



**SCOTTISH**  
**FIRE AND RESCUE SERVICE**

Working together for a safer Scotland

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

**THURSDAY 27 MARCH 2019 @ 1000 HRS**

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

**PRESENT:**

Brian Baverstock (BB), (Chair)	Lesley Bloomer (LB)
Anne Buchanan (AB)	Fiona Thorburn (FT)
Mhairi Wylie (MW) (via VC)	Tim Wright (TW)

**IN ATTENDANCE:**

Sarah O'Donnell (SO'D)	Director of Finance & Contractual Services
Martin Blunden (MB)	Chief Officer
John Thomson (JTh)	Head of Finance and Procurement
Alan Duncan (AD)	Accounting Manager
Gary Gibb (GG)	Internal Audit
Julie Taylor (JTa)	Internal Audit
Sharon Fairweather (SF)	Internal Audit
Caroline Jamieson (CJ)	External Audit (Deloitte)
Alasdair Cameron (AC)	Group Manager Board Support
Debbie Haddow (DH)	Board Support/Minutes

**OBSERVERS:**

Lorna Smith, Scottish Government  
David Johnston, Audit & Risk Manager  
Vlad Valiente, Legal Manager

**1 CHAIR'S WELCOME**

1.1 The Chair opened the meeting and welcomed those present.

**2 APOLOGIES**

2.1 Mark McAteer (MMcA), Director Strategic Planning Performance and Communications  
Jim Montgomery, Internal Audit

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

3.1 The Committee agreed that the Internal Audit Action 2013/14 - Technology One Security and Administration would be taken in private due to the commercial sensitivities around this.

3.2 There were no additional items to be considered in private.

**4 DECLARATION OF INTERESTS**

4.1 None.

**5 MINUTES OF LAST PUBLIC MEETING: 17 JANUARY 2019**

5.1 The minutes were approved as an accurate record.

**5.2 Matters Arising**

5.2.1 None

5.3 **The minutes of the public meeting held on 17 January 2019 were approved as a true record of the meeting.**

**6 ACTION LOG**

6.1 **Action 11.8 – Performance Improvement Forum Audit Scotland: SFRS May 2018 Action Plan Update (17/01/2019)** – It was noted that the due date on the action plan differed from the proposed date in the previous minute. Following a brief discussion, it was agreed that the minute should be amended to reflect the due date captured in the action log.

**ACTION: BST**

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

**7. INTERNAL AUDIT**

**7.1 a) SFRS Internal Audit Progress Report 2018/19**

7.1.1 GG gave an overview of 2018/19 plan, which comprises of 7 reviews. GG advised that the 2018-19 Plan was progressing well and would be delivered in full. The annual assurance opinion would be submitted to the June 2019 meeting.

7.1.2 Since the last ARAC meeting, 2 reviews have been finalised and reports circulated. The review relating to Information Governance Follow Up (Implementation of GDPR) received reasonable assurance with 2 recommendations. The review relating to Purchasing Card Arrangements received limited assurance with 8 recommendations.

7.1.3 The Committee noted and welcomed the revised reporting format of the recommendations follow-up report, however, it was noted that some of the revised action due dates had not been included.

7.1.4 In relation to the Fuel Management Arrangement review, the Committee commented on the misalignment between %completed and the narrative provided. JTa acknowledged this and explained some evidence was still outstanding at the time of preparing this report. JTa assured the Committee that all evidence had been received, reviewed and was satisfactory.

*(M Blunden joined the meeting at 1015 hrs)*

7.1.5 In relation to the Centralised Payroll Controls extended agreed revised date, the Committee asked if the capacity within HR was the primary reason for this extension and whether any of the outstanding aspects of recommendation were still considered high. JTa noted that the commentary for this recommendation was up to date and provided a brief background on the recommendation including reasons for delays and introduction of manual processes.

7.1.6 JTa advised that the General Information Note (GIN) relating to Procedure for Fuel Sites had now been updated to take account of the recommendation for periodic reviews.

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

**NOT PROTECTIVELY MARKED**

**7.2 b) Draft Internal Audit Plan 2019/20**

7.2.1 GG presented the Draft Internal Audit Plan 2019/20 to the Committee for comment prior to submitting to the Board for approval. The plan was developed in consultation with the Chief Officer, Director of Finance and Contractual Service and the Chair of ARAC Committee. The Plan detailed the 5 proposed reviews with indicative timescales and included an option to undertake a Placeholder Review. Details of historical audit reviews were also provided for background information.

*(M Blunden left the meeting at 1020 hrs)*

7.2.2 The Committee queried the accuracy of cross reference to strategic risks, in particular the proposed review of Health, Safety and Wellbeing Arrangements and requested that this be reviewed and amended as necessary.

