

<b>Meeting</b>	<b>Audit, Risk and Assurance Committee</b>
<b>Date</b>	<b>4 May 2022</b>
<b>Location</b>	<b>By video conference</b>
<b>Title of Paper</b>	<b>Internal audit annual report</b>
<b>Presented By</b>	<b>John McNellis, Head of Finance Audit and Risk  Gary Devlin, Azets</b>
<b>Recommendation to Members</b>	<b>For approval</b>
<b>Appendix Attached</b>	<b>Appendix A: Internal audit annual report (2021/22)</b>

**PURPOSE**

The internal audit annual report summarises the conclusions and key findings from the internal audit work undertaken during the year ended 31 March 2022, including the overall opinion on the internal control systems within Scottish Police Authority, Police Scotland and Forensic Services.

*The paper is presented in line with the corporate governance framework of the Scottish Police Authority (SPA) and Audit, Risk and Assurance Committee (ARAC) terms of reference and is submitted for consultation.*

## 1. BACKGROUND

- 1.1 The Scottish Public Finance Manual (SPFM) requires internal audit to provide an annual report to the Accountable Officer and Audit Committee that provides an opinion on the adequacy and effectiveness of the governance, risk management and internal control system of the organisation.
- 1.2 The internal audit plan for 2021/22 was approved by the Board in February 2021 with progress and all work reported to the ARAC.
- 1.3 The annual report forms part of the assurance required by the Accountable Officer to enable them to sign the Governance Statement to be provided alongside the accounts for which they are directly responsible.

## 2. FURTHER DETAIL ON THE REPORT

- 2.1 The annual report summarises internal audits conclusions and key findings from their work over the financial.
- 2.2 **Appendix A** provides the full annual report. It includes:
  - the scope and responsibilities between management and internal audit;
  - planning process;
  - the coverage achieved in the year;
  - key themes from their work
  - confirmation of independence;
  - statement of conformance with Public Sector Internal Audit Standards;
  - KPI's / internal quality assurance; and
  - overall internal audit opinion for the year.
- 2.3 Overall, internal audit have concluded:

*"In our opinion the Scottish Police Authority, Police Scotland and Forensic Services have a framework of controls in place that **provides reasonable assurance** regarding the organisations' governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks."*
- 2.4 This opinion has been provided for all areas (SPA, Forensic Services and Police Scotland) and is the highest level of assurance that internal audit can provide in accordance with public sector internal audit standards.

**3. FINANCIAL IMPLICATIONS**

3.1 The cost of providing the internal audit service is included in the 2021/22 budget. Some reviews have also considered financial implications, in particular the reviews of core financial controls and projects.

**4. PERSONNEL IMPLICATIONS**

4.1 There are no specific personnel implications associated with this paper, however, some reviews have considered personnel implication and in particular the reviews on: overtime / allowances, SPRM and other reviews.

4.2 The internal audit service is provided by an external provider, Azets.

**5. LEGAL IMPLICATIONS**

5.1 There are no specific legal implications associated with this paper. Reviews will consider applicable legal implications.

**6. REPUTATIONAL IMPLICATIONS**

6.1 There are no specific reputational implications associated with this paper. The objective of the internal audit service is to provide an independent opinion on the organisation and the effectiveness of its operations. Its reviews aim to help the organisation promote improved standards of governance, better management, decision making and more effective use of funds. This aids transparency and contributes toward confidence in the Authority.

**7. SOCIAL IMPLICATIONS**

7.1 There are no specific social implications associated with this paper, however, reviews may have considered this aspect.

**8. COMMUNITY IMPACT**

8.1 There are no specific community impact implications associated with this paper, however, reviews may have considered this aspect.

**9. EQUALITIES IMPLICATIONS**

9.1 There are no specific equalities implications associated with this paper, however, reviews may have considered this aspect.

**10. ENVIRONMENT IMPLICATIONS**

10.1 There are no specific environmental implications associated with this paper, however, reviews may have considered this aspect.

**RECOMMENDATIONS**

Members are requested to note the annual internal audit report (2021/22).



