

Internal Audit Report 2014/2015

Corporate Strategy

FINAL

**Scottish Police
Authority**

June 2015

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Page	This report has been prepared by PwC in accordance with our engagement letter dated 31 March 2014.
2	Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.
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Distribution List

For action	Police Scotland
For information	Scottish Police Authority – Audit and Risk Committee

1. Executive summary

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
 Low risk	Not applicable as there have been no recent internal audit reviews of Corporate Strategy.						
		Control design	-	-	-	-	-
		Operating effectiveness	-	-	-	-	1
		Total	-	-	-	-	1

Headlines / summary of findings:

Our review of Corporate Strategy arrangements within Police Scotland ('PS') has highlighted evidence of robust Corporate Strategy setting and monitoring practices. In the context of this positive review we have noted only one minor advisory point which may help to further strengthen the control environment, specifically in relation to making tier 2 strategic deliverable descriptions clearer.

Our one advisory finding within **Section 3** has resulted in our overall "Low" report classification as shown within **Appendix 1**.

We understand that the current Corporate Strategy expires in March 2016 and that the (PS) Senior Management Team are currently in the early stages of developing the 'Futures Plan', from which the future Corporate Strategy will be formed during 2015/16.

Management comments

We note this report and welcome its positive reflections on the governance of the corporate strategy within Police Scotland.

2. *Background and scope*

Background

PS recognises that delivery of the Corporate Strategy is inherent in the delivery of service and that achieving strategic objectives should drive the organisation's culture. The Corporate Strategy explains how PS intends to embed processes and structures into normal management practices via four Strategic Delivery Plans (SDPs);

- Our People
- Our Technology
- Our Organisational Support
- Our Finances

These management practices must ensure that those individual projects identified by PS to achieve successful delivery of SDPs and therefore the Corporate Strategy are managed appropriately in line with mandatory and best practice requirements. There should also be sufficient and appropriate Governance arrangements within PS and SPA to monitor progress in achieving Corporate Strategy objectives.

Corporate Strategy setting

PS have in place a current Corporate Strategy and an Annual Policing Plan , both of which are due to expire after financial year 2015/16. These plans outline organisational values and the strategic principles of both organisations. The Corporate Strategy within PS is developed by all areas and co-ordinated by the Organisational Development hub before (under the direction of the Director of Corporate Services). From a governance perspective, the Corporate Strategy is approved by PS Senior Leadership Board prior to being approved by the SPA Board in March 2014.

Delivering the Corporate Strategy

PS Corporate Strategy delivery is monitored on a monthly basis and there are appointed Single Points of Contact (SPOCs) for each of the SDPs. The remit of SPOCs is to “(i) promote an awareness of wider Corporate Strategy delivery out with specific strategic delivery areas and (ii) raise, discuss and resolve cross-cutting matters related to the delivery of the Corporate Strategy”.

In 2014, the Organisation Development team within PS developed a Dashboard Monitoring Tool (DMT) to allow the organisation to monitor the progress on achieving strategic deliverables and delivering individual projects. This spreadsheet tool is populated by management information sent each month from project teams to SPOCs. Once populated the DMT is subject to three levels of review (Programme Team Leader, Portfolio Support Manager and Chief Superintendent) before being issued for consideration to PS governance committees (Change Board and DCC designate).

The DMT displays progress and financial information for the 4 local plans. There are three tiers as follows;

- (i) Tier 1 displays the overall project description/title e.g. National Desktop Project / Financial Planning or outcomes
- (ii) Tier 2 demonstrates the strategic deliverables e.g. T.1.2 Implement a single national desktop / F.2.1 Create a Corporate Finance & Investment Board
- (iii) Tier 3 demonstrates individual tasks and milestones leading to deliverable/outcomes e.g. 34. Project Alliance / 13. Finance & Investment Board

The DMT also demonstrates 'Resource Cost' by SDP. The payroll cost management information used to calculate this is provided PS finance who provide the business rules, from which Organisational Development collate the resource cost information. A graphic of the summary page of the DMT is included in this report at **Appendix 4** for information.

Financial and Non-Financial Risk

Discussion of financial and non-financial risks impacting on the achievement of the Corporate Strategy takes place at PS Senior Leadership Board (SLB) as well as at the SPA Board on a monthly basis. PS have identified a risk which could impact on the ability to deliver the Corporate Strategy as follows:

"In recent years policing in Scotland has undergone substantial transformational change. This work continues with a number of ongoing projects and others in development. PS recognises that many of these projects are intrinsically linked to delivering the savings targets set by Scottish Government and also for delivering the aims of police reform. A balance however requires to be struck between staffing urgent transformational change projects and delivering existing policing services. This risk reflects the challenge there is in sufficiently resourcing change projects, whilst maintaining service delivery and the potential impact of failing to do so."

