

<b>Meeting</b>	<b>SPA Audit, Risk and Assurance Committee</b>
<b>Date</b>	<b>16 September 2021</b>
<b>Location</b>	<b>MS Teams</b>
<b>Title of Paper</b>	<b>Internal Audit Reports</b>
<b>Presented By</b>	<b>John McNellis, Head of Finance Audit and Risk  Gary Devlin and Matthew Swann, Azets</b>
<b>Recommendation to Members</b>	<b>For consultation</b>
<b>Appendix Attached</b>	<b>Appendix A:- Environmental Impact Appendix B:- Legal Claims Payment</b>

**PURPOSE**

To present the Audit Risk and Assurance Committee (ARAC) with the internal audit reports on Environmental Impact and Legal Claims Payment

*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. Both internal audit reports presented to the ARAC are within the plan and presented in a timescale planned with internal audit.
- 1.2 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 Environmental Impact (full report at Appendix A)

#### a. Background:

- Public bodies are required to be carbon neutral by 2045.
- The SPA has made progress reducing its emissions to date and in 2021 the Authority approved its first environmental strategy.
- In November 2021 the UN COP26 climate change conference will take place in Glasgow which the SPA/ PS has a significant role in facilitating.

#### b. Internal audit findings:

- The environmental strategy has stretching targets that are considered achievable.
- The governance and oversight of environmental initiatives is fragmented. There is no easy way to obtain a holistic view or gain assurance that the planned outcomes are being achieved and an implementation plan hasn't yet been fully developed.

#### c. Summary of recommendations:

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

#### d. SPA conclusions:

- Management agrees with all internal audit actions.
- The actions are considered to be appropriate and the timescales appear reasonable.
- We note that management has committed to creating an environmental strategy implementation plan and an environmental sustainability board.

## 2.2 Legal claims handling (full report at Appendix B)

### a. Background:

- Both the SPA and Police Scotland have separate legal functions.
- The Authority incurred £6.6m in legal costs in 2019/20.

### b. Internal audit findings:

- SPA and Police Scotland arrangements for handling legal claims is working effectively and there is appropriate oversight.
- Findings were identified in relation to:
  - the documentation of policies and procedures;
  - records management;
  - organisational learning and
  - the compilation of management information.

### c. Summary of recommendations:

Grade	Number of actions
4 – very high risk	0
3 – high risk	2
2 – moderate risk	5
1 – limited risk	1
<b>Total</b>	<b>8</b>

### d. SPA conclusions:

- Management agrees with all internal audit actions.
- The actions are considered to be appropriate and the timescales appear reasonable. There are longer timescales that are dependent upon IT system changes which appear reasonable.

**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 personnel implications associated with this paper.

**5. LEGAL IMPLICATIONS**

- 5.1 There are no specific legal implications associated with this paper. The legal claims handling audit identifies areas for improvement but found that processes were working effectively.

**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 Recommendations in the Environmental Impact Audit should be addressed to support delivery of environmental targets.

**RECOMMENDATIONS**

Members are requested to note the internal audit reports.



# Scottish Police Authority

## Internal Audit Report 2021/22

### Environmental Impact

August 2021



# Scottish Police Authority

## Internal Audit Report 2021/22

### Environmental Impact

Executive Summary	1
Management Action Plan	6
Appendix A – Environmental Initiatives	13
Appendix B – Definitions	14
Appendix C – Summary of management actions	15

<b>Audit Sponsor</b>	<b>Key Contacts</b>	<b>Audit team</b>
<i>Alan Connell, Chief of Staff to DCO Page</i>	<i>Katherine Link, Portfolio Business Manager</i> <i>James Gray, Chief Financial Officer</i> <i>Tom Nelson, Director of Forensic Services</i>	<i>Gary Devlin, Partner</i> <i>Matt Swann, Associate Director</i> <i>Andrew Diffin, Audit Asst. Manager</i> <i>Matthew Robson, Internal Auditor</i>

# Executive Summary

## Conclusion

The SPA, Police Scotland, and the Forensic Services have developed an environmental strategy which sets stretching targets for the improvement of environmental performance. We have obtained good evidence that these are achievable through initiatives planned and underway across the organisation.

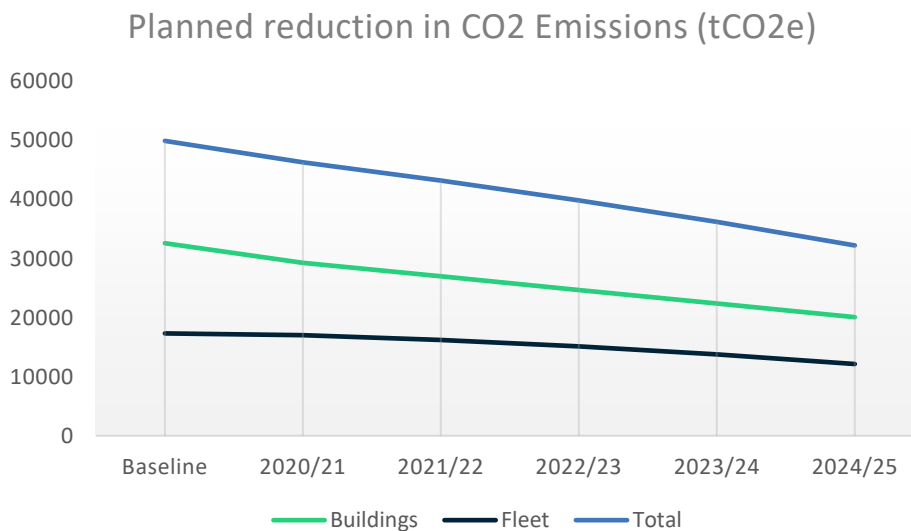
Our audit found that governance and oversight for these initiatives is fragmented, meaning that there is currently no easy way to obtain a holistic view of the activity being undertaken, or gain assurance that the planned outcomes of environmental initiatives are being achieved and contributing sufficiently to progress against the objectives of the strategy.

The environmental strategy acknowledges that work is required to develop approaches to governance, planning, and internal management reporting. We have raised three recommendations which set out factors for the organisation to consider as it continues to develop these arrangements.

## Background and scope

The Scottish Government has made a commitment to becoming carbon neutral by 2045. Public Bodies, including SPA and Police Scotland (the service), are required to contribute towards the achievement of this target in accordance with the Climate Change (Scotland) Act 2009. The service has made progress in this area, achieving its own target of reducing emissions by 25% by 2020.

In 2021, the SPA approved its Environmental Strategy. The strategy is linked to the Fleet and Estates strategies, and a number of other initiatives across the service, and sets ambitious targets for the reduction of CO2 emissions.





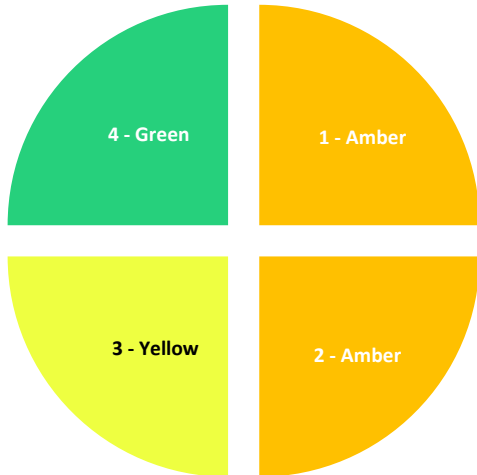
## **OFFICIAL**

The UN Climate Change Conference (COP26), taking place in Glasgow in 2021, will bring increased scrutiny upon the environmental performance of Public Bodies in Scotland. It is therefore imperative that the service has effective arrangements to deliver against its climate change responsibilities

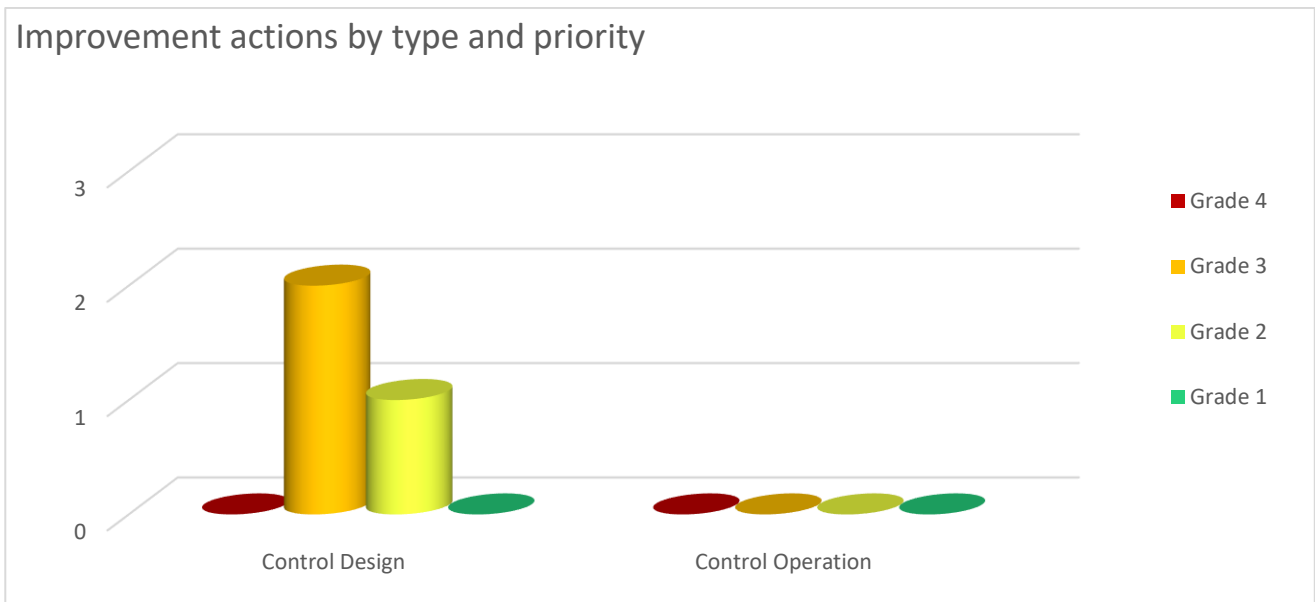
In accordance with the 2021/22 Internal Audit Plan, we have reviewed the service's) approach to assessing and reporting its impact on the natural environment and environmental sustainability. This includes consideration of areas such as energy usage and CO2 emissions.