# The Scottish Police Authority

## Internal Audit Annual Report 2021/22

April 2022



# **The Scottish Police Authority**

## **Internal Audit Annual Report 2021/22**

Introduction	2
Overall internal audit opinion	3
Internal audit work performed	4
Appendix 1 – Planned v actual days 2021/22	11
Appendix 2 – Summary of Internal Quality Assurance Assessment	12
Appendix 3 – Progress against KPIs	13

# Introduction

The Public Sector Internal Audit Standards (PSIAS) state that:

“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.”

“The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”

To meet the above requirements, this Annual Report summarises our conclusions and key findings from the internal audit work undertaken at the Scottish Police Authority (SPA), including Police Scotland, during the year ended 31 March 2022, including our overall opinion on SPA’s internal control system.

## Acknowledgement

We would like to take this opportunity to thank all members of management and staff for the help, courtesy and co-operation extended to us during the year.

# Overall internal audit opinion

## Basis of opinion

As the Internal Auditor of the Scottish Police Authority (SPA), we are required to provide the Audit, Risk and Assurance Committee with assurance on the whole system of internal control. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control.

In assessing the level of assurance to be given, we have taken into account:

- All reviews undertaken as part of the 2021/22 internal audit plan;
- Any scope limitations imposed by management;
- Matters arising from previous reviews and the extent of follow-up action taken including in year audits;
- Expectations of senior management, the Audit, Risk and Assurance Committee and other stakeholders;
- The extent to which internal controls address the client's risk management /control framework;
- The effect of any significant changes in SPA's objectives or systems; and
- The internal audit coverage achieved to date.

In my professional judgement as Head of Internal Audit, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the basis and the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria. The conclusions are only applicable for the entity examined. The evidence gathered meets professional audit standards and is sufficient to provide senior management with proof of the conclusions derived from the internal audit work.

## Internal Audit Opinion

In our opinion the Scottish Police Authority, Police Scotland and Forensic Services have a framework of controls in place that provides reasonable assurance regarding the organisations' governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

**Azets**

**April 2022**



# Internal audit work performed

## Scope and responsibilities

### Management

It is management's responsibility to establish a sound internal control system. The internal control system comprises the whole network of systems and processes established to provide reasonable assurance that organisational objectives will be achieved, with particular reference to:

- risk management;
- the effectiveness of operations;
- the economic and efficient use of resources;
- compliance with applicable policies, procedures, laws and regulations;
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- the integrity and reliability of information and data.

### Internal auditor

The Internal Auditor assists management by examining, evaluating and reporting on the controls in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, the Internal Auditor should:

- analyse the internal control system and establish a review programme;
- identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner;
- report findings and conclusions and, where appropriate, make recommendations for improvement;
- provide an opinion on the reliability of the controls in the system under review; and
- provide an assurance based on the evaluation of the internal control system within the organisation as a whole.

## Planning process

In order that we can provide an annual assurance statement supporting the Governance Statement, we include all of the SPA's activities and systems within the scope of our internal audit reviews.

Our strategic and annual internal audit plans are designed to provide the Audit, Risk and Assurance Committee with assurance that SPA's internal control system is effective in managing the key risks and best value is being achieved. The plans are therefore informed by SPA's risk management system and linked to the Corporate Risk Register.

The Strategic Internal Audit Plan was agreed in consultation with senior management and formally approved by the Audit, Risk and Assurance Committee.

The Annual Internal Audit Plan is subject to revision throughout the year to reflect changes in SPA's risk profile.

We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. However, internal audit can never guarantee to detect all fraud or other irregularities and cannot be held responsible for internal control failures.

## Cover achieved

Our Internal Audit Plan comprises 500 days per annum. We completed 500 days of core internal audit work in 2021/22.

The majority of work was carried out by the core internal audit team and included the use of specialist auditors from our Technology Risk team. We made use of Data Analytics specialists in our review of Overtime and Allowances.

A comparison of actual coverage against the 2021/22 plan is attached at Appendix 1.

