

SCOTTISH FIRE AND RESCUE SERVICE

Audit and Risk Assurance Committee



Report No: C/ARAC/21-19

Agenda Item: 8

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| Report to: | AUDIT AND RISK ASSURANCE COMMITTEE | | | | | | | |
| Meeting Date: | 26 JUNE 2019 | | | | | | | |
| Report Title: | COMMITTEE ANNUAL REPORT 2018/19 TO THE BOARD AND ACCOUNTABLE OFFICER OF SCOTTISH FIRE AND RESCUE SERVICE | | | | | | | |
| Report Classification: | For Decision | Board/Committee Meetings ONLY For Reports to be held in Private Specify rationale below referring to <u>Board Standing Order 9</u> | | | | | | |
| | | <u>A</u> | <u>B</u> | <u>C</u> | <u>D</u> | <u>E</u> | <u>F</u> | <u>G</u> |
| 1 | Purpose | | | | | | | |
| 1.1 | The purpose of this report is to present the review of the Audit and Risk Assurance Committee (ARAC) Annual Report 2018/19, 'For Decision' prior being submitted to the Board of Scottish Fire and Rescue Service (SFRS) 'For Noting'. | | | | | | | |
| 2 | Background | | | | | | | |
| 2.1 | Consistent with the Scottish Government Audit and Assurance Committee Handbook, and generally accepted principles of good corporate governance, the Terms of Reference of the SFRS ARAC calls for an Annual Report to the Board and Accountable Officer of the SFRS, summarising the Committee's work for the year past, and its opinion of the overall assurances it has received and issues it has considered. | | | | | | | |
| 3 | Main Report/Detail | | | | | | | |
| 3.1 | The Annual Report assists with the preparation of the organisation's 2018/19 Annual Governance Statement, which is being considered elsewhere on the agenda. Production of the Annual Report has therefore been timed to support the preparation of the Annual Governance Statement. | | | | | | | |
| 3.2 | Following discussion at the ARAC meeting and any necessary adjustments, the Annual Report will be submitted to the SFRS Board 'For Noting' on 29 August 2019. | | | | | | | |
| 4 | Recommendation | | | | | | | |
| 4.1 | The Committee are invited to consider the contents of the Audit and Risk Assurance Committee (ARAC) Annual Report 2017/18 as set out in Appendix A, and provide feedback and decision as necessary prior to it being submitted to SFRS Board at their meeting on 29 August 2019 'For Noting'. | | | | | | | |
| 5 | Key Strategic Implications | | | | | | | |
| 5.1 | Financial | | | | | | | |
| 5.1.1 | This report provides further assurance in support of the SFRS Annual Report and Audited Accounts for 2018/19 which is scheduled to be presented to the Board on 31 October 2019. | | | | | | | |

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| 5.2 | Environmental & Sustainability |
| 5.2.1 | N/A |
| 5.3 | Workforce |
| 5.3.1 | N/A |
| 5.4 | Health & Safety |
| 5.4.1 | N/A |
| 5.5 | Training |
| 5.5.1 | N/A |
| 5.6 | Timing |
| 5.6.1 | This report has been produced in support of the SFRS Annual Governance Statement which is scheduled to be presented to the Board as a part of the Annual Report and Audited Accounts for 2018/19 on 31 October 2019. |
| 5.7 | Performance |
| 5.7.1 | Information contained within this report demonstrates that there are no significant gaps in the performance of the Committee. |
| 5.8 | Communications & Engagement |
| 5.8.1 | This report provides an opportunity for ARAC members to review the contents and provide feedback and their approval, prior to its submission to SFRS Board for noting at the meeting scheduled for 29 August 2019. |
| 5.9 | Legal |
| 5.9.1 | Production of this report is consistent with the Scottish Government Audit Committee Handbook, and generally accepted principles of good corporate governance. |
| 5.10 | Information Governance |
| 5.10.1 | <i>DPIA not applicable as no personal information is contained within this report.</i> |
| 5.11 | Risk |
| 5.11.1 | Evidence gathering in support of this report deems that no significant risks have been identified. |
| 5.12 | Equalities |
| 5.12.1 | The Equality Impact Assessment was reviewed March 2018 and there are no issues arising from the matters raised within this report. |
| 6 | Core Brief |
| 6.1 | Not applicable |
| 7 | Appendices/Further Reading |
| 7.1 | Appendix A – SFRS ARAC Annual Report 2018/19 to The Accountable Officer and Board of the Scottish Fire and Rescue Service. |
| Prepared by: | Alasdair Cameron, Group Manager Board Support Manager |
| Sponsored by: | Brian Baverstock, Chair of the SFRS Audit and Risk Assurance Committee |
| Presented by: | Brian Baverstock, Chair of the SFRS Audit and Risk Assurance Committee |

