



SCOTTISH
FIRE AND RESCUE SERVICE

Working together for a safer Scotland

PUBLIC MEETING - AUDIT & RISK ASSURANCE COMMITTEE

THURSDAY 9 JULY 2020 @ 1000 HRS

BY CONFERENCE FACILITIES

PRESENT:

Brian Baverstock (BB), (Chair)	L Bloomer (LBI)
Sid Patten (SP)	Mhairi Wylie (MW)
Tim Wright (TW)	

IN ATTENDANCE:

Martin Blunden (MB)	Chief Officer
Sarah O'Donnell (SO'D)	Director of Finance and Contractual Services
Mark McAteer (MMcA)	Director of Strategic Planning, Performance and Communications
John Thomson (JTh)	Head of Finance and Procurement
Alan Duncan (AD)	Accounting Manager
Sandra Fox (SF)	Head of ICT (Item 14 only)
Marysia Waters (MWa)	Head of Communications & Engagement (Item 16b only)
David Johnston (DJ)	Risk and Audit Manager
Gary Devlin (GD)	Internal Audit (Scott-Moncrieff)
Matthew Swann (MS)	Internal Audit (Scott-Moncrieff)
Caroline Jamieson (CJ)	External Audit (Deloitte)
Simon Routh-Jones (SRJ)	HMFSI
Richard Whetton (RW)	Head of Corporate Governance
Hilary Sangster (HS)	Group Commander Business Support
Alasdair Cameron (AC)	Group Commander Board Support
Debbie Haddow (DH)	Board Support/Minutes

OBSERVERS:

Vlad Valiente, Head of Legal Services
Karen Horrocks, Assistant Verification & Risk Officer
Heather Greig, Board Support Executive Officer

1 CHAIR'S WELCOME

1.1 The Chair opened the meeting and welcomed those participating via teleconference, in particular SRJ to his first meeting of the ARAC. The recently circulated virtual meeting protocol was reiterated to the attendees.

2 APOLOGIES

2.1 None

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3 CONSIDERATION OF AND DECISION ON ANY ITEMS TO BE TAKEN IN PRIVATE
3.1 Following a brief discussion, it was agreed that Item 14 (Cyber Security Assurance Annual Report 2019/20) would remain in the public session and if necessary, this item would be suspended and moved to the private session.

3.2 No further items were identified.

4 DECLARATION OF INTERESTS

4.1 None.

5 MINUTES OF LAST PUBLIC MEETING: 25 MARCH 2020

5.1 The minutes were agreed as an accurate record of the meeting.

5.2 Matters Arising

5.2.1 There were no matters arising.

5.3 **The minutes of the public meeting held on 25 March 2020 were approved as a true record of the meeting.**

6 ACTION LOG

6.1 The Committee considered the action log and noted the updates.

Item 7.1.3 – SFRS Internal Audit Progress Report 2019/20 (Risk Management) (25/03/2020) – In relation to Recommendation 5 (crystallisation of risks within the project), RW confirmed that specific evidence from the Gateway Review on the risk process within the portfolio had been provided to Scott-Moncrieff. Scott-Moncrieff were content with this additional information.

Item 7.2.6 – Internal Audit Charter and Plan for 2020/21 (25/03/2020) – BB confirmed that this was discussed at the Integrated Governance Committee (25 March 2020) and would be discussed further today under Item 10a (Internal Audit Progress Report).

6.2 **The Committee noted the updated Action Log and approved the removal of completed actions.**

7 COMMITTEE AUDIT ANNUAL REPORT 2019/20 TO THE BOARD AND ACCOUNTABLE OFFICER OF SCOTTISH FIRE AND RESCUE SERVICE

7.1 BB presented a report to the Committee for approval noting the previous circulation of the draft report and the opportunity for comments to be made. He highlighted that the report provided comment on key sources of assurance such as Internal/External Audit, HMFSI, risk management, financial control and the Committee's effectiveness. Future key issues for the Committee were the ongoing risk due to COVID-19 and the further development of risk management arrangement.

7.2 The Committee thanked the Board Support Team for their excellent support throughout the last year.

7.3 **The Committee approved the report and noted that it would be presented at the Board meeting (27 August 2020) for information.**

8 DEBT WRITE OFF

8.1 AD presented a report to the Committee seeking recommendation to write off debts raised since 1 April 2013 that remain outstanding. A breakdown of the debts and an accounting adjustment (Expected Credit Loss) was provided. Several cases have been passed to the Legal Section to pursue further legal action to recover outstanding debts. It was noted that this process was time barred and was currently on hold due to the COVID-19 pandemic.