We confirm that there were no resource limitations that impinged on our ability to meet the full audit needs of the SPA and no restrictions were placed on our work by management.












We did not rely on the work performed by a third party during the period.

## Reports

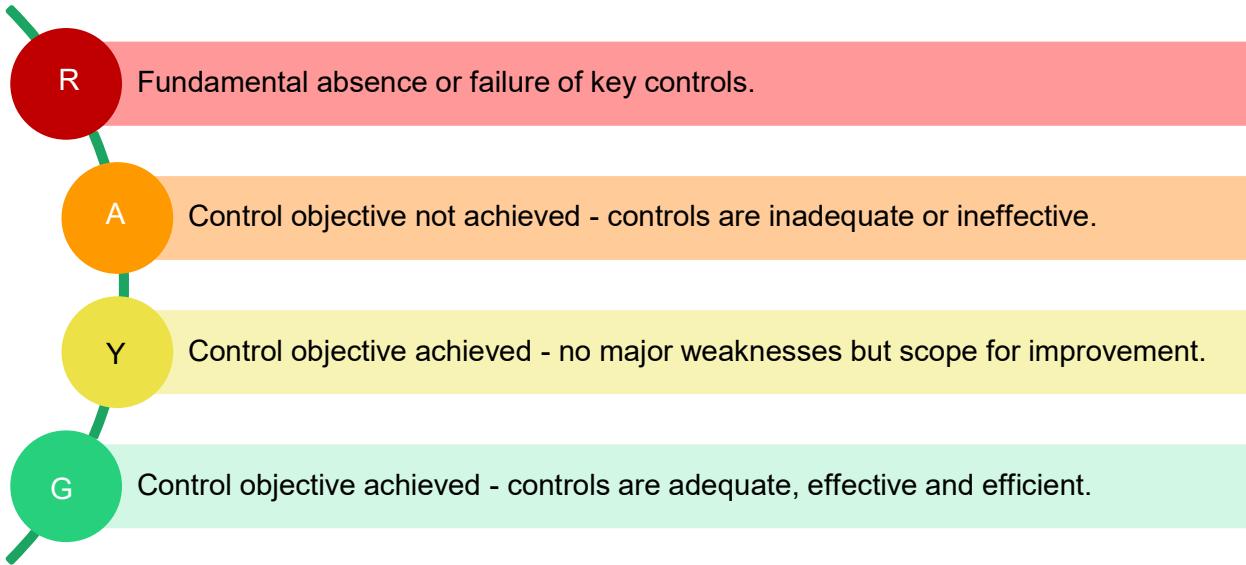
We prepared a report from each review and presented these reports to the Audit, Risk and Assurance Committee. The reports are summarised in the table below.

Where relevant, all reports contained action plans detailing responsible officers and implementation dates. The reports were fully discussed and agreed with management prior to submission to the Audit, Risk and Assurance Committee. We made no recommendations that were not accepted by management.

Summary of reports by control assessment and action grade

Review	Control objective assessment	No. of issues per grading			
		4	3	2	1
A.1 Core Financial Systems (IFRS 16)		-	-	4	1
A.3 Overtime and Allowances		-	1	2	1
B.2 Staff Pay and Reward Modernisation (SPRM)		-	-	1	-
C.2 Estates Management		-	4	3	-
C.4 Procurement		-	-	1	1
C.5 Health and Safety		-	4	4	2
C.9 Strategic Planning		-	1	2	1
C.11 Environmental Impact		-	2	1	-
D.3 ICT Service Delivery		-	3	5	-
G.1 Legal Claims Handling		-	2	5	1
G.3 Data Quality and Integrity		-	2	4	-

