



SCOTTISH
FIRE AND RESCUE SERVICE

Working together for a safer Scotland

PUBLIC MEETING - AUDIT & RISK ASSURANCE COMMITTEE

THURSDAY 17 JANUARY 2019 @ 1000 HRS

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

PRESENT:

Brian Baverstock (BB), (Chair)
Mhairi Wylie (MW)
Lesley Bloomer (LB)

Fiona Thorburn (FT)
Tim Wright (TW)

IN ATTENDANCE:

Sarah O'Donnell (SO'D)
Mark McAteer (MMCA)

Ross Haggart (RH)

Gary Gibb (GG)
Julie Taylor (JT)
Jim Montgomery (JM)
David Johnston (DJ)
Caroline Jamieson (CJ)
Carol Wade (CW)
Alasdair Cameron (AC)
Leanne Watson (LW)

Director of Finance & Contractual Services
Director Strategic Planning Performance and
Communications
Deputy Assistant Chief Officer Strategic Planning
Performance and Communications
Internal Audit
Internal Audit
Internal Audit
Risk and Audit Manager
External Audit
Information Governance Manager
Board Support Manager
Corporate Admin Assistant Team Leader/Minutes

OBSERVERS: Derek Smith

Scottish Government

1 CHAIR'S WELCOME

1.1 The Chair opened the meeting, thanked everyone for attending and welcomed the new members of the committee Mhairi Wylie and Lesley Bloomer.

2 APOLOGIES

2.1 Anne Buchanan Board Member
Alasdair Hay Chief Officer

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

3.1 The Committee agreed that the Best Value Review of Internal Audit would be taken in private due to the commercial sensitivities around this. In addition the HMRC Compliance visit would be discussed in private as discussions with HMRC are ongoing at this time.

4 DECLARATION OF INTERESTS

4.1 None.

5 MINUTES OF LAST PUBLIC MEETING: 09 OCTOBER 2018

- 5.1 GG pointed out an issue with 10.1.2; Internal Audit draft the report prior to getting it signed off not Internal Governance.

- 5.2 JM noted 10.1.3 the last sentence, *JM reviewed the Scottish Governments approach to GDPR a few months back*, should be amended to Scottish Government Internal Audit.

ACTION - BST

- 5.3 **Matters Arising**
None.

The minutes of the public meeting held on 09 October 2018 were approved as a true record of the meeting with the amendments noted above.

6 ACTION LOG

- 6.1 All actions on the log would be raised throughout the meeting

7. INTERNAL AUDIT

- 7.1 a) SFRS Internal Audit Progress Report 2018/19
 - 7.1.1 GG gave an overview of 2018/19 plan, it comprises of 7 reviews. GG advised that since the last ARAC meeting, 2 reviews have been finalised and reports have been circulated, these were in relation to the Improvement Strategy and Corporate Governance. Both reviews attracted reasonable assurance.

 - 7.1.2 GG advised there has been a change to 18/19 programme. After consultation with the Chief Officer and ARAC Chair it has been decided to defer consideration of reviews of SFRS Performance Management and Transformation Programme until the 2019/20 audit programme. This decision has been taken as these areas have been looked at recently by other assurance providers, it was felt to do another review at this time would not be of value. These reviews will be replaced with reviews of SFRS Brexit Preparations and the use of SFRS Procurement Cards.

 - 7.1.3 The Committee questioned how easy it would be to audit against EU withdrawal arrangements given there is no clarity at this time as to what the withdrawal would look like. GG advised one of the areas that would be looked at is potential scenarios and the planning in place for these scenarios. GG did agree this would present a challenge. BB commented that initially he had similar reservations however, feels that we could benefit from benchmarking what the Service is doing against other organisations. MMcA advised that, based on advice from the Scottish Government, a worst case scenario would be prepared for and the Service could work back from this point if need be.

