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Internal Audit Progress Report

Scottish Fire and Rescue Service (SFRS)

Internal Audit Directorate
Report Issue Date: 29-09-2016

Internal Audit Directorate



Paper no: C/ARAC/21-16

Meeting date: 12 October 2016

Agenda item: 6a

Purpose:

For information and comment.

Title: **SCOTTISH FIRE AND RESCUE SERVICE (SFRS):
INTERNAL AUDIT PROGRESS REPORT**

- Key Messages:**
- Change of Senior Audit Manager
 - Review of 2015-16 activities and improvement actions arising
 - Completion of outstanding 2015-16 assignments, with confirmation of previously reported emerging assurance opinions
 - 2016-17 plan: two of nine reviews in progress; scheduling of five; proposal to defer two until 2017-18
 - Commencement of planning for 2017-18
 - Progress of Strategic Review of IAD

- Action Required:**
- The Committee is invited to note the range of internal audit activities since June 2016 and offer any comments on the paper.

Introduction

1. This paper provides Members with a summary of Internal Audit Directorate (IAD) activities in the Scottish Fire and Rescue Service (SFRS) since the Committee's last meeting in June 2016.

Change of IAD Senior Audit Manager

2. Following a review of IAD's operating structure, Jim Montgomery has taken over from Myra Binnie as the Senior Audit Manager for SFRS. Jim is a qualified accountant who has spent the majority of his career in corporate governance roles within local and central government. Gary Gibb is continuing as the Business Partner.

Review of 2015-16

3. The current Internal Audit service is provided by SGIAD and is a co-sourced delivery arrangement which commenced in April 2013. It was anticipated that this would be in place for a period of two years after which SFRS would review the options for internal audit. We understand that SFRS is conducting an options appraisal exercise during the course of 2016-17 and will report on this by March 2017. In the interim period SGIAD will continue to deliver the internal audit service to SFRS.

4. The Deputy Director of Internal Audit and Senior Audit Managers met with SFRS's Director of Finance and Contractual Services to discuss internal audit delivery and the issues which arose in 2015-16. We had a very constructive discussion around strategic and operational aspects of performance and agreed on some key improvement actions. These include:

- A more direct line of management over the work allocations of the SFRS audit team;
- Specific systems access to allow SG staff to access audit documentation if no member of the SFRS audit team is available;

- An agreement that if SFRS resource becomes unavailable, additional staff could be bought in to compensate for the capacity lost within SFRS. Prior to the additional staff being contracted we would discuss with the SFRS Director of Finance and Contractual Services the cost of this work and the impact on the audit programme if the decision is made not to fund additional capacity;
- Continuation of quarterly meetings with SFRS senior management to ensure that there is engagement with the auditors and to highlight, if appropriate, where escalation is needed to complete assignments;
- A Memorandum of Understanding to be implemented to set out the expectations of each party in relation to the provision of service.

5. 2015-16 was exceptionally challenging because of significant periods of staff absence within both SFRS and IAD which was further exacerbated by the departure of the SFRS trainee auditor. While this post has now been recruited the successful candidate has just taken up post and this coupled with the vacant period has resulted in a reduction in the available days required to complete the 2016/17 audit plan. Following discussions between SFRS's Director of Finance and Contractual Services and SGIAD, along with a review of the audit coverage, it was agreed the lower risk IA activities planned would be deferred at this stage rather than buy in additional resource. This has been reflected in Table 2 below.

Outstanding Issues from 2015-16 Plan

6. Members will recall from the June meeting that we provided an emerging overall "reasonable" assurance opinion, which was partly based on four assignments that were not yet completed at that time. We can confirm that all four have since been completed, with no change to the emerging assurance opinions reported at the June meeting. These are summarised in Table 1 below.

Table 1: 2015-16 Assignments completed since June 2016

Audit Title	Status
Risk Management / Continuity / Business Insurance arrangements	Finalised – “reasonable” assurance
iTRENT Remit 1 - Payroll roll out and migration project	Draft Report issued – “reasonable” assurance
iTRENT Remit 2 – New central payment controls	Draft Report issued – “limited” assurance
Environmental Responsibilities including Energy Management Carbon footprint compliance requirements/reduction	Finalised – “limited” assurance

2016-17 Audit Plan

7. The 2016-17 Plan as approved at the March 2016 ARAC meeting comprised nine reviews: seven, plus two which were deferred from 2015-16. We have undertaken a risk-based review of the Plan in consultation with SFRS management and are now proposing to revert to seven reviews as realistically deliverable. Members will remember that 2016/17 is in essence a 10-month operating period in 2016-17 which allows us to align with a 31 March year-end. The audit areas planned in this 10-month period cover significant strategic risks facing SFRS and we believe therefore that these provide sufficient coverage to arrive at a robust annual assurance opinion. The status of each review is shown in Table 2 below.