## Control assessment

- 1. The service has a strategy and approach to manage and mitigate its environmental impact, which is consistently applied across the organisation, and supported by realistic plans for its delivery
- 2. Responsibility for the management of environmental performance has been clearly defined and communicated
- 3. A robust approach is in place to measuring and monitoring the organisation's environmental impact and progress against the objectives of the strategy, including oversight at the Governance level
- 4. The service has identified its obligations for external reporting of environmental performance, and put arrangements in place to ensure that these are met



### Improvement actions by type and priority



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

## Key findings

### Good practice

We have identified good practice in a number of areas:

- The SPA and Police Scotland have approved an environmental strategy which clearly sets out its objectives for emissions reduction and identified specific actions.
- Though the environmental strategy has been relatively recently approved, Police Scotland's previous Carbon Management Plan, and the incorporation of sustainability outcomes into the Joint Strategy for Policing and the Annual Police Plan means that business areas across the organisation have incorporated environmental impact and sustainability into key strategies and plans. As a consequence, there are a number of initiatives already in place across the organisation which aim to improve environmental performance.
- Statutory reporting requirements arising from the organisation's climate change duties have been identified, responsibility for compliance with these have been defined, and processes put in place to ensure that adequate data is compiled to ensure that these duties are discharged.

### Areas for improvement

We have identified three areas for improvement as SPA, Police Scotland, and the Forensic Service continue to develop the framework for the management of environmental performance. These are:

- Establishing a governance structure with oversight of all environmental activity taking place across the organisation, which includes representation of all impacted areas of the business. This would support the ability of the organisation to scrutinise whether environmental initiatives are delivering planned benefits, and whether emissions reduction targets are being achieved.
- Developing an implementation plan which aligns with the objectives and actions set out within the Environmental strategy. This would allow for activity presently distributed across functions to be consolidated where appropriate, and provide a basis to allocate responsibility, devise reporting structures, and assess whether the prioritisation of initiatives is appropriate.
- Identifying KPIs for existing initiatives and put in place processes for their compilation and reporting. This would allow management and governance groups to link the delivery of initiatives to the achievement of environmental objectives.

These are further discussed in the Management Action Plan below.

## Best Value

### Prioritisation of environmental initiatives

We have observed that a range of activity already underway across Police Scotland which aims to contribute to the achievement of the emissions reduction target set out in the Environmental Strategy. However, we have

## OFFICIAL

noted that these initiatives take different forms according to their scope, scale, and whether they form part of a programme or project.

However, there is no management or governance group which has a clear overview of all environmental activity taking place across the organisation, with adequate information to scrutinise whether the progress of these initiatives is delivering the intended environmental benefits. Organisational level reporting, in general, focuses on the achievement of project delivery milestones such as the percentage of the vehicle fleet comprised of Ultra Low Emission Vehicles (ULEV) rather than the contribution to the emissions reduction target which has been realised.

As a result, emissions reduction has not been explicitly included in the prioritisation of initiatives. This means that the effectiveness and efficiency of plans to achieve the objectives of the environmental strategy cannot be easily assessed, and in particular that there is no easy way to analyse initiatives in terms of the environmental benefit delivered relative to their cost in resources.

We have recommended approaches that Police Scotland could adopt to implement such a governance structure, and define its information needs and reporting requirements to support such analysis.

## Impact on risk register

The Police Scotland corporate risk registers (dated March 2021) included the following risks relevant to this review:

- ORR125, EST002 Lack of Investment in Estate: Due to insufficient funding there is a risk that the Estate will not be developed to the expected standard, and maintenance of the Estate's buildings and services is reduced to statutory legislative compliance activities. (Score 20)
- EST012 Estates Strategy Implementation: If there is a lack of funding available in the short-medium term there is a risk that PS will be unable to adequately resource the Estates Transformation Team and wider department which will result in a failure to fully implement the Estates Strategy as planned. (Score 15)

The relevant risks relate to the implementation of the Estates Strategy, which includes a number of initiatives that collectively account for the majority of SPA and Police Scotland's planned reduction in emissions. We note that failure to deliver against climate change duties is an additional impact of these already identified risks arising from a failure to fully implement the Estates strategy.

## 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 service has a strategy and approach to manage and mitigate its environmental impact, which is consistently applied across the organisation, and supported by realistic plans for its delivery



Amber

## 1.1 Implementation Plan

An implementation plan setting out how the Environmental Strategy will be delivered has yet to be fully developed. A draft plan has been prepared; but this is primarily a summary of proposed or existing activity or initiatives at various stages of development across the organisation and does not directly link to the achievement of strategic objectives.

The environmental strategy identifies 15 actions for implementation in 2021, and a further 5 for 2022 and beyond (see appendix A). We attempted to map out the arrangements for implementation of each of the actions proposed for 2021, and determined:

- There are specific initiatives which clearly relate to 10 of the strategic actions for 2021, of which 6 have clearly articulated plans;
- 4 of these initiatives are articulated as proposals only; and
- No plans have yet been developed in respect of the remaining initiatives.

The initiatives with the highest impact on the achievement of the organisation's environmental goals are those reflected in the Fleet and Estates strategies.

As noted at 2.1, there is no clear approval pathway for the plan in its current form, as it encompasses the organisation as a whole. Where approval has been obtained for existing initiatives, this generally occurred through the Programme Boards convened to manage the implementation of the Estates and Fleet Strategies, or through the Estates Function. As a consequence, the ability to progress initiatives is largely a function of the ability of the owner of the initiative to access a governance body with the authority to approve it and allocate the required resources. This has tended to align with the scale, risk, and profile of the initiative concerned as opposed to any assessment of priority or consideration of opportunities for synergy.

### Risk

There is a risk that the initiatives currently being progressed are not the most efficient or effective way of achieving the organisation's sustainability goals, as a consequence of the lack of a clearly prioritised plan which coordinates activity to best effect. As the ability to progress initiatives is tied to their scale in the present governance structure, there is a particular risk that "quick wins" which are smaller in scope are overlooked.

## Recommendation

The high level implementation plan should be developed and approved by a body with suitable authority. The Environmental Sustainability Board proposed within the strategy would be appropriate for this purpose (see MAP 2.1). The plan should:

- Capture the activity currently ongoing across the organisation, align this with the actions set out within the Environmental Strategy, and identify any gaps;
- Assess the relative priority of initiatives which are proposed or underway;
- Determine, or allocate if required, ownership of the strategic actions set out within the strategy in terms of Directorates or portfolios; and
- Identify resource requirements, and the source of those resources for each initiative.

### Management Action

Grade 3  
(Design)

We accept this recommendation. We will create a fully quantified Implementation Plan that details specific projects, relevant emissions reduction or other quantifiable measurement. We will use the Scottish Government Carbon Footprint and Project Register tool as a basis for this as well as industry specific measurements and benchmarks. We will also engage with relevant individuals and department to assign specific responsibility for projects and also realistic timeframes for implementation of specific projects based on resource and up to date information on the project progress e.g. availability of materials, Covid impacts etc. We will also put in place a reporting schedule that will review the implementation of projects and the development of new projects as they arise. This reporting will be used to report to the Environmental Sustainability Board of progress of specific projects and contribution to overall reduction target of 35%.

### Action detail

- Review short term projects provided by Facilities Officers to assess energy and environmental impact based on industry information and DEFRA conversion factors. Input data in CF&PR tool to model carbon reduction and payback against costs.
- Review project already listed on draft Implementation Plan to assess energy and environmental impact based on industry information and DEFRA conversion factors. Input data in CF&PR tool to model carbon reduction and payback against costs.
- Create written plan using quantified data and charts from CF&PR tool and assign resource, budget and staff responsibility against a timeframe for each individual project.
- Use data and timescales to develop KPIs for each project that will be used in reporting against the plan.
- Create reporting process to review and update Environmental Sustainability Board on individual projects using the KPIs that have been defined.

**Action owner:** Energy Reduction Lead

**Due date:** December 2021

# Control Objective 2: Responsibility for the management of environmental performance has been clearly defined and communicated


 Amber

## 2.1 Governance Structure

At present, environmental initiatives have primarily been developed by business areas as part of their normal business planning processes. In setting objectives, business areas have sought to demonstrate how they are delivering against the strategic outcome "*Police Scotland is sustainable, adaptable, and prepared for future challenges*", and the related environmental sustainability objective articulated in the Joint Strategy for Policing and the Annual Police Plan.

As a consequence, the governance structures for these initiatives reflect the governance arrangements in place in those business areas. Specific roles with environmental responsibility exist within the Estates function, and we have observed evidence of engagement with these roles in the development of plans, however these roles lack formal decision making power and budgetary responsibility that would enable them to assign ownership or allocate resources.

An overarching governance structure for the Environmental Strategy is in development. The Environmental Strategy commits to the development and implementation of an Environmental Sustainability Board, with membership from across the organisation, and responsibility for the coordinating, prioritising, and funding environmental initiatives. At time of review, no draft Terms of Reference for this group has been developed.

### Risk

There is a risk that, in the absence of a coordinating governance structure, organisation-wide changes are not able to be implemented as initiatives are confined to individual business areas or portfolios, and limited by a lack of clarity or ownership, leading to the organisation failing to achieve its sustainability objectives.

