

Meeting	Audit, Risk and Assurance Committee
Date	18 March 2022
Location	By video-conference
Title of Paper	Internal Audit Reports
Presented By	John McNellis, Head of Finance Audit and Risk Gary Devlin and Andrew Diffin, Azets
Recommendation to Members	For consultation
Appendix Attached	Appendix A: Strategic Planning Appendix B: Core financial controls - IFRS16 Appendix C: Procurement and tendering

PURPOSE

To present the Audit, Risk and Assurance Committee (ARAC) with the internal audit reports on: Strategic Planning, Core financial controls - IFRS16 and Procurement and tendering

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 internal audit plan for 2021/22 was approved by the SPA Board in February 2021. Core financials and Strategic planning are within the plan approved by the Board. The completion of the Procurement and tendering audit reflects an adjustment to the internal audit plan approved by ARAC.
- 1.2 Core financial controls - IFRS16 and Procurement and tendering are presented in line with timescales agreed with our internal audit partners.
- 1.3 Strategic Planning is presented later than planned, it was scheduled to be reported to the ARAC in January.
- 1.3 The internal audit function is managed within SPA corporate to provide assurance over the policing service and ultimately to provide an annual opinion on the systems of internal control.

2. FURTHER DETAIL ON THE REPORT TOPIC

2.1 Strategic Planning (full report at Appendix A)

a. Background:

- Strategic planning is how an organisation sets out its long term vision, objectives and how it will be achieved. Strategic plans set the context and priorities for shorter term operational planning.

b. Internal audit findings:

Good practice identified

- There is an effective process for the production of strategic planning documents;
- Strategies and plans are developed following detailed assessment of relevant stakeholders;
- Police Scotland applies recognised best practice for risk assessment and prioritisation;
- The strategic planning framework is set within the context of the Scottish Government Strategic Police Priorities.

Areas for improvement

- Defining an approach to the development of operational implementation or delivery plans following the production of a strategy;
- Agreeing the structures and processes through which SPA can gain understanding and assurance in relation to strategic planning products and underpinning delivery activities;
- Clarifying the strategic planning framework, to ensure that it remains current and up-to-date.

c. Summary of recommendations:

Grade	Number of actions
4 – very high risk	0
3 – high risk	1
2 – moderate risk	2
1 – limited risk	1
Total	4

d. SPA conclusions:

- Management agrees with all internal audit actions with three action jointly owned between the SPA and Police Scotland.
- The actions are considered to be appropriate. Two completion deadlines are longer (April 2023) reflecting the refresh of the Joint Strategy for Policing.

2.2 Core financial controls – IFRS16 (full report at Appendix B)

a. Background:

- A new accounting standard IFRS16 “Leases” will take effect from 1 April 2022 and changes the accounting for leases. This review considered SPA/ Police Scotland’s preparedness this change.

b. Internal audit findings:

Good practice identified

- Overall good awareness and understanding including of changes to accounting policies, preparation process and the standard assisted by attending training by an external provider;
- Clarification on the practical application of IFRS16 from the Scottish Government is being actively sought.

Areas for improvement

- Ongoing work on lease information requirement but the accounts preparation process needs to be updated;
- Asset registers and finance lease liability registers have not yet been updated to include reclassified operational leases;
- Existing business cases and upcoming projects have not been assessed to identify operational leases that will need to be reclassified under the new standard, potentially impacting upon the capital expenditure limit.

c. Summary of recommendations:

Grade	Number of actions
4 – very high risk	0
3 – high risk	0
2 – moderate risk	4
1 – limited risk	1
Total	5

d. SPA conclusions:

- Management agrees with all internal audit actions.
- Detailed responses to each action have been provided and all findings are expected to be completed shortly by the end of June 2022.

2.3 Procurement and tendering (Full report at Appendix C)

a. Background:

- Procurement and tendering procedures must adhere to legislation and public sector procurement rules ensuring fair competition and achieving Best Value for the public purse.
- Following the conclusion of the award of the new contract for body worn cameras, an internal review of the lessons learned from that award was undertaken by management and internal audit considered this and wider controls.

b. Internal audit findings:

Good practice

- Detailed procurement manual, Strategy, and related policies are in place which conform with legislation and best practice;
- Business leads for functional areas, are responsible for developing specifications to meet identified business needs with training being delivered to business leads;
- Potential tenders are evaluated against a set of pre-defined, objective criteria using a weighted scoring system;
- Value for money is assessed and reported on in the annual procurement report;
- A 'lessons learned exercise' was undertaken regarding Body Worn Video procurement with actions identified, reported and implemented.

Areas for improvement

- Clearly defining the point in the procurement process at which a decision is made as to whether to involve technical expertise;
- Defining a timescale for the conduct and update of procurement staff competency assessments.

c. Summary of recommendations:

Grade	Number of actions
4 – very high risk	0
3 – high risk	0
2 – moderate risk	1
1 – limited risk	1
Total	2

d. SPA conclusions:

- Management agrees with all internal audit actions. These actions are straightforward and both are expected to be completed by 31 March 2022.
- This report provides positive assurance over the quality of the procurement function as illustrated by the lack of findings and good practices highlighted.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications from this report, however, the implementation of some actions are likely to require financial resources.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no specific personnel implications associated with this paper.

5. LEGAL IMPLICATIONS

- 5.1 There are no specific legal implications associated with this paper.

6. REPUTATIONAL IMPLICATIONS

- 6.1 There are no reputational implications associated with this paper, however there are potential reputational implications associated with the pace and effectiveness of addressing management actions arising from internal audit reports.

7. SOCIAL IMPLICATIONS

- 7.1 There are no social implications associated with this paper.

8. COMMUNITY IMPACT

- 8.1 There are no community impact implications associated with this paper.

9. EQUALITIES IMPLICATIONS

- 9.1 There are no equality implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

- 10.1 There are no environment recommendations with this paper.

RECOMMENDATIONS

Members are requested to note the internal audit reports.



Scottish Police Authority

Internal Audit Report 2021/22

Strategic Planning

December 2021



Scottish Police Authority

Internal Audit Report 2021/22

Strategic Planning

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Audit Sponsors	Key Contacts	Audit team
<p><i>Tom McMahon, Director of Strategy and Analysis</i></p> <p><i>Amanda Coulthard, SPA Head of Strategy and Performance)</i></p>	<p><i>David Page, Deputy Chief Officer</i></p> <p><i>James Gray, Chief Financial Officer</i></p> <p><i>Kirsty-Louise Campbell, Head of Strategy and Innovation</i></p> <p><i>Clare Noblett, Strategy and Planning Manager</i></p> <p><i>Andrew Hendry, Chief Digital Information Officer (and Change lead)</i></p> <p><i>DCC Malcolm Graham, Crime and Operational Support</i></p> <p><i>DCC Fiona Taylor, People and Professionalism</i></p> <p><i>Scott Ross, SPA Head of Change and Operational Scrutiny</i></p> <p><i>Sam Curran, SPA Operational Policing Policy Lead</i></p> <p><i>Claire McGarry, SPA Performance and Impact Lead</i></p> <p><i>Martin Smith, SPA Strategy and Research Lead</i></p>	<p><i>Gary Devlin, Partner</i></p> <p><i>Matt Swann, Associate Director</i></p> <p><i>Andrew Diffin, Assistant Manager</i></p>

Executive Summary

Conclusion

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.

Background and scope

Strategic planning is the process by which an organisation articulates its long-term vision and objectives, and the means by which this vision will be achieved. Strategic plans set the context and priorities for shorter term operational planning.

The Police and Fire Reform (Scotland) Act 2012 requires that the SPA produces a Strategic Police Plan, and that the Chief Constable prepares an Annual Police Plan, both of which should align with the strategic direction set out in the Strategic Police Priorities (SPPs) developed by the Scottish Government.

These requirements are fulfilled by the Joint Strategic Police Plan, published in March 2020 and the Annual Police Plan 2021/22, published in March 2021.

The Joint Strategic Police Plan 2020 is supported by a number of other enabling strategies developed and implemented by Police Scotland, including the Police Scotland Public Contact & Engagement, People, Fleet, Estates, Environmental, Cyber, and DDICT strategies. The Annual Police Plan sets out the priorities for operational policing and change during the one-year statutory period.

In order to fulfil its public service remit, it is essential that Police Scotland has robust arrangements in place to define its strategic objectives and deliver against these.

In accordance with the 2021/22 Internal Audit Plan, we have reviewed the processes to develop, implement and report on Police Scotland's delivery of the strategy and sub-strategies, including consideration of horizon scanning.

The review will not consider strategic planning for the Forensic Service, though will consider its role as a stakeholder in Police Scotland strategic planning.

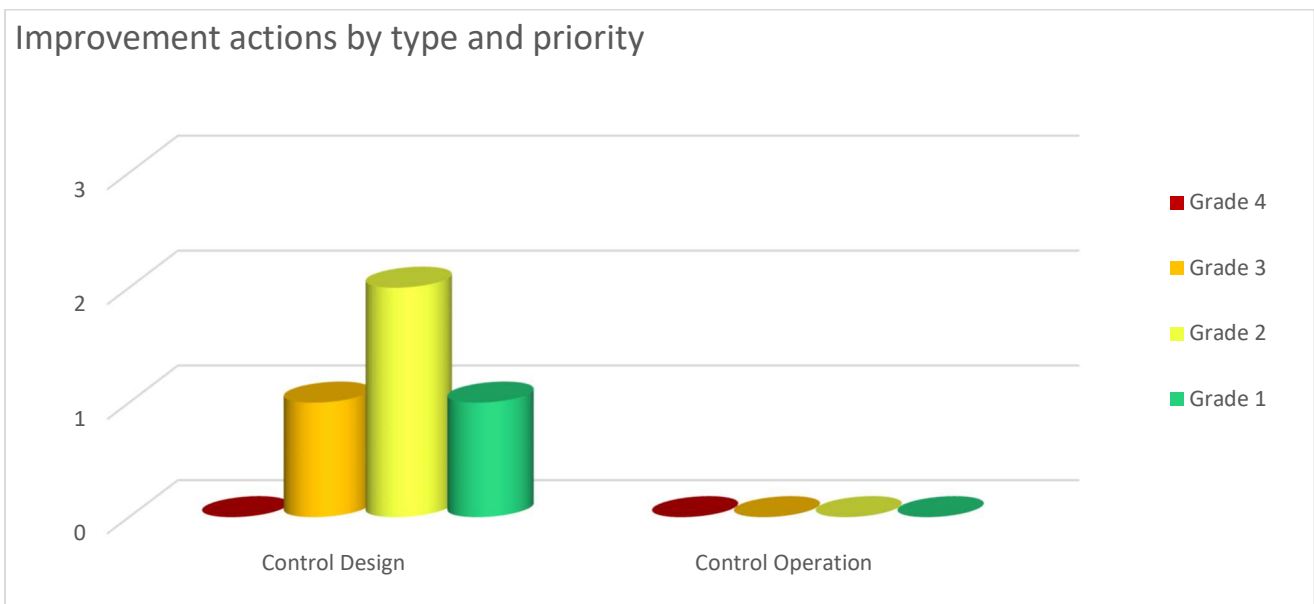
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Control assessment



- 1. Strategic plans are prepared according to a coherent framework, appropriate to the structure and needs of the organisation
- 2. The strategic planning process is clearly defined, with clear allocation and assignment of responsibilities
- 3. Strategic planning is informed by consultation with an appropriate range of stakeholders and the public, and consideration of actual and potential future developments in the public and political spheres
- 4. There are adequate arrangements to implement, monitor and report on the delivery of strategic objectives
- 5. The Strategic Plan has due regard to the Scottish Government's Strategic Police Priorities (SPPs) and other legislative requirements

Improvement actions by type and priority



Four improvement actions have been identified from this review, all of which relate to the design of controls. See Appendix A for definitions of colour coding.