Table 2: 2016-17 Main Audit Assignments

Audit Title	Status
Training and Development	<ul style="list-style-type: none"> • Fieldwork in progress • Lead resource: IAD • Forecast to Report ARAC: Jan 2017
Transformation Project (Command and Control)	<ul style="list-style-type: none"> • Fieldwork in progress • Lead resource: SFRS • Forecast to Report ARAC: Jan 2017
Payroll Updates / Amendments (Part of extended follow-up)	<ul style="list-style-type: none"> • Fieldwork in progress • Lead resource: SFRS • Forecast to Report ARAC: Jan 2017
Succession Planning	<ul style="list-style-type: none"> • Planned: Dec 2016 • Lead resource: SFRS • Forecast to Report ARAC:: Mar 2017
Programme and Change Management	<ul style="list-style-type: none"> • Planned: Jan-Feb 2017 • Lead resource: IAD • Forecast to Report ARAC: Mar 2017
Operational Intelligence	<ul style="list-style-type: none"> • Planned: Jan-Feb 2017 • Lead resource: SFRS • Forecast to Report ARAC: Mar 2017
Governance and Culture	<ul style="list-style-type: none"> • Planned: Mar-Apr 2017 • Lead resource: SFRS • Forecast to Report ARAC: Jun 2017
Travel and Subsistence: Leased Car Arrangements	<ul style="list-style-type: none"> • Propose to defer until 2017-18 (Would allow further time for SFRS to develop and implement Leased Car Policy.)
Fuel Management	<ul style="list-style-type: none"> • Propose to defer until 2017-18 (control framework established and in place for fuel management which shall be tested at the time of the review.)

Follow-Up Activity

8. Our follow-up activity also found that SFRS Management had taken or were in the process of taking appropriate action to implement recommendations that we had made in previous reviews. See Annex 1

Advisory and Other Services

9. Internal audit continues to be involved in providing ad hoc controls advice to SFRS including investigation of any potential fraudulent activity. In addition, IA has been responsible for administrating, coordinating and undertaking National Fraud Initiative (NFI) investigation work regarding potential data matches. Since the last ARAC IA have undertaken further NFI work through the issuing of privacy notices and arranging for further data uploads.

2017-18 Planning

10. In line with the change in audit year the 2017-18 audit plan will be presented ARAC meeting in March 2017. We will therefore start our consultation process with management, ARAC members and other stakeholders during the next quarter. This will include engaging with SFRS external audit and HMFSI to ensure that SFRS receives an integrated assurance without duplication of effort from its assurance providers.

Strategic Review of IAD

11. A summary of progress against the 10 recommendations arising from the review is set out at Annex 2. Some of the developments have taken place during the last few months are:

- within the budgetary constraints previously described, we have undertaken recruitment to expand the team, including an additional Senior Audit Manager who will join us in October;

- the Director of Internal Audit (DIA) attends and participates in all Scottish Government senior management events to ensure IAD are sighted on emerging issues and risks;
- two Agencies have agreed to help pilot a new Assessment of Service Quality review process, to be trialled by the DIA and one of the SG Non-Executive Directors.

12. The level and speed of progress is highly dependent on the availability of resources. It has been agreed that the previous Interim Head of Internal Audit will undertake a short review of progress before the end of the financial year and will consult a number of stakeholders as part of that process.

Conclusion

13. Members are invited to note and provide any comments on the paper.

Jim Montgomery
Senior Audit Manager
SG Internal Audit Directorate

September 2016

ANNEX 1

Audit Title	Audit Year	High/Medium Recommendations						Comments
		Overall No	No Due	Superseded	Fully Implemented	Part Implemented or In Progress	Not Implemented	
Tech 1 Finance System Security and Administration	2013/14	7	7	0	5	2	0	ICT and Information Governance are jointly working on a series of security audits with timescale to be completed by the end of the year. The ESDA requires more work as more than one legacy service area involved. Work still ongoing on BC and DR plans.
Budget Setting, Monitoring and Reporting	2013/14	3	3	0	1	2	0	Budget holder policy is being developed with the Director of FCS with revised completion date of 31/12/16. Work has started on developing a budget module with view to completing by March 2017.
IT Security Arrangements	2013/14	5	5	1	2	2	0	An outline audit schedule has been agreed spanning Sept – Dec 16. Audit findings and recommendations will be available in draft by Feb 17 and this information will be produced as an annual assurance report by Mar 17.

NOT PROTECTIVELY MARKED

Audit Title	Audit Year	High/Medium Recommendations						Comments
		Overall No	No Due	Superseded	Fully Implemented	Part Implemented or In Progress	Not Implemented	
Fleet Management	2014/15	4	4	0	2	2	0	KPIs are being developed as part of Fleet Management Strategy. Formulation of standardised policies and procedures of SFRS has started.
Procurement: Governance, Operations and Contract Management	2014/15	5	5	0	5	0	0	Audit Closed
Property Management	2014/15	1	1	0	1	0	0	Key policies have been introduced, awaiting further evidence of full implementation.