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8.2 AD confirmed that the Service continue to actively pursue the recovery of all outstanding debts on an ongoing basis. The annual review and specific circumstances determined whether it was realistic to continue to pursue or write off debts.

8.3 **The Committee recommended the debt write off as detailed in the report and noted that a summarised report would be presented at the Board meeting (27 August 2020).**

9 SFRS ANNUAL GOVERNANCE STATEMENT 2019/20

9.1 The Committee were asked to review the Annual Governance Statement (AGS) and support the conclusions, in particular the consistency with other governance arrangements across the organisation. The Committee commended the effort involved in the production of this excellent report which is a credit to the Service.

9.2 MB presented the report to the Committee advising of the Annual Governance Statement (AGS) inclusion into the Annual Report and Accounts for year ending 31 March 2020.

9.3 In regard to the Certificates of Assurance, MB stated that along with the actual certificate, assurance was also provided through regular meetings with Directors, overall holistic view on risk, management of risk and financial controls throughout the year.

9.4 The Committee questioned whether the additional governance arrangements put in place in response to COVID-19 should be reflected in the AGS. MB agreed to consider this and review the AGS, as appropriate.

9.5 **The Committee scrutinised the report and subject to one potential amendment (9.4), recommended its inclusion in the Annual Report and Accounts.**

10 INTERNAL AUDIT

10.1 SFRS Internal Audit Progress Report 2020/21

10.1.1 MS presented a report to the Committee which summarised the progress on the delivery of the 2020/21 Internal Audit Plan and the following key points were highlighted:

- Summary for progress in Quarter 1 and plan for Quarter 2
- Overall progress on 2020/21 Internal Audit Plan
- Procurement and Tendering Review to be rescheduled to Quarter 4 following a request from SFRS.

10.1.2 Since Scott-Moncrieff's appointment, GD informed the Committee that there had been positive engagement with management/corporate teams which has influenced and informed the development of the audit plan and programme. Discussions were ongoing regarding assurances on the transformation programme and how internal audit might best support this work.

10.1.3 The Committee commented on the positive and informative private meeting with Internal Audit prior to the Committee meeting and noted the management's positive response to Scott-Moncrieff's appointment.

10.1.4 BB reminded the Committee that the Internal Audit Plan 2020/21 was not formally approved at the previous meeting due to ongoing discussions on a potential audit of the transformation programme. This would now be discussed under the next item and, depending on the outcome of this, identify what the implications on the plan would be.

10.1.5 **The Committee noted the progress report.**

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10.2 Transformation Programme Gap Analysis

10.2.1 GD presented a report to the Committee providing an overview of the approach that would be taken in conducting an audit of the transformation programme. To do this they had reviewed the assurances received from gateway review processes, reviewed the potential scope of an internal audit and identified gaps. Since this review, Accenture had been commissioned to undertake a strategic review, that will encompass the transformation programme.

10.2.2 MS informed the Committee that the review (gap analysis) identified the areas not covered by the Gateway Review and a further internal audit review would provide an overall rounded assurance whilst taking cognisance of the work being undertaken by Accenture. GD noted the importance of timing to undertake this further work so as to best help and support management and complement the Accenture review.

10.2.3 MB reminded the Committee that the Gateway Review was undertaken in February 2020 and there had been limited time to progress this prior to COVID-19 response/lockdown. As the transformation programme was predominately predicated on broadening the role of Firefighters and the ballot was rejected, the Service have reviewed their Future Vision and would be re-engaging with personnel. He also commented on the relationship with the Accenture review and the impact of parliamentary elections in 2021. MB agreed that timing was important and in his opinion, felt it would not be appropriate for a further internal audit review to be considered within the current financial year.

10.2.4 The Committee commented on the benefit of further discussions to understand the implications of the rejected ballot, COVID-19 and Accenture's review to help plan ahead. An opportunity for an early light touch review this financial year may be helpful but clear value would need to be identified.

ACTION: BB

10.2.5 The Committee welcomed the report and the clear scope and depth of internal audit work in this area. The Chair would include a summary of this position when reporting to the Board on the Internal Audit Plan 2020/21.