At the time of our review PS noted that The Futures Strategy has been developed and agreed by the Executive Team. In addition, a Portfolio Brief has been agreed with the creation of a small team. This team will produce a Portfolio Initiation Document by May 2015 and will determine the resources needed to support the strategy. These actions are expected to be implemented by the end of financial year 2015/16.

Review and update of the Corporate Strategy

The Corporate Strategy is a two year strategy (2014 - 2016). It is frequently discussed at the SPA Board and updated annually by PS to ensure that it remains fit for purpose and relevant.

Governance of the Corporate Strategy at a committee level is the ultimate responsibility of the Chief Constable. However, there is also a Director of Corporate Services and many committees which monitor progress and direction of the Corporate Strategy (for example; Corporate Governance Board, Senior Leadership Board, DCC Designate Board and SPA Board).

In October 2014 (6 months after Corporate Strategy implementation), PS undertook a self-assessment of SDP progress. The output from the "Health Check" was a report containing 9 recommendations (3 critical, 3 essential and 3 recommended). Since publishing the report in October 2014, PS have and continue to work hard to address all of the recommendations from the Health Check report. Status against these recommendations is monitored at DCC designate board. As a result of the PS

self review, Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) noted the following;

“HMICS in their published annual scrutiny plan for 2014-15 committed to conducting a Continuous Improvement Review of the PS Corporate Strategy. This work was due to commence in mid 2014. At the point of scoping, PS produced their own internal review of the Strategy and arrangements for delivery. A half year progress report was also compiled and considered by the SPA Board at their public meeting on 17 December 2014. HMICS therefore made a decision to defer the work, as sufficient assurance was deemed to have been given through these two processes.”

Scope and limitations of scope

There were no changes to the original scope. The final and agreed terms of reference are included at **Appendix 2**.

Our review assessed the design and operating effectiveness of the Corporate Strategy control environment at PS in relation to;

(i) Corporate Strategy approval (ii) Delivering the Corporate Strategy and (iii) Update and review of the Corporate Strategy.

Our review does consider the arrangements to assure the ongoing affordability of planned objectives within the Corporate Strategy. It does not consider the wider measurement of success or otherwise of non-financial terms, nor does the review consider the appropriateness of the PS / SPA Corporate Strategy and its relevance to the strategic needs of the organisations.

3. Detailed current year findings

3.1 Clarifying Tier 2 strategic deliverable descriptions – operating effectiveness

Finding

From our sample testing of the Dashboard Monitoring Tool (DMT), descriptions of some Tier 2 strategic deliverables (within the DMT) do not make it immediately clear as to what the strategic deliverable actually is, for example: "P1.1 Alternative modes of entry" or "P4.3 Managerial tools". From our detailed review, this lack of clarity was isolated to the 'Our People' Strategic Delivery Plan (SDP), which represents one of four PS SDPs. Tier 2 descriptions within the DMT should be sufficient enough to clarify the strategic deliverable they relate to.

Implications

- External persons or persons not familiar with Police Scotland’s DMT may not be able to understand project deliverables based on titles as recorded in the DMT / Board papers.

Action plan

<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
 Advisory	Tier 2 descriptions within the ‘Our People’ section of the DMT should be updated by the Director of People and Development in order that they clearly reflect the PS strategic deliverable or project they are attached to.	Director of People & Development <i>Target date:</i> September 2015 <i>Reference number:</i> SPA Corporate Strategy 2014/15 – 1

Appendix 1. Basis of our classifications

Individual finding ratings

<i>Finding rating</i>	<i>Assessment rationale</i>
<i>Critical</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Critical</i> impact on operational performance; or • <i>Critical</i> monetary or financial statement impact ; or • <i>Critical</i> breach in laws and regulations that could result in material fines or consequences; <i>or</i> • <i>Critical</i> impact on the reputation or brand of the organisation which could threaten its future viability.
<i>High</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Significant</i> impact on operational performance; or • <i>Significant</i> monetary or financial statement impact; or • <i>Significant</i> breach in laws and regulations resulting in significant fines and consequences; <i>or</i> • <i>Significant</i> impact on the reputation or brand of the organisation.
<i>Medium</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Moderate</i> impact on operational performance; or • <i>Moderate</i> monetary or financial statement impact; or • <i>Moderate</i> breach in laws and regulations resulting in fines and consequences; <i>or</i> • <i>Moderate</i> impact on the reputation or brand of the organisation.
<i>Low</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Minor</i> impact on the organisation's operational performance; or • <i>Minor</i> monetary or financial statement impact; or • <i>Minor</i> breach in laws and regulations with limited consequences; <i>or</i> • <i>Minor</i> impact on the reputation of the organisation.
<i>Advisory</i>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report

<i>Findings rating</i>	<i>Points</i>
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

<i>Report classification</i>	<i>Points</i>
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

Appendix 2. Terms of Reference

To: Neil Richardson Deputy Chief Constable
John Foley CEO SPA
Amy McDonald- Director of Financial Accountability- SPA
Lindsey McNeill, Director of Governance and Assurance

From: Mark White, PwC Engagement Leader

This review is being undertaken as part of the 2014/2015 agreed SPA internal audit plan. It will be undertaken by PwC in their support role for Plan delivery.