Key findings

Good practice

We have reviewed SPA and Police Scotland's joint arrangements for the production of the Strategic Police Plan, and Police Scotland's arrangements for the development of its underpinning enabling strategies. We have gained assurance that these reflect good practice in a number of areas:

- There is an effective process within Police Scotland for the production of strategic planning documents, with clear arrangements for the assessment of Police Scotland's operating environment. The process is flexible, and designed to ensure that ownership, governance, and approval of strategies and plans is appropriate to their scope and subject.
- The development of strategies and plans by Police Scotland is based upon detailed assessment of relevant stakeholders, both internal and external, and clearly informed by the results of engagement and consultation activity.
- Police Scotland applies recognised best practice for risk assessment and prioritisation through the use of the National Police Chief's Council MoRiLE (Management of Risk in Law Enforcement) risk model, and the European Foundation for Quality Management (EFQM) organisational management framework. These, and other analysis tools and techniques such as PESTEL review (Political, Economic, Social, Technological, Environmental and Legal) inform the annually produced Strategic Assessment.
- The strategic planning framework articulated within the Joint Strategic Police Plan 2020 is prepared in the context of the Scottish Government Strategic Police Priorities, and designed to ensure compliance with SPA and Police Scotland's legislative obligations.

Areas for improvement

We have identified a number of areas for improvement which, if addressed, would strengthen SPA and Police Scotland's control framework. These include:

- Defining an approach to the development of operational implementation or delivery plans following the production of a strategy, which includes the assignment of responsibilities and timescales, and due consideration of the circumstances under which actions should be reflected in the Annual Police Plan, or form part of distinct implementation plans.
- Agreeing the structures and processes through which SPA can gain understanding and assurance in relation to strategic planning products and their underpinning delivery activities.
- Clarifying the strategic planning framework, to ensure that it remains current and up-to-date, and represents a robust framework to underpin the delivery of the outcomes set out in the Strategic Police Plan.

These, along with other recommendations, are further discussed in the Management Action Plan below.

Best Value

Effective Strategic Planning and operational delivery arrangements are essential to the effective operation of any organisation. For public bodies, it is also essential that they are able to demonstrate the effective

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stewardship of public funds and the achievement of agreed goals and objectives. Policing activities attract a high level of public and political scrutiny and oversight reflecting the importance of policing to society more widely. This report provides an assessment of the effectiveness of current strategic planning arrangements within Police Scotland and makes a number of recommendations for improvement.

Overall, we conclude that arrangements for strategic planning are generally effective and compliant with best value principles.

Impact on risk register

The Police Scotland Organisational and Strategic risk registers (dated September 2021) included the following risks relevant to this review:

- SR004 - Demand & Prioritisation: If there is a lack of investment in the data, time and resource to understand our demand, there is a risk that the organisation does not prioritise effectively, resulting in less effective operational delivery and an inability to distribute our budget effectively or realise the benefits of our Change programme (Score 20).
- SR006 – Public and Community Engagement: If we do not engage, listen, learn and adapt our services to meet the needs and expectations of the public and communities, there is a risk that Police Scotland do not provide a service for our people and are not policing by consent (Score 15).
- SR007 – Strategic Planning to Support Financial Sustainability: If Police Scotland does not ensure effective and joined up strategic planning (including a workforce plan, estate strategy, fleet strategy and ICT strategy) there is a risk that funding requirements cannot be accurately forecast and the future policing model and associated costs cannot be articulated (Score 15).
- ORR093 – Analysis & Performance – Resourcing Insufficiency: If the current or future operating and resourcing model for Analysis & Performance is not fit for purpose, there is a risk the Unit will be unable to effectively meet the demand for analysis or support day to day business across the organisation, resulting in a reduced ability to deliver on Police Scotland's Policing Priorities (Score 20).

Our review has identified that the processes in place for the production of strategic planning documents are generally robust, though we have observed potential issues with the development of those strategies into effective implementation plans. Our recommendations would, if implemented, enhance the ability of the organisation to plan effectively, and monitor delivery of strategic outcomes.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: Strategic plans are prepared according to a coherent framework, appropriate to the structure and needs of the organisation



Yellow

1.1 Strategic Planning Framework

The current framework for strategic planning is described within the Joint Strategic Police Plan 2020, and articulates the hierarchy of Strategic documents within the organisation, including a number of enabling strategies. A number of these strategies pre-date the preparation of the current Joint Strategy, and to a certain extent this framework is a summary of existing and proposed strategic planning documents within the organisation at the time the Joint Strategic Police Plan 2020 was prepared. As a consequence, the current framework, set out in the Joint Strategic Police Plan 2020, does not fully reflect the current structure for strategic planning but instead describes a series of strategic documents in existence or development at the time - in particular it includes TCSS (Transforming Corporate Services), which has not been developed into a strategy, and does not include other strategies developed since, such as Equality, Diversity, and Inclusion. An updated framework, however, is set out in the Annual Police Plan 2022/23 which will be laid before Parliament.

We have not identified any gaps in terms of the structure of enabling strategies and their objectives against the overall objectives and priorities set out in the Joint Strategic Police Plan 2020, it is not specifically set out that:

- the structure of Police Scotland enabling strategies has been assessed in terms of the required structure to support delivery of the Strategic Outcomes; or
- the scope and purpose of Police Scotland enabling strategies has been designed to align with the leadership structure within Police Scotland.

Accordingly, the strategic planning framework, as articulated in the Joint Strategic Police Plan 2020, does not express the existing structure of enabling strategies, or provide Police Scotland Strategy and Insight with a tool to support future strategy development.

We have reviewed the process of planning for and developing enabling strategies. Where the need for an enabling strategy is identified through horizon scanning or engagement with portfolios leads, This process does include an assessment of the scope of the objectives within the strategy under development, and consideration of the most appropriate owner of the strategy.

The framework also notes that the enabling strategies are underpinned by implementation plans, including the Annual Police Plan, but does not articulate these links in detail. We have raised a further recommendation in relation to the development of implementation plans under Control Objective 4.

Risk

There is a risk of misalignment or duplication across the strategic planning framework, or the remits of the individuals identified as strategy owners, as the detailed scope and objectives of enabling strategies are determined as each strategy is produced or refreshed. This could result in a failure to identify instances where

the existing structure of enabling strategies is not appropriate, leading to a diminished ability to achieve the objectives of the Joint Strategy.

Recommendation

SPA and Police Scotland should, as part of the process of reviewing the Joint Strategy, consider the current structure of enabling strategies and whether this reflects the framework set out within the Joint Strategy once updated. Given that strategic documents tend to have long review cycles, it may be appropriate to determine an "ideal" structure of strategies and identify the differences between this and the current structure. However the revised Joint Strategy is presented, it should be clear whether the framework is intended to explain the current structure of Police Scotland Enabling Strategies, or provide a roadmap for future strategic development.

Police Scotland have adopted an approach of refreshing enabling strategies every three years, however prior to development of the Joint Strategic Police Plan 2020, enabling strategies generally included specific review cycles within the strategy document itself. Police Scotland should consider documenting the current review cycle for enabling strategies within the framework, in addition to the Annual Police Plan.

Management Action

Grade 2
(Design)

An updated strategic planning framework is being published in the Annual Police Plan 2022-2023, on 1 April 2022, which provides an overview of the current framework and new enabler strategies (Equality, Diversity and Inclusion and Violence against Women and Girls) that have been assessed as required and agreed for development within the next financial year.

Consideration of the current strategic planning framework will be included in the current review of the Joint Strategy for Policing and set out in the updated publication in 2023.

Action owners:

Police Scotland

Tom McMahon, Director of Strategy and Analysis

Kirsty-Louise Campbell, Head of Strategy and Innovation

Scottish Police Authority

Amanda Coulthard, Head of Strategy and Performance

Due date: 1 April 2023

Control Objective 2: The strategic planning process is clearly defined, with clear allocation and assignment of responsibilities

Yellow

2.1 Scrutiny of the Strategic Police Plan

The form of engagement between SPA and PS in the course of strategy development is not clearly defined. Though we obtained good evidence of regular engagement between senior individuals within SPA and PS, we were not able to establish that this is carried out according to any formal structure. While legislation imposes an obligation to prepare a Strategic Police Plan upon SPA, in the course of our fieldwork we observed differing views as to the appropriate degree of involvement of SPA officers in the preparation and compilation of the Strategic Police Plan and its underpinning enabling strategies.

A memorandum of understanding has recently been signed between SPA and PS, which sets out a number of principles for determining the circumstances in which PS will notify and engage with SPA, at the earliest possible point, in respect of certain activities and new developments, however are wider reaching than strategic development alone.

There is regular engagement between the Police Scotland Director of Strategy and Analysis and the SPA Acting Chief Executive (Strategy and Insight) on strategic matters, More structured arrangements in relation to the review of the Joint Strategic Police Plan 2020 are in the early stages of development.

Risk

There is a risk that conflicting expectations between SPA and PS as to their respective roles in the development of strategic planning documents inhibits scrutiny and joint working.

Recommendation

SPA and Police Scotland should agree the appropriate degree of engagement between the two bodies, and the appropriate level at which this should occur, in respect of the development of both the Strategic Police Plan and its underpinning enabling strategies.

Management Action

A shared plan has been agreed for the review of the Joint Strategy for Policing between Police Scotland and the Authority with close, collaborative working underway. This will continue to be monitored at regular engagement meetings between the Director of Strategy and Analysis and Interim Chief Executive of the Authority.

At present engagement on Police Scotland enabler strategies is agreed to meet the requirements for individual strategies, in accordance with the Memorandum of Understanding. Further discussion will be undertaken to consider setting this out in more detail to provide greater assurance.

Action owners:

Police Scotland

Tom McMahon, Director of Strategy and Analysis

Kirsty-Louise Campbell, Head of Strategy and Innovation

Scottish Police Authority

Barry Sillers, Joint Acting Chief Executive

Amanda Coulthard, Head of Strategy and Performance

Due date: 31 May 2022

Control Objective 3: Strategic planning is informed by consultation with an appropriate range of stakeholders and the public, and consideration of actual and potential future developments in the public and political spheres



3.1 Horizon Scanning

Police Scotland Strategy and Insight were able to provide a range of evidence as to the horizon scanning activity undertaken, both as part of the production of the Joint Strategy in 2020, and in relation to the enabling strategies which have been developed according to the documented strategy development toolkit process. In particular, we reviewed:

- The Strategic Assessment, consisting of an operational and organisational assessment of current and future strategic issues, priorities, and opportunities;
- A specific horizon scanning exercise as part of the process of developing the Joint Strategic Police Plan 2020, conducted across the senior leadership of Police Scotland;
- Futures analysis based on an overview of the existing Horizon scanning and research products available from within Police Scotland, including an initial high level assessment of areas proposed for detailed investigation; and
- Evidence of the regular preparation of analytical products to support operational policing and longer term planning, such as demand data. This includes the outputs of the User Experience Survey and the broader “your Police Survey”.

