the following areas: -</p> <p>Budget setting</p> <ul style="list-style-type: none"> • Savings and efficiencies are clearly quantified and identified in the Business/Strategic Plan; • There is a recognised and robust process for identifying savings and efficiencies, and this process forms part of the annual budgetary process; • Budgetary control objectives are clearly identified in the SFIs/Sis; • Budgetary responsibility is clearly delegated to budget holders and consistent with the scheme of delegation; • Financial risks in relation to the Business/Strategic plan and budget are identified and controlled; • The budget is set in a controlled manner and is soundly based on justifiable assumptions; • Budgeted income and costs are consistent with budgeted outturn; <p>Budget reporting and monitoring</p>	Q2/Q3	100	Deliver the benefits of reform effectively and efficiently	<p>There is a risk that the target savings for 2014/15 and 2015/16 will not be achieved.</p> <p>There is a risk that future financial savings are not identified and where identified are not delivered leading to unplanned actions or consequences 2014-2016.</p>

Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
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- Sufficient relevant, reliable information is available to budget holders, including non-financial information and forecasts of the year end position;
- Budgetary variations are analysed, investigated, explained and acted upon;
- Effective budget monitoring arrangements are in place at departmental and senior management level;
- Information for inclusion in the report to the senior management team is relevant and reliable; and
- To ensure that savings achieved are separately identified and reported.



	Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
2	<p>Post External Audit Review</p> <p>The annual accounts and audit process is a key element of the financial reporting and governance obligations of the SPA. The information prepared must be comprehensive, timely and compliant with all requirements.</p> <p>This review will consider the 2013/14 year-end accounts process and subsequent audit. It is proposed to take the form of a “self-review” checklist, which will be completed by management and then assessed and verified by Internal Audit.</p> <p>The objective will be to identify strengths and weaknesses and to make recommendations for implementation as part of the 2014/15 process.</p> <p>This review will consider any changes which are on-going as a result of the consolidation of the financial functions across Scotland.</p>	Q3/Q4	30	Deliver the benefits of reform effectively and efficiently	<p>There is a risk that the Annual Accounts are not compliant with statutory procedures, recognised accounting procedures and supported by robust and accurate records.</p> <p>There is also a risk that the audit process is not efficient in terms of the timeliness and completion of information, resulting in missed reporting deadlines and increased costs.</p>

	Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
3	<p>Procurement/Contract Management</p> <p>Within Police Scotland, the procurement and contracts function is responsible for the development and implementation of procurement strategies, policies, procedures and systems to meet business needs and legislative and other guideline requirements. They also develop appropriate measurement, monitoring and feedback procedures to monitor the effectiveness of procurement activities.</p> <p>The objective of this review is to assess the procurement function to identify strengths, weaknesses and any potential areas of improvement compared with best practice processes and benchmarks.</p> <p>We will address the overall objective by identifying and assessing, for example, the following:</p> <ul style="list-style-type: none"> • The framework covering the whole procurement process enables compliance with all legislative requirements; • There is a robust and comprehensive framework covering an effective and efficient procurement process e.g. streamlined process, cost base, timeliness of delivery, regular and consistent interaction with other areas of the business etc. • There is optimal use of technology and information management; • There is a robust and well embedded process of identifying, monitoring and reporting the performance of the procurement function; and • The operation of the procurement function is aligned to strategic goals, particularly the need for savings and efficiencies. 	Q1	65	Deliver the benefits of reform effectively and efficiently	<p>There is a risk that legislation and statutory guidance is not adhered to.</p> <p>There is a risk that future financial savings are not identified and where identified are not delivered leading to unplanned actions or consequences 2014-2016.</p>

	Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
4	<p>Key financial controls/joint ledger (considering key financial processes eg debtors, creditors, payroll,bank and cash, treasury etc.)</p> <p>Robust and well-embedded financial controls are crucial to the operation of all large and diverse organisations.</p> <p>It is a key element of the work of Internal Audit to provide this “value protection” work to assess the design and operation of key controls across all the main financial processes.</p> <p>It is proposed that Internal Audit, in consultation with External Audit, perform a rotational review of core financial controls across all significant financial processes over a 3 year period.</p> <p>In terms of payroll, this will include an assessment of the process to transfer information across HR systems (accuracy and integrity) regarding the move to a single SCOPE system, and the subsequent use of that system for recording annual leave/shifts/toil etc.</p>	Q1 and Q4	125	N/A	There is a risk that weaknesses in the systems of internal controls create opportunity for fraud and financial misstatement and misrepresentation of the accounts of the SPA to all stakeholders.

	Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
5	<p>Operational Reviews</p> <p>The objective will be to identify a rolling 3 year programme of Police Operational Reviews covering high-profile and complex operational areas, such as:</p> <ul style="list-style-type: none"> Complaints – recording, actions, closure and reporting (this review will cover PSoS only) Behaviour and Culture – workforce feedback, whistleblowing Warrants – SOP compliance Resource Management Centralisation and access to services <p>In terms of detail, and as an example a review of the complaints procedure would cover –</p> <ul style="list-style-type: none"> There is detailed guidance available which clearly sets out the complaints process; Responsibility for dealing with complaints (acknowledging, investigating and responding) and compliance with target dates has been formally documented and is understood by relevant personnel; It is clearly understood how to assess the severity of a complaint and protocols to deal with high profile or extreme cases are in place and appropriately followed; Processes are in place to ensure positive feedback is acknowledged and shared to drive improvements; There is regular reporting to management; There is a clear process in place to reflect on complaints in order to identify service improvement and remedial actions required to prevent recurrence and there is sufficient challenge of those services showing an unsatisfactory compliance rate; and There is regular reporting to management (and above) of complaints by severity, service and outcome. Trends across the organisation are monitored and assessed. 	Q2	120	<p>Work in partnership to improve safety for the citizens of Scotland and reduce crime</p> <p>Promote a culture of excellence</p> <p>Maintain high standards of professional conduct</p>	<p>There is a risk that the services delivered do not represent value for money nor achieve the necessary standards required.</p> <p>There is a risk the operational areas do not support the delivery of key corporate objectives.</p>

	Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
6	<p>Productions</p> <p>The Divisional Reviews performed by Internal Audit in 2013 highlighted the need for improvement around the Productions process.</p> <p>A significant project is underway, led by the Criminal Justice Team, to replace the process around Productions, including the introduction of new IT.</p> <p>It is proposed that such a review would have the objective of providing the Audit and Risk Committee with assurance on the project by assessing, for example: position and progress; planning and milestones; objectives; roles and responsibilities; assessment of risks; stakeholder involvement etc.</p>	Q3	55	<p>Promote a culture of excellence</p> <p>Maintain high standards of professional conduct</p>	<p>There is a risk that the services delivered do not represent value for money nor achieve the necessary standards required.</p>

	Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
7	<p>ICT</p> <p>Police Scotland is currently undergoing major IT restructuring with some major projects underway.</p> <p>The objective of these reviews would be to assess the established IT Programme and Project Management Arrangements, including project governance and approval arrangements as well as project management arrangements for a sample of current IT Projects.</p> <p>We will specifically consider, for example:</p> <ul style="list-style-type: none"> • The arrangements in place for approving IT Projects, in particular to ensure IT projects approved are in line with the Business/Strategic Plan; • A robust project management methodology is adopted for managing IT Projects and that the project methodology is applied consistently across all IT Projects; • Risks within each of the IT projects are considered, recorded and monitored throughout the project; • A clear project plan is in place for each project, which includes key deliverables and project milestones; • Progress with IT Projects are regularly reported to Management and project slippages addressed; • IT projects are appropriately costed and costs are monitored on a regular basis compared with budget; and <p>Post implementation reviews are in place to measure whether a project met its overall objectives and feedback any lessons learnt.</p>	Q3	30	N/A	<p>There is a risk that major IT projects are not delivered in line with planned timescales or within approved costs and therefore do not fully meet the requirements of the SPA or Police Scotland.</p> <p>There is also a risk in the delivery and completion of major IT projects around data transfer/loss and information management, disruption to policing services, damage to infrastructure and increased costs.</p>

	Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
8	<p>Capital Investments</p> <p>The Board is responsible for ensuring that an adequate appraisal and review process is in place for determining capital expenditure priorities and the effect of each proposal upon strategic and operational priorities.</p> <p>The purpose of such a review would be to assess the adequacy of the arrangements for capital planning.</p> <p>Specific areas of review may include;</p> <ul style="list-style-type: none"> • The process for ensuring the capital plan links to the overall strategy of the organisation; • The planning and assessment procedures within various departments/divisions for identifying and prioritising areas of capital expenditure, including the assessment of funding sources and the revenue impact of the proposed capital expenditure; • The drafting, preparation and approval of Business Cases; • The approval arrangements for capital expenditure, including relevant Committees; and • The monitoring and reporting arrangements in place around capital expenditure. 	Q1	55	Ensure that there is equitable access to services across all of Scotland's communities where and when needed	There is a risk that the capital infrastructure fails to provide the framework for optimal service delivery and the achievement of longer term strategic goals.

	Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
9	<p>Corporate Strategy and People Planning</p> <p>The Organisation has undergone significant change and restructuring over the last 18 months – with many structures and appointments yet to be decided.</p> <p>In order for the organisation to achieve the Business/Strategic Plan, it is imperative it has the right people, in the right place, with the right capabilities at the right time.</p> <p>We would propose a review to assess the Workforce Plan, particularly the planning process and the link to the Business/Strategic Plan, the link to the savings and efficiency targets, the identification of the skills and capability requirement going forward, communication and engagement with staff through the change process etc.</p> <p>This will be executed through the identification (through discussion with SPA/PSoS senior teams) of an appropriate function that has completed the change process and, ideally, has completed the change process and had sufficient time under the new structure to do a review of performance pre and post change. More specifically, as an example, areas we would seek to cover as part of the review would be;-</p> <ul style="list-style-type: none"> • Has the organisation identified the resources, skills and training needed to address areas of most significant risk to the organisation; • Has this identification included full consideration of the key elements of the Business/Strategic Plan; • Have any gaps in these resourcing and skills requirements been identified; • Has the organisation developed (and implemented) strategies for addressing the gap, including structures, roles, etc • Have these strategies included legal and HR input and appropriate Committee sign-off • Has there been a robust process of communication and consultation with staff and unions. 	Q4	30	Deliver the benefits of reform effectively and efficiently	<p>There is a risk that the Workforce Plan and restructuring process fails to provide the framework for optimal service delivery and the achievement of longer term strategic goals.</p> <p>There is a risk that future financial savings are not identified and where identified are not delivered leading to unplanned actions or consequences 2014-2016.</p>

	Potential Area for Review	Timing	Indicative Resource (Days)	Strategic Objectives	Risk
10	<p>Performance Framework</p> <p>The Authority has ambitious objectives for Scottish policing which are in line with the Strategic Police Priorities set by Scottish Ministers. This results in a comprehensive and wide-ranging performance management and measurement framework. In addition, as captured in the recent Assurance Mapping Process, there are a host of scrutiny bodies to which the SPA and Police Scotland are accountable. For example, Her Majesty's Inspectorate of Constabulary Scotland (HMICS) has a vital role to play in overseeing police Performance and Police Scotland provides quarterly updates and an annual report on its performance towards the main objectives.</p> <p>Since 2007/08, forces have reported a single suite of comparable performance information through the Scottish Policing Performance Framework (SPPF). However, Police forces have been working to develop better cost information for some time through police objective analysis (POA).</p> <p>It is proposed to conduct a review of this changing performance Management framework. Whilst the exact scope will be determined through Discussions, example areas for review would likely include:-</p> <ul style="list-style-type: none"> • Is there a clearly defined performance management framework, including measurement, reporting and monitoring; • Are performance measures consistent across the legacy organisation, and an appropriate process of consolidation in place; • Are the performance measures reported aligned to strategic objectives, and do they address the objectives of the various scrutiny bodies; • Is there an internal process to verify the accuracy of performance measures; and • Are the performance measures used in decision making and action identified to make improvements where necessary. 	Q2/Q4	30	<p>Promote a culture of excellence</p> <p>Maintain high standards of professional conduct</p>	<p>There is a risk that no appropriate performance framework is in place.</p> <p>As such, appropriate data to measure performance via common data sets is unavailable and the identification of the progress in achieving reform and associated benefits is not measured.</p>

Scottish Police Authority

Terms of reference – Whistleblowing Arrangements (Draft)

To: Neil Richardson, D CC; Susan Mitchell, Director of Corporate services – Police Scotland; and Amy McDonald- Director of Financial Accountability- SPA

From: Mark White / David MacLaren (Acting Head of Internal Audit)

This review is being undertaken as part of the 2014/2015 SPA internal audit plan.

