



SCOTTISH  
FIRE AND RESCUE SERVICE

Working together for a safer Scotland

Agenda  
Item 5

**PUBLIC MEETING - AUDIT & RISK ASSURANCE COMMITTEE**

**THURSDAY 10 OCTOBER 2019 @ 1000 HRS**

**BRAIDWOOD SUITE, SCOTTISH FIRE AND RESCUE SERVICE HEADQUARTERS  
WESTBURN DRIVE, CAMBUSLANG, G72 7NA**

**PRESENT:**

Brian Baverstock (BB), (Chair)                      Sid Patten (SP)  
Tim Wright (TW)

**IN ATTENDANCE:**

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
Jim Montgomery (JM)	Internal Audit
Gary Gibb (GG)	Internal Audit
Pat Kenny (PK)	External Audit (Deloitte)
Caroline Jamieson (CJ)	External Audit (Deloitte)
Peter Heath (PH)	DACO Response and Resilience (Item 8a only)
Sandra Fox (SF)	Head of ICT (Item 10 only)
Richard Whetton (RW)	Head of Corporate Governance
Vlad Valiente (VV)	Head of Legal Services
Hilary Sangster (HS)	Group Commander Business Support
Marion Lang (ML)	Corporate Business and Administration Manager
Debbie Haddow (DH)	Board Support/Minutes

**OBSERVERS:**

Lorna Smith, Scottish Government  
Alan Duncan, Accounting Manager  
Karen Horrocks, Internal Audit

**1 CHAIR'S WELCOME**

1.1 The Chair opened the meeting and welcomed those present.

**2 APOLOGIES**

2.1 Mhairi Wylie, Board Member  
Lesley Bloomer, Board Member  
Martin Blunden, Chief Officer  
Alasdair Cameron, Group Commander Board Support

**3 CONSIDERATION OF AND DECISION ON ANY ITEMS TO BE TAKEN IN PRIVATE**

3.1 The Committee discussed and agreed that the Item 15 (External Audit - Annual Report to Members and Auditor General for Scotland) and Item 16 (Draft Annual Report and Accounts

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2018/19) reports would be heard in private session due to confidential information not already in the public domain and being subject to restrictions relating to confidentiality in line with Standing Orders.

3.2 No further items were identified.

### **4 DECLARATION OF INTERESTS**

4.1 None.

### **5 MINUTES OF LAST PUBLIC MEETING: 26 JUNE 2019**

5.1 The minutes were approved as an accurate record.

#### **5.2 Matters Arising**

5.2.1 There were no matters arising.

5.3 **The minutes of the public meeting held on 26 June 2019 were approved as a true record of the meeting.**

### **6 ACTION LOG**

6.1 The Committee considered the action log:

6.1.1 **Item 8.1.4 – External Audit – Planning Reporting for Year Ending 31 March 2018 (27/03/2019)** – CJ continuing to pursue potential benchmarking opportunities and anticipated information could be provided in January 2020.

6.1.2 **Item 15.5 – PIF Audit Scotland: SFRS May 2019 Action Plan (26/06/2019)** – MMcA explained that reporting was currently out of cycle and that the report would be brought back to the Committee (March 2020).

6.2 **The Committee considered the action log and noted the updates**

### **7 PERFORMANCE IMPROVEMENT FORUM (PIF) NEW DRAFT ACTION PLAN AUDIT SCOTLAND: THE SCOTTISH FIRE AND RESCUE SERVICE MAY 2018**

7.1 MMcA reminded the Committee of the 5 key recommendations and the subsequent action plan developed to address these recommendations. It was anticipated that the action plan would be completed and signed off in March 2020. An updated position and explanation was provided in relation to the 3 amber actions.

7.2 **The Committee noted the verbal update.**

### **8 INTERNAL AUDIT**

#### **8.1 SFRS Internal Audit Progress Report 2019/20**

JM informed the Committee that the 2019/20 plan was underway however there was a risk of not being able to deliver the plan in full or on time, due to resource constraints. Discussions have taken place with SFRS management to identify mitigating actions. It has been proposed that one option might be to place reliance on the forthcoming Gateway Review of the Transformation Programme. Before this approach is pursued the Committee would need assurance that the scope of the Gateway Review would cover that which was planned in the Internal Audit Terms of Reference. It was further proposed that the Health, Safety and Welfare audit may be deferred due to the high probability that this will be included in the HMFSI Inspectorate 2020/21 plan (still to be confirmed). Following a recent procurement exercise, Ernst & Young have been appointed as a co-source partner for Internal Audit Services and, following discussions, could potentially provide resilience early 2020 at a cost to the Service.

8.2 The Committee noted that the key importance was being able to complete the 2019/20 plan to provide an adequate level of assurance and would seek advice from JM on

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identifying another audit should the Health, Safety and Welfare audit be removed from the 2019/20 plan.

8.3 GG provided a brief update in relation to the Risk Management audit and the Committee (through the Chair) requested that they were kept up to date with the proposed terms of reference.

8.4 It was agreed that further discussions with the Chair outwith the meeting were required to agree the changes to the audit programme and the outcomes would be reported back to the Committee.