### Recommendation

The Organisation should develop and implement the Environmental Sustainability Board according to the strategy. The group should include representation from all business areas impacted by environmental issues. The group should have the necessary authority to make decisions about the ownership and resourcing of particular environmental initiatives, particularly where these are cross cutting across multiple business areas.

Large or complex initiatives that are presently underway may fall under the responsibility of an existing governance structure, such as the Fleet Strategy Board or Estates Transformation Programme Board. Where environmental initiatives and responsibility for their delivery are clearly defined, it may be appropriate for the Environmental Sustainability Board to monitor implementation and seek assurance that these projects are delivering environmental benefits as planned. The Environmental Sustainability Board should consider how it interacts with these structures and define its Terms of Reference accordingly.

**Management Action**

We accept this recommendation. We will create an Environmental Sustainability Board that will take strategic ownership and guidance of the Environmental Strategy. The Board will be comprised of key personnel with representation from the organisation Executive and from all Police Scotland Depts. These individuals will oversee, support and make recommendations in relation to the progress of the Strategy. The Strategy will have an assigned budget in order that relevant projects are properly funded and sponsored by Board members. Appropriate and robust Terms of Reference for the Board will be created so that structure, purpose and actions of the Board are clearly defined. The Board will be convened no later than Jan 22 to approve the implementation plan and consider the impact on the teams they represent and the wider organisation.

**Action detail**

- Make request to DCO Page or CFO to Chair newly developed Environmental Sustainability Board
- Arrange for appropriate Secretariat support
- Agree on appropriate Terms of Reference for Board function
- Ensure that the new Board aligns with wider governance review that is ongoing from Committee Services
- Select and invite appropriate representatives of Depts. and teams to attend Board meetings and ensure that they are properly appraised of Board function and their responsibilities as Board members.

**Action owner:** Head of Estates, and Energy Reduction Lead

**Due date:** January 2022



## Control Objective 3: A robust approach is in place to measuring and monitoring the organisation's environmental impact and progress against the objectives of the strategy, including oversight at the Governance level

### 3.1 KPIs and Management Information

Systems are in place to determine and report Management Information on environmental objectives which aligns with the requirements of SPA and Police Scotland's statutory reporting requirements. This principally consists of data, compiled for the organisation as a whole on carbon emissions arising from utilities usage, vehicle fuel consumption, waste to landfill and recycling, and business travel.

The overall carbon emissions reduction target of 35% against the baseline of 2019/20 emissions has been quantified based on the planned activities within those strategies. As such SPA, Police Scotland, and the Forensic Service are able to demonstrate the extent to which each initiative is expected to contribute towards the planned reduction in emissions and explain the basis on which these estimates have been derived, including any assumptions.

However, management information is not disaggregated to enable:

- Management and Governance groups to understand the extent to which a given initiative contributes to the achievement of the emissions reduction target;
- Whether those reductions in emissions are being achieved as expected; or
- Whether assumptions used in the calculation of expected carbon savings are borne out in practice.

#### Risk

There is a risk that the organisation is not able to identify and address failure to make progress against the emissions reduction target set out in the environmental strategy, as a consequence of a lack of clear analysis of their impact. This could lead to an inability to determine whether emissions saving from particular initiatives have been delivered in practice, resulting in a failure to deliver against climate targets.

#### Recommendation

We have recommended at MAP 1.1 that the implementation plan should be developed in more detail. Once this is in place, and the link between the objectives of each initiative and the objectives of the strategy are understood and defined, the Environmental Sustainability Board should:

- Determine and quantify the extent of the contribution of each initiative to overall environmental targets, and translate these into specific targets and KPIs for the initiative. In particular this should include the contribution of the initiative to the emissions reduction target;
- Establish processes, or amend existing processes, such that data gathered on emissions can be related to particular initiatives;
- Define a reporting structure such that the relationship between the progress of the delivery of an initiative can be scrutinised.

**Management Action**

We accept this recommendation. In discussion with relevant individuals in Fleet and Estates. We will develop KPIs for existing projects. These KPIs must be realistic and easy to assess. Therefore, we recognise that not all projects will be tracked in terms of CO<sub>2</sub> emissions, but other quantifiable metrics which could be more meaningful in describing progress. This recommendation is intrinsically linked to the Implementation Plan as the detailed Plan should properly quantify the impact of projects over time and so KPIs should flow naturally from this for all existing and new projects.

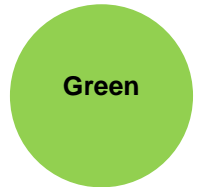
**Action detail**

- Develop Implementation Plan.
- Review project detail and determine appropriate reportable and realistic KPIs.
- Develop monitoring and reporting schedule to ensure that progress against KPIs are on target.

**Action owner:** Energy Reduction Lead, and Utilities Management Officer

**Due date:** December 2021

Control Objective 4: Police Scotland has identified its obligations for external reporting of environmental performance, and put arrangements in place to ensure that these are met



### **No reportable issues identified**

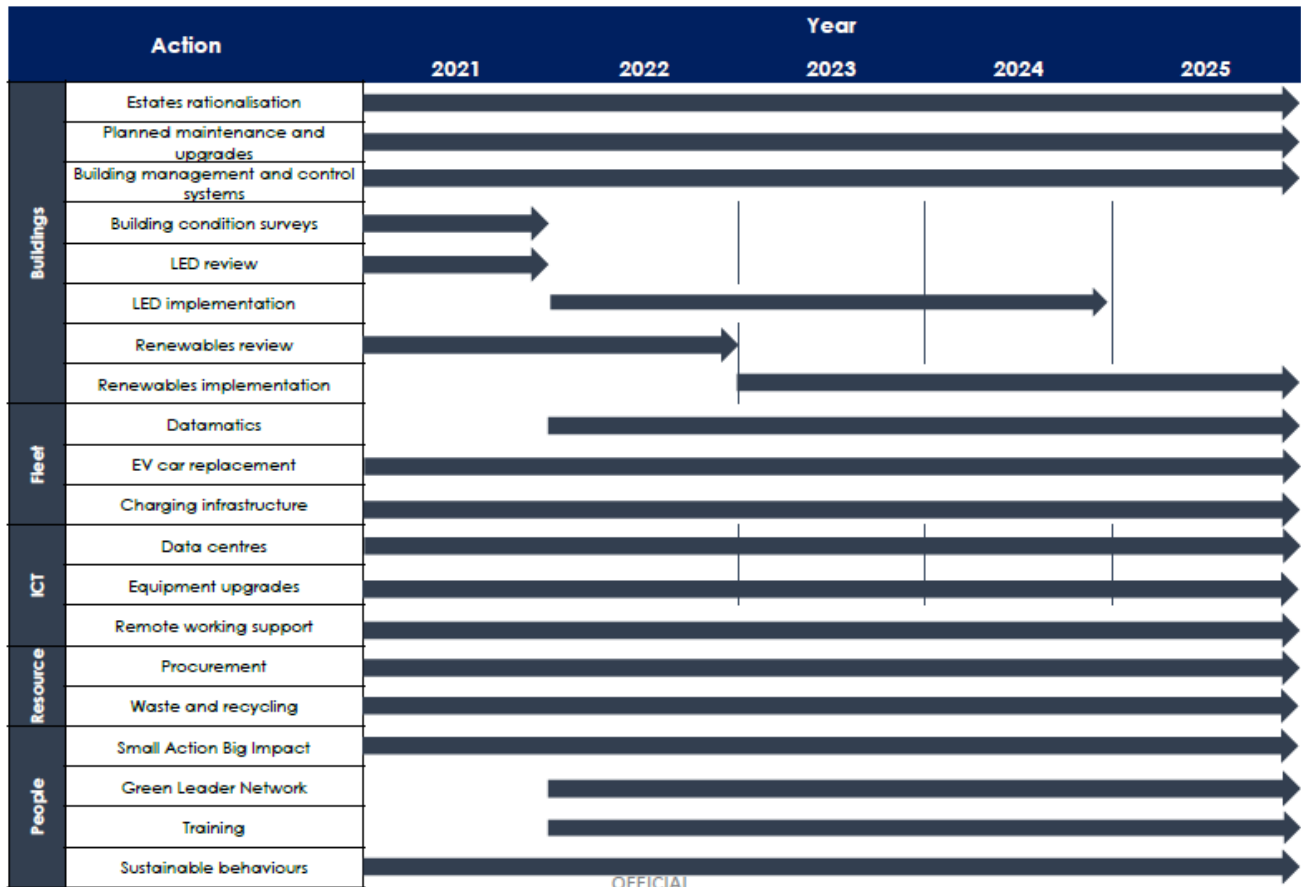
The Scottish Police Authority, and the Chief Constable of the Police Service of Scotland, are subject to a statutory reporting duty under The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015.

The order requires that listed public bodies must prepare and submit a report on their compliance with Climate Change duties. We confirmed that the responsibility for complying with this duty is clearly allocated within Police Scotland. The data which underpins the submission is collated by the Estates function from a number of sources. We reviewed the sources of information and confirmed that they provided a comprehensive view of the organisation.

Submissions are due within eight months of the year end. The Authority makes its submissions on the basis of financial years, and accordingly the most recent submission relates to the 2019/20 Financial year. We reviewed this submission against the requirements of the Order and guidance published by the Sustainable Scotland Network. The Order sets out the required content of submissions and specifies a format with only limited exceptions. We confirmed that the requirements of the guidance had been adhered to, and the consistency of the submitted information with emissions data collated for the period. We reviewed narrative information and confirmed that this was consistent with the information obtained throughout our other audit work.