Background

Internal whistleblowing acts as a deterrent to corrupt practices, encourages openness, promotes transparency, underpins the risk management systems and helps protect the reputation of an organisation.

There is a symbiotic relationship between whistleblowing and an organisation's culture - effective internal whistleblowing arrangements are an important component of a healthy corporate culture. Effective internal whistleblowing also depends on the right corporate culture that encourages concerns to be raised. Arrangements should be in place for internal parties raising concerns including harassment or bullying.

To meet internal goals and objectives together with stakeholder and public expectations, both the Police Service of Scotland (PSoS) and the Scottish Police Authority are required to have in place a process for whistleblowing that ensures any instances of potential ethical or criminal wrong doing are highlighted and appropriate actions taken.

The responsibility for establishing and operating effective internal whistleblowing procedures within PSoS lies with the executive function, including reporting to the appropriate governance body at regular intervals.

PSoS has a “stand alone” whistleblowing facility for staff and officers in “Safecall”.

Scope

The objective of this review is to provide the SPA Audit and Risk Committee with assurance that the processes in place around the existence, integrity and robustness of whistleblowing arrangements for staff within Police Scotland and SPA are being applied consistently and effectively, and the related controls are appropriately designed and correctly and consistently applied.

The sub-processes and related control objectives included in this review are:

Sub-processes	Control objectives
Existence and Awareness	<ul style="list-style-type: none"> • A Whistleblowing Policy exists and it is widely disseminated and accessible across the Organisation; • The Policy contains detailed guidance which clearly sets out the process; and • The Policy is subject to continuous review taking account of sector best practice and feedback from matters arising from previous whistleblowing case handling.
Effectiveness of process	<ul style="list-style-type: none"> • All Police Scotland staff have received clear guidance and training on whistleblowing as to why it is in place, how to utilise it and are clear on

	<p>the end-to-end process;</p> <ul style="list-style-type: none"> • Responsibility for dealing with whistleblowing cases (acknowledging, investigating and responding) is formally documented and is understood by relevant personnel; and • Relevant staff clearly understand how to assess the severity of a whistleblowing case and protocols to deal with high profile or extreme cases are in place and appropriately followed.
Governance and Oversight	<ul style="list-style-type: none"> • There is a governance system to support whistleblowing arrangements, including management accountability and responsibility for the whole process; and • There is regular reporting to management and those charged with governance, both of reported cases, outcomes and lessons learned.
Design and Operations of controls	<ul style="list-style-type: none"> • There are appropriately designed controls around the whistleblowing process in terms of confidentiality, independence, escalation, data and information governance; and • Those controls are operating effectively.

Limitations of scope

The section above sets out the scope of the matters covered within each of these reviews. This review will consider the process in place and compliance with that process and assessment of the controls.

Whilst the report will include statistics around the use of the whistleblowing process, we will not offer an opinion on whether this is representative of the underlying culture and behaviour. We will also conclude on the controls in place based on a sample of testing.

Audit approach

Our audit approach is as follows:

- Holding a preliminary meeting with PSoS and SPA Senior Management;
- Obtain an understanding of process through discussions with key personnel, review of key documentation and walkthrough tests;
- Identify the key risks;
- Evaluate the process in place;
- Identify and evaluate the design of the controls in place to address the key risks;
- Test the operating effectiveness of the key controls;
- Clearance and issue of draft report;
- Receipt of management response; and
- Issue of final report.

Internal audit team

Name	Title	Role	Contact details
Mark White (PwC)	Director	Acting Head of Internal Audit	0141 355 4257
David Maclaren (PwC)	Senior Manager	Engagement Manager	0141 355 4282
Kristina Bowie (SPA)	Auditor	Fieldwork	0141 585 8495

Key contacts – Police Scotland/Scottish Police Authority

Name	Title	Contact details
Neil Richardson	Deputy Chief Constable	0178 645 6037
Susan Mitchell	Director of Corporate Services	0178 645 6801
Amy McDonald	Director of Financial Accountability	0141 585 8420

Timetable

Fieldwork start	October 2014
Fieldwork completed	6 December 2014
Draft report to client	16 December 2014
Response from client	8 January 2015
Final report to client	12 January 2015

Agreed timescales are subject to the following assumptions:

- All relevant documentation, reports, access to intranet and procedures, will be made available to us promptly on request
- Staff and management will make reasonable time available for discussions and will respond promptly to follow-up questions or requests for documentation.

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