**ACTION: GG**

7.2.3 The Committee queried and were given assurance on the purpose of the Water Planning Arrangements review.

*(M Blunden joined the meeting at 1030 hrs)*

7.2.4 The potential options for the Placeholder Review were discussed and suggestions included Risk Management, Succession Planning and Policy Implementation. Following discussions, it was noted that reviews of Succession Planning and Policy Implementation were not appropriate at this time. The Committee agreed that a Review of Risk Management would replace the Placeholder Review on the proposed plan. This review would be allocated an indicative resource of 35 days.

7.2.5 The Committee agreed the Internal Audit Plan 2019/20 which would now be submitted to the Board for approval.

**8 EXTERNAL AUDIT**

**8.1 a) Planning Reporting for Year Ending 31 March 2018**

8.1.1 CJ presented the planning report to the Committee and highlighted the following key areas:

- Standard significant risk around management override of controls and achievement of expenditures and resource limits.
- Downgrading of revaluation of property, plant and equipment.
- Wider scope focus on specific risk on Brexit.
- Indicative Materiality levels based on forecasted expenditure and reporting threshold.
- Planned scope of work and identified risks.
- Wider scope requirements report anticipated to be brought to the next meeting (26 June 2019).
- Assurance of their independence from the Service and associated fees.

8.1.2 The Committee confirmed that they were content with the indicative Materiality levels and the reporting threshold.

8.1.3 The Committee confirmed that they were content with the identified risks.

8.1.4 CJ noted the potential to provide some benchmarking information (wider scope requirements against other public sector audits) to the Committee at their October 2019 meeting.

**ACTION: CJ**

8.1.5 **The Committee agreed the report.**

## **NOT PROTECTIVELY MARKED**

### **8.2 b) Scottish Fire and Rescue Service Sector Development Report**

8.2.1 CJ presented a report to the Committee for information highlighting the FRC areas of focus for 2018/19 annual report.

8.2.2 The timescale for the audit was noted with the annual report being submitted to the Committee and Board on 10 October and 31 October 2019, respectively.

8.2.3 **The Committee noted the report.**

### **9 ARRANGEMENT FOR PREPARING THE ANNUAL GOVERNANCE STATEMENT 2018/19**

9.1 AC presented a report to the Committee which outlined the preparatory arrangements and reporting methods to provide assurance in support of the 2018/19 Annual Governance Statement (AGS).

9.2 The potential to use assurance mapping was discussed and SF agreed to share examples of assurance mapping with the Service.

**ACTION: SF**

9.3 A full discussion took place on the relevance of the Committee being listed under 3<sup>rd</sup> Line of Defence, the Board being listed under 2<sup>nd</sup> line of Defence and the reference to the AGS being passed to Internal Audit for review (Appendix B). It was agreed that this would be discussed further outwith the meeting and amended appropriately.

**ACTION: BST**

9.4 **The Committee noted the report.**

### **10 ACCOUNTING POLICIES**

10.1 JTh presented a report to the Committee outlining the regulatory changes in relation to the Annual Report and Accounts for the financial year 2018-19 and to present the Accounting Policies to be adopted.

10.2 The 2 new accounting standards, IFRS9 (Financial instruments) and IFRS15 (Revenue from contracts with customers) were noted as having no significant issues on the Service.

10.3 **The Committee noted the report and the changes to the Accounting Policies.**

### **11 INTERNAL AUDIT REPORT – PROGRESS UPDATE**

#### **11.1 a) Information Governance - GDPR**

11.1.1 JTa outlined the scope of this review which received a substantial assurance. She commented on the progress against the recommendations, the mandatory training materials and the successful testing for breaches.

11.1.2 Two recommendations were made, one has been completed and the other was being progressed.

11.1.3 **The Committee agreed the update and acknowledged the hard work and efforts of all those involved in the implementation of GDPR.**

#### **11.2 b) Purchasing Card Arrangements**

11.2.1 JTa outlined the scope of this review which received limited assurance and noted that interim policy and procedures were in place at the time of the review.

11.2.2 Eight recommendations were made, 4 high and 4 medium. Areas of good practice were also noted as well as areas for development.

## **NOT PROTECTIVELY MARKED**

11.2.3 JTh stated that a full review of all transactions was carried out and a number of transactions had been identified for further investigation. The issues included compliance with policies and procedures, providing valid receipts, etc. Investigations, due to be complete by 20 April 2019, will identify whether this has been mismanagement or fraudulent activities.