# Appendix A – Environmental Initiatives

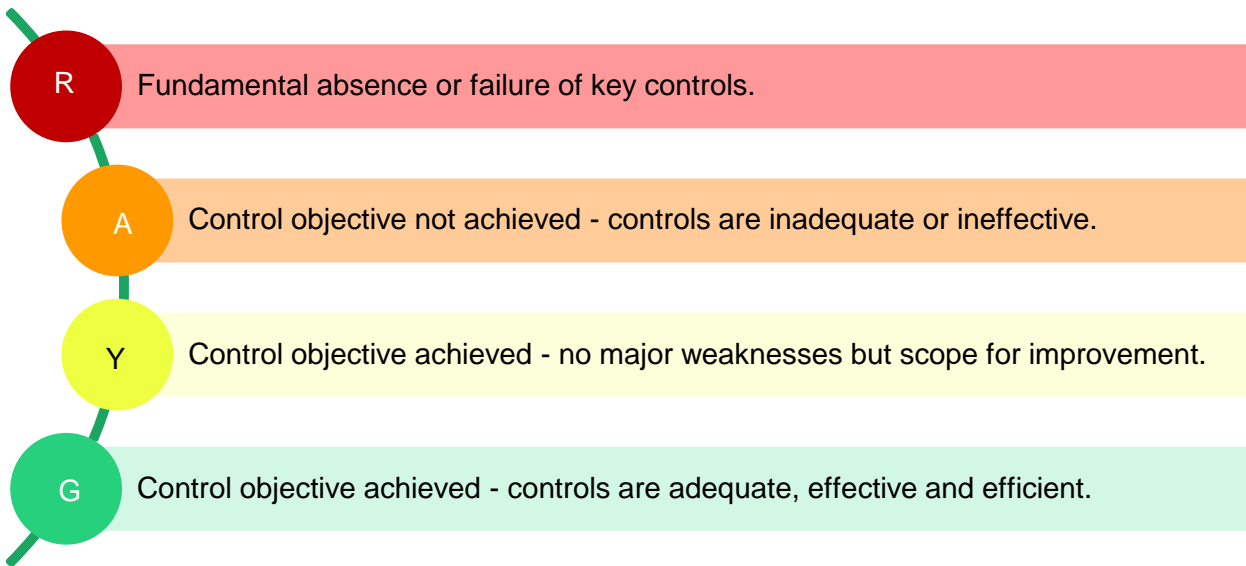
We have reproduced the actions set out in the Environmental Strategy below:



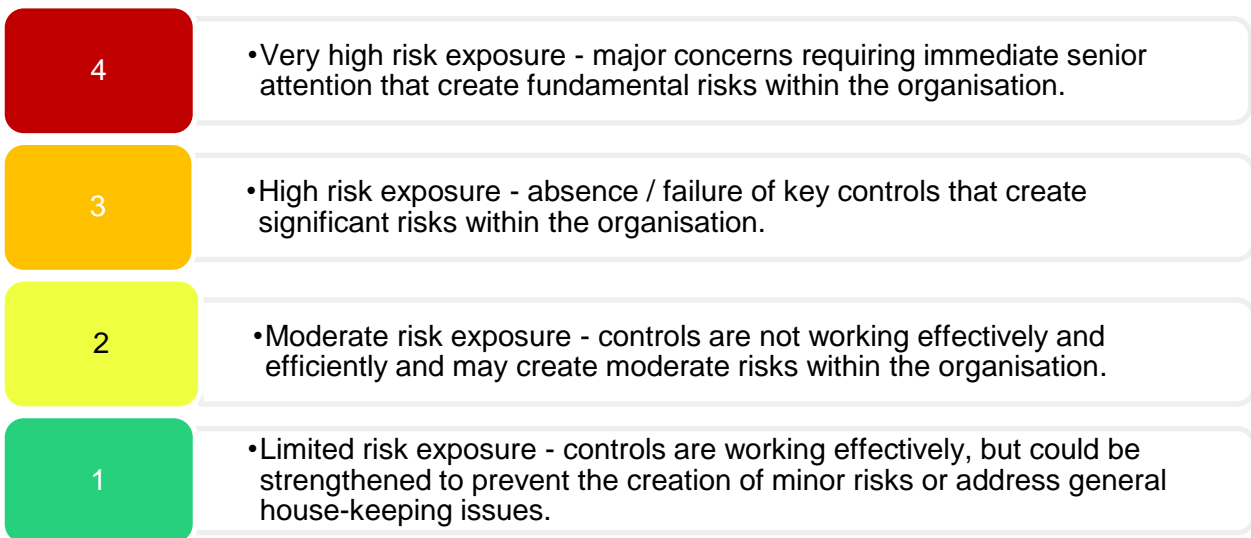
OFFICIAL

# Appendix B – Definitions

## Control assessments



## Management action grades



# Appendix C – Summary of management actions

Action No.	Recommendation	Management Response	Grade	Action Owner	Due Date
1.1	<p>The high level implementation plan should be developed and approved by a body with suitable authority. The Environmental Sustainability Board proposed within the strategy would be appropriate for this purpose (see MAP 2.1). The plan should:</p> <ul style="list-style-type: none"> <li>• Capture the activity currently ongoing across the organisation, align this with the actions set out within the Environmental Strategy, and identify any gaps;</li> <li>• Assess the relative priority of initiatives which are proposed or underway;</li> <li>• Determine, or allocate if required, ownership of the strategic actions set out within the strategy in terms of Directorates or portfolios; and</li> </ul>	<p>We accept this recommendation. We will create a fully quantified Implementation Plan that details specific projects, relevant emissions reduction or other quantifiable measurement. We will use the Scottish Government Carbon Footprint and Project Register tool as a basis for this as well as industry specific measurements and benchmarks. We will also engage with relevant individuals and department to assign specific responsibility for projects and also realistic timeframes for implementation of specific projects based on resource and up to date information on the project progress e.g. availability of materials, Covid impacts etc. We will also put in place a reporting schedule that will review the implementation of projects and the development of new projects as they arise. This reporting will be used to report to the Environmental</p>	3	Energy Reduction Lead	December 2021

- Identify resource requirements, and the source of those resources for each initiative.

Sustainability Board of progress of specific projects and contribution to overall reduction target of 35%.

**Action detail**

- Review short term projects provided by Facilities Officers to assess energy and environmental impact based on industry information and DEFRA conversion factors. Input data in CF&PR tool to model carbon reduction and payback against costs.
- Review project already listed on draft Implementation Plan to assess energy and environmental impact based on industry information and DEFRA conversion factors. Input data in CF&PR tool to model carbon reduction and payback against costs.
- Create written plan using quantified data and charts from CF&PR tool and assign resource, budget and staff responsibility against a

		<p>timeframe for each individual project.</p> <ul style="list-style-type: none"><li>• Use data and timescales to develop KPIs for each project that will be used in reporting against the plan.</li><li>• Create reporting process to review and update Environmental Sustainability Board on individual projects using the KPIs that have been defined.</li></ul>			
2.1	<p>The Organisation should develop and implement the Environmental Sustainability Board according to the strategy. The group should include representation from all business areas impacted by environmental issues. The group should have the necessary authority to make decisions about the ownership and resourcing of particular environmental initiatives, particularly where these are cross cutting across multiple business areas.</p>	<p>We accept this recommendation. We will create and Environmental Sustainability Board that will take strategic ownership and guidance of the Environmental Strategy. The Board will be comprised of key personnel with representation from the organisation Executive and from all Police Scotland Depts. These individuals will oversee, support and make recommendations in relation to the progress the Strategy. The Strategy will have an assigned budget in order that relevant projects are properly funded and sponsored by</p>	3	<p>Head of Estates, and Energy Reduction Lead</p>	<p>January 2022</p>



**OFFICIAL**

Large or complex initiatives that are presently underway may fall under the responsibility of an existing governance structure, such as the Fleet Strategy Board or Estates Transformation Programme Board. Where environmental initiatives and responsibility for their delivery are clearly defined, it may be appropriate for the Environmental Sustainability Board to monitor implementation and seek assurance that these projects are delivering environmental benefits as planned. The Environmental Sustainability Board should consider how it interacts with these structures and define its Terms of Reference accordingly.

Board members. Appropriate and robust Terms of Reference for the Board will be created so that structure, purpose and actions of the Board are clearly defined. The Board will be convened no later than Jan 22 to approve the implementation plan and consider the impact on the teams they represent and the wider organisation.

**Action detail**

- Make request to DCO Page or CFO to Chair newly developed Environmental Sustainability Board
- Arrange for appropriate Secretariat support
- Agree on appropriate Terms of Reference for Board function
- Ensure that the new Board aligns with wider governance review that is ongoing from Committee Services
- Select and invite appropriate representatives of Depts. and

teams to attend Board meetings and ensure that they are properly appraised of Board function and their responsibilities as Board members.

3.1

We have recommended at MAP 1.1 that the implementation plan should be developed in more detail. Once this is in place, and the link between the objectives of each initiative and the objectives of the strategy are understood and defined, the Environmental Sustainability Board should:

- Determine and quantify the extent of the contribution of each initiative to overall environmental targets, and translate these into specific targets and KPIs for the initiative. In particular this should include the contribution of the initiative to the emissions reduction target;
- Establish processes, or amend existing processes, such that data gathered on emissions can be related to particular initiatives;

We accept this recommendation. In discussion with relevant individuals in Fleet and Estates. We will develop KPIs for existing projects. These KPIs must be realistic and easy to assess. Therefore, we recognise that not all projects will be tracked in terms of CO2 emissions, but other quantifiable metrics which could be more meaningful in describing progress. This recommendation is intrinsically linked to the Implementation Plan as the detailed Plan should properly quantify the impact of projects over time and so KPIs should flow naturally from this for all existing and new projects.

**Action detail**

- Develop Implementation Plan.

2

Energy Reduction Lead, and Utilities Management Officer

December 2021

**OFFICIAL**

- Define a reporting structure such that the relationship between the progress of the delivery of an initiative can be scrutinised.
- Review project detail and determine appropriate reportable and realistic KPIs.
- Develop monitoring and reporting schedule to ensure that progress against KPIs are on target.