Police Scotland’s Strategic Planning process, as applied to the Strategic Police Plan or its enabling strategies, sets out a framework for identifying and conducting research in the context of developing a particular strategy document. Work on developing this capability has commenced with the agreement to create a role of Futures advisor

SPA Similarly provided evidence of a range of Horizon scanning activity, however there is a difference in focus between the activities conducted within SPA and Police Scotland. Activity carried out by SPA includes external consultation with stakeholder organisations, and with the wider public through the SPA Engagement Hub.

Risk

While the focus of horizon scanning activity differs between SPA and Police Scotland, there is an opportunity to enhance the effectiveness of this work by sharing the aims of research and horizon scanning work, where it is appropriate to do so.

Recommendation

With due regard to the independence of Police Scotland in respect of operational matters, SPA and Police Scotland should consider coordinating their forward plans for futures research and other horizon scanning, beyond the existing arrangement whereby horizon scanning activity is shared at regular meetings between the Police Scotland Director of Strategy and Analysis and the SPA Acting Chief Executive (Strategy and

Innovation). This would enable both organisations to gain additional assurance that the information feeding into the development of the Strategic Police Plan aligns with the Strategic Outcomes, and may present opportunities to improve efficiency and identify any areas of duplication.

Management Action

Grade 1
(Design)

A shared approach to horizon scanning and futures has been agreed between Police Scotland and the Authority. Work is underway between both teams to meet milestones set out in a shared, agreed plan.

Action owners:

Scottish Police Authority

Scott Ross, Head of Change and Oversight

Police Scotland

Kirsty-Louise Campbell, Head of Strategy and Innovation

Due date: Completed (7 March 2022)

Control Objective 4: There are adequate arrangements to implement, monitor and report on the delivery of strategic objectives

4.1 Implementation Plans

The Joint Strategic Police Plan 2020, and the strategic planning framework which it contains, identify a number of implementation plans which support delivery of the Joint Strategy, such as the Annual Police Plan (APP) and Local Policing Plans (LPPs), and underpin the enabling strategies. However, these are not set out in detail, and the relationships between implementation plans for enabling strategies and the APP and LPPs are not explained.

We reviewed the Police Scotland Strategic Planning toolkit and observed that it does not articulate any particular approach to the development of implementation plans. Through our review of the enabling strategies and our discussions with strategy owners, we observed a number of approaches that have been adopted, including:

- Fully specifying an implementation plan within the Strategy itself, including definition of reporting lines and measures of success;
- Identifying a management or governance group with responsibility for overseeing the creation of an implementation plan, or a proposal that one is created; and
- Reference to the inclusion of actions to deliver the objectives of the enabling strategy in already existing operational plans, such as the APP.

We compared the actions set out in the implementation plans of the enabling strategies, where available, with the actions included in the APP. In some instances, such as the Environmental or Fleet Strategies, the delivery of an enabling strategy is included within the APP as an action. In others, actions within the APP appear to reflect actions set out within an Enabling Strategy, such as for a number of actions included within the People Strategy. Accordingly, there is a lack of clarity as to how the various plans fit together into a cohesive structure.

While there are clearly defined links between the Joint Strategic Police Plan 2020 and the APP, the links between Police Scotland Enabling Strategies and their associated plans are not defined consistently or as clearly. It is therefore difficult to demonstrate the extent to which some delivered actions contribute to the achievement of outcome objectives set out in the Strategic Police Plan.

Risk

There is a risk that Strategies and plans are not implemented, as a consequence of a failure to assign responsibility for their delivery, translate their objectives and outcomes into practical delivery plans, or monitor progress. This could result in failure to achieve the outcomes of the Joint Strategy.

Recommendation

Police Scotland should define an approach to the development of implementation plans at the conclusion of strategy development. While the Annual Police Plan forms an overarching operational plan for Police Scotland, it is unlikely to be practical to include the detail of all activity within it. The approach adopted should therefore take into account the production of the Annual Police Plan, and Local Policing Plans, and the circumstances in

which actions to deliver outcomes and objectives of enabling strategies may be embedded or reflected in those plans.

The strategic planning process should be updated to reflect the need to establish and document responsibility for the production of an implementation plan, including definition of measures of success, links to strategic outcomes, and reporting arrangements.

Success criteria, based on agreed outcome measures, should be set at the commencement of implementation plans to determine the extent to which delivered actions contribute to strategic outcome objectives.

Management Action

**Grade 3
(Design)**

As part of the review and refresh of the Joint Strategy for Policing, Police Scotland will ensure that the strategic planning framework is updated to reflect more clearly how responsibility for implementation and delivery of the joint strategy and enabler strategies is allocated. This responsibility lies with business areas within Police Scotland but there is scope to clarify, at the point at which a strategy is produced, which area of business has lead responsibility for its implementation. Amongst the responsibilities of those charged with implementation will be the requirement to develop and agree measures of success linked to strategic outcomes and to ensure effective reporting through internal and SPA governance.

Action owners:

Police Scotland

Tom McMahon, Director of Strategy and Analysis

Kirsty-Louise Campbell, Head of Strategy and Innovation

Due date: 1 April 2023

Control Objective 5: The Strategic Plan has due regard to the Scottish Government's Strategic Police Priorities (SPPs) and other legislative requirements

Green

No reportable weaknesses identified

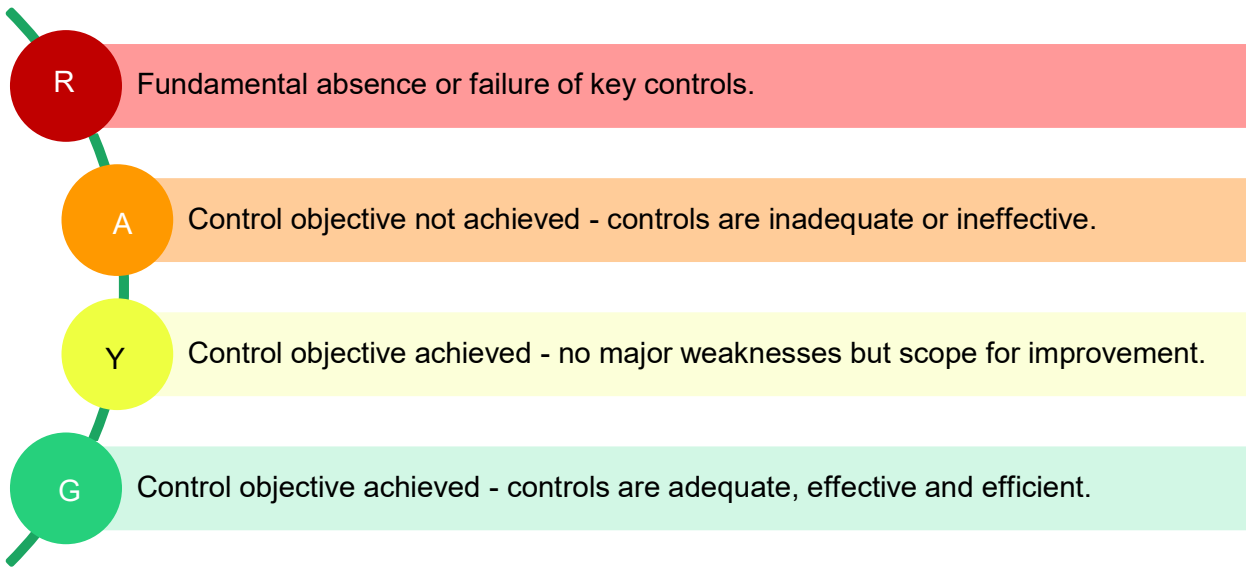
SPA and Police Scotland have adopted an approach whereby the Strategic Police Priorities are aligned with a set of Strategic Outcomes and Objectives through the Strategic Police Plan, in the form of the Joint Strategic Police Plan 2020. Underpinning strategic documents then refer to the Strategic Outcomes to which they contribute.

We reviewed the set of enabling strategies identified in the Strategic Planning Framework set out in the Joint Strategic Police Plan 2020, and the toolkit for strategy development prepared by Police Scotland Strategy and Insight. All strategic documents developed since the introduction of the toolkit make explicit reference to the Strategic Outcomes to which they contribute. The majority of enabling strategies predate the Joint Strategic Police Plan 2020, and instead refer to the Strategic Police Plan in the form of Policing 2026. While this inconsistency, which arises as a consequence of the differences in the review cycles of the various enabling strategies, means that it is not possible to explicitly align all enabling strategies with the Strategic Police Priorities, we did not identify any areas where the SPPs were not being addressed.

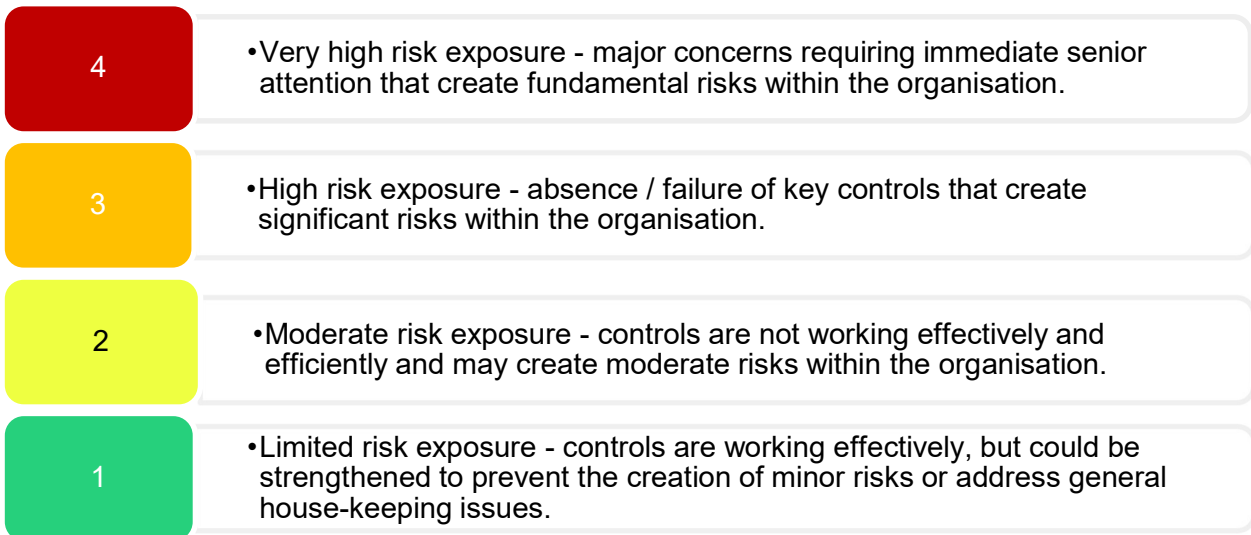
We have raised a finding in relation to the Strategic Planning Framework under Control Objective 1, and a finding in relation to tracking progress on outcomes under Control Objective 4, as such no additional findings are raised here.