**ACTION: JM**

8.5 The Committee asked whether Internal Audit were concerned in relation to the timescales involved in actioning the outstanding recommendations. GG stated that there were no overall concerns and noted the improvement in progressing outstanding recommendations.

8.6 SO'D informed the Committee that Monthly Audit Follow Up meetings took place where timescales were decided and progress updates were provided. In relation to the outstanding action from the 2017/18 audit of ICT in relation to reviewing the existing staff complement within the ICT function, SO'D advised that a business case had been submitted requesting the creation of a cyber security team within ICT and an outcome is currently awaited.

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

8.9 **a) Water Planning Arrangements**

8.9.1 GG informed the Committee that the Water Planning Arrangement audit provided a limited assurance level with 7 recommendations. The following was highlighted:

- Good operational relationship between the Service and Scottish Water with regular meetings to improve processes.
- Revision and renewal of Service Level Agreement was required.
- Inconsistent approach to inspection programme/reporting and hydrant operative practices.
- Management response had been received by Internal Audit and would be captured within the follow up report.

8.9.2 VV advised that the revised Service Level Agreement (SLA) was being progressed, however, discussions were continuing to address ongoing and legacy issues in relation to repairs, procurement of services, liabilities, etc. The Committee noted the comments from VV, but expressed concern about the significant delay in getting an up-to-date SLA in place and urged that this was pursued as a matter of urgency.

8.9.3 In relation to recommendation 1 (address issues with liabilities), VV advised that the revised SLA had not been finalised due to legal interruption of duties and liability disputes, and that a consensus on "middle ground cases" liability needed to be agreed.

8.9.4 The Committee noted that the risk rating had not been adjusted despite the limited assurance findings of the audit report. Risk rating to be reviewed by DACO Heath.

**ACTION: SO'D**

*(P Heath joined the meeting at 1055 hrs)*

8.9.5 The Committee sought assurance on the level of risk of the Service not meeting their statutory duties due to hydrants not working. PH advised that the likelihood of not locating a working hydrant within a reasonable distance in an urbanised area was highly unlikely.

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- 8.9.6 PH provided a brief background and updated the Committee on progress being made:
- Legacy agreements prior to the inception of the single service.
  - Working closely with Scottish Water to address and prioritise the backlog of repairs/maintenance.
  - Hydrant Operatives test and inspect hydrants used by the Service.
  - Discussions ongoing with Scottish Water relating to invoices containing additional/unknown items.
  - Increased financial implications to address backlog.
  - Service Level Agreement/Memorandum of Understanding currently being developed.
- 8.9.7 The Committee commented on Risk CR1.7 (adequacy of water supply) remaining unchanged despite the outcomes of the audit report. PH assured the Committee that he was content that the risk has not increased but was in fact reducing due to the good progress being made with Scottish Water. PH stated that any issues with water supply were due to mains water pressure or other issues which were not linked with hydrant maintenance/defects. The Service had previously acknowledged this risk and rated it appropriately.
- 8.9.8 PH clarified that SFRS does not maintain hydrants beyond visual inspection, flow testing and functionality. Scottish Water is responsible for hydrant maintenance and sub contract to 3<sup>rd</sup> party companies, if appropriate. Thereafter, SFRS's role is to inspect and check that the work has been carried out satisfactorily to allow payment of invoices.
- 8.9.9 **The Committee noted the report including the verbal report and requested that it also goes to the Service Delivery Committee given the operational implications.**

*(P Heath left the meeting at 1110 hrs)*

## 9 INTERNAL AUDIT REPORTS – PROGRESS UPDATE

- 9.1 **a) Update on Audit of Purchase Card Arrangements**  
JT presented an update on progress made against the recommendations in relation to the recent Purchasing Card Arrangements audit. The following key points were highlighted:
- Investigation resulted in 60 individual cardholders being contacted and responses received.
  - Transactions reviewed and satisfied that no fraudulent activity took place.
  - Identified non-compliance with policy and procedures ie VAT receipts.
  - Increased awareness of policy by cardholders.
  - Recommendation 1 (DIPA) and 2 (review of purchase card holders) were complete.
  - Recommendation 4 - transaction monitoring reports were being developed.
  - Remaining recommendations were being progressed and anticipated to be concluded by the end of October 2019.
- 9.2 JT confirmed that purchase cards would be removed, in line with Service Policy, if the cardholder does not adhere to the policy.
- 9.3 It was noted that some historical VAT receipts were not available, however, full explanations were provided justifying the purchase ie operational incident. Internal Audit have verified all responses to ensure they were acceptable.
- 9.4 **The Committee noted the report.**

*(S Fox joined the meeting at 1015 hrs)*

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### 10 **AUDIT SCOTLAND REPORT – SCOTTISH PUBLIC PENSIONS AGENCY – PUBLIC SECTOR PENSIONS PROJECT**

10.1 SF presented the report to the Committee advising of a recent Audit Scotland report on the management of an IT system development project at the Scottish Public Pensions Agency (SPPA) and to consider whether there are any lessons which SFRS can learn from the issues highlighted. The following key areas were highlighted:

- Background of the Public Sector Pensions project and subsequent closure of same.
- Audit Scotland's 4 key messages from its review relating to preparation of a business case, changes to organisational leadership, ownership and management of the project, supplier's inability to deliver the system or meet milestones and financial implications.