**OFFICIAL**

© Azets 2021. 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**



# Scottish Police Authority

Internal Audit Report 2021/22

Legal Claims Handling

August 2021



# Scottish Police Authority

## Internal Audit Report 2021/22

### Legal Claims Handling

Executive Summary	1
Management Action Plan	6
Appendix A – Definitions	19
Appendix B – Summary of management actions	20

<b>Audit Sponsor</b>	<b>Key Contacts</b>	<b>Audit team</b>
<i>Lynn Brown, SPA Chief Executive</i>	<i>Robin Johnston, SPA Head of Legal</i>	<i>Gary Devlin, Partner</i>
<i>DCC Fiona Taylor, People and Professionalism</i>	<i>Jacqui Campbell, Governance, Risk, and Assurance</i>	<i>Matt Swann, Associate Director</i>
<i>Duncan Campbell, PS Head of Legal Services</i>	<i>Justine Chalmers, Insurance Officer</i>	<i>Andrew Diffin, Assistant Manager</i>
		<i>Lilitha Konini, Internal Auditor</i>

# Executive Summary

## Conclusion

**We have gained assurance that the SPA and Police Scotland's arrangements for handling legal claims work effectively, and that there is appropriate oversight. However, the policies and procedures that set out the organisation's processes are not well articulated, and the current arrangements for records management do not support analysis of claims performance, the identification of organisational learning, or the compilation of management information. We have raised a number of recommendations which, if implemented, would improve SPA, the Forensic Service, and Police Scotland's ability to manage legal claims.**

## Background and scope

The SPA disclosed £6.6m in Legal Costs in 2019/20, comprising the cost of administering legal matters for the service, external advice, and the settlement of claims. The nature of the organisation and its operations means that it may not be cost effective, or even possible, to secure indemnity insurance to limit legal liabilities. As a consequence, claims are typically settled from the organisational budget.

It is therefore essential that the service has robust arrangements to negotiate, defend, or settle claims in a timely manner; and to use organisational learning to minimise future claims where possible.

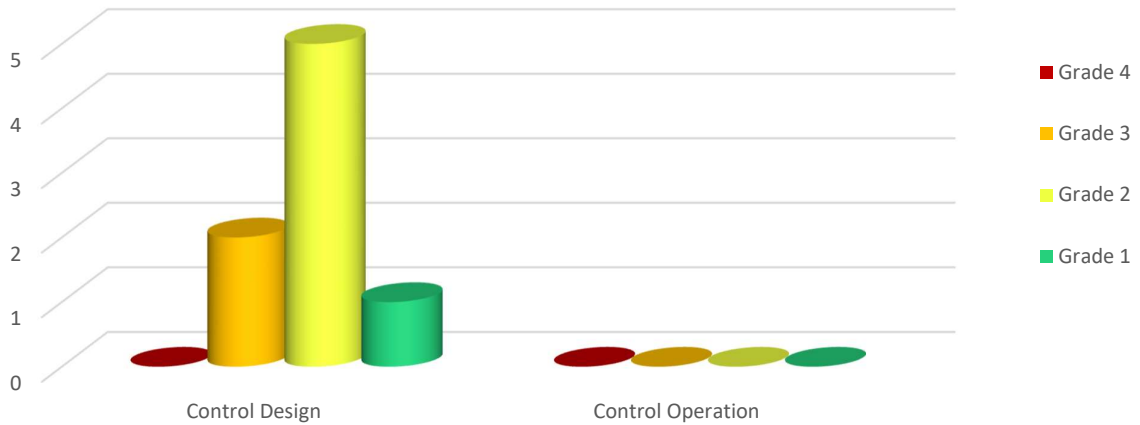
In accordance with the 2021/22 Internal Audit Plan, we have performed a review of the process for assessing and deciding upon legal claims across the SPA, Police Scotland, and Forensics. In particular, it has considered how lessons learned from cases are shared and embedded within guidance and training, and the extent to which the arrangements in place support the delivery of value for money.

## Control assessment



- 1. Adequate governance is in place to oversee the legal claims process and that claims are authorised in line with delegated authority
- 2. Responsibility for the handling of legal claims is clearly allocated within the organisation
- 3. Procedures are in place to ensure that legal claims that are received are dealt with timeously, and in line with organisational policy
- 4. Adequate arrangements are in place to monitor and report on the outcome of Legal Claims
- 5. Resolved claims are reviewed to identify trends and applicable organisational learning, and this is incorporated into staff and officer training and guidance material

### Improvement actions by type and priority



Eight 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 gained assurance that the SPA and Police Scotland's procedures reflect good practice in a number of areas:

- Governance arrangements in respect of legal claims are well defined, with roles and responsibilities reflected in a documented structure of delegation.
- Incoming claims are subject to a triage process, to ensure that they are appropriately allocated between the SPA and Police Scotland Legal Services teams, and to appropriate case managers.

### Areas for improvement

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

- Refining the approach to recording and compiling summary data and management information in relation to legal claims, including exploring the possibility of introducing an electronic case management system. This would allow for better assessment of administrative performance, support more effective analysis of the progress and outcomes of claims, and provide greater assurance that claims are being handled efficiently and effectively.
- Articulating and documenting the organisation's policies with regard to the handling and settlement of particular claim types, such that there is a clearer distinction between the matters within the discretion of an individual internal solicitor and those where the organisation wishes to consistently apply a particular policy. This would provide greater assurance that claims are handled consistently.

These are further discussed in the Management Action Plan below.

## Best Value

### Claims Data and Management Information

Current Scottish Government Policy is that public bodies should, in general, self-insure. However, the Scottish Public Finance Manual (SPFM) states that organisations should seek to insure where it can be demonstrated that the cost of settling claims would be likely to exceed insurance premiums, in line with the principle of best value. The SPFM recommends that this is based on a cost/benefit analysis according to the HM Treasury Green Book. In order to perform this analysis, it is necessary to have a clear understanding of both the expected cost of claims, and the cost of insuring against the risks giving rise to those claims.

For this reason, Police Scotland has tendered for quotes for insurance to cover the risks relevant to Legal Claims (Employers Liability and Public Liability) in the course of seeking quotes for all classes of insurance held by the organisation. We were provided with a number of clarification requests and responses from potential tenderers for Employers and Public Liability insurance and noted that these primarily related to issues arising from the lack of detail available from claims data to support actuarial analysis. One provider declined to quote on this basis, and another indicated a number of limitations to their ability to quote for the same reason. We did note that Motor Liability cover was successfully placed.

## OFFICIAL

In addition, in August 2020, the SPA commissioned a "Loss Forecast" from risk consultancy Aon. This is an actuarial analysis of the claims experience of an organisation for specified risks, in order to provide a projection of expected losses which can be used to inform the selection of appropriate insurance products. This exercise was primarily conducted to determine the most advantageous size of deductible (also known as the insurance excess – the portion of a given claim to be borne by the policyholder) to be applied to the SPA/Police Scotland motor liability policy, but also included analysis of employer's liability and public liability risks.

Aon's report includes a number of caveats relating to data quality, including: missing or contradictory data; difficulty in identifying and amalgamating separate claimants relating to the same incidents; and a lack of clear distinction between employer's liability claims and employment tribunal settlements which would not fall within standard employer's liability cover.

We have raised a recommendation under Control Objective 4 in relation to the ability of Legal Services to compile management information, which is currently inhibited by the use of manually updated spreadsheets for this purpose. Improving the ability of the department to compile detailed, accurate management information would support the ability of the organisation to demonstrate the achievement of Best Value.

### Instruction of External Suppliers

We sought to determine organisational policy for the instruction of suppliers, including external solicitors. While we have determined that the department has introduced a procurement framework for the instruction of external suppliers, there is no guidance or policy setting out when instructing externally, as opposed to handling fully in house, is appropriate or represents good value.

Management were able to provide a clear description of the circumstances under which they would consider external instruction to be appropriate, and any such decision is subject to review, however these criteria are not documented or clearly communicated to solicitors working in the SPA or Police Scotland legal teams.

We have raised a recommendation in this regard under Control Objective 3, as part of a broader recommendation relating to the development and approval of process and procedure documentation. Clarifying the organisation's policy in this regard would support its ability to demonstrate the achievement of Best Value.

## Impact on risk register

This review is not linked to a specifically identified risk with the SPA or Police Scotland risk registers, however it concerns the organisation's overall exposure to legal claims, which generally represent the crystallisation of organisational risks.

Failure to implement adequate arrangements for the handling of legal claims exposes the service to legal liability, financial risk, and reputational damage.

In the course of our audit, we have not identified any specific issues that represent risks not appropriately reflected in existing risk registers. We have noted that our comments under Control Objective 4 have relevance to a number of existing data handling and information security risks with the Police Scotland Strategic and Organisational Risk Registers:

- SRR022 – Data Management (score 25): *If Police Scotland does not have in place a holistic, enterprise-wide approach to data collection, classification, use and management there is a risk we will not comply with relevant legislation; our information will not meet data quality principles; and we will be unable to maximise the use of our data assets to support our strategic policing objectives*

## OFFICIAL

- ORR133 – Data Retention: Hard Copy Data (score 20): *If existing hard copy data is not rationalised and effective retention policies not consistently implemented there is a risk that a large volume of personal data will not only be retained, but added to, resulting in financial and reputational damage and the breach of individuals' rights.*

## Acknowledgements

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

# Management Action Plan

Control Objective 1: Responsibility for the handling of legal claims is clearly allocated within the organisation



## 1.1 (PS) Delegated Authority Limits

The Legal Services team informed us that they operate using a delegated structure of internal financial delegation, such that individual solicitors are empowered to agree settlements within a specified limit. Where this limit is breached the claim is required to be escalated for secondary authorisation. However, the authorisation limits are not formally documented

We discussed the delegated authority limits for handling legal claims and agreeing settlements with a range of team members, who confirmed that the limits were well understood by the team.