Appendix A – Definitions

Control assessments



Management action grades



Appendix B – Summary of management actions

Action No.	Recommendation	Management Response	Grade	Action Owner	Due Date
1.1	<p>Strategic Framework</p> <p>SPA and Police Scotland should, as part of the process of reviewing the Joint Strategy, consider the current structure of enabling strategies and whether this reflects the framework set out within the Joint Strategy once updated. Given that strategic documents tend to have long review cycles, it may be appropriate to determine an "ideal" structure of strategies and identify the differences between this and the current structure. However the revised Joint Strategy is presented, it should be clear whether the framework is intended to explain the current structure of Police Scotland Enabling Strategies, or provide a roadmap for future strategic development.</p> <p>Police Scotland have adopted an approach of refreshing enabling strategies every three years, however prior to development of the Joint Strategic Police Plan 2020, enabling strategies generally included specific review cycles within the strategy document itself. Police Scotland should consider documenting the current review cycle for enabling strategies within the framework, in addition to the Annual Police Plan.</p>	<p>An updated strategic planning framework is being published in the Annual Police Plan 2022-2023, on 1 April 2022, which provides an overview of the current framework and new enabler strategies (Equality, Diversity and Inclusion and Violence against Women and Girls) that have been assessed as required and agreed for development within the next financial year.</p> <p>Consideration of the current strategic planning framework will be included in the current review of the Joint Strategy for Policing and set out in the updated publication in 2023.</p>	2	<p><u>Police Scotland</u> Tom McMahon, Director of Strategy and Analysis Kirsty-Louise Campbell, Head of Strategy and Innovation</p> <p><u>Scottish Police Authority</u> Amanda Coulthard, Head of Strategy and Performance</p>	1 April 2023

<p>2.1</p>	<p>Scrutiny of the Strategic Police Plan SPA and Police Scotland should agree the appropriate degree of engagement between the two bodies, and the appropriate level at which this should occur, in respect of the development of both the Strategic Police Plan and its underpinning enabling strategies.</p>	<p>A shared plan has been agreed for the review of the Joint Strategy for Policing between Police Scotland and the Authority with close, collaborative working underway. This will continue to be monitored at regular engagement meetings between the Director of Strategy and Analysis and Interim Chief Executive of the Authority. At present engagement on Police Scotland enabler strategies is agreed to meet the requirements for individual strategies, in accordance with the Memorandum of Understanding. Further discussion will be undertaken to consider setting this out in more detail to provide greater assurance.</p>	<p>2</p>	<p><u>Police Scotland</u> Tom McMahon, Director of Strategy and Analysis Kirsty-Louise Campbell, Head of Strategy and Innovation <u>Scottish Police Authority</u> Barry Sillers, Joint Acting Chief Executive Amanda Coulthard, Head of Strategy and Performance</p>	<p>31 May 2022</p>
<p>3.1</p>	<p>Horizon Scanning With due regard to the independence of Police Scotland in respect of operational matters, SPA and Police Scotland should consider coordinating their forward plans for futures research and other horizon scanning, beyond the existing arrangement whereby horizon scanning activity is shared at regular meetings between the Police Scotland Director of Strategy and Analysis and the SPA Acting Chief Executive (Strategy and Innovation). This would enable both organisations to gain additional assurance that the information feeding into the development of the Strategic Police Plan aligns with the Strategic Outcomes, and may present opportunities</p>	<p>A shared approach to horizon scanning and futures has been agreed between Police Scotland and the Authority. Work is underway between both teams to meet milestones set out in a shared, agreed plan.</p>	<p>1</p>	<p><u>Scottish Police Authority</u> Scott Ross, Head of Change and Oversight <u>Police Scotland</u> Kirsty-Louise Campbell, Head of Strategy and Innovation</p>	<p>Completed</p>

	to improve efficiency and identify any areas of duplication.				
4.1	<p>Implementation Plans</p> <p>Police Scotland should define an approach to the development of implementation plans at the conclusion of strategy development. While the Annual Police Plan forms an overarching operational plan for Police Scotland, it is unlikely to be practical to include the detail of all activity within it. The approach adopted should therefore take into account the production of the Annual Police Plan, and Local Policing Plans, and the circumstances in which actions to deliver outcomes and objectives of enabling strategies may be embedded or reflected in those plans.</p> <p>The strategic planning process should be updated to reflect the need to establish and document responsibility for the production of an implementation plan, including definition of measures of success, links to strategic outcomes, and reporting arrangements.</p> <p>Success criteria, based on agreed outcome measures, should be set at the commencement of implementation plans to determine the extent to which delivered actions contribute to strategic outcome objectives.</p>	<p>As part of the review and refresh of the Joint Strategy for Policing, Police Scotland will ensure that the strategic planning framework is updated to reflect more clearly how responsibility for implementation and delivery of the joint strategy and enabler strategies is allocated. This responsibility lies with business areas within Police Scotland but there is scope to clarify, at the point at which a strategy is produced, which area of business has lead responsibility for its implementation. Amongst the responsibilities of those charged with implementation will be the requirement to develop and agree measures of success linked to strategic outcomes and to ensure effective reporting through internal and SPA governance.</p>	3	<p><u>Police Scotland</u></p> <p>Tom McMahon, Director of Strategy and Analysis</p> <p>Kirsty-Louise Campbell, Head of Strategy and Innovation</p>	1 April 2023

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Scottish Police Authority

Internal Audit Report 2021/22

Core Financial Systems (IFRS16)

February 2022



Scottish Police Authority

Internal Audit Report 2021/22

Core Financial Systems (IFRS16)

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Audit Sponsor	Key Contacts	Audit team
<i>James Gray, Chief Financial Officer</i>	<i>Alasdair Corfield, Financial Controller and Deputy CFO</i> <i>David Christie, Statutory Reporting Lead</i> <i>Molly Banks, Senior Finance Business Partner</i> <i>Alan Cormack, Senior Assets Manager</i>	<i>Gary Devlin, Audit Partner</i> <i>Matt Swann, Audit Associate Director</i> <i>Andrew Diffin, Audit Manager</i> <i>Lauren MacLean, Internal Auditor</i>

Executive Summary

Conclusion

The Scottish Police Authority (SPA) have a robust understanding of the changes the International Financial Reporting Standard 16 (IFRS16) brings and have put measures in place for the transition process. Namely, there is a lease template for IFRS16 returns being maintained, and a contractor has been appointed to assist with updating accounting policies and accounts preparation processes, as well as reviewing the budgeting impact.

We have identified five areas for improvement which primarily relate to formalising the arrangements SPA have established. The findings raised are not high risk at the time of this report, however, they have the potential to develop into more severe risks if they are not addressed promptly.

Implementation of the recommendations raised in the management action plan below will allow SPA to further demonstrate their readiness for IFRS16.

Background and scope

The imminent introduction of IFRS 16 and the consequential change to the treatment of leases will have an impact on the SPA's financial statements. The change, which takes effect for reporting periods commencing 1 April 2022, will nevertheless affect the process for preparation of the 2021/22 financial statements of the organisation.

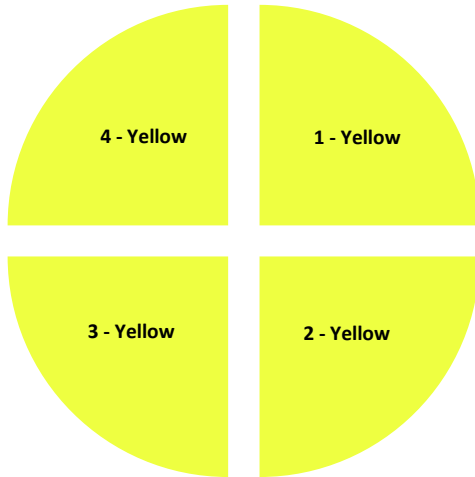
Initial assessment work has determined that the introduction of the standard will lead to the necessity to recognise non-current assets, and corresponding lease liabilities with an overall value of approximately £10m. The largest category of such leases is likely to relate to Air Support, with the remainder primarily consisting of Land and Buildings leases.

The SPA must have measures in place that will allow the organisation to identify the impact arising from this change in reporting standards, update its accounting policies and financial reporting procedures, ensure appropriate arrangements are in place to gather and report lease information to meet the requirements of IFRS16, and prepare for the financial effects of this change in lease treatment.

In accordance with the 2021/22 Internal Audit Plan, we have reviewed preparedness for the introduction of new reporting standards (IFRS 16) in relation to lease treatment. The review focuses on the process for the preparation of the financial statements, and the mitigations put in place to address any impact upon the organisation's budget, financial position, or cashflow.

Control assessment

1. The Scottish Police Authority, Police Scotland, and Forensic Service have assessed the impact of IFRS 16 for the production of its 2021/22 and 2022/23 financial statements, including the identification and collation of all lease of agreements across the

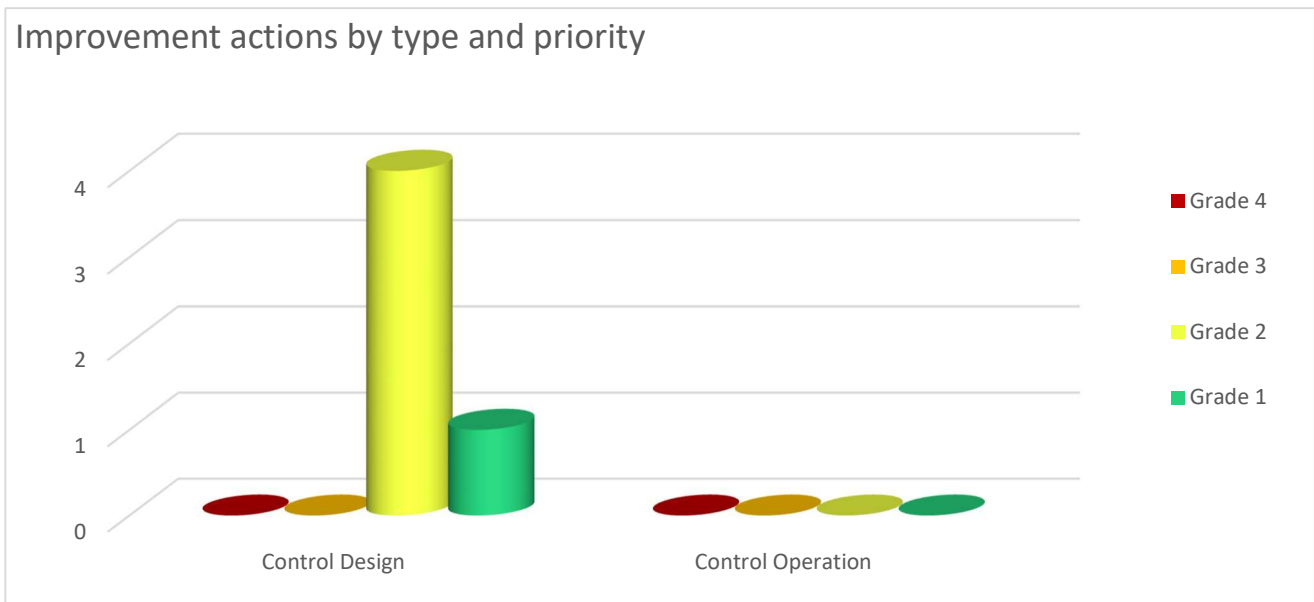


2. There are appropriate staff members, with the required knowledge of IFRS 16, tasked with overseeing the transition process

3. There are plans in place to update accounting policies and the accounts preparation process to incorporate the requirements of IFRS16 compliance

4. The impact of the change to financial reporting, budget management, and approval & authorisation processes have been identified, and appropriate mitigations put in place

Improvement actions by type and priority



Five improvement actions have been identified from this review, all of which relate to the design of the controls. See Appendix A for definitions of colour coding.

