

Meeting	Public SPA Board Meeting
Date	28 September 2017
Location	Jurys Inn, Inverness
Title of Paper	Audit Committee Chair Report
Item Number	15.1
Presented By	David Hume
Recommendation to Members	For Noting
Appendix Attached:	NO

PURPOSE

To provide the Board with an update on business progressed through the Audit Committee on the 23rd August 2017.

1. **External Audit Interim Report (ongoing)**

- 1.1 Audit Scotland provided the Committee with a report of the key findings from the interim audit it has undertaken at the SPA and Police Scotland.
- 1.2 The audit scope covers the following dimensions: Financial Stability; Financial Management; Governance and Transparency; Value for Money.
- 1.3 The audit approach adopted was designed to ensure sufficient assurance could be obtained from substantive procedures. This reflects the control weaknesses identified in prior years, supported by the findings from recent internal audit reviews. The approach allowed Audit Scotland to identify areas where Scottish Police Authority and Police Scotland need to strengthen arrangements to ensure a robust control environment is operating.
- 1.4 The audit work focused on financial management arrangements and financial sustainability. Audit Scotland acknowledges that steps have been taken to implement improvements but find that there is still significant progress required to achieve financial sustainability.

2. **Internal Audit Reports (ongoing)**

2.1 The Committee were provided with the following Internal Audit Reports:

- **Budget Setting:** referred to Finance Committee
- **Strategic Planning:** referred to Policing and Finance Committees
- **Commercial Excellence:** referred to Finance Committee
- **Lean Review:** referred to People Committee
- **IT Service Delivery**
- **Software Development**

2.2 The reports provided substantial evidence of improvement being effected in these areas of critical processes and risk, and also in relation to the general response to Internal Audit findings and recommendations by management. The Committee is seeking to ensure that the optimum benefit is derived from this important work by sharing the Internal Audit reports with the other committees, and decided to refer the reports to other Committees as indicated above.

2.3 Concerns were expressed in relation to the Software Development IA report. It was agreed that Scott-Moncrieff would provide a short follow up report in January 2018 which would note future plans and dates to be highlighted to the Audit Committee.

2.4 Internal Audit also presented the internal audit progress report. The report provided a summary of internal audit activity, and confirms the reviews planned for the coming quarter, identifying any changes to the original Annual Plan.

2.5 Key points included:

- six audits were completed since the previous Audit Committee meeting, and a total of 18 of the 19 audits in the 2016/17 Internal Audit Plan.
- Audit reports to be presented to the October 2017 Audit Committee include: Non-pay expenditure; Estates Management; and the National Finance Initiative.
- Discussions at the Audit Committee and with Police Scotland have identified the implementation of **GDPR** (the General Data Protection Regulation) as the key IT risk facing the organisation. Accordingly audit work on this issue will be combined with an ongoing review of the IT Strategy into a single 40 day **GDPR** review that will provide assurance across the Strategic Police Authority, Police Scotland and Forensics.
- Internal Audit will also conduct a separate ICT healthcheck, which will provide assurance on IT Strategy.

3. Whistleblowing (ongoing)

3.1 In the absence of reports outlining the assurance arrangements to be created in relation to the operation of Whistleblowing policies, and the monitoring metrics to be used, the Committee agreed to defer this item until its January Committee meeting.

3.2 In addition to this Internal Audit agreed to provide both SPA and Police Scotland with feedback on how other organisations report on Whistleblowing.

6. Procurement of Internal Audit Function (ongoing)

Item taken in Private in accordance with SPA Governance Framework, Section 27(e)

6.1 Members were advised that the current Internal Audit Contract was due to expire in May 2018 and were provided with an update in relation to the process on the Procurement of the Internal Audit Function. Members expressed concern about the tight timescales described in the report they received from the Chief Executive, and sought assurance that no inter-regnum in the provision of internal audit services would occur as a result. Members were given this assurance by the Chief Executive, and advised that they would be kept fully updated on the progress going forward.

7. Organisational Change Audit Update (ongoing)

Item taken in Private in accordance with SPA Governance Framework, Section 27(e)

7.1 Police Scotland presented a report in follow up to a previous Internal Audit report on organisational change management. The Internal Audit report found significant weaknesses in arrangements in place to manage significant organisational change. Police Scotland reported substantial improvement action in relation to the Internal Audit findings. Members noted that the Police Scotland report provided significant assurance and supported the actions outlined therein. Members provided feedback and requested a clearer understanding on how ideas were taken through to approval and execution to allow a better understanding of the workflow. It was agreed that Police Scotland would produce further detail in this regard, and provide a presentation to Audit Committee Members and other Stakeholders on how the PMO and Change Framework operates.

8. Audit Committee Self-Assessment and Improvement Plan

8.1 Members noted the plans to proceed with the Committee's second Self-Assessment and Improvement Plan, and noted also that a report presenting findings and recommendations would be provided at its meeting on 23 October 2017.

The next Audit Committee is on the 9th October 2017.