| Links to Strategy and Corporate Values | | |
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| <p>This links to SFRS Strategic Plan 2016-19 through our priorities of Governance and Social Responsibility, incorporating the following associated key strategic objectives:</p> <ul style="list-style-type: none"> • We will continue to ensure that our decision making processes are transparent and evidence led. • We will develop a performance framework that enables the effective management of risk and supports effective scrutiny, challenge and improvement. • We will embed effective communication and engagement in all that we do. | | |
| Governance Route for Report | Meeting Date | Report Classification/ Comments |
| <i>Audit and Risk Assurance Committee</i> | <i>26 June 2019</i> | <i>For Decision (Approval)</i> |
| <i>SFRS Board</i> | <i>29 August 2019</i> | <i>For Noting</i> |



SFRS AUDIT AND RISK ASSURANCE COMMITTEE ANNUAL REPORT 2018/19

TO

THE ACCOUNTABLE OFFICER AND BOARD OF THE SCOTTISH FIRE AND RESCUE SERVICE

1 Purpose

- 1.1 In accordance with the Scottish Government's Audit and Assurance Committee Handbook and the Audit and Risk Assurance Committee's Terms of Reference as approved by the Scottish Fire and Rescue Service (SFRS) Board, this report submits to the Accountable Officer and Board the Annual Report of the Audit and Risk Assurance Committee, based on its evaluation of the internal control environment, to assist with the preparation of the Annual Governance Statement.

2 Background

- 2.1 The report summarises the Audit and Risk Assurance Committee's work for the year 2018/19 and its opinion on:
- The comprehensiveness of assurances in meeting the Board and Accountable Officer's needs;
 - The reliability and integrity of these assurances in relation to their accountability obligations;
 - The implication of these assurances for the overall management of risk;
 - Any issues the Audit and Risk Assurance Committee considers pertinent to the Annual Governance Statement and any long-term issues the Committee thinks the Board and/or Accountable Officer should give attention to;
 - Financial reporting for the year, and
 - The Audit and Risk Assurance Committee's view of its own effectiveness.

3 Summary of Audit and Risk Assurance Committee's Work

- 3.1 In the period from April 2018 to March 2019 the Audit and Risk Assurance Committee has met four times in public. The Committee comprises of five Non-Executive members. It has a quorum of three members and all meetings were quorate. The Committee has the relevant skills and experience collectively to assess the issues within its terms of reference and has facilitated a workshop throughout the year to improve the Committees effectiveness.
- 3.2 All meetings were attended by senior management of the SFRS. Deloitte representatives as the external auditors appointed by the Auditor General Scotland the Scottish Government's Internal Audit Division and Her Majesty's Fire Service Inspectorate (HMFSI) were also represented accordingly.

3.3 The Committee conducted business in a number of key areas as outlined in sections 4 to 10 below.

4 Internal Audit

4.1 Under the terms of the Scottish Government Shared Service arrangements, the Scottish Government Internal Audit Division (SGIAD) provided an Internal Audit service for the SFRS, which was supported by a dedicated resource within the SFRS (currently comprising 2 employees).

4.2 During the period under review, the Committee:

- Agreed a programme of work with Internal Audit for 2018/19;
- Considered the assurance levels and recommendations in reports issued by Internal Audit and the management responses to them;
- Monitored the implementation of recommendations arising from current and prior year audits;
- Noted that no significant control weaknesses were identified in the course of Internal Audit's work throughout 2018/19;
- Noted the overall opinion given by Internal Audit in its Annual Assurance Report, offering Reasonable Assurance in respect of SFRS' governance, risk management and control arrangements for 2018/19, based on its completion of the agreed 2018/19 work-plan and additional activities undertaken, and
- Held a private session with Internal Audit, no matters were raised that would require to be disclosed in this report.