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Audit Title	Audit Year	High/Medium Recommendations						Comments
		Overall No	No Due	Superseded	Fully Implemented	Part Implemented or In Progress	Not Implemented	
External Communications Arrangements	2014/15	4	4	0	1	3	0	<p>A review of the communication function is underway and will result in a long term forward looking communication strategy being implemented. Audit recommendations will be revisited as part of the process and aligned to plans to develop the function.</p> <p>A range of documents are being reviewed to ensure that post incident debriefs are carried out and written up for significant events.</p>

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Audit Title	Audit Year	High/Medium Recommendations						Comments
		Overall No	No Due	Superseded	Fully Implemented	Part Implemented or In Progress	Not Implemented	
Records Management	2015/16	6	6	0	1	5	0	<p>SIRO has been nominated for SFRS. A training / awareness session has been scheduled to outline his responsibilities to be followed up with an online training package for completion. A list of Information Asset Owners is currently being collated. Policies and procedures have been updated and will be published by the third quarter of 2016/17. A timetable of training sessions has been developed and delivery is due to start during quarter 3 2016/17. Action Plan has been developed in collaboration with ICT Manager for progressing security audits. Audit documentation is being developed.</p>
Banking, Income & Cash Management	2015/16	4	4	0	3	1	0	<p>An authorised signatory procedure is due to be issued by the end of September 16.</p>

NOT PROTECTIVELY MARKED

Audit Title	Audit Year	High/Medium Recommendations						Comments
		Overall No	No Due	Superseded	Fully Implemented	Part Implemented or In Progress	Not Implemented	
Risk Management, Business Continuity & Insurance	2016/17	2	2	0	0	2	0	Work to develop and implement the BC policy will be undertaken in partnership with the Civil Contingency Team and Risk and Audit Management. Retention periods for insurance claims has been agreed and will be included in the SFRS retention schedule.
Total		41	41	1	21	19	0	
Percentage of Total			100%	3%	51%	46%	0%	

Strategic review – summary of progress – 31 August 2016

Purpose and mandate	Status	Examples	Who
HoIA and IA leadership team should engage at senior level with key stakeholders and demonstrate appropriate leadership and impact and ensure IA are focused on current and emerging risks.		<ul style="list-style-type: none"> ARC pre- meetings HoIA attendance at SMT meetings Mgr attendance at informal briefings Mgr invites to team sessions 	<ul style="list-style-type: none"> Head of Internal Audit (HoIA) IA and Managers
Develop engagement protocols with stakeholders to capture and meet the needs of the stakeholders' assurance requirements.		<ul style="list-style-type: none"> SLAs/ IA charters, shared with client and team Monitored on an ongoing basis 	<ul style="list-style-type: none"> IA Managers and Business Partners (BPs)
Develop IA's brand and reputation to ensure stakeholders understand and recognise the value IA can contribute.		<ul style="list-style-type: none"> IA hot topics eg sharing IIA information, info on cyber risks 	<ul style="list-style-type: none"> IA Manager lead with staff support
The IA reporting line to DG Finance with an escalation route to the Permanent Secretary and the Chair of SGARC should be formally considered and approved.		<ul style="list-style-type: none"> Paper to be approved by Perm Sec and SGARC 	<ul style="list-style-type: none"> HoIA
People model			
Appoint Director level HoIA to achieve the step change in performance and reputation required.		<ul style="list-style-type: none"> Sharon Fairweather appointed as HoIA effective 10 April 2016 	<ul style="list-style-type: none"> DG Finance
Restructure IA team with "ringfenced" European Funds (EF) audit team and resources to deliver EF work and pull in additional resources as required.		<ul style="list-style-type: none"> Business case approved by DG Finance and DG EEI and recruitment underway 	<ul style="list-style-type: none"> HoIA, Deputy HoIA, AA Manager
Approach			
Develop IA and EF engagement and reporting protocols to ensure appropriate engagement and sponsorship from senior management.		Report templates for IA plans; ARC progress reports; ARC annual reports; IA reports	<ul style="list-style-type: none"> HoIA/Managers
Proactive scheduling and "lockdown" of IA and EF reviews to meet stakeholder expectations and minimise delays to the delivery of the annual plan.		<ul style="list-style-type: none"> Up to date resource plans needed Progress reports 	<ul style="list-style-type: none"> IA Managers and Business Partners
IA year to be aligned to accounting year to avoid future confusion for annual assurance statements for stakeholders and Audit Scotland.		<ul style="list-style-type: none"> Being actioned across all ARCs and clients. 	<ul style="list-style-type: none"> HoIA/IA Managers and BPs
IA operational procedures need to be strengthened including formal project management and resource planning procedures to enable more efficient and effective operations and tracking.		<ul style="list-style-type: none"> Timesheets Resource planning 	<ul style="list-style-type: none"> ALL