 - 7.1.4 The Committee referred to the recommendations that had not been completed on time. The deadline dates had been pushed back and in several cases quite significantly. The Committee asked SO'D if there was any particular reason for this. SO'D advised the deadlines are set by the Service not by Internal Audit. It is likely that the initial deadlines were ambitious and while they were set with the greatest of intentions it had become clear further down the line that more was involved than initially thought. SO'D referred to several recommendations that relate to the Employee Self-Service portal, these cannot be progressed until the harmonisation of Terms and Conditions is finalised. When this happens several recommendations will be completed and removed. SO'D did agree that going forward the Service will need to reflect on our realism when setting deadline dates. BB suggested going forward recommendations are broken down into more manageable parts to prevent items running behind deadline due to being tied in with another task. SO'D agreed this would be done going forward.

NOT PROTECTIVELY MARKED

- 7.1.5 BB requested that the outstanding recommendations are looked at to assess if they have been superseded and to tidy up the tracker.

ACTION SO'D/JT

- 7.2 The Committee asked GG to give background as to how this set of reviews came to be in the programme for this year. GG advised that planning would commence for 2019/20 audit year over the next few weeks. This would involve calling in risk registers, key corporate documents, strategic plans and reviewing all material within these to identify key areas of risk within the organisation. Once key areas have been identified, discussions would take place with SO'D and Chief Officer to review the proposals. Proposals would also go to the SLT. Thereafter a plan would be put in place and an audit programme paper would be submitted for the next Committee meeting to allow members to consider the plan.

- 7.2.1 The Committee asked for further clarification on why the Improvement Strategy review was taken in this year. GG advised that the Chief Officer had requested this be done in order to ascertain whether or not the Improvement Strategy was appropriately designed and focused.

7.2.2 **Service Improvement Strategy**

- 7.2.3 JT advised the scope of the audit was to review the Governance arrangements, planning processes and development of the process improvement of mismanagement. There are a number of areas of good practice that were identified. JT gave an overview of the audit.

- 7.2.4 Some members of the Committee noted that they did not have a copy of the report to refer to. BB advised this report was issued back in November and going forward previously issued reports would be provided with the current meeting papers for ease of reference.

- 7.2.5 The Committee referred to the response given on recommendation 3, the response being that it would be assessed to determine whether or not action is required here. The Committee noted normally the response would be to either agree or disagree with the recommendation. RH advised that the Service Improvement Strategy is monitored through the Corporate Assurance Board (CAB), the CAB is a fairly new executive board which is why there was a review of those governance arrangements. RH advised the executive team is content that there are executive governance arrangements in place, the issue was whether there was the need for non-executive oversight as well. This is why there is further discussion required around this recommendation. RH advised since the action plan has been developed there has not been an opportunity to formally discuss this issue at the CAB. RH will provide update on the issue around recommendation 3 for the next meeting.

ACTION: RH

- 7.2.6 The Committee referred to paragraph 4.1 in the report, the action plan for the strategy was to be presented to the Board in August 2018, which did not go ahead and there is no specified date for this to happen in the future. The Committee asked if this was connected to the comments from RH on trying to be clear on what governance oversight is required. JT confirmed it is connected and there needs to be a decision made regarding the level of governance. RH noted the strategy had been agreed by the Board, the implementation of the strategy was the issue needing addressed. RH feels the implementation of the strategy would sit at Executive level via the CAB, as directed by the Board. The Committee agreed with this position.

7.3 **Corporate Governance Review**

- 7.3.1 JH advised the scope of the audit was to review the processes for supporting decision making, training and development for Committee members, meeting processes and risk appetite development and monitoring. A number of areas of good practice were noted within the report. There were 7 recommendations made, 5 medium and 2 low, these were centred around the requirements of fully completing the governance route of reports to Committees.

NOT PROTECTIVELY MARKED

7.3.2 LB noted it would be helpful if papers for Committees were always issued 5 days prior to meetings. JH advised this is covered within the report. In addition LB noted there was mention of equality impact assessments not being in place for Board approval papers. MMcA advised there are arrangements currently being worked on by the equalities team surrounding this point.