Key findings

Good practice

We have gained assurance that SPA's procedures reflect good practice in a number of areas:

- SPA understand the steps which must be undertaken in order to prepare for the change in standards. We have reviewed the process and templates for IFRS16 returns, used to compile all leases to be reclassified in one master list. The Statutory Reporting Lead has assumed responsibility for maintaining this and ensuring that it remains up-to-date, reflects accurate values, and is verified back to the original lease agreements.
- We observed a high level of awareness that accounting policies and accounts preparation process will require to be updated to incorporate the requirements of IFRS16. Police Scotland has appointed a third-party contractor, Theta, to support this work.
- There is a strong understanding of IFRS16 and the changes it imposes. Staff have participated in training sessions delivered by the Statutory Reporting Lead and by an external training provider, expert in IFRS16, to identify and understand how their management accounts will be presented pre and post implementation of the new standard.
- SPA are actively seeking clarification on the practical application of IFRS16 as it pertains to Government budgeting rules from the Scottish Government. We reviewed a letter addressed to the Deputy Director of the Police Division at Scottish Government asking for clarification on a number of issues such as budgeting treatment for current and continuing leases, and budgeting for new leases.

Areas for improvement

We have identified a number of areas for improvement which, if addressed, would strengthen SPA's control framework:

- Work is underway on ensuring that lease information required for IFRS16 is up to date and accurate, however, these preparation steps are not yet factored into the accounts preparation process.
- Asset registers and finance lease liability registers will need to be updated to include reclassified operational leases. We understand there is intent to do so once the standard goes live, however there are no formal plans setting out the timing, required resource, and responsibility for this work. A scope of work has been agreed in principle with a third-party contractor, Theta, which includes the update of accounting policies and the accounts preparation process for financial year 2022/23. Reporting and timelines for work to be delivered had not been agreed at the time of fieldwork.
- Processes for the preparation of business cases will require to be updated in the light of Scottish Government decisions on the funding of reclassified leases. The Scottish Government has yet to formally provide guidance in this regard. Once available, SPA should review the pipeline of planned and upcoming projects to determine the impact upon capital and revenue delegated expenditure limits.

These are further discussed in the Management Action Plan below.

Best Value

Accountable Officers in Scottish public bodies, including the SPA, have a specific responsibility to secure Best Value. In line with the Scottish Public Finance Manual, the duty of Police Scotland to achieve Best Value is:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance; and
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.

We have determined that SPA have developing arrangements in place to support the achievement of Best Value which require further embedding across the organisation. In preparing staff for IFRS16 changes, SPA have considered a combination of internal and external training to aid the achievement of Best Value. They have also undertaken a tendering process in selecting a contractor to update the accounting policies and accounts preparation process, the process involves scoring against a price/quality matrix, ensuring best value is achieved.

We have not identified any findings within this report that would suggest SPA's Best Value responsibilities have not been met.

Impact on risk register

The SPA's corporate risk register (dated September 2021) included the following risk relevant to this review:

- SR05 SPA Financial: SPA fails to secure resources available to deliver the Strategic Police Plan.

SPA have robust controls in place to mitigate against the risks relevant to this review. Implementation of the recommendations identified will help strengthen SPA's overall control framework in this area.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: The Scottish Police Authority, Police Scotland, and Forensic Service have assessed the impact of IFRS 16 for the production of its 2021/22 and 2022/23 financial statements, including the identification and collation of all lease agreements across the organisations



Yellow

1.1 Accounts Preparation Process

In 2019, SPA hired a third-party contractor to undertake an initial impact assessment of IFRS16. The objectives were: to identify operating leases in place; and gather important lease data into a calculation tool to estimate the impact on SPA's financial statements. The report noted that the findings were subject to the following limitations:

- The impact assessment does not include any contracts entered into during financial year 19/20; and
- Data for contracts in existence as at financial year 18/19 was not in all cases available

As we are now in financial year 2021/22, this initial impact assessment has been used to build a register of lease liabilities requiring reclassification, which has been updated on the basis of regular returns provided by Estates.

We understand that the Statutory Reporting Lead is currently undertaking work to ensure all operational leases entered into since financial year 2018/19 are included in the revised impact assessment using data provided from Estates and Procurement. In addition, a verification exercise is being undertaken to agree all operating leases back to the original lease agreement as well as matching to invoices. These preparatory steps are expected to be completed by mid-February 2022 and are essential to prepare the explanatory note on transitional IFRS16 value. However, we reviewed the annual report and accounts project plan for 2021/22 and noted that these steps had not been included as tasks with assigned owners and specific deadlines for completion.

Risk

There is a risk that the IFRS16 explanatory note is not prepared in time, as the preparatory stages such as identifying all operating leases and verifying their value have not been considered as part of the accounts preparation process.

Recommendation

We recommend that SPA determine the tasks required to identify all operating leases and verify actual values, agree when these should be completed, and consider potential impacts if the data gathering is not completed in time. Agreed steps and timeframes should be documented within the accounts preparation process and circulated to relevant departments.

Grade 2
(Design)

Management Action

Agreed. Relevant steps and milestones are now incorporated into the overall accounts preparation timetable, including the review of the current extensive listing of relevant operating leases, A wider review of contracts/agreements for any further relevant lease agreements is also in progress.

Action owner: Statutory Reporting Lead

Due date: 30 April 2022

1.2 Register Integration

Although not required for the 2021/22 accounts, for 2022/23 SPA will be required to integrate operational leases which have been reclassified as right of use assets into their main asset register. Similarly, the main finance liability register will require update to include operational leases which have been reclassified as finance lease liabilities.

SPA recognise the need to carry out this integration once IFRS16 goes live, and we have reviewed the leases template for IFRS16 return to confirm that the Statutory Reporting Lead has compiled and maintained a log of all assets and liabilities to be reflected within the main registers. We are informed that the Financial Accountant (Capital) and Senior Financial Accounting Analyst will be responsible for the input schedule, however, formal timescales have not been agreed.

Risk

There is a risk that the asset register and register of finance lease liabilities will not be updated within a reasonable timeframe, causing disruption to any subsequent accounts preparation cycles.

Recommendation

When developing the accounts preparation process for 2022/23, the requirement to update the asset register and register of finance lease liabilities should be incorporated, and timeframes for completion agreed. Potential implications or consequences of not updating within a reasonable timeframe should be identified.

Management Action

Grade 1
(Design)

Agreed. Incorporation of relevant right of use assets; and related lease liabilities will take place within first quarter of 2022/23, subsequent to live implementation date

Action owner: Statutory Reporting Lead

Due date: 30 June 2022

Control Objective 2: There are appropriate staff members, with the required knowledge of IFRS 16, tasked with overseeing the transition process

Yellow

2.1 Responsibility for Transition Process

At present, the Statutory Reporting Lead is responsible for the implementation of IFRS16 accounting and reporting aspects, He is also responsible for maintaining the lease template for IFRS16 return spreadsheet which identifies all leases and their values to inform the explanatory note on the transitional IFRS16 amount although this has not been formally recorded within the 2021/22 accounts preparation process.

Further steps such as register integration highlighted at MAP 1.2 are required before SPA have fully transitioned to IFRS16, and these are expected to be undertaken in 2022/23. We have reviewed a draft IFRS16 procedure document which indicates the steps to be undertaken once the standard is live, however, it lacks clarity on reporting arrangements and progress monitoring. We are informed that responsibilities have been informally decided but the frequency of ongoing progress reporting has not been established.

Risk

Where reporting and monitoring arrangements have not been agreed, there is a risk that issues will not be resolved in time, leading to delays. This issue could be exacerbated by responsibilities being unclear.

Recommendation

SPA should determine and document overall responsibility for overseeing IFRS16 implementation. Responsibility for the required implementation work should be documented within the accounts preparation process, as part of the project plan or within the IFRS16 process document.

The preparation process or project plan should be broken down in to steps with owners assigned to each and timeframes for completion.

Management Action

Grade 2
(Design)

Agreed. As above, the key planning milestones and responsibilities have now been included within the accounts preparation process year end plan.

Action owner: Financial Controller

Due date: Complete

Control Objective 3: There are plans in place to update accounting policies and the accounts preparation process to incorporate the requirements of IFRS16 compliance

3.1 Updating Accounts Preparation Process

In December 2021, SPA submitted a request for procurement action to support the organisation in the implementing IFRS16. The requirements included:

- A policy and procedure document which covers all aspects of IFRS16 implementation
- Day 0 policy adoption support including guidance as to how to proceed, budgeting under IFRS16 as well as all other potential considerations that may arise
- Day 1+ readiness focussing on the on-going approach to ensure the lease portfolio stays up to date

The contractor, Theta, submitted a tender response which outlines how they will deliver on each of the points, but has not given timescales of when each will be completed. We are informed by the Senior Finance Business Partner that the engagement will begin once the contract is signed off but there is no indication of when this will be. The estimate contract start date given on the request for procurement action was 1 January 2022. The contract had not been signed off at the time of fieldwork. This has subsequently taken place, however the delivery dates for the contractor's work remain to be determined.

Risk

There is a risk that the contractor will be unable to deliver their work in time as deadlines and milestones have not been agreed, leading to outdated accounts preparation processes and disruption to the preparation of the 2022/23 accounts.

Recommendation

We recommend that SPA consider appropriate timescales for updating accounting policies and the accounts preparation process and agree these with the contractor in the form of a clearly scoped plan with specific milestones. Reporting mechanisms should be implemented to ensure SPA are sighted on any potential disruption or delays. If reasonable deadlines cannot be agreed, a contingency plan should be drafted.

Management Action

Grade 2
(Design)

Agreed. The work with Theta has commenced and a development plan is in the process of being agreed with them.

Action owner: Senior Finance Business Partner

Due date: 31 March 2022

Control Objective 4: The impact of the change to financial reporting, budget management, and approval & authorisation processes have been identified, and appropriate mitigations put in place

Yellow

4.1 Project Budgets

SPA have identified the need to review upcoming and planned projects which involve operating leases; and this work is underway. We are informed that the requirement to review and update the process for the development of business cases has been discussed with the contractor, Theta. The Scottish Government has yet to formally communicate the arrangements for funding of leases under IFRS16, which impacts upon the ability of SPA to budget against delegated expenditure limits.

Police Scotland will be supported by Theta to review business cases, revise the process for developing business cases, evaluate pre and post IFRS16 implementation, and review what the changes will mean for SPA. Results of the assessment and communications from Scottish Government will be built into SPA's options analysis on how to proceed with financing the projects.