10.2.6 **The Committee noted the report.**

10.3 Assurance Mapping

10.3.1 GD reminded the Committee that there is a requirement on SFRS to develop an Assurance Framework which helps the organisation and Audit Committee to focus in on key assurance needs and potential gaps. The Assurance Framework is usually taken forward in the form of an assurance mapping process

10.3.2 SFRS's current assurance map was high level and GD suggested that clearer recording of the quality rating of assurance across the SFRS's assurance map would be beneficial.

10.3.3 MB thanked GD for his comments and suggested that a meeting between MB/SO'D/GD be arranged to discuss potential improvements which in turn would allow the Committee to review key areas of business.

ACTION: SO'D

10.3.4 **The Committee noted the verbal report.**

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10.4 **Internal Audit Report - Progress Update**

10.4.1 MS presented a report to the Committee outlining the current status of the recommendations raised by Internal Audit noting the inclusion of a comments section from Scott-Moncrieff. Work was ongoing to ensure that the narrative and percentage completed figures were accurate and consistent.

10.4.2 In relation to the KPIs percentage of action completed on time, SO'D commented on the historic issue of setting unrealistic targets, impacts of external factors, audits being superseded by other events, etc. Some older actions were broader than finance and the follow up of these actions would now come under the remit of the Senior Management Board. MS confirmed that realistic timescales for recommendations were essential going forward.

10.4.3 In relation to Corporate Responsibility Arrangements, SO'D noted that this was an ongoing organisation challenge and further noted that this was an area of key focus for the Director of Training, Health and Assurance. DJ commented on resourcing issues, introduction of desktop audit process for significant events, recent organisational restructure and noted that some actions may have been superseded as a result.

10.4.4 In relation to Water Planning Arrangements, SO'D confirmed that progress was being made with Scottish Water to resolve issues and that the Strategic Leadership Team have approved the inclusion of the development of the ICT system within the ICT Workplan.

10.4.5 **The Committee noted the report.**

10.5 **Fraud Risk Management Arrangements – Management Response**

10.5.1 JT presented a report to the Committee to provide an update on the agreed management response and progress on action in relation to the Fraud Risk Management Arrangements audit. The following key points were highlighted:

- Overall outcome of Reasonable Assurance with 19 recommendations including reference to best practice.
- High recommendation to undertake a corporate fraud risk assessment. Template to be developed and incorporated into the annual governance framework.
- Recent Audit Scotland's National Fraud Initiative report would also be taken into consideration.

10.5.2 In relation to the approval of new suppliers, JT stated that work had commenced to capture more evidence on suppliers and to assign a risk rating to all existing and new suppliers.

10.5.3 In relation to the cultural recommendation, JT noted that through engagement with the Service Delivery Area's the high volume of policies and procedures were highlighted, as well as the continued use of legacy processes. This was a known issue and would be addressed through the national action plan.

10.5.4 In relation to the KPI recommendation, JT informed the Committee of the generic risk on KPI, ie financial incentives and noted that there were no financial incentives attached to SFRS's KPIs. However, the importance of recording accurate KPIs would be communicated.

10.5.5 In relation to the use of petty cash, JT noted the ongoing reduction and replacement of petty cash with procurement cards.

10.5.6 JT confirmed that the Fraud Response Plan clearly indicated the need for involving Police Scotland.

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10.5.7 JT commented on the introduction of this new process, the initial reflections, the need to raise awareness of potential fraud risks and develop appropriate training. Fraud risk will permeate through the Corporate into the Directorate Risk Registers.

10.5.8 **The Committee noted the report.**

(The meeting broke at 1125 hrs and reconvened at 1135 hrs.)

11 **EXTERNAL AUDIT – THE AUDIT PLAN 2019/20**

11.1 CJ presented the Committee with the verbal report highlighting the following key points:

- Attended stocktake count with Roddy MacKinnon, Equipment Manager.
- Maintaining contact with Finance to identify any potential disruption to the year-end processes.
- Contacted Scottish Government and Audit Scotland to identify any potential extension to year-end processes, if required. It was noted that there was no extension at this time from Scottish Government and Audit Scotland had confirmed that they would be pragmatic in the current circumstances.
- Following discussions with Finance, it was anticipated that the deadline for preparing and finalising the accounts would be met.
- Auditing of the accounts was scheduled for the end of August 2020.