Control objective assessment definitions

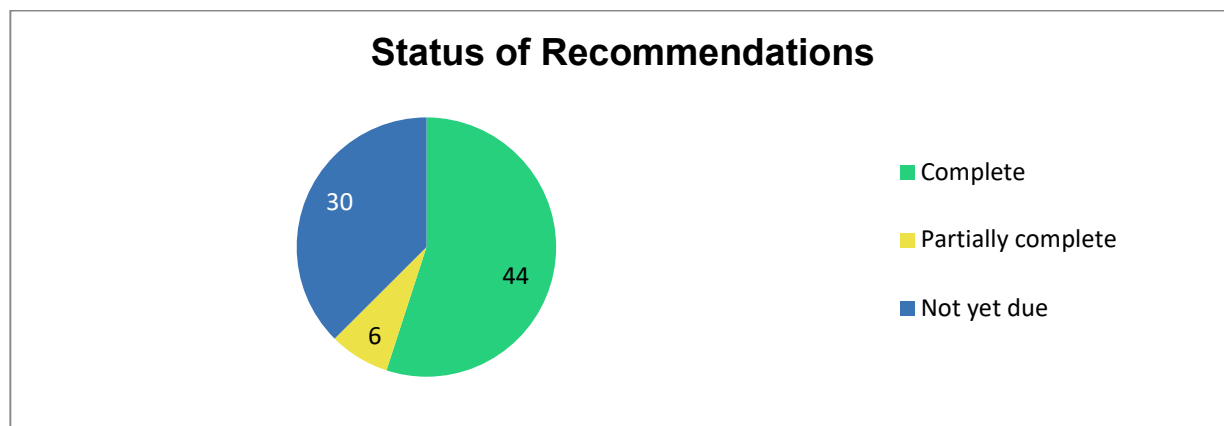


Management action prioritisation definitions

- 4** •Very high risk exposure - major concerns requiring immediate senior attention that create fundamental risks within the organisation.
- 3** •High risk exposure - absence / failure of key controls that create significant risks within the organisation.
- 2** •Moderate risk exposure - controls are not working effectively and efficiently and may create moderate risks within the organisation.
- 1** •Limited risk exposure - controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues.

## Progress in implementing previous internal audit actions

Management have made excellent progress in implementing agreed actions from internal audit reports. We completed quarterly follow up reviews during the year to validate management's progress in implementing agreed audit actions. In total we reviewed management's progress in implementing 80 actions. As at our Q4 follow up in April 2022, we confirmed 44 (55%) actions had been completed. Of the 36 remaining outstanding actions, 6 (8%) were partially complete and in progress, and 30 (37%) not yet due for completion.



We have noted a downward trend in the number of findings identified since 2019/20 (2019/20: 73, 2020/21: 65, 2021/22: 58). The proportion of higher risk findings (grade 3 or 4) has stabilised over the last two years and notably, no grade 4 issues were noted in 2021/22. This reflects the progress that SPA, Police Scotland and Forensic Services have made in establishing enhanced systems of control, and the completion of a number of significant strategic initiatives.

## Key themes from audit work in 2021/22

We have considered the higher risk findings arising from our audit work, in the context of major developments in SPA's operating environment throughout the period.

### Significant findings

Throughout 2021/22, the reviews with the greatest number high risk findings were the reviews of Estates, Health and Safety, ICT service delivery, and Data Quality and Integrity. Our review of Strategic Planning noted only one higher risk finding, however this exemplified an observation made across a number of reviews in relation to the clarity of approach to converting strategic objectives into practical and measurable action. The key matters noted related to:

- Strategic Planning:** SPA and Police Scotland have made considerable progress in developing and refining their approach to strategic planning since the publication of Policing 2026. We found that processes for the development of Police Scotland enabling strategies are robust and well designed, however we observed a lack of clarity as to how strategies are then translated into practical operational delivery plans. Defining the expected form and ownership of operational plans, and the manner in which these relate to each other, would strengthen SPA's ability to oversee, and Police Scotland's ability to demonstrate delivery, against the outcomes of the Strategic Police Plan.
- Estates:** Police Scotland has carried out a considerable volume of detailed work in order to develop a delivery programme for its Estates Strategy. While a number of projects have been progressed to delivery, we found governance arrangements to be fragmented, making it difficult for the organisation to clearly

## OFFICIAL

articulate its priorities and gain a holistic view of progress against the Strategy's vision and outcomes. The organisation has recently completed a major tendering exercise for "hard" facilities management and is in the process of transition from the incumbent contractor Mitie. We reviewed the processes for the management of the Estate and found that monitoring arrangements focussed on matters of contractual compliance and do not provide robust assurance as to the effectiveness of facilities management in maintaining or improving the condition of the estate and reducing costs arising from unplanned maintenance.