10.2 In relation to Audit Scotland's 4 key messages, SF provided an update to the Committee:

- Assurance provided that the Service has a robust business case process in place for all significant developments and are fully aware of guarding against 'Rolls Royce' standards, setting realistic timescales and the importance of business and technical expertise during procurement processes.
- Consideration to be given to appoint individuals, particularly uniformed, for the lifetime of the project to ensure consistency.
- Requirement for skilled/professional project managers within the Service.
- Robust contract management processes for all major suppliers.
- Use of clauses within tender stages to recover/withhold payment.
- Robust project governance internally.

10.3 The Committee commented that capacity management and continuity of project management are wider organisational issues and should be addressed by the Strategic Leadership Team. SF stated that there was an annual work plan, based on a set of criteria, which was submitted to the Digital Steering Group for discussion, approval and flexing if necessary.

10.4 The Committee sought assurance on ensuring the competency of project managers within the Service. MMCA confirmed that the project management approach has been standardised and strengthened and continues to be improved. The role of the Programme Office is to provide support and challenge for project managers.

10.5 The Committee commented on the introduction and importance of the business case model. SO'D confirmed that the aim was for the business case model to be used for all material projects, highlighted governance routes and timings to inform budget and planning processes.

10.6 SO'D confirmed that the report had also been submitted to the Corporate Assurance Board.

10.7 **The Committee noted the report.**

*(S Fox left the meeting at 1155 hrs)*

### 11 **AUDIT SCOTLAND FRAUD AND IRREGULARITY UPDATE 2018/19**

11.1 JT presented the report to the Committee advising of a recent Audit Scotland report on Fraud and Irregularity Update 2018/19, and to consider whether there are any lessons which SFRS can learn from the issues highlighted. The following key themes for improvement within the Service were highlighted:

- Consideration for a Supplier portal within the New Finance and Asset Management System.
- Review of income generating activities including charity income.

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- New verification team to focus on payroll verification.
- Maintenance of register of mobile assets and any subsequent transferring of same.
- Proposed new verification team to support verification of asset use.

11.2 The Committee commented on the failure to properly identify, record and bank charity monies. JT advised the Committee that the Service has a policy relating to charity income which outlines good practice, however, the collection of this money was the responsibility of the charity. The potential reputational risk for the Service was noted.

11.3 SO'D noted that work was ongoing in relation to identifying chargeable events in local areas.

11.4 The potential for a Fraud Risk audit to be undertaken would be discussed further outwith the meeting.

**ACTION: SO'D**

11.5 **The Committee noted the report.**

*(The meeting broke at 1210 hrs and resumed at 1215 hrs)*

## **12 INTERNAL CONTROLS UPDATE**

### **12.1 a) Strategic Risk Register**

SO'D presented the report on the Strategic Risk Register, as at October 2019 and highlighted:

- Details of the changes to the risk register.
- Further development required to link to the new Strategic Plan.
- Spotlight report on CR4.1 and CR4.4

12.2 In relation to CR6.3 (Workforce and Resourcing Plan) and CR6.4 (Senior Management Structure), the Committee asked whether it would be appropriate for these to be removed at this time. SO'D to discuss with the Risk Owners and highlight that the Committee's view was that whilst these risks were specific, the broader issues remain relevant.

**ACTION: SO'D**

12.3 The Committee commented on the articulation of risks and the potential for this to be further improved going forward.

12.4 SO'D reminded the Committee of the annual risk appetite session at a future Board Strategy Day (January 2020).

12.5 The Committee acknowledged and appreciated the changes to the risk register. It was further noted that more succinct risks would be beneficial. It was agreed that a new risk register would be developed from the new Strategic Plan and taking cognisance of the existing risk register.

12.6 In relation to CR1.1a (Command and Control Mobilising System), it was noted that the Committee Level ownership was inaccurately recorded as Service Delivery and should be amended to Transformation and Major Projects.

**ACTION: S'OD**

12.7 The Committee raised the role of the Board/Committee in identifying organisational risks and the engagement process for revisions to the register. The new risk register would be discussed and agreed at a future Strategy Day (January 2020). SO'D stated that removal/escalation of risk was the responsibility of the risk owners, with the oversight of the Strategic Leadership Team, and the Committee's role was to challenge and scrutinise such proposals.

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12.8 **The Committee noted the report.**

12.9 **b) Anti-fraud**

SO'D stated that an investigation and review of controls would be undertaken due to a recent theft on SFRS premises.

**13 FORWARD PLANNING**

13.1 **a) Committee Forward Plan Review**

13.1.1 The Committee noted the Forward Plan.

13.2 **b) Items for Consideration at Future IGC, Board and Strategy Days Meetings**

13.2.1 Delivery of Internal Audit 2019/20 Plan

**14 DATE OF NEXT MEETING**

14.1 Date and venue to be confirmed in due course.

14.2 There being no further matters to discuss the public meeting closed at 1245 hrs.