This will have no impact on the approval and authorisation process as the leases section within the delegation matrix (see appendix C) does not distinguish between revenue and capital approval limits.

Risk

There is a risk that significant project spend is not appropriately classified for upcoming or planned projects on a timely basis, leading to potential budget allocation issues.

Recommendation

We recommend that SPA continue to engage with Scottish Government to understand how the funding of capitalised leases will work. Once SPA know how the funding will operate, they should review the new project pipeline to assess the impact to capital and revenue, and ensure appropriate engagement with Scottish Government related to capital and revenue spending limits.

Management Action

Grade 2
(Design)

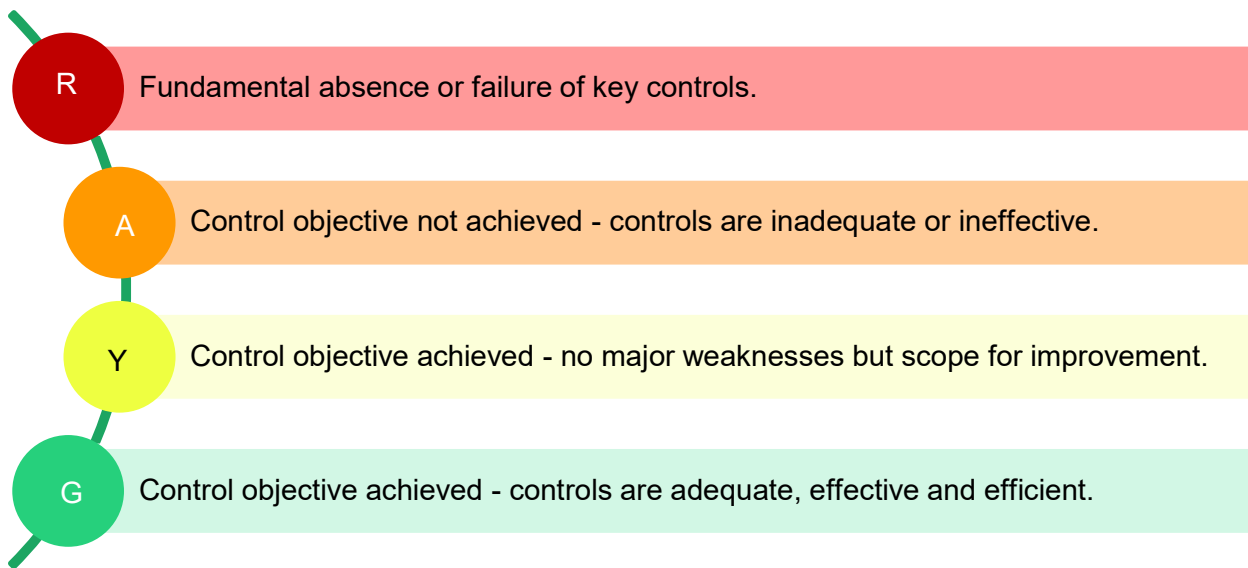
Agreed. We have engaged with Scottish Government to understand how the funding of capitalised leases will operate under IFRS16 and will continue to seek documented formal guidance and answers to our questions. Once the guidance has been received, we will be in a position to assess the pipeline of upcoming business cases which contain leases, and report to the SPA an update of the impact on capital and revenue budgets for 2022/23 et seq.

Action owner: Senior Finance Business Partner

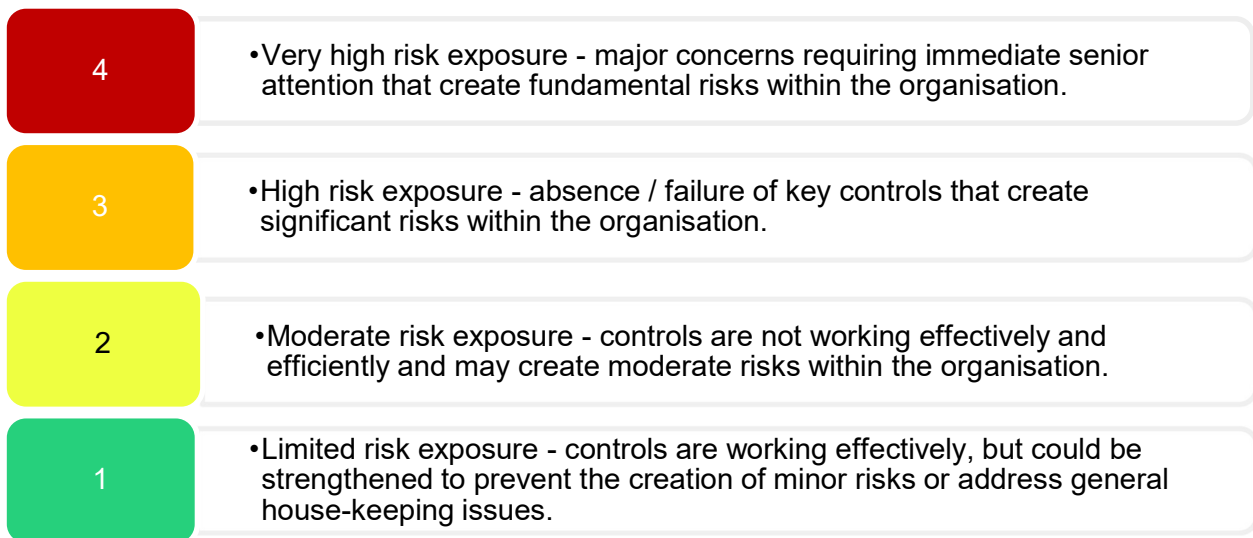
Due date: 30 June 2022

Appendix A – Definitions

Control assessments



Management action grades



Appendix B – Summary of management actions

Action No.	Recommendation	Management Response	Grade	Action Owner	Due Date
1.1	<p>Accounts Preparation Process</p> <p>We recommend that SPA determine the tasks required to identify all operating leases and verify actual values, agree when these should be completed, and consider potential impacts if the data gathering is not completed in time. Agreed steps and timeframes should be documented within the accounts preparation process and circulated to relevant departments.</p>	<p>Agreed. Relevant steps and milestones are now incorporated into the overall accounts preparation timetable, including the review of the current extensive listing of relevant operating leases, A wider review of contracts/agreements for any further relevant lease agreements is also in progress.</p>	2	Statutory Reporting Lead	30 April 2022
1.2	<p>Register Integration</p> <p>When developing the accounts preparation process for 2022/23, the requirement to update the asset register and register of finance lease liabilities should be incorporated, and timeframes for completion agreed. Potential implications or consequences of not updating within a reasonable timeframe should be identified.</p>	<p>Agreed. Incorporation of relevant right of use assets; and related lease liabilities will take place within first quarter of 2022/23, subsequent to live implementation date</p>	1	Statutory Reporting Lead	30 June 2022
2.1	<p>Responsibility for Transition Process</p> <p>SPA should determine and document overall responsibility for overseeing IFRS16 implementation. Responsibility for the required implementation work should be documented within the accounts preparation process, as part of the project</p>	<p>Agreed. As above, the key planning milestones and responsibilities have now been included within the accounts preparation process year end plan.</p>	2	Financial Controller	Complete

	<p>plan or within the IFRS16 process document.</p> <p>The preparation process or project plan should be broken down in to steps with owners assigned to each and timeframes for completion.</p>				
3.1	<p>Updating Accounts Preparation Process</p> <p>We recommend that SPA consider appropriate timescales for updating accounting policies and the accounts preparation process and agree these with the contractor in the form of a clearly scoped plan with specific milestones. Reporting mechanisms should be implemented to ensure SPA are sighted on any potential disruption or delays. If reasonable deadlines cannot be agreed, a contingency plan should be drafted.</p>	<p>Agreed. The work with Theta has commenced and a development plan is in the process of being agreed with them.</p>	2	<p>Senior Finance Business Partner</p>	<p>31 March 2022</p>
4.1	<p>Project Budgets</p> <p>We recommend that SPA continue to engage with Scottish Government to understand how the funding of capitalised leases will work. Once SPA know how the funding will operate, they should review the new project pipeline to assess the impact to capital and revenue, and ensure appropriate engagement with Scottish Government related to capital and revenue spending limits.</p>	<p>Agreed. We have engaged with Scottish Government to understand how the funding of capitalised leases will operate under IFRS16 and will continue to seek documented formal guidance and answers to our questions. Once the guidance has been received, we will be in a position to assess the pipeline of upcoming business cases which contain leases, and report to the SPA an update of the impact on capital and revenue budgets for 2022/23 et seq.</p>	2	<p>Senior Finance Business Partner</p>	<p>30 June 2022</p>

Appendix C – Extract of Delegation Matrix

#	Detail	Applicable range	Financial regs para	Internal governance	Accountable officer	Resources Committee*	SPA Board	Scottish Government
In addition to the below limits any lease (lessee or lessor) of regional or national importance must be approved by the Board and Scottish Government. Extensions to any lease arrangement may be approved so long as they do not exceed the thresholds outlined below.								
32	Non-property leases (SPA as lessee)	<£50k (total) and up to 5 years	1.47	Approve	n/a	n/a	n/a	n/a
		> £50k (total) or more than 5 years	1.47	Recommend	n/a	Recommend	Recommend	Approve
33	Non-property leases (SPA as lessor)	<£50k (total) and up to 5 years	1.47	Approve	n/a	n/a	n/a	n/a
		> £50k (total) or more than 5 years	1.47	Recommend	n/a	Recommend	Recommend	Approve
34	Property leases (SPA as lessee / tenant)	<£2m (total) and up to 5 years	1.47	Recommend	Approve	n/a	n/a	n/a
		> £2m (total) or more than 5 years	1.47	Recommend	n/a	Recommend	Recommend	Approve
35	Property leases (SPA as lessor / landlord)	<£5m (total cost) up to 5 years	1.47	Recommend	Approve	n/a	n/a	n/a
		>£5m (total cost) or more than 5 years	1.47	Recommend	Recommend	n/a	n/a	Approve

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Scottish Police Authority

Internal Audit Report 2021/22

Procurement and Tendering

January 2022



Scottish Police Authority

Internal Audit Report 2021/22

Procurement

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Audit Sponsor	Key Contacts	Audit team
<i>James Gray, CFO</i>	<i>Ian Mckie, Head of Strategic Procurement</i>	<i>Gary Devlin, Audit Partner</i> <i>Matt Swann, Associate Director</i> <i>Andrew Diffin, Audit Manager</i> <i>Carys Ross, Internal Auditor</i>

Executive Summary

Conclusion

Police Scotland has a robust procurement process outlined within a Procurement Manual and guided by a clear Procurement Strategy. The Manual and Strategy are in compliance with applicable legislation and regulatory frameworks, and align to best practice as expressed in Scottish Government procurement guidance and the Audit Scotland Procurement Best Value toolkit. We found a well defined approach to the development of procurement specifications to meet business needs, and a consistent approach to measuring value for money through benchmarking and a consistent savings measurement methodology.

We have identified two minor areas for improvement, which are primarily administrative in nature. If implemented, these would further enhance the operation of Police Scotland's procurement process.