- **ICT service delivery:** We identified that there is a need for the Digital Division to establish a formal performance reporting framework. At present, reporting is limited to a monthly KPI report to stakeholders. There are also no Key Performance Indicators (KPIs) or service levels agreed with stakeholders. This does not provide sufficient insight to senior leadership and those charged with governance on the effectiveness of Digital Division performance. There is also a need for better classification and management of service requests. These can vary from a hardware request to a new start request through to work that has characteristics of project work. There is a need for formal processes to be agreed and implemented to ensure that service requests which resemble project activity are subject to formal approval through an appropriate governance gateway before resources are assigned to them. We identified issues with both the demand and resource management practices. Processes need to be established to collate and prioritise demand identified through Change Board, engagement by Service Delivery Leads and service requests. This is important to support effective resource management.
- **Health and Safety:** We have raised a number of findings related to the governance and oversight of health and safety practices as well as those related to the efficient operation of procedures. These represent opportunities to better embed good practice and gain efficiency in the appropriate reporting and operation of processes. There is a need for greater clarity of responsibility between H&S and Learning, Training and Development Teams to ensure processes are effective and efficient.
- **Data Quality and Integrity:** Data quality and management improvements are due to be made through the implementation of the Data Drives Digital programme. However, as yet, a clear roadmap is still to be developed to set out how and when this will be achieved. While Police Scotland has carried out work to embed data ethics into project management methodology, further work is needed to embed data quality as a key consideration within the project management methodology. Findings were raised across a number of reviews which relate to administrative issues around allocating document ownership and updating policies and procedures as per an agreed review cycle.

### Developments throughout the year

In October and November 2021, the United Nations Climate Change Conference, more commonly referred to as COP26, was held at the SEC Centre in Glasgow. This required a large operational commitment to plan and police the event and the utilisation of officers from across the UK to support the policing effort. Funding for the event was met by the UK government. We supported Police Scotland and the SPA in establishing an appropriate framework of governance for the policing elements of the event. We also completed four targeted reviews of the funding requirements and planned expenditure before and after the COP26 event to ensure all costs were appropriate. We found that the response from SPA and Police Scotland management was robust and effective.

## Independence

PSIAS require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that the staff members involved in each 2021/22 internal audit review were independent of SPA and their objectivity was not compromised in any way.

## Conformance with Public Sector Internal Audit Standards

We confirm that our internal audit service conforms to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing. This is confirmed through our quality assurance and improvement programme, which includes cyclical internal and external assessments of our methodology and practice against the standards.

A summary of the results of our most recent internal assessment is provided at Appendix 2.

## Key performance indicators

We use a suite of Key Performance Indicators (KPIs) to monitor the quality of the internal audit service. Appendix 3 includes a summary of performance against the KPIs.

# Appendix 1 – Planned v actual days 2021/22

Ref and Name of report	Planned Days	Actual Days
A.1 Core Financial Systems	30.00	30.00
A.3 Payroll	30.00	30.00
B.2 Staff Pay and Reward Modernisation (SPRM)	35.00	35.00
B.4 Equality and Diversity <sup>1</sup>	35.00	2.50
C.2 Estates Management	40.00	40.00
C.4 Procurement	0.00	35.00
C.5 Health and Safety	40.00	40.00
C.9 Strategic Planning	50.00	50.00
C.11 Environmental Impact	35.00	35.00
D.3 ICT Service Delivery	35.00	35.00
G.1 Legal Claims Handling	30.00	30.00
G.3 Data Quality and Integrity	50.00	50.00
Forensic Services Data Security Review <sup>2</sup>	0.00	9.00
G.4 Follow up	20.00	20.00
H.1 Audit & Risk Committee planning and attendance	20.00	20.00
H.2 Monthly liaison meetings	18.00	18.00
H.3 Reporting, ad-hoc meetings and other liaison	1.00	4.50
H.4 Liaison with external audit and HMICS	4.00	4.00
H.5 Audit needs analysis - strategic and operational IA planning	10.00	10.00
H.6 Annual internal audit report	2.00	2.00
Contingency	15.00	0.00
<b>Total</b>	<b>500</b>	<b>500</b>