7.4 b) Audit of the Procurement of Fire Kit and Personal Protective Equipment – Action Plan Update

7.4.1 SO'D presented a report to the Committee to provide assurance that the action plan was being progressed noting that the majority of actions had been or were near completion. Significant progress has been made since October. One main accomplishment is fully resourcing the procurement team. There has also been excellent progress made on the review of the procurement practice notes, they are now at a place where the consultation process has been concluded and they are ready to be finalised. The development of the website has been progressing well and the procurement page is ready to launch. There would be an option on the site for staff to provide feedback to the team.

7.4.2 The Committee queried why action A1 is 90% complete and asked what was outstanding. SO'D advised that this was a year-long action to rebuild the reputation of the procurement team. The last 10% is leaving time for the ongoing work being conducted in the team to clear the backlogs and also to get continuous positive feedback that the team is up and running and working well.

7.4.3 The Committee referred to action B2 where we are reviewing the structure and remit of Equipment & Logistics team, we have been looking at other services to benchmark our current structures. The Committee noted that it appears to be problematic getting responses from other organisations in relation to this and questioned if it is therefore necessary to continue down this route. SO'D advised that we are not getting much back from these organisations and they are not seen as exemplary. SO'D will discuss with the head of function other ways to move this forward.

7.4.4 The Committee asked SO'D if there are signs that within Procurement we are a more compliant organisation now. SO'D feels that the organisation was largely compliant, the issue was people become frustrated with the lack of progress within the team and we are now doing better with this. The final report will be brought back to the next meeting for sign off.

ACTION: SO'D

7.5 c) Internal Audit Action 2013/14 – IT Security Arrangements

7.5.1 SO'D advised the purpose of the report is to provide the Committee with an update and to provide assurance that cyber security is under control. Point 3.5 in the report has highlighted a need for greater visibility, this would be drawn into the 2018/19 annual accounting.

8. EXTERNAL AUDIT

8.1 CJ provided a brief update. Planning for 2018/19 has only begun this week and meetings are taking place with key officers onsite. CJ advised currently External Audit are refreshing their understanding of the organisation and ensuring they are aware of any changes. The plan would be presented at the next ARAC meeting in March. CJ wanted to bring IFRS 15 to the attention of the Committee, this is a new revenue standard and also there is IFRS 9 which is a new financial instrument. There will be changes to the accounting policies that will be presented but it is not expected that there would be any impact on the figures that are presented.

ACTION: CJ

9. GIFTS, HOSPITALITY AND INTERESTS POLICY – QUARTERLY UPDATE

9.1 The Committee noted the report.

10. ANNUAL GOVERNANCE STATEMENT – IMPROVEMENT ACTION PLANS MID-YEAR REVIEW

- 10.1 AC presented a report to the Committee providing an overview of the action plan noting the 15 reasonable and 5 limited assurances. As of October 2018 there are 6 substantial and 10 reasonable and limited assurances. The responsibility for addressing these would be monitored through CAB and also this Committee. A further update would be given at the end year review. The Committee are asked to note the report and agree that the report is only seen again on an exceptions basis where targets have not been met or are required to be extended.
- 10.2 The Committee noted that there is some slippage with the proposed completion dates. There is nothing that is overly concerning, however it may be a concern if this is still the case at the next ARAC meeting. AC advised that the update is given as of October 2018 and not at present.

The Committee noted the report and are in agreement that it would only be seen again on an exceptions basis.