Background

The establishment of a single Force for Scotland on 1 April 2013 is predicated on delivery of a number of key objectives for the Scottish Government (SG) and people of Scotland. A Strategic Police Plan was approved for the commencement of the new single Force and SPA body in April 2013. In March 2014 a two year PS Corporate Strategy document was approved by the SPA Board through to 2016. This document states the Corporate Strategy principals and how they are reflected in strategic delivery plans.

As part of the 2014-2015 internal audit plan we will undertake a review of the processes within the Police Service of Scotland (PSoS) and the Scottish Police Authority (SPA) for implementation of the Corporate Strategy. The review will consider the organisation and direction of resource towards delivery during 2014-15 and status of actions to fully embed financial planning and control in supporting strategy delivery.

We will also consider the existence of focused reporting of progress to Board and relevant sub-committees. Outcomes against strategic goals must be capable of measurement (financially and non-financially) and reporting to allow effective governance.

Finally, we will seek to establish the mechanisms by which the 2014-16 experience is or is planned to be, utilised in formulating a 2016 forward strategy.

Scope

The overall objective of this review is to provide the SPA Audit and Risk Committee with assurance that arrangements are in place for implementing corporate strategy through planned action and appropriate reporting processes with a corresponding financial planning and control process.

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

Sub- process	Control Objectives
Corporate Strategy	<ul style="list-style-type: none"> • An up to date and approved Corporate Strategy is in place for both SPA and PSoS for 2014-15 and beyond.
Delivering the Corporate Strategy	<ul style="list-style-type: none"> • 2014-15 corporate planning within PSoS and SPA clearly demonstrates the necessary projects and programmes of action required to achieve strategic goals and objectives and how these will be delivered; • reporting on projects and programmes delivering strategic objectives is routinely made to senior management and Board meetings at an appropriate level of detail; • the financial monitoring and reporting process necessary to inform and measure achievement of goals and objectives is either in place or in the course of delivery through internal projects within the finance function; • Financial and non-financial risks impacting on achievement of the Corporate Strategy are being formally identified, mitigated and escalated to the Board via ARC.
Update and Review of Corporate Strategy	<ul style="list-style-type: none"> • Nominated officer(s) within SPA and PSoS are charged with maintaining responsibility for ongoing review of the Corporate Strategy including overseeing Board updates at least annually.

Limitations of scope

The section above sets out the scope of the matters covered within this review of processes around Corporate Strategy. This review will consider the arrangements in place within SPA to assure the ongoing affordability of planned objectives within the strategy. It will not consider the wider measurement of success or otherwise in non-financial terms. This review will not consider the appropriateness of the PSoS/SPA corporate strategy and its relevance to the strategic needs of the organisations.