### Risk

There is a risk that individuals handling legal claims make decisions, or commit to settlement offers, beyond their authority, potentially leading to the organisation settling defensible claims, or settling on disadvantageous terms, resulting in financial losses and reputational harm.

This risk is partially mitigated by controls over the issue of payments, which require secondary authorisation in all cases, and by the regular review of active claims.

### Recommendation

The Police Scotland Legal Services Team should document its general policy with regard to handling and authority limits and agree and document the individual authority limits for each solicitor and claims handler. Limits should be subject to approval from an individual holding sufficient authority, such as the Head of Legal Services, and subject to regular review.

### Management Action

Grade 2  
(Design)

This Recommendation is supported. The Report notes, correctly, that solicitors and claims handlers in PSoS Legal are aware of the limits within which they already operate when settling claims themselves and when they need to seek further authorisation. Documenting those respective limits can and will be implemented. Similarly, those limits can and will be reviewed in line with other reviews of SPA/PSoS Scheme of Delegations.

We will review the authority limits in line with other reviews of the Scheme of Delegation and formally document these along approval processes.

**Action owner:** Head of Legal Services

**Due date:** 31 December 2021

## Control Objective 2: Adequate governance is in place to oversee the legal claims process and that claims are authorised in line with delegated authority



### **No reportable weaknesses identified**

We reviewed the governance structure with respect to Legal Claims, including the roles and remit of the Authority itself, its Legal Committee, and the interaction of the Police Scotland Legal Services team with management and governance groups within Police Scotland.

We found that the relevant roles and remits were well defined and clearly documented. At the governance level, delegated authority is clearly allocated through the SPA Scheme of Delegation and Committee Approval Matrix.

Subject to our comments under Control Objective 4, Reporting arrangements are adequate to enable governance groups to discharge their oversight responsibilities.

## Control Objective 3: Procedures are in place to ensure that legal claims that are received are dealt with timeously and in line with organisational policy

Amber

### 3.1 (SPA and PS) Processes, Procedures, and Policy

We found only limited documentation of processes and procedures within the Legal Services Department of both SPA and Police Scotland. Across both organisations, procedure information is largely encapsulated within the format of the claims register spreadsheets which are the main administrative tool used by the team.

Police Scotland has developed a departmental manual, however the level of detail this contains is variable. We observed that some areas of the manual included clear articulation of organisational policy, whereas others summarised only high level information and referred to particular individuals within the team. Accordingly, it is difficult to determine whether particular decisions are matters of organisational policy or are within the discretion of individual solicitors or handlers.

Note that we have raised a finding in respect of the documentation of delegated authority limits within Police Scotland under Finding 1.1.

#### Risk

There is a risk that claims are not handled and settled appropriately or consistently, as a result of poorly articulated or communicated organisational policies. This could lead to inappropriate settlements, unnecessary financial costs, and reputational damage.

#### Recommendation

Both the SPA and PS legal departments primarily consist of professionally qualified solicitors, and we acknowledge that it may not be desirable to replace the professional judgement of these individuals with prescriptive procedures. However, there is an opportunity to clarify, agree, and document departmental or organisational policy to inform decision making and support consistency. This should include:

- Administrative requirements to be fulfilled on receipt of a claim;
- Circumstances in which escalation to a Senior or Principal Solicitor is always required where claims are allocated across the department for handling, as is the case within Police Scotland;
- Any decisions which are reserved to particular individuals or require a minimum level of seniority;
- Guidelines as to when it is appropriate to instruct external suppliers

**Management Action**

**Police Scotland:**

Existing guidance on the factors to accompany any decision to instruct third party solicitors in terms of the Framework agreement can be restated.

We will document our procedures in respect of escalation and third party procedures.

**Action owner:** Head of Legal Services

**Due date:** 31 December 2021

**SPA:**

SPA Legal has prepared draft procedures for the handling of litigation within the SPA. The draft already addresses some of the issues described in the bullet points above, and will be amended to address the other points as appropriate. One point that will be difficult to address meaningfully is “expected timescales for claims handling”. This is because, where litigation has been commenced, different timescales may apply depending on the nature of the proceedings. Timescales may also be dependent on the complexity or otherwise of the proceedings, as well as the approach taken to the proceedings by the opposing side

Once agreed within SPA Legal, and following further discussions with Police Scotland Legal, the draft procedures will be presented to the SPA’s Senior Management Team for comment. They will then be submitted to the Legal Committee at its scheduled meeting on 27 October 2021, for consideration and approval.

**Action owner:** SPA Head of Legal

**Due date:** 27 October 2021

## 3.2 (PS) Settlement Timescales

There is limited Management Information compiled in respect of the work of the department as a whole. The primary means of monitoring the progress of claims is the familiarity of principal solicitors and other management with the claims registers, and the review of claims which are individually reported or escalated for approval.

We attempted to perform analysis of typical timescales to settle or close claims, and the typical timescales for the review of files which may not be being proactively pursued by claimants. We were unable to do so as the claims registers do not record dates of closure, or the dates when claims were last reviewed by the allocated solicitor or handler. We also noted that some of the registers include a column to record review, however these are typically undated.

### Risk

There is a risk that claims which are not being proactively pursued by claimants remain open unnecessarily, with a consequential impact on financial reporting. There is a further risk that reserve amounts (the best estimate of the ultimate cost of the claim on the information available) are not kept up to date as a consequence of infrequent review on the part of handlers or solicitors, resulting in inaccurate financial information and misallocation of claims, potentially resulting in inappropriate handling or settlement decisions.

This risk is partially mitigated through the challenge and scrutiny provided through reporting of claims activity to the SPA Legal Committee, however this is limited to higher value or higher risk claims. More comprehensive review of the claims registers is also carried out by Finance, who make use of recorded reserves in the preparation of accruals for financial reporting purposes and will challenge apparently inactive claims which remain open.

### Recommendations

Police Scotland should articulate an organisational stance as to the treatment of claims which have remained open for longer than expected and develop guidance for solicitors and handlers as to the approach to be adopted in reviewing these claims. The assessment of whether the time to settle a long-running claim falls outside expectation should be informed by appropriate professional judgement.

Consideration should be given to the use of claims registers to record the key dates relevant to a legal claim lifecycle in order to support analysis of the typical timescales for given categories of claims, and should at least provide a means to determine when an open claim was last reviewed to confirm that the reasons for it remaining open remain valid, and that its reserve remains accurate. This information could also be used as a tool to provide management information to enable analysis of the efficiency of the claims management process, and to support estimation of workload and resource requirements..

Note that we have raised a more general observation around Management Information under Control Objective 4.



**Management Action**

Where a claim or case has been intimated or raised by a process which has its own predetermined timetable then the obligation of the solicitor or claims handler is to adhere to that. It is, nonetheless, recognised that implementation of Recommendation 4.1 (below) and the operation of case management software should enable easier recognition of any claim or case whose progress does not conform to expectations

1. Investigate the purchase and introduction of suitable case management software.
2. As an interim measure, ensure that the claims register records the date of last review of open claims.

**Action owner:** Head of Legal Services

**Due date:** Action 1: 30 June 2022

Action 2: 31 December 2021

### **3.3 (PS and SPA) Version Control**

As part of our audit, we reviewed a variety of internal documentation, including the Police Scotland Legal Services Department Manual, reserving philosophy statement, and Police Scotland and SPA administrative documentation such as templates and standard spreadsheets.

In general, we were not able to clearly determine when these were last updated, and whether they had been specifically reviewed and approved.

#### **Risk**

There is a risk that documentation contains information which is not consistent with organisational policy, or remains in use when it has become obsolete, leading to inappropriate claims handling decisions, and potential unnecessary or unauthorised financial outlay.

#### **Recommendation**

As a matter of best practice, we recommend that both teams review their existing documentation, and record:

- The document owner;
- The date of last review;
- The date of approval by the Head of Legal Services; and
- The timescale for the documents to be re-reviewed, updated and approved.

## Management Action

### Police Scotland:

We will put in place a process of version control for all internal documents as stated within the recommendation.

**Action owner:** Head of Legal Services

**Due date:** 31 December 2021

### SPA:

The SPA Legal team uses two spread sheets. The first is the Legal Reporting spread sheet which contains details of all work undertaken by the SPA Legal team. This spread sheet is updated on a weekly basis and, contrary to the finding at para 3.3. above, clearly records the dates on which updates are made. The spread sheet is discussed on a weekly basis at SPA Legal team meetings, and also with the Chief Executive on a bi-monthly basis, the last such discussion taking place on 16/7/21.

The other spread sheet used by the SPA Legal team is the Litigation, Settlements and Awards spread sheet. This records details of all litigation and claims being handled by the SPA Legal team, together with financial reserves and any agreed settlement sums. It also records any learning identified from the case, and confirmation of whether this has been disseminated to staff as appropriate. This spread sheet is updated whenever any new proceedings/claims are raised, and also whenever proceedings/claims are resolved.

Both spread sheets have been amended to reflect the above recommendation

**Action owner:** SPA Head of Legal

**Due date:** Complete

# Control Objective 4: Adequate arrangements are in place to monitor and report on the outcome of Legal Claims

Amber

## 4.1 (SPA and PS) Manual processing and Management Information

The processing of legal claims within Police Scotland is reliant on paper files and the manual completion and update of claims registers held on spreadsheets. These spreadsheets provide the only means to track current workloads and collate aggregated information such as case volumes, total reserves held, and total settlements.

Manual processes, by their nature, impose administrative burden on staff, introduce the risk of data entry errors, and render the preparation of summary information challenging without excessive manual compilation or data manipulation. We also did not observe evidence of any systematic review or validation process for the information contained with the claims registers, though we are advised by management that a dip sampling approach is used to ensure that the register is up to date at the point when management and governance reporting is prepared.