11.2 JT informed the Committee that he was confident that the deadline would still be achieved despite the current circumstances.

11.3 **The Committee noted the verbal report.**

12 **HMFSI ROUTINE ANNUAL REPORT**

12.1 SRJ presented his annual report to the Committee and the following key areas were noted:

- During 2019/20, 3 local area inspections and 2 thematic programmed reviews were undertaken. At the request of Scottish Government, a number of reviews (desktop) were also undertaken.
- Due to the current COVID-19 pandemic, preparatory work was being carried out for the 2020/21 programmed local area inspections and thematic reviews. Fieldwork would recommence once appropriate and be carried out consciously to avoid overburdening areas/departments.
- Follow up reviews to assess progress on recommendations/actions were scheduled and undertaken.
- Thematic review on RDS Training had been reinstated and carried out separately to the internal Training and Employee Development Review.
- Thematic review for Command and Control would be published in August 2020. Due to the Grenfell inquiry, the areas involving high rise buildings were extracted to avoid any delays and would be carried out under a separate thematic review during 2020/21 programme.
- Thematic review for Assessing the Effectiveness of Inspection Activities had commenced.
- Future thematic reviews were Management of Operational Equipment, Health & Safety and Environmental Protection.
- Light touch review of “No Deal” Brexit Preparedness would be undertaken before the end of 2020.
- Publication of refreshed HMFSI’s Scrutiny Plan 2016-21.
- Retirements and new appointments within the Inspectorate.
- Thanks were extended to the Service for the continued support and agreement to release secondees to work with the HMFSI.

12.2 The Committee were informed that the references for the Environmental Protection Thematic review were still to be finalised.

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12.3 In relation to common themes arising from local area inspections, SRJ was confident that Local Senior Officers were communicating and progressing common themes.

12.4 Following a brief discussion, it was agreed that it would be beneficial for Internal Audit, External Audit and the HMFSI to collaborate and align/coordinate audit activities to minimise any duplication. Update to be provided at the next meeting.

ACTION: BB

12.5 The HMFSI Inspection Programme 2020/21 was available on their website.

12.6 **The Committee noted the report.**

13 NATIONAL FRAUD INITIATIVE EXERCISE 2018/19

13.1 DJ presented the report to the Committee providing an update on the outcome of the National Fraud Initiative (NFI) Exercise 2018/19. The exercise identifies potential inconsistencies (matches) that could indicate fraud or error. These matches are required to be investigated. Of the 1525 matches identified, SFRS have investigated and closed 98% with no fraudulent activities found. Matches in relation to trade creditors, duplicate suppliers, Companies House (conflict of interests) and payroll were noted.

13.2 The 2020/21 exercise would commence in October 2020 and data matches would be provided to the Service in January 2021.

13.3 **The Committee noted the report.**

(S Fox joined the meeting at 1205 hrs)

14 CYBER SECURITY ASSURANCE ANNUAL REPORT 2019/20

14.1 With reference to the Committee's earlier comment, SF confirmed that this report could be taken in public session.

14.2 SF presented the Committee with the annual assurance report on the Service's position in relation to cyber security, including details of cyber security incidents and their management during 2019/20. The following key point were highlighted:

- Details of ICT security arrangements and activities undertaken to implement improvements.
- Achieved accreditation to the Cyber Essential Standard.
- Increase in overall number of incidents, particularly phishing, however this could be attributed to raised awareness with the Service.
- Averaged ICT commitment to resolve each incident was 5 days.
- Multi-factor authentication continues to be rolled out.
- Additional guidance has been provided to all staff during the COVID-19 pandemic.
- Cyber Security project has been included within the ICT workplan 2020/21.

14.3 The Committee enquired on the recommendations arising from the penetration testing and whether there were any emerging patterns. SF stated that there were no trends emerging from the recent penetration testing and there were no specific areas of concerns.

14.4 SF confirmed the attendees and remit (technical changes) of the Change Advisory Board. It was noted that the Digital Steering Group reviewed and prioritise the ICT requirements from all Directorates.