11. PERFORMANCE IMPROVEMENT FORUM AUDIT SCOTLAND: THE SCOTTISH FIRE AND RESCUE SERVICE MAY 2018 ACTION PLAN UPDATE

- 11.1 RH gave background on the Performance Improvement Forum (PIF). It was created soon after the Scottish Fire and Rescue Service (SFRS) came into being. The PIF's primary function is to undertake action plans in relation to reports coming from HMFSI and also Audit Scotland. The PIF meets quarterly and each quarter around half of the ongoing action plans are discussed and each plan is updated every 6 months. The action plan at Appendix A on this report was originally presented to ARAC on 9th October 2018, therefore it was not scheduled to be seen at ARAC again until the next meeting. RH felt that due to this being a new action plan it would be appropriate to give this to the committee earlier, which is why it is being brought to the committee today.
- 11.1.2 RH advised there are 7 actions now complete, 23 on track and 5 that are slipping a little but not of great concern. There is 1 action sitting at red and this is unlikely to be completed by the target date, this action is linked to the Equality Impact Assessment (EIA) and a review has been undertaken on the overall EIA process, the action surrounding this has been delayed as a result of that review.
- 11.1.3 ARAC is asked to note the establishment and update of this action plan and to endorse it as part of the PIF reporting cycle. RH would also like to hear the Committees views on how they would like the information presented in the future. The Committee agreed that it would want to see the report on the PIF come back to the Committee.
- 11.1.4 The Committee commented that recommendation 5 from Audit Scotland appeared straight forward and asked why the action cannot be completed on time and whether interim arrangements could be considered. The Committee would also like to see some of the main considerations of an EIA included in the papers for the Board and also a link provided to the full assessment for viewing if required. This should then mean that the recommendation from Audit Scotland can be marked as complete.
- 11.1.5 The Committee referred to recommendation 1B and felt that the actions in response to this did not really match up with the recommendation. RH advised the general recommendation was for SFRS to increase its pace to reform and implement plans for transforming into a more flexible, modern service, in particular the delivery and implementation of the transformation programme. RH advised the recommendation has been separated out and there are actions specifically related to the transformation programme. The recommendation has been split into 1, 1a and 1b. It has been realised that in order to deliver service transformation and complete this recommendation several aspects of the organisation would have to make improvements.

NOT PROTECTIVELY MARKED

11.6 The Committee asked for an update on plan referred to in action at recommendation 1c. SO'D advised the work on the strategy is close to completion and in terms of an Asset Management plan this would be addressed through the 3 year Capital programme?.

11.7 The Committee recognised the value of an action plan that addresses broader issues, however, it should be made clear exactly what action is being taken in order to address the recommendations that have been made.

11.8 The Committee request that the full plan be brought to the meeting on 26 June 2019.

ACTION - RH

12 INTERNAL CONTROLS UPDATE

12.1 a) Strategic Risk Register

12.1.2 SO'D advised the Strategic Risk Register is brought to the Committee today to bring an update. Paragraph 3.2 highlights the areas where there have been significant changes. There are some risks that have increased and 1 new risk identified.

12.1.3 With reference to 3.2.5, CR1.2 where it states resources and capacity are unavailable due to financial pressures and refers to additional support being required to manage this risk, the Committee asked what additional support this would be. SO'D to update the Committee at the next meeting.

ACTION – SO'D

12.1.4 With reference to CR5.3 this relates to failure to comply with Health, Safety and Welfare legislation. The Committee asked that in future the word descriptors are always included, SO'D will ensure this happens going forward. LB feels this seems like a serious issue and would expect it to be sitting higher than a 16. SO'D suggested it might be useful to select this risk for a spotlight report. The Committee would like to see this as a spotlight report at the next meeting.

ACTION – BST

12.1.5 The Committee noted that it would be useful to have some explanation given when a risk is increased or decreased and reasons given as to why this has happened. SO'D agreed and would come back to the Committee to provide explanations and would include narrative going forward.

ACTION: SO'D

12.1.6 The Committee referred to CR1.2, looking through the register there is nothing that mentions the broader capacity and capability of the senior workforce. The Committee felt that there should be something specifically referencing this risk. SO'D agreed and would seek to include this on the register.

ACTION – SO'D.

12.2 i. Spotlight Reports

CR5.5: Information Governance GDPR

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

- General Data Protection Regulations came into effect May 2018 along with a new Data Protection Act.
- Organisations are required to tighten up how data is handled and more rights have been awarded to individuals.
- SFRS started looking at this around 18 months prior to GDPR coming into effect.
- Assessed what higher risks would be and included them on Corporate Risk Register and also monitored at a lower level such as CAB.