Background and scope

As public sector organisations it is important that the Scottish Police Authority (SPA) and Police Scotland approach procurement in a sustainable way. Obtaining value for money when buying goods, works and services and demonstrating that they are using public resources effectively and efficiently are essential.

Police Scotland's Procurement function administered 170 regulated procurements in 2020/21, with an estimated value of £15.4million. Regulated Procurements range in size from £50,000 to over £27million.

Procurement and tendering procedures must allow sufficient flexibility so that the bodies can quickly respond to business needs, for example through the use of Non-Competitive Actions (NCAs). However, minimum standards of business practice must be maintained, including robust assessment of, and documented justification for, procurement decisions.

Following the conclusion of the award of the new contract for body worn cameras, an internal review of the lessons learned from that award has been undertaken by management. This review has focused on the extent to which procurement practice within the organisation contributes to the achievement of Best Value by delivering value for money.

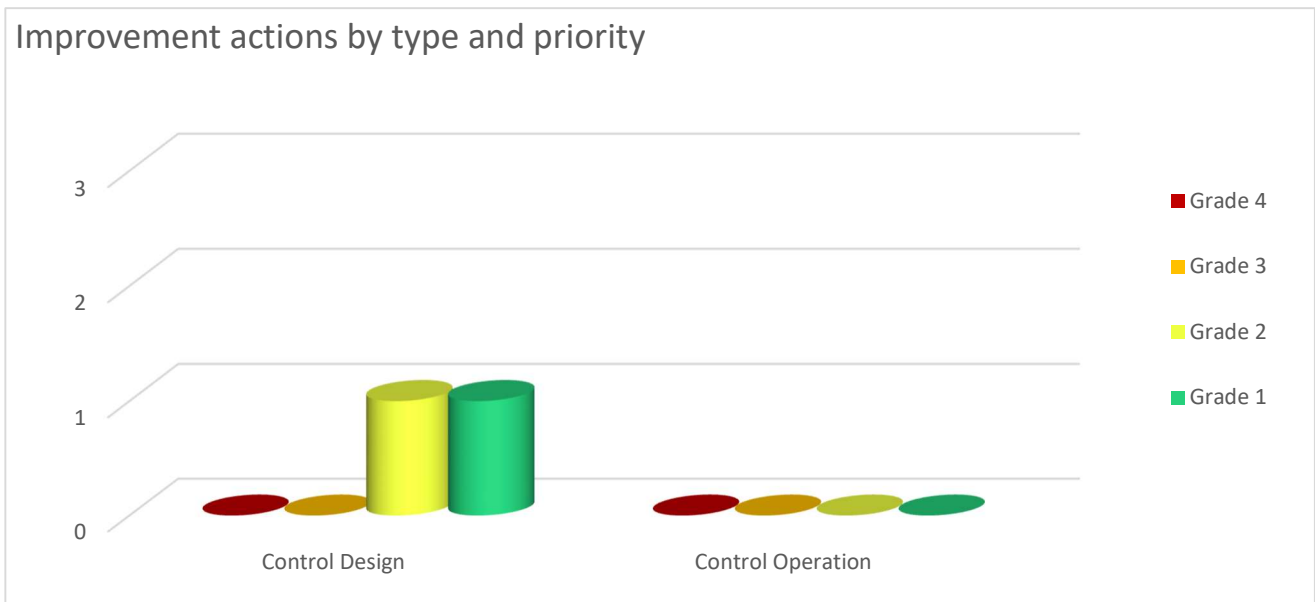
In an amendment to the 2021/22 Internal Audit Plan, we have performed a review of procurement and tendering. The review has considered the approach to achieving and demonstrating Best Value against established best practice. The review will be informed by our previous work in this area but will not comprise an end-to-end review of procurement processes.

Control assessment

- 1. Procurement policies and procedures ensure the needs of users are met in procuring goods and services, including use of relevant templates and guidance;
- 2. The procurement process requires that the end user specification is robust, and subject to scrutiny and critique in line with public sector best practice;
- 3. Due diligence is adequate to gain assurance over the supplier's capacity and capability to deliver the contract in accordance with the published scope and specification;
- 4. Support or training, appropriate to their role, is provided to those involved in the procurement process, including those outwith the procurement function; and
- 5. There is a clear approach to the reporting of the achievement of value for money, which is linked to the organisation's wider arrangements to achieve Best Value and consistent with best practice.



Improvement actions by type and priority



Two improvement actions have been identified from this review, both of which relate to control design. See Appendix A for definitions of colour coding.

Key findings

Good practice

We have gained assurance that Police Scotland's procedures reflect good practice in a number of areas:

- A Procurement Manual, Strategy, and related policies are in place which are sufficiently detailed and in conformance with mandatory legislation such as the Procurement Reform (Scotland) Act 2014. Our testing also confirmed the contents of the documents were aligned to best practice identified in Audit Scotland's Best Value Toolkit and the Scottish Procurement Policy Handbook.
- Business leads, generally heads of department for functional areas across the organisation, are responsible for developing specifications to meet identified business needs. We reviewed the specifications developed for three high value tenders conducted since the production of the Lessons Learned Review in relation to the procurement of Body-Worn Video equipment. We confirmed that the user specifications included end-user input consistent with best practice guidance, that specifications were sufficiently detailed, and were clearly written.
- Potential tenders are evaluated against a set of pre-defined, objective criteria using a weighted scoring system. We confirmed robust due-diligence checks had been performed and scored fairly and consistently for the three tenders examined in the course of this review.
- The Procurement Team have developed and implemented a plan to deliver training to all business leads. Our review of the training material confirmed it adequately explained the procurement process and the role played by the business lead, including in the development of tender specifications.
- Compliance with the Procurement Strategy's principle of Value for Money is assessed as part of the Annual Procurement Report. We confirmed the achievement of Value for Money had been assessed in the 2020/21 Annual Report and that the content of the report was reviewed and approved by the Board.
- A "Lessons Learned" exercise was conducted following the procurement for Body Worn Video (BWV), which was considered by the Resources Committee. This identified a small number of actions to improve Procurement processes. To the extent that these actions relate to the conduct of procurement, we have confirmed that Police Scotland has implemented, or plans to implement, appropriate measures to address the findings of the Lessons Learned exercise and considered these across current procurement exercises. Our review did not identify any issues which are not considered by the Lessons Learned exercise, and our assessment against best practice identified only one low risk opportunity to strengthen existing controls.

Areas for improvement

We have identified two areas for improvement which, if addressed, would strengthen Police Scotland's control framework. These are:

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- Clearly defining the point in the procurement process at which a decision is made as to whether to involve technical expertise. Responsibility for making this decision should be clearly allocated, and the decision itself should be recorded, including a detailed rationale.
- Defining a timescale for the conduct and update of procurement staff competency assessments. An assessment of staff competency should take place in summer 2022, following departmental restructuring.

These are further discussed in the Management Action Plan below.

Best Value

Accountable Officers in Scottish public bodies, including the Scottish Police Authority, have a specific responsibility to secure Best Value. In line with the Scottish Public Finance Manual, the duty of Police Scotland to achieve Best Value is:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance; and
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.

We have determined that Police Scotland has mature arrangements to support the achievement of Best Value in procurement. Documented procurement processes explicitly include the achievement of Best Value as an objective, and we found processes to be in line with relevant best practice when assessed against the Audit Scotland Best Value Toolkit. Processes require that potential tenders are assessed against a price/quality matrix in line with Scottish Government requirements, and contracts are awarded based on scoring against this. Police Scotland also adhere to requirements to report on the achievement of Best Value as part of their Annual Procurement Report.

We reviewed the Police Scotland Procurement Manual and Strategy against Audit Scotland's Best Value Toolkit, which was identified as best practice. Using the assessment matrix in the Toolkit, we were able to confirm that the Procurement Manual and Strategy conformed with the criteria for 'better practice' or 'advanced practice', with no major weaknesses identified. We further reviewed the manual and the strategy against the Scottish Procurement Policy Handbook and were satisfied that the principles were aligned. The Manual, Strategy and related policies also make sufficient reference to, and are in conformance with, mandatory legislation such as the Procurement Reform (Scotland) Act 2014.

We have raised a finding as part of this review that if implemented, will strengthen the controls in place to ensure Best Value is achieved. This relates to consultation with technical experts and is discussed in the management action plan at 2.1.

Impact on Risk Register

SPA's corporate risk register (dated February 2021) included the following risks relevant to this review:

- Police Scotland ORR136: Governance of Body Worn cameras; and
- SPA SR005: SPA fails to secure resources available to deliver the Strategic Police Plan

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Police Scotland have robust controls in place to mitigate against the risks relevant to this review. Implementation of the recommendations identified will help strengthen Police Scotland's overall control framework in this area.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: Procurement policies and procedures ensure the needs of users are met in procuring goods and services, including use of relevant templates and guidance.



No weaknesses identified

A Procurement Manual is in place which serves as guidance to allow staff to conduct procurement practices in accordance with Scottish Government (SG) best practice and relevant legislation. The Procurement Strategy sets out the Procurement function's role in the achievement of Police Scotland's strategic objectives. The Procurement Manual & Strategy are supported by key policies, such as the purchasing policy and the Standing Orders relating to Contracts.

The Procurement Manual provides a template Request for Procurement Action (RPA) form to facilitate understanding and correct initiation of the procurement process. Roles and responsibilities of both procurement staff and end-users are outlined throughout the Manual, Strategy, and related policies, including the required involvement of end-users in developing specifications.

We reviewed the master review schedule for procurement policies which evidenced that the Procurement Manual, Strategy, and related policies have been subject to review and update in line with agreed schedules. We also obtained papers from the September 2021 SPA Authority Meeting which showed the Procurement Strategy for 2021-23 was appropriately reviewed and approved.

Control Objective 2: The procurement process requires that the end user specification is robust, and subject to scrutiny and critique in line with public sector best practice.

Yellow

Control Objective 3: Due diligence is adequate to gain assurance over the supplier's capacity and capability to deliver the contract in accordance with the published scope and specification.

Yellow

2.1 Consultation with technical experts

The Procurement Manual outlines the responsibility of business leads to initiate the procurement process once a business need has been identified, via the submission of a Request for Procurement Action (RPA). Specifications are developed by the business lead, with technical input from procurement, ensuring end-user needs are adequately captured in the specification. We reviewed the specifications that were developed for three recent high value tenders and confirmed in each case that end-users had been consulted in line with Audit Scotland's Best Value Toolkit during specification development. We also confirmed that the specifications were written clearly, using language that would be understood by a person with only a general understanding of the subject matter.

The Procurement Manual outlines the due-diligence checks that must be performed over potential tenders, including financial and health & safety checks. The due-diligence checks that must be performed, which are specific to the contract, are defined within the Sourcing Strategy for inclusion in the assessment criteria. We reviewed three recent, high-value tenders and confirmed that the due diligence checks to be performed were documented sufficiently and had been assessed consistently, in line with the guidance.

Due diligence checks aligned to the duty of Best Value included compatibility with environmental and economic sustainability, and fair working practices, identified by the Scottish Government and Audit Scotland as best practice.