Audit approach

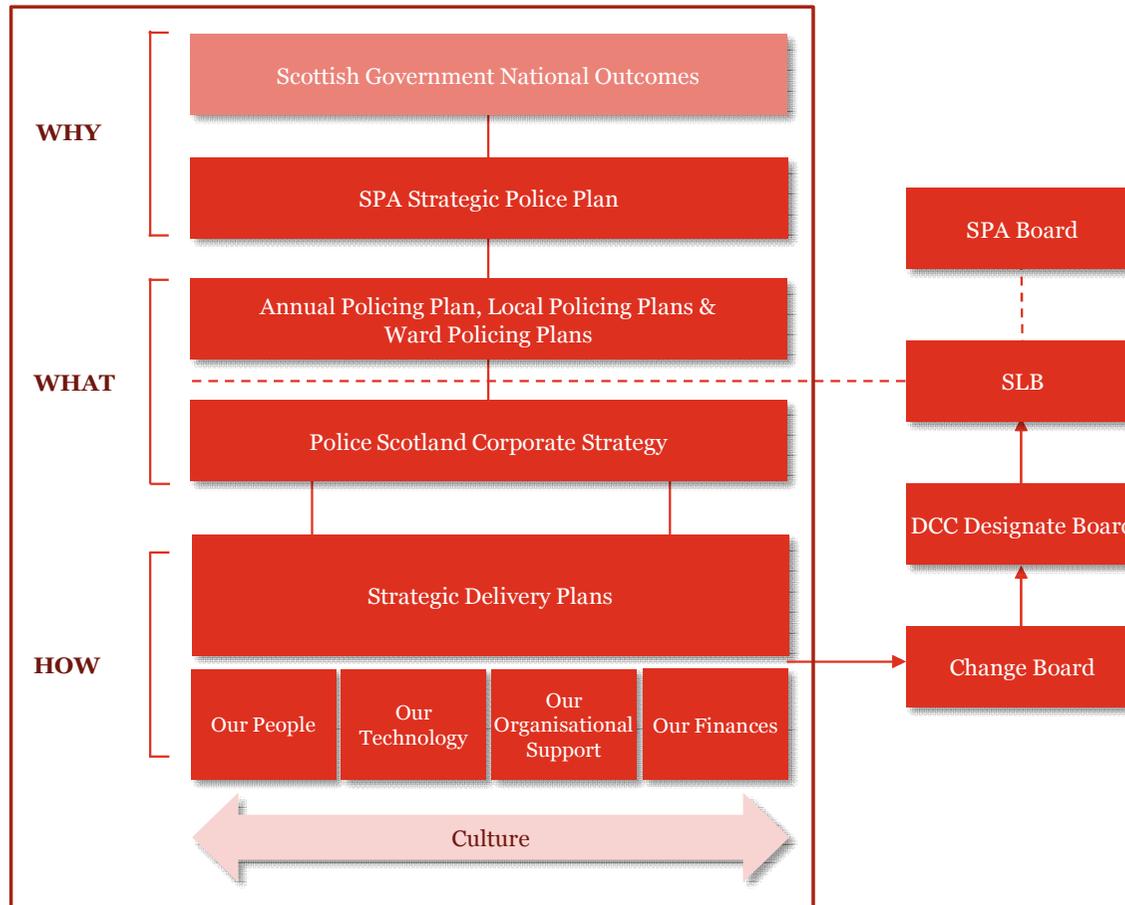
Our audit approach is as follows:

- Hold a preliminary meetings with relevant SPA and PSoS senior management;
- Obtain an understanding of process through discussions with key personnel, review of key documentation and walkthrough tests;
- Identify the key risks to achievement of the control objectives shown above;
- Evaluate the design of those 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 from client; and
- Issue of final report.

Appendix 3. PS Strategic Overview

The graphic below is taken from the PS – Corporate Strategy 2014 and demonstrates how the Corporate Strategy is supported by (i) local policing and (ii) Strategic Delivery Plans:



Appendix 4. Dashboard Monitoring Tool

The graphic below demonstrates an example of the monitoring tool used by PS to monitor progress against delivering individual projects within each of the four Strategic Delivery Plans (SDPs):

 POLICE SCOTLAND Keeping people safe	Corporate Strategy Overview Dashboard															
	Progress & Status		Milestones		Resource Cost (£000/m)		Project Status				Links to Corporate Strategy Principles	Benefits Forecast				
	Progress	SDP Status	Total Milestones	Milestones Achieved	Staff	Capital / Revenue	Complete Projects	Projects on Target	Projects At Risk of Delay	Delayed Projects		Rebaselined Projects	Likely to Exceed	On Target	Possible Minor Reduction	Possible Major Reduction
Our People	57%	On Target	33	5	124,136 ↓	↔	0	6	0	0	1, 2, 3, 4					
Our Technology	34%	On Target	71	23	233,872 ↑	↔	0	4	0	0	1, 2, 4, 5					
Our Org Support	64%	On Target	83	39	25,092 ↑	↔	0	5	0	0	1, 2, 4, 5					
Our Finances	28%	At Risk of Delay	24	7	4890 =	↔	0	1	0	1	1, 3, 4, 5					

BRAG Status Legend	Complete	Deliverable complete. No residual consequences.
	On Target	On target: No slippage anticipated. No resource consequences.
	At Risk of Delay	Some slippage anticipated <4 weeks. Potential to recover some time.
	Delayed	Slippage anticipated and likely to be >4 weeks or a Critical Milestone with no slippage permitted

Corporate Strategy Principles	1	Our people will be motivated, flexible, feel empowered & valued
	2	Our services will be delivered with a focus on quality, consistency & accessibility
	3	Our engagement with our people, partners & stakeholders will be proactive
	4	Our assets will be managed in a way that will improve access to them, as well as improving efficiency & sustainability
	5	We will adopt a modern, streamlined & proportionate approach to governance

Appendix 5. Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of name of Corporate Strategy, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.



In the event that, pursuant to a request which The Scottish Police Authority has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), The Scottish Police Authority is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. The Scottish Police Authority agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation. If, following consultation with PwC, The Scottish Police Authority discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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