This issue was identified by EY in their 2018 review of Legal Services, commissioned by the ACC Professionalism and Assurance. The EY report recommended that Police Scotland implement technology solutions for the administration and management of caseloads.

We noted that the information presently recorded in spreadsheet-based claims registers does not readily support analysis of claim caseload or outcomes in terms of:

- the nature of incidents giving rise to claims, other than by broad category (Employers Liability, Employment Tribunal, Public Liability, or Motor Liability)
- the typical distributions of settlement timescales for a given incident type, such that outliers can be identified and investigated
- typical distributions of settlement value to support scrutiny of, and consistency of approach to, settlement offers
- accuracy of initial reserves, to inform organisational policy and provide a basis for estimation where limited information is provided at claim intimation

### Risk

There is a risk that patterns and trends in the receipt and settlement of legal claims are not identified, as the information collated does not support systematic analysis. This could lead to the failure to identify and address root causes common to multiple claims, resulting in unnecessary financial outlays and reputational damage.

### Recommendation

SPA and Police Scotland should consider options for the introduction of software for case management, which would both reduce administrative burden and provide a more robust means of compiling and reporting management information.

Recognising that this would be contingent on the identification of a suitable solution and the availability of resources, we recommend that in any case, SPA and Police Scotland should:

## OFFICIAL

- Consider if there is a need to capture additional information within the claims registers to support management and governance reporting. This should be based upon consultation with the SPA Legal Committee, and other stakeholders that make use of Legal Services MI, such as the PPMB, Professional Standards department, and Insurance Officer.
- Record the outputs of any audit or review process carried out to validate the information contained within the claims register, to provide assurance as to its accuracy.

The lower claims volumes dealt with by SPA Legal means that the extent to which SPA is exposed to this risk is minimal. However, should such a system be procured for the use of Police Scotland, we would recommend SPA consider making use of the same system, if its introduction would be beneficial.

### Management Action

Grade 3  
(Design)

#### Police Scotland:

1. Explore the purchase and introduction of suitable case management software.
2. In the interim, assess the need to capture additional information in relation to Legal Claims in consultation with other stakeholders, and determine whether this can be practically implemented within the administrative limitations of the current manual process.

**Action owner:** Head of Legal Services

**Due date:** 30 June 2022

(for identification of options and potential suppliers – business case)

#### SPA:

The SPA's legal reporting spread-sheet, which contains details of all work undertaken by SPA Legal, including claims/litigation, is updated on a weekly basis and discussed at weekly team meetings.

The recommendation to consider the introduction of case management software is supported by SPA Legal. Discussions will be held with PS Legal, and guidance sought from colleagues in Finance etc. as to how best to explore this possibility and whether the cost of such a system can be accommodated. An update will be provided to the Legal Committee at its next scheduled meeting on 27 October 2021

**Action owner:** SPA Head of Legal

**Due date:** Complete

## 4.2 (PS) Reporting Criteria

We reviewed the reporting provided to the SPA Legal Committee and the People and Professionalism Management Board (PPMB), which primarily consists of summary information on specific cases and some limited statistical information.

The SPA Legal Committee receives updates on all live claims relating to the SPA, however the report provided by Police Scotland includes a selection of live claims. We understand from management that these consist of:

- Claims with reserves which have exceeded, or are expected to exceed, the delegated financial authority of the Head of Legal Services;
- Claims pursued for values which exceed this delegated authority; and
- Claims inviting significant public interest, or carrying a high degree of reputational risk.

We understand that claims reported for non-financial reasons are selected subjectively, rather than according to any documented and agreed set of principles

### Risk

There is a risk that the reporting provided to management and governance groups is not adequate to allow these groups to discharge their scrutiny role. This may lead to issues requiring Board level attention not being escalated timeously, resulting in reputational damage.

### Recommendation

Police Scotland should agree a set of principles for identifying claims of interest to the SPA Legal Committee and PPMB, notwithstanding their potential financial value.

These principle should be documented and periodically reviewed. The purpose of the principles should be to provide guidance as to the information needs and expectations of the committees, and not to inhibit the Head of Legal Services from bringing issues to the attention of these groups should they feel it is warranted for other reasons.

#### Management Action

Grade 2  
(Design)

This Recommendation is supported; it is proposed that the agreed set of principles should align with those set out in the SPA/Police Scotland Joint Memorandum of Understanding (published 30th June 2021)

This will be documented along with other procedures at 1.1 and 3.1

**Action owner:** Head of Legal Services

**Due date:** 31 December 2021

## Control Objective 5: Resolved claims are reviewed to identify any organisational learning, and this is incorporated into staff and officer training and guidance material

Yellow

### 5.1 (PS) Review of Claim Outcomes

There is no systematic process for the review of claims, either to identify patterns or trends suggesting underlying issues, or specific organisational learning from particular incidents. The proceedings of governance groups indicate that there is a degree of subjective review, however we understand that this has not led to any specific root causes or subsequent actions being identified.

We observed that the claims register maintained within SPA Legal incorporates a specific assessment, carried out at the settlement or closure of a claim, to determine if any organisational learning can be identified. The outcome of this assessment, including any action taken, is then recorded in the register.

#### Risk

There is a risk that the absence of a systematic approach to the review of claim outcomes means that potential organisational learning is not identified, resulting a failure to address underlying causes of claims and unnecessary financial outlay.

#### Recommendation

We recommend that Police Scotland adopt a process which documents any retrospective review of Legal Claims which is performed, and any outcome or action. The review process should be based on a defined and documented set of principles, agreed with stakeholder groups.

#### Management Action

Grade 2  
(Design)

Subject to the implementation of a broader Organisational Learning Framework, Legal Services will identify an appropriate and proportionate process for the conduct of retrospective review.

**Action owner:** Head of Legal Services

**Due date:** 31 December 2021

## 5.2 (PS) Organisational Learning

Police Scotland is in the process of developing a framework to support the identification and implementation of organisational learning within operational areas. At present, any action from identified organisational learning arising from Legal Claims would be required to be implemented on a case by case basis through the existing channels of engagement between Legal Services and People & Development or Professional Standards. However, as noted at MAP 5.1, the present approach to identifying such learning within Police Scotland is non-systematic.

Police Scotland conducted an internal review into Organisational Learning, which reported in September 2020. The review determined that there are a broad range of potential sources of organisational learning across the organisation and recommended that a governance structure and approach is developed to capture the outputs of these and coordinate the implementation of any resulting action. A briefing paper which presented options for putting in place such a structure as part of the Professionalism and Assurance Portfolio was presented to the June meeting of the Operation Talla Strategic Oversight Board.

### Risk

In the absence of a wider framework, there is a risk that identified organisational learning is not progressed as a consequence of unclear ownership of the resulting actions, leading to failure to address root causes driving legal claims.

### Recommendation

Subject to the implementation of MAP 5.1, Legal Services should seek to establish the review of legal claims as a potential source of organisational learning and align its review processes with the structures put in place to coordinate and implement any identified actions.

In the interim, Police Scotland should incorporate organisational learning from existing reporting and communication channels into operational business areas.

#### Management Action

Grade 2  
(Design)

As for MAP 5.1 above, the implementation of this recommendation is dependent on the implementation of a broader Organisational Learning Framework. Once in place, Legal Services will identify the most suitable means for learning acquired through its review process to feed into this structure.

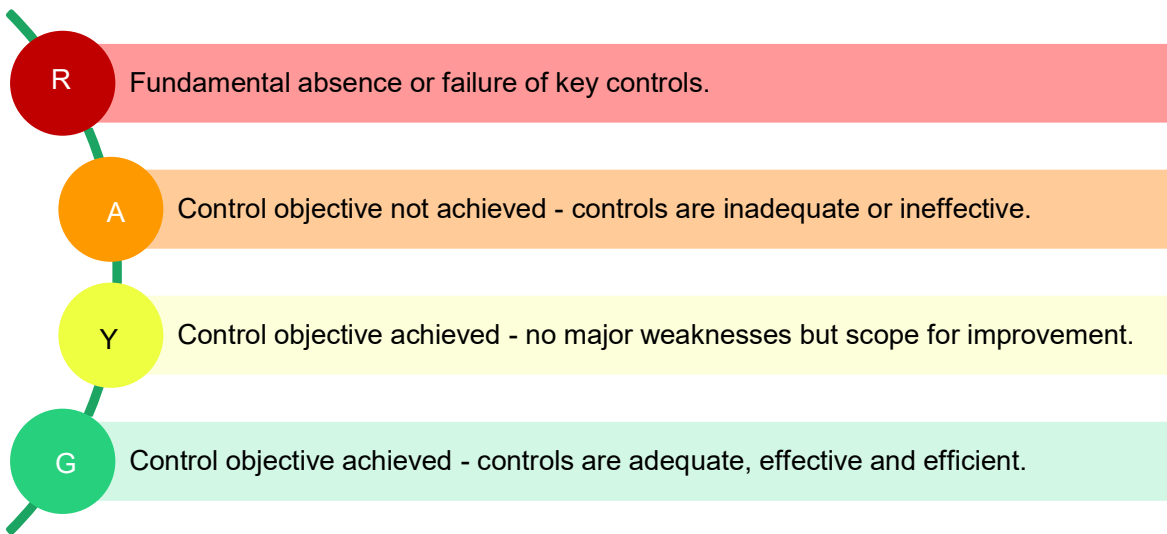
**Action owner:** DCC People and Professionalism