11.2.4 **The Committee noted their concerns but were reassured that appropriate actions were being undertaken**

**11.3 c) Audit of the Procurement of Fire Kit and Personal Protective Equipment – Action Plan Update**

11.3.1 SO'D presented a report to the Committee providing a final update on the action plan arising from this review. A total of 25 actions were identified and 21 have been completed. The remaining 4 are still ongoing and would be built into business as usual.

1.3.2 In relation to action B2, SO'D noted that there was no direct comparisons and the opportunity to identify a good working model has been exhausted.

11.3.3 **The Committee noted the report and that the outstanding actions would be progress via business as usual.**

**12 REVIEW OF COMMITTEE TERMS OF REFERENCE**

12.1 AC presented a report to the Committee outlining the proposed amended terms of reference, which were discussed at the February 2019 workshop and have been aligned with the revised Scottish Government Audit and Assurance Committee.

12.2 The Committee commented on the terminology under section 4.1 where the Committee are advising on the appropriateness of the effectiveness of internal controls. It was noted that this was taken direct from the Risk and Audit Handbook.

12.3 The Committee asked for the approval of Internal Audit Plan to be included and noted the last bulletpoint under 5.2 should be removed as this was not relevant to this Committee.

**ACTION: BST**

12.4 **The Committee agreed the updated terms of reference.**

**13 INTERNAL CONTROLS UPDATE**

**13.1 a) Strategic Risk Register**

13.1.1 SO'D presented the quarterly update report noting that the actions arising from the last meeting has been reflected in the report.

13.1.2 The Committee noted the increased risk rating for CR1.1a, b and c and asked whether there were any further mitigating actions required. SO'D indicated that the increased rating reflected the risks associated with an ageing system. The risk was being mitigated appropriately at this time and the rating would reduce following the implementation of the new Command & Control Futures system.

13.1.3 The Committee commented on the absence of timescales against future mitigating actions within the control column. SO'D reminded the Committee that this information was captured within the AOP/Directorate plan and noted that this would be incorporated within the new Performance Management system. Timescales will be added.

**ACTION: SO'D**

13.1.4 The Committee queried whether the risk rating assigned to CR6.4 was appropriate. SO'D stated that this was deemed appropriate by the Director of POD.

## **NOT PROTECTIVELY MARKED**

### 13.1.5 *Spotlight Risk Report – CR7.1 Breach of Cyber Security*

SF gave an overview of the risk highlighting the following key areas:

- Work in relation to Cyber Security was in line with Scottish Government, the Digital Strategy for Scotland and Cyber Resilience Action Plan.
- Recent levels of activity including incidents and breaches managed.
- Progress made against the 7 key actions within the Public Sector Action Plan including membership of the Cyber Information Sharing Partnership, working together for Cyber Essential Plus accreditation, delivery of training/awareness materials and testing of systems.
- Updates on Security Projects 2018/19 and 2019/20.

13.1.6 The Committee were provided with updates on patching backlogs, penetration testing and the confidence/assurance from external providers.

13.1.7 Spotlight risk on CR4.2 Failure to Maintain Sufficient Investment in Asset Base would be presented at the next meeting.

**The Committee noted the update.**

13.1.8

#### **b) Anti-fraud**

13.2 SO'D noted that there were no issues to discuss

13.2.1

## **14 FORWARD PLANNING**

### **14.1 a) Committee Rolling Forward Plan Review**

14.1.1 The Committee noted the Forward Plan and asked for CR4.2 Failure to Maintain Sufficient Investment in Asset Base, to be spotlighted at the next meeting.

### **14.2 b) Items for Consideration at Future IGC, Board and Strategy Days meetings.**

14.2.1 It was suggested that the service's inability to ensure the implementation of policies and procedures should be discussed at the IGC.

## **15 DATE OF NEXT MEETING**

15.1 Wednesday 26 June 2019 at 1000 hrs

Braidwood Suite, SFRS Headquarters, Westburn Drive, Cambuslang, G72 7NA

15.2 There being no further matters to discuss the public meeting closed at 1210 hrs.

## **PRIVATE SESSION**

### **16 MINUTES OF LAST PRIVATE MEETING: 17 JANUARY 2019**

16.1 The minutes were approved as an accurate record.

### **16.2 Matters Arising**

16.2.1 None

16.3 **The minutes of the private meeting held on 17 January 2019 were approved as a true record of the meeting.**

## **17 INTERNAL AUDIT REPORTS – PROGRESS UPDATE**

17.1 a) Internal Audit 2013/14 – Technology One Security and Administration

17.1.1 JTh provided an update to the Committee outlining the progress in closing the internal audit action regarding Business Continuity and Disaster Recovery processes for the Finance system.