14.5 **The Committee noted the report.**

(SF left the meeting at 1220 hrs)

(MW joined the meeting at 1220 hrs)

15 QUARTERLY UPDATE OF GIFTS, HOSPITALITY AND INTEREST REGISTER

15.1 DJ presented the report to the Committee providing an update on the Gifts, Hospitality and Interests Register for Quarter 4 2019/20 and highlighted the following key points:

- Gifts, Hospitality and Interests Policy reviewed and currently out for consultation.
- Raising awareness within the Service through iHub, SFRS News and management meetings.
- Register updated and informed through the National Fraud Initiative and all matches were investigated and updated appropriately.
- Publication of Declaration of Gifts/Hospitality on the SFRS Website.

15.2 **The Committee noted the report.**

16 INTERNAL CONTROLS UPDATE

16.1 a) Strategic Risk Register

16.1.1 DJ presented the revised Strategic Risk Register (SRR) along with the aligned Directorate Risks to the Committee. The following key points were highlighted:

- Internal audit of risk management framework at the end of 2019/20. Current further audit by Scott-Moncrieff.
- Full review of SRR to refocus the register to better support the wider governance and assurance processes.
- Nine strategic risks supported by 46 refreshed Directorate risks with identified governance routes.
- Future reporting will be through In-Phase, however, the development of this template has been delayed due to COVID-19.
- Schedule of SRR reporting to the Board and relevant Committees.
- Risk session scheduled for Strategy day on 30 July 2020.

16.1.2 In relation to the Asset Management risk, the Committee commented on the current and target risk rating being the same. SO'D indicated that the original and target risk ratings were set at the start and end of the financial year, respectively. The Service had been realistic in setting these targets by recognising the significant investment required in this area and work would continue in this financial year to ensure that the situation does not deteriorate. The target risk indicates the aspiration of the Service through actions and controls and also indicates the planned direction of travel. The In-Phase reporting template would allow the Committee to see the integration of risk alongside the Annual Operating Plan actions and performance.

16.1.3 **The Committee welcomed the refocused risk register and noted the report.**

16.2 Spotlight Risk Report – SR4.9 Protection of SFRS's Reputation

16.2.1 MWa presented a risk spotlight report to the Committee, noting the following key points:

- Categories of reputational damage.
- Impact of reputational damage including loss of trust within the organisation, inability to recruit/retain personnel and poor staff morale leading to reduced productivity.
- SFRS have a good reputation externally but this is not necessarily replicated internally. Refocus on improved internal communication to rebuild this balance to protect the organisation's reputation.
- Internal Communication and Engagement review undertaken and action plan developed.
- Management of external reputation including introduction of OASIS model for campaigns.
- Business Partner model adopted for all projects to offer support and advice.
- Social media policy, stakeholder relationships/public engagement, complaint management and political engagement.

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- 16.2.2 In relation to change management, MWa noted that the “one size fits all” approach was not appropriate and the introduction of the OASIS model offered a more individual approach.
- 16.2.3 In relation to public engagement, MWa stated that the Service are aligning to the national communications and engagement standards and this was the engagement advice Business Partners would be providing. MWa fully acknowledged the difference between communication and engagement.
- 16.2.4 In relation to staff engagement, MWa noted the recent engagement with staff on COVID-19. It was further noted that managers were being empowered to engage with staff and the internal review focused on this area.
- 16.2.5 MMcA informed the Committee that a stocktake report, following the rejected ballot, was being developed and would include the future vision and staff engagement processes.
- 16.2.6 **The Committee noted and welcomed the improvement in communication and engagement over the last year.**
- 16.3 **b) Anti-fraud**
- 16.3.1 SO'D noted the earlier discussions and work undertaken in this area. One case of potential fraud was currently being investigated.
- 17 REVIEW OF ACTIONS**
- 17.1 AC confirmed the 3 actions arising during the meeting.
- 18 FORWARD PLANNING**
- 18.1 **a) Committee Forward Plan Review**
- 18.1.1 The Committee considered and noted the Forward Plan.
- 18.2 **b) Items for Consideration at Future IGF, Board and Strategy Days Meetings**
- 18.2.1 It was proposed that an item be taken to the Integrated Governance Forum regarding the HMFSI Annual Report (Item 12).
- 19 DATE OF NEXT MEETING**
- 19.1 The next meeting is scheduled to take place on Thursday 8 October 2020 at 1000 hrs.
- 19.2 There being no further matters to discuss the public meeting closed at 1255 hrs.