<sup>1</sup> Review was agreed to be replaced by Procurement

<sup>2</sup> Agreed additional review utilising contingency



## Appendix 2 – Summary of Internal Quality Assurance Assessment

We prioritise the quality of our internal audit service to ensure high standards and compliance with relevant internal audit standards. Our internal audit service is subjected to regular internal and external quality assessments as part of our commitment to delivering a high quality service. We act on all recommendations emerging from these assessment outcomes.

We are pleased to report that most recent internal quality assessment confirms that our internal audit methodology conforms to the required standards. Compliance with the methodology is monitored through an annual review of a sample of audit files and we review our compliance with the IPPF/PSIAS through a wider review of our methodology. In addition, every five years we commission a full External Quality Assessment.. Overall, our service conforms to the requirements of the PSIAS. Our assessment is based on the overall service that is delivered to each client. We are happy to provide Audit and Risk and Assurance Committee members with further details of the information set out above and the assessment process, if required.

# Appendix 3 – Progress against KPIs

The table below sets out performance against the KPIs set by management and the Audit, Risk and Assurance Committee.

Service	Performance Standard	Status
1. The Annual and Strategic Internal Audit plans are presented to and approved by the Audit Risk and Assurance Committee prior to the start of the audit year.	The 2021/22 Internal Audit Plan was approved by the SPA Board at the March 2021 meeting.	GREEN
2. 90% of audit input is provided by the core team and continuity of staff is maintained year on year.		GREEN
3. Draft reports are issued within 15 working days of completing fieldwork.	Reports have been issued an average of 11 working days after completion of fieldwork. 4 reports have been issued outside timescale.	AMBER
4. Management responses are received within 15 working days and final report issued within 10 working days.	<p>Management Responses have been received in an average of 11 days so far in the period 2021/22.</p> <p>Final reports have been issued an average of 9 working days after initial receipt of management responses. This excludes Strategic Planning, which was finalised 58 days after the initial receipt of management responses.</p>	AMBER
5. At least 90% of the audit recommendations we make are agreed with and accepted by management.	All recommendations made in the period 2021/22 have been accepted.	GREEN
6. At least 75% of Audit Risk and Assurance Committee meetings are attended by an Internal Audit Partner.		GREEN
7. The annual internal audit plan is fully delivered within agreed cost and time parameters.	All changes to the plan have been agreed with the Audit, Risk and Assurance Committee.	GREEN
8. The annual internal audit report and opinion is presented to and approved by the Audit Risk and Assurance Committee at the first meeting after the year-end each year.	The Annual Report for 2021/22 was presented to the May 2022 ARAC meeting.	GREEN

**OFFICIAL**

Service	Performance Standard	Status
9. All internal audit outputs are finalised and submitted to the Committee Secretary at least 10 working days before the Audit Risk and Assurance Committee meeting to allow time for senior management review.	All papers submitted in line with agreed timescales.	GREEN
10. Members of senior management and the Audit Risk and Assurance Committee are invited to participate in the firm's client satisfaction survey arrangements.	Not yet due	N/A

Key

<b>RED</b>	More than 15% away from target
<b>AMBER</b>	Within 15% of target
<b>GREEN</b>	Achieved

**OFFICIAL**

© Azets 2022. All rights reserved. Azets refers to Azets Audit Services Limited. Registered in England & Wales  
Registered No. 09652677. VAT Registration No. 219 0608 22.

Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute  
of Chartered Accountants in England and Wales.

**OFFICIAL**