NOT PROTECTIVELY MARKED

- Non-compliance could bring severe financial penalties as well as reputational damage.
- Information Asset Register is a key document the organisation utilises in order to display our governance and accountability and what we do with data.
- Any new project or process within the organisation must give consideration to privacy impact, there are templates available to fill in to assess this.
- Gap analysis is being done.
- Action Plan is being worked on and being updated regularly, there are a number of key actions hoping to get signed off by Internal Audit next week.
- Working group is in place in order to ensure everyone knows what they should be doing and the correct information is being filtered throughout the organisation.
- Information sharing protocols are being worked up and training is being organised with local area liaison officers.
- CW feels the organisation is in a good place and a bit ahead of the game, other organisations have requested to use our templates for processes, etc.
- Since May there have been 4 data breaches and these are monitored on a spreadsheet. Only 1 having to be reported to the Commissioner who decided no further action required was required.

12.2.1 The Committee asked for clarification on a third party data breach. CW advised that the commissioner would look at each of the controls in the process and as long as we have followed all procedures correctly we would not be held accountable.

12.2.2 The Committee asked if the deadline extension given to be compliant by the end of December 2018 was a hard deadline. CW advised that this was not a hard deadline, the Service were in regular communication with the Commissioners Office and were able to show that progress was being made towards being fully compliant.

12.2.3 The Committee asked whether training and awareness raising of GDPR was being considered. CW advised there is an e-Learning package which is ready to launch. There is some media to go out before hand to make everyone aware that the package is being released and it would be mandatory for everyone within SFRS. There would be posters going up and information would be put on the iHub. There would also be targeted training with individuals face to face. The Committee recommended that a deadline be set for all employees to complete the e-Learning package. The Committee thanked CW for a comprehensive overview of the work being undertaken to mitigate this key risk.

12.3 *CR8:7 Failure to give appropriate consideration to SFRS reputation in the corporate decision making process.*

12.3.1 MMcA advised this would be a topic worth following up once the new Head of Communications is in place hopefully by late summer. This item was added to the register without the knowledge of MMcA. Going forward MMcA feels Directors should be made aware of new items being added to the Risk Register.

12.3.2 MMcA gave an update on the risk and highlighted key points below.

- Corporate decision making process would extend from Board down to what happens in stations.
- Work required within the organisation to strengthen the decision making process.
- Focus has been on establishing relationships between SFRS and external organisations and a substantial amount of work to establish positive relationships with the media.
- Staff survey results have come back and workshops are being setup to engage with staff and get feedback.
- Going forward an effort will be made to communicate with staff in the right way, communicating and engaging with staff rather than just communicating to staff.
- Key areas that could damage the reputation of the organisation are service delivery and firefighter safety.

NOT PROTECTIVELY MARKED

- Open processes, transparency and adequate governance would assist with making good organisational decisions and this would help to build up a good reputation within SFRS.

12.4 b) Anti-fraud

12.4.1 SO'D advised there is nothing of note and if any issues arise the Committee would be made aware.

13 REPORTS FOR NOTING

13.1 a) Scottish Government IAD Bulletin October 2018

13.2 The Committee note the report.

14 FORWARD PLANNING

14.1 a) Committee Rolling Forward Plan Review

14.1.1 The Committee had previously asked for the plan to be a rolling plan, TW is now content with the layout of the plan.

14.1.2 CR5.3 – Failure to Comply with Health, Safety and Welfare Legislation, this risk will be brought to the next meeting as a spotlight report.

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

14.2.1 None.

15 DATE OF NEXT MEETING

15.1 Thursday 27 March 2019 at 1000hrs

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

15.2 There being no further matters to discuss the public meeting closed at 12:15.

PRIVATE SESSION

16 MINUTES OF LAST PRIVATE MEETING

16.1 a) 11 September 2018 – Minutes accepted as accurate account.

16.2 b) 9 October 2018 – Minutes accepted as accurate account.

17 ACTION LOG

17.1 2 items on the action log and these are both complete. No observations.

18 BEST VALUE REVIEW OF INTERNAL AUDIT

18.1 The report was brought to advise the Committee regarding the outcome of the best value review of internal audit services, and to seek the Committees recommendation to the Accountable Officer.

18.2 The Committee supported the recommendation to the Accountable Officer.

19 HMRC COMPLIANCE VISIT

19.1 The report was brought to the Committee to provide an update on the progress following an HMRC compliance visit in November 2016.

19.2 The committee noted the update.