**Due date:** 1 September 2022

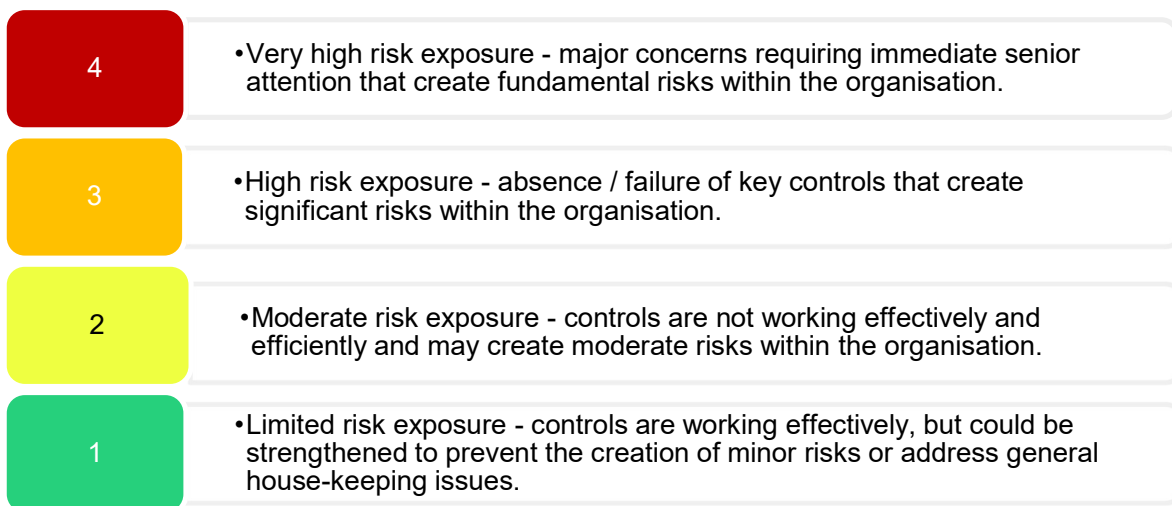


# Appendix A – Definitions

## Control assessments



## Management action grades



## Appendix B – Summary of management actions

Action No.	Recommendation	Management Response	Grade	Action Owner	Due Date
1.1	The Police Scotland Legal Services Team should document its general policy with regard to handling and authority limits and agree and document the individual authority limits for each solicitor and claims handler. Limits should be subject to approval from an individual holding sufficient authority, such as the Head of Legal Services, and subject to regular review.	<p>This Recommendation is supported. The Report notes, correctly, that solicitors and claims handlers in PSoS Legal are aware of the limits within which they already operate when settling claims themselves and when they need to seek further authorisation. Documenting those respective limits can and will be implemented. Similarly, those limits can and will be reviewed in line with other reviews of SPA/PSoS Scheme of Delegations.</p> <p>We will review the authority limits in line with other reviews of the Scheme of Delegation and formally document these along approval processes.</p>	2	Head of Legal Services	31 December 2021
3.1	Both the SPA and PS legal departments primarily consist of professionally qualified solicitors, and we acknowledge that it may not be desirable to replace the professional judgement of these	<p>Police Scotland:</p> <p>Existing guidance on the factors to accompany any decision to instruct</p>	3	Head of Legal Services SPA Head of Legal	31 December 2021 27 October 2021

**OFFICIAL**

individuals with prescriptive procedures. However, there is an opportunity to clarify, agree, and document departmental or organisational policy to inform decision making and support consistency. This should include:

- Administrative requirements to be fulfilled on receipt of a claim;
- Circumstances in which escalation to a Senior or Principal Solicitor is always required where claims are allocated across the department for handling, as is the case within Police Scotland;
- Any decisions which are reserved to particular individuals or require a minimum level of seniority;
- Guidelines as to when it is appropriate to instruct external suppliers

third party solicitors in terms of the Framework agreement can be restated.

We will document our procedures in respect of escalation and third party procedures.

SPA:

SPA Legal has prepared draft procedures for the handling of litigation within the SPA. The draft already addresses some of the issues described in the bullet points above, and will be amended to address the other points as appropriate. One point that will be difficult to address meaningfully is “expected timescales for claims handling”. This is because, where litigation has been commenced, different timescales may apply depending on the nature of the proceedings. Timescales may also be dependent on the complexity or otherwise of the proceedings, as well as the approach taken to the proceedings by the opposing side

**OFFICIAL**

Once agreed within SPA Legal, and following further discussions with Police Scotland Legal, the draft procedures will be presented to the SPA's Senior Management Team for comment. They will then be submitted to the Legal Committee at its scheduled meeting on 27 October 2021, for consideration and approval.

3.2

Police Scotland should articulate an organisational stance as to the treatment of claims which have remained open for longer than expected and develop guidance for solicitors and handlers as to the approach to be adopted in reviewing these claims. The assessment of whether the time to settle a long-running claim falls outside expectation should be informed by appropriate professional judgement.

Consideration should be given to the use of claims registers to record the key dates relevant to a legal claim lifecycle in order to support analysis of the typical timescales for given categories of claims,

Where a claim or case has been intimated or raised by a process which has its own predetermined timetable then the obligation of the solicitor or claims handler is to adhere to that. It is, nonetheless, recognised that implementation of Recommendation 4.1 (below) and the operation of case management software should enable easier recognition of any claim or case whose progress does not conform to expectations

2

Head of Legal Services

Action 1: 30 June 2022

Action 2: 31 December 2021

**OFFICIAL**

and should at least provide a means to determine when an open claim was last reviewed to confirm that the reasons for it remaining open remain valid, and that its reserve remains accurate. This information could also be used as a tool to provide management information to enable analysis of the efficiency of the claims management process, and to support estimation of workload and resource requirements..

Note that we have raised a more general observation around Management Information under Control Objective 4.

1. Investigate the purchase and introduction of suitable case management software.
2. As an interim measure, ensure that the claims register records the date of last review of open claims.

1

Head of Legal Services  
Spa Head of Legal

31 December 2021

Complete

**3.3**

As a matter of best practice, we recommend that both teams review their existing documentation, and record:

- The document owner;
- The date of last review;
- The date of approval by the Head of Legal Services; and

**Police Scotland:**

We will put in place a process of version control for all internal documents as stated within the recommendation.

**SPA:**

The SPA Legal team uses two spread sheets. The first is the Legal Reporting

**OFFICIAL**

- The timescale for the documents to be re-reviewed, updated and approved.

spread sheet which contains details of all work undertaken by the SPA Legal team. This spread sheet is updated on a weekly basis and, contrary to the finding at para 3.3. above, clearly records the dates on which updates are made. The spread sheet is discussed on a weekly basis at SPA Legal team meetings, and also with the Chief Executive on a bi-monthly basis, the last such discussion taking place on 16/7/21.

The other spread sheet used by the SPA Legal team is the Litigation, Settlements and Awards spread sheet. This records details of all litigation and claims being handled by the SPA Legal team, together with financial reserves and any agreed settlement sums. It also records any learning identified from the case, and confirmation of whether this has been disseminated to staff as appropriate. This spread sheet is updated whenever any new proceedings/claims are raised, and also whenever proceedings/claims are resolved.

**OFFICIAL**

Both spread sheets have been amended to reflect the above recommendation

4.1

SPA and Police Scotland should consider options for the introduction of software for case management, which would both reduce administrative burden and provide a more robust means of compiling and reporting management information.

Recognising that this would be contingent on the identification of a suitable solution and the availability of resources, we recommend that in any case, SPA and Police Scotland should:

- Consider if there is a need to capture additional information within the claims registers to support management and governance reporting. This should be based upon consultation with the SPA Legal Committee, and other stakeholders that make use of Legal Services MI, such as the PPMB, Professional Standards department, and Insurance Officer.

Police Scotland:

1. Explore the purchase and introduction of suitable case management software.
2. In the interim, assess the need to capture additional information in relation to Legal Claims in consultation with other stakeholders, and determine whether this can be practically implemented within the administrative limitations of the current manual process.

3

Head of Legal Services  
SPA Head of Legal

30 June 2022

Complete

- Record the outputs of any audit or review process carried out to validate the information contained within the claims register, to provide assurance as to its accuracy.

The lower claims volumes dealt with by SPA Legal means that the extent to which SPA is exposed to this risk is minimal. However, should such a system be procured for the use of Police Scotland, we would recommend SPA consider making use of the same system, if its introduction would be beneficial.

4.2

Police Scotland should agree a set of principles for identifying claims of interest to the SPA Legal Committee and PPMB, notwithstanding their potential financial value.

These principle should be documented and periodically reviewed. The purpose of the principles should be to provide guidance as to the information needs and expectations of the committees, and not to inhibit the Head of Legal Services from bringing issues to the attention of these

This Recommendation is supported; it is proposed that the agreed set of principles should align with those set out in the SPA/Police Scotland Joint Memorandum of Understanding (published 30th June 2021)

This will be documented along with other procedures at 1.1 and 3.1

2

Head of Legal Services

31 December 2021



OFFICIAL

groups should they feel it is warranted for other reasons.

5.1	<p>We recommend that Police Scotland adopt a process which documents any retrospective review of Legal Claims which is performed, and any outcome or action. The review process should be based on a defined and documented set of principles, agreed with stakeholder groups.</p>	<p>Subject to the implementation of a broader Organisational Learning Framework, Legal Services will identify an appropriate and proportionate process for the conduct of retrospective review.</p>	2	Head of Legal Services	31 December 2021
5.2	<p>Subject to the implementation of MAP 5.1, Legal Services should seek to establish the review of legal claims as a potential source of organisational learning and align its review processes with the structures put in place to coordinate and implement any identified actions.</p> <p>In the interim, Police Scotland should incorporate organisational learning from existing reporting and communication channels into operational business areas.</p>	<p>Subject to the implementation of MAP 5.1, Legal Services should seek to establish the review of legal claims as a potential source of organisational learning and align its review processes with the structures put in place to coordinate and implement any identified actions.</p> <p>In the interim, Police Scotland should incorporate organisational learning from existing reporting and communication channels into operational business areas.</p>	2	DCC People and Professionalism	1 September 2022

**OFFICIAL**

© Azets 2021. 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.