However, the Manual does not clearly define the point in the process at which to consider the involvement of external technical expertise during the development of the specification, or the assessment of bids. While this decision will necessarily be made throughout the process, the responsibility for doing so is not clearly allocated, and there is no requirement to document this decision or any rationale. We were informed during our fieldwork that the procurement function is currently developing the Sourcing Strategy template and Pre-Business Case Guidance to more clearly incorporate this requirement.

Risk

There is a risk that Police Scotland does not seek technical guidance or involve sufficient technical expertise during the procurement process, where it would be appropriate to do so. This could mean that specifications are developed, and/or evaluations are carried out, by individuals lacking sufficient technical knowledge, resulting in the failure to procure goods or services of the required standard.

Recommendation

We recommend that Police Scotland define a point in the process where the decision to involve technical expertise is made. The Sourcing Strategy should include prompts to aid the identification of circumstances where the use of technical experts is required. The decision should be clearly recorded detailing a clear rationale.

Management Action

**Grade 2
(Design)**

As noted, there is already an action to record decision making on external support in the sourcing strategy from the BWV lessons learned review. The work to re-draft the sourcing strategy is finished and it is being released into live working template with some other coincidental changes and briefing for staff on the change in March 2022.

The procurement template working group have also updated the Request for Procurement Action document for requestors to indicate if technical support is required at the outset to ensure early consideration.

Action owner: Ian Mckie, Head of Strategic Procurement

Due date: 31 March 2022

Control Objective 4: Support or training, appropriate to their role, is provided to those involved in the procurement process, including those outwith the procurement function.



4.1 Staff competency assessments

Procurement have developed training sessions for business leads, which is delivered as part of wider finance training. We reviewed the training material and are satisfied that it clearly explained the procurement process and defined the business lead's role in the process, including in the development of tender specifications. The decision to deliver procurement training to business reflects their responsibility to initiate the procurement process once a procurement need has been identified within their department. We are satisfied that delivering training to these members of staff is appropriate.

Police Scotland developed a competency framework in 2020 in line with the Scottish Government Procurement Competency Framework. Each staff member's training need was assessed against the framework, with the results developed into a plan on the internal training system. While our review of this process confirmed it was consistent with Scottish Government framework identified as best practice, we noted that there is no agreed timescale for the update or refresh of the training assessment.

Risk

There is the risk that the training need of staff is not effectively assessed on a periodic basis meaning staff are not competent and tenders are mishandled, resulting in the failure to deliver desired goods and services. We acknowledge the procurement function are planning to do a further competency assessment, including benchmarking revised job descriptions to the framework following restructuring.

Recommendation

We recommend that staff competency assessments are conducted following departmental restructuring in summer 2022. A timescale for conducting periodic competency assessments should be agreed to ensure this is refreshed to meet future procurement needs.

Management Action

Whilst no formal timescale for review was in place, the procurement competency framework assessment is carried out on a periodic basis, usually to dovetail with Scottish Government Procurement and Commercial Improvement Programme (PCIP) assessment schedules. PCIP is usually carried out every three years, but is not fixed.

In future, the Head of Strategic Procurement will schedule a full competency assessment to be carried out at least every three years as well as ad-hoc interim reviews/updates as required to inform annual training and development planning.

Work on the next assessment is planned to begin later this calendar year after the procurement departmental re-structure.

Action owner: Ian Mckie, Head of Strategic Procurement

Due date: 31 March 2022

Control Objective 5: There is a clear approach to the reporting of the achievement of value for money, which is linked to the organisation's wider arrangements to achieve Best Value and consistent with best practice.



Green

No weaknesses identified

Within the procurement function, Best Value is regarded as the balance between price and quality in line with Police Scotland's Procurement Strategy and the best practice definition set out in the Scottish Government Procurement Handbook. The Sourcing Strategy for each contract will contain a price/quality matrix to be used as guidance for scoring potential tenders. All potential tenders must have an adequate price/quality score for the contract to be awarded. We compared procurement practice within Police Scotland to practice at a peer "blue light" organisation, and did not identify any areas where arrangements were assessed as less developed.

For three recent high value tenders, we reviewed the Sourcing Strategies and confirmed an appropriate price/quality ratio had been determined in line with the guidance in the Scottish Government Procurement Handbook, and included in the assessment criteria. In each case, we were also able to confirm that the contract was awarded to the supplier who scored the highest against the pre-defined criteria and the rationale was clearly documented.

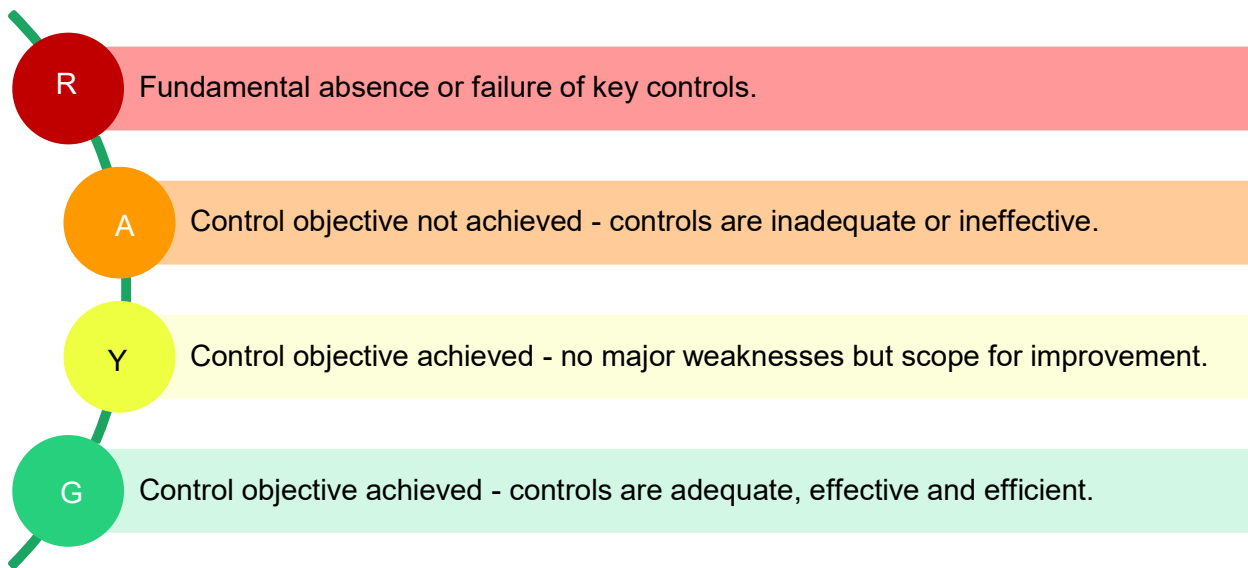
To further assess Best Value, procurement savings are monitored in a tracker in line with the Scottish Government Procurement Savings Methodology. The tracker allows SPA and Police Scotland to benchmark the price of current tenders to competitors to ensure Best Value is achieved for each annual period. The tracker is run in conjunction with the Scottish Procurement Information Hub and benchmarked by Centres of Procurement Expertise (CoE). We reviewed the tracker and confirmed procurement savings had been tracked since 2019, contributing to the achievement of Best Value.

Police Scotland undertake an Annual Procurement Report which assesses the procurement function's performance against the key principles of the Procurement Strategy, including an assessment over achievement of Value for Money. Our review of the 20/21 Annual Report confirmed the procurement function's compliance with the principles of Value for Money, in the Procurement Strategy, had been assessed. What is being done to maintain Value for Money is also clearly documented.

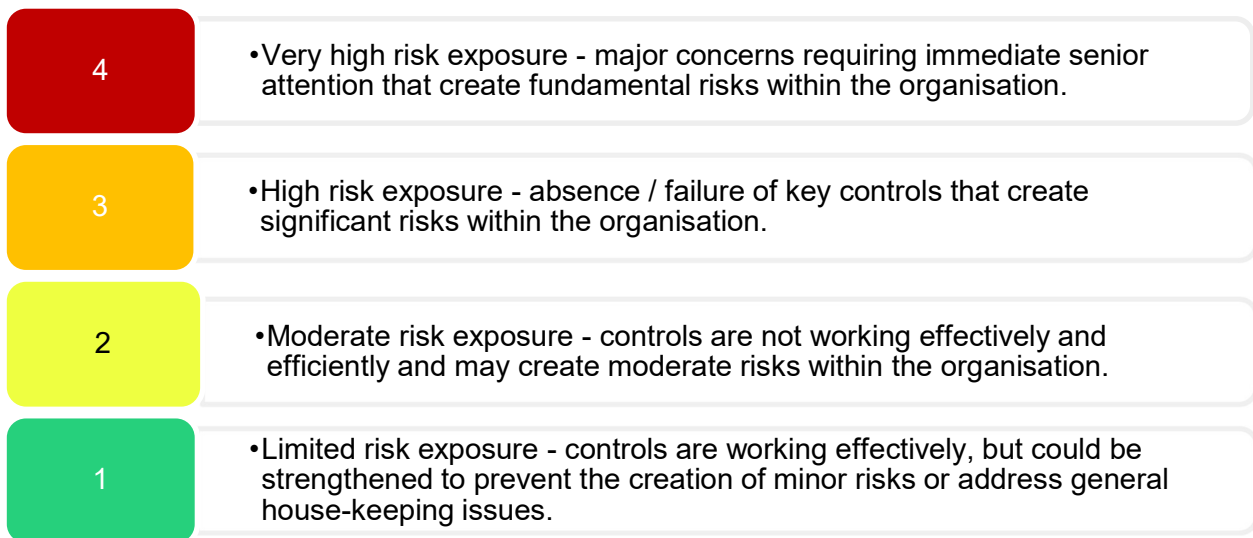
We obtained Board minutes from August 2021 confirming the contents of the Annual Procurement Report had been reviewed and approved, confirming that the achievement of Value for Money had been reported on appropriately. We also confirmed the Annual Procurement Report is made public on the Police Scotland website.

Appendix A – Definitions

Control assessments



Management action grades



Appendix B – Summary of management actions

Action No.	Recommendation	Management Response	Grade	Action Owner	Due Date
2.1	<p>Consultation with Technical Experts</p> <p>We recommend that Police Scotland define a point in the process where the decision to involve technical expertise is made. The Sourcing Strategy should include prompts to aid the identification of circumstances where the use of technical experts is required. The decision should be clearly recorded detailing a clear rationale.</p>	<p>As noted, there is already an action to record decision making on external support in the sourcing strategy from the BWV lessons learned review. The work to re-draft the sourcing strategy is finished and it is being released into live working template with some other coincidental changes and briefing for staff on the change in March 2022.</p> <p>The procurement template working group have also updated the Request for Procurement Action document for requestors to indicate if technical support is required at the outset to ensure early consideration.</p>	2	Ian Mckie, Head of Strategic Procurement	31 March 2022

4.1

Staff Competency Assessments

We recommend that staff competency assessments are conducted following departmental restructuring in summer 2022. A timescale for conducting periodic competency assessments should be agreed to ensure this is refreshed to meet future procurement needs.

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In future, the Head of Strategic Procurement will schedule a full competency assessment to be carried out at least every three years as well as ad-hoc interim reviews/updates as required to inform annual training and development planning.

Work on the next assessment is planned to begin later this calendar year after the procurement departmental re-structure.

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Ian Mckie, Head of Strategic Procurement

31 March 2022

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