4.3 ***The Committee concluded that Internal Audit's work is appropriately focused and adequately resourced, and that based on audit reports and the Auditor's overall opinion SFRS controls are generally operating effectively.***

5 External Audit

5.1 Deloitte were appointed as external auditors to the SFRS for 2018/19 by the Auditor General for Scotland.

5.2 During the period under review, the Committee:

- Agreed the scope, timetable for and planning of the external audit for 2018/19, through consideration of the Audit Plan; Deloitte's report highlighted significant audit risks associated with the valuation of property assets and the control weakness relating to Technology One system's fixed asset register. However, audit testing revealed no errors and Deloitte reduced these risks to areas of audit focus.
- Reviewed the draft 2017/18 annual report and external auditor's report, which provided an unqualified opinion.
- Held a private session with External Audit. No matters were raised that would require to be disclosed in this report.

6 Her Majesty's Fire Service Inspectorate

6.1 As previously agreed between the Audit and Risk Assurance, Service Delivery, Integrated Governance Committees and HMFSI that starting from 2017/18 future HMFSI reports would be submitted to the Service Delivery Committee, as they comprise primarily of operational issues, therefore ensuring the appropriate level of scrutiny. An annual report was presented to the ARAC in June 2019 by the HMFSI providing an oversight of their work during 2018/19 in line with its Business Plan, where 3 Local Area Inspections, one self-directed Thematic Review, together with one programmed Thematic Review were completed and gave an

overview of the key themes and focus for the forthcoming year. HMFSI will also continue to maintain contact with both the Internal and External Auditors to progress areas of shared work. The Reports themselves are published on the HMFSI [Website](#) which detail the assurances and recommendation to the SFRS.

7 Risk Management

7.1 During the year the Committee:

- Reviewed regular updates on risk management arrangements and revisions to the Corporate Risks through the Strategic Risk Register;
- Reviewed the SFRS Assurance Framework that will support the ongoing assurances required by the Committee, ensuring Internal Control processes are in place throughout the organization and are being suitably managed. This is also detailed as part of the Annual Governance Statement. It is worth noting that both External and Internal Audit highlighted within their reports that a comprehensive structure of assurance is in place for the organisation.
- Proposed and agreed through the Integrated Governance Committee a more standardised approach to spotlighting particular risks that are aligned to the business of each Committee of the Board asking the responsible risk owner to provide verbal updates to each respective Committee. This continues to develop and become embedded and is receiving positive feedback.
- Noted that overall the SFRS continues to enhance the risk management arrangements and assurance framework including the scrutiny of mitigating action plans by the appropriate Board Committees.

7.2 Based on its scrutiny of risk, ***the Committee is satisfied that there is well developed and continually improving, risk management arrangements is in place.***

8 Financial Reporting

8.1 During the year the committee:

- Reviewed and approved the accounting policies that underpin the financial statements; and
- Considered in more detail the accounting policies relating to items of materiality in the financial statements including the ongoing concern over pensions and fixed assets.

8.2 ***The Committee is satisfied that the accounting policies adopted for the preparation of the 2018/19 accounts are appropriate.***

9 Audit and Risk Assurance Committee Effectiveness

9.1 The Committee considers that it has operated in accordance with its terms of reference pursuing the appropriate issues of risk assurance and internal control, and that its challenge and scrutiny function continues to be robust.

9.2 The Committee terms of reference were reviewed and amended.

9.3 A survey was developed and conducted for Committee Members to complete, this highlighted some areas of focus which were considered at the Committee's development workshop on 14 February 2019. Key actions arising were taken in relation to introducing a Committee Induction and holding pre-meetings and hot de-briefs as appropriate.

- 9.4 At the Committee's operational level, improvements continue to be made where appropriate to the management of meetings, including the forward planning of agendas of business for the year ahead. Pre-agenda meetings were held to further support this approach.
- 9.5 Administrative arrangements have been improved with new templates and guidance being provided for corporate level papers to ensure that reports contain an appropriate level of detail to assist Committee members scrutinise and challenge effectively.

10 Conclusions

- 10.1 Based upon the work of the Committee during the period under review and the assurances received, the Committee is of the opinion that the SFRS has effective risk management, governance and internal control arrangements in place.
- 10.2 The Committee is not aware of any issues of significant concern that should be brought to the attention of the Board and the Accountable Officer.

Brian Baverstock
Chair of Audit and Risk Assurance Committee
Scottish Fire and Rescue Service

26 June 2019