



SCOTTISH
FIRE AND RESCUE SERVICE

Working together for a safer Scotland

Agenda
Item 11a

PUBLIC MEETING - AUDIT & RISK ASSURANCE COMMITTEE

THURSDAY 23 JANUARY 2020 @ 1300 HRS

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

PRESENT:

Brian Baverstock (BB), (Chair) Sid Patten (SP)
Mhairi Wylie (MW) (Via VC) Tim Wright (TW)

IN ATTENDANCE:

Martin Blunden (MB)	Chief Officer
Sarah O'Donnell (SO'D)	Director of Finance and Contractual Services
Stuart Stevens (SS)	DACO, Strategic Planning and Performance
John Thomson (JTh)	Head of Finance and Procurement
Jim Montgomery (JM)	Internal Audit
Gary Gibb (GG)	Internal Audit
Caroline Jamieson (CJ)	External Audit (Deloitte)
Coenraad Balfourt (CB)	External Audit (Deloitte)
Gary Devlin (GD)	Internal Audit (Scott-Moncrieff)
Richard Whetton (RW)	Head of Corporate Governance
Vlad Valiente (VV)	Head of Legal Services
Hilary Sangster (HS)	Group Commander Business Support
Alasdair Cameron (AC)	Group Commander Board Support
Debbie Haddow (DH)	Board Support/Minutes

OBSERVERS:

Lorna Smith, Scottish Government
David Johnston, Risk and Audit Manager
Karen Horrocks, Internal Audit
Heather Greig, Board Support Executive Officer

1 CHAIR'S WELCOME

1.1 The Chair opened the meeting and welcomed those present.

2 APOLOGIES

2.1 Lesley Bloomer, Board Member
Mark McAteer, Director of Strategic Planning Performance and Communications

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

3.1 The Committee agreed that the draft private minutes of the previous meeting and private action log would be heard in private session.

3.2 No further items were identified.

4 DECLARATION OF INTERESTS

4.1 None.

5 MINUTES OF LAST PUBLIC MEETING: 10 OCTOBER 2019

5.1 In relation to paragraph 8.7, GG suggested that the statement “*ICT Security Audit would be broadened to include cyber security*” was incorrect and recalls that the discussions related to cyber essential accreditation. SO'D agreed to review and amend as appropriate.

The minutes were approved as an accurate record.

5.2

Matters Arising

5.3 There were no matters arising.

5.3.1

Subject to these above amendments, the minutes of the public meeting held on 10 October 2019 were approved as a true record of the meeting.

5.4

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 provided an amendment the closing statement to accurately reference the 2019/20 accounts and not the 2020/21. She noted that further discussion would be held with SO'D/JT to identify options going forward.

6.2 **The Committee noted the updated Action Log and approved the removal of completed actions.**

7 INTERNAL AUDIT

7.1 SFRS Internal Audit Progress Report 2019/20

JM informed the Committee that the 2019/20 plan was underway and on track for completion by 25 March 2020 despite the loss of in-house capacity. He noted the mitigating actions taken which included the appointment of Ernst & Young and the reliance being placed on the Gateway Review. He further noted the replacement of the Health, Safety and Wellbeing review with the Fraud Risk Arrangements review which will be undertaken by Ernst & Young.

7.2 Annex 1 of the report detailed the scope of the intended Internal Audit planned review, their involvement in the planning process for the Gateway Review and the fact that the Gateway Review was not a standalone assurance. JM advised that they were able to place reliance on Gateway Review due to carrying out previous reviews of the Scottish Government's Gateway Review process.

7.3 The Committee queried whether the Service still had the ability to use internal audit as a management tool with the loss of in-house resources. SO'D asked the Committee to regard the audit programme in the context of the transitional position the Service is in. The new arrangement will provide the appropriate coverage that the Service wants and will be a management tool.

7.4 The Committee commented on the generic scope of the Gateway Review and asked whether this would provide the same level of assurance as the intended internal audit. JM stated that there was a planning meeting scheduled on 6 February 2020 and there would be an opportunity for generic questions to be tailored to cover the scope of Internal Audit review. The Committee asked whether JM could guarantee that the terms of reference for the Gateway Review would be extended to cover all aspects of the previously planned internal audit. JM could not provide this guarantee. JM noted that the Gateway review process was a trademarked and accredited process and all reviewers had to undertake robust training.

7.5 Following the Gateway Review planning meeting on 6 February 2020, JM will provide an update in order to give assurance that this review covers all areas that would have been covered by Internal Audit and that the Gateway Review report would detail specific cross reference to Internal Audit elements ie the results of internal controls testing and provide assurances around the monitoring of costs, benefits and budget monitoring.

ACTION: JM/GG

7.6 In relation to Recommendation 2 Corporate Governance – External Engagement, the Committee asked for an update on the progress of the Complaints, Comments and Compliments Policy and Procedures. SO'D informed the Committee that Marysia Waters was progressing this review and it was on track for completion by 31 March 2020.

7.7. In relation to Water Planning Arrangements, SO'D stated that Response & Resilience were continuing to proactively engage with Scottish Water. It was noted that the Service Delivery Committee recently spotlighted the risk associated with water supply and were given reasonable assurance that progress was being made with Scottish Water.

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

7.9 **a) Payroll**

7.9.1 GG informed the Committee that the Payroll audit provided a reasonable assurance level with 5 recommendations. The following was highlighted:

- Effective implementation of terms and conditions for the Additional Responsibilities Allowance (ARA) and Continuing Professional Development (CPD) allowances for whole-time firefighters.
- Effective governance, monitoring and report of payroll, although this was a resource intense process.
- Key opportunities for development included consistent completion of station logbooks, update and reconciliation exercise of Gartan/iTrent systems, timely submission of resignation documentation, update to Travel and Subsistence policy (Passenger information).
- Recognition of early implementation of recommendation to demonstrate review and improvement.

7.9.2 JT reminded the Committee that legacy systems still exist as RDS has not yet been harmonised but highlighted some improvements to processes already put in place. The situation had improved for Wholetime personnel due to harmonising.

7.9.3 SO'D stated that there was recognition of further work required in systems development and as such 2 specific groups, Finance and Asset Systems and HR, Payroll, Training & Rostering Systems, had been convened. Both groups were now at a stage that they require further resources to take their work forward.

7.9.4 In relation to Recommendation 1, the Committee asked what the scale of the errors and percentage of payments were affected. GG stated that the initial sample testing, the error at source level was 48%. An issue with segregation of duties had since been rectified and this accounted for 26% of the original testing sample. He noted that there was an expectation that there would be a follow up repeat testing carried out.

7.9.5 JT informed the Committee that a RDS Improvement Task and Group has been convened to address the issues. He noted that the situation was unacceptable, that a solution had to be found and required support from colleagues to improve. The Committee commented on the significance of this issue and that it was raised and not resolved in 2017. JT stated that the importance of this issue would be raised with Response and Resilience and that a General Information Note would be generated to communicate with personnel. MB acknowledged that this was a line management responsibility and that it should be easily

addressed. He stated that he would be content for an independent audit to be undertaken at an appropriate time.

7.9.6 The Committee requested clarity on the timescale and update regarding the Payroll Internal Audit at the next Committee meeting and when most appropriate to do a follow-up audit.

ACTION: JT

7.9.7 In relation to Recommendation 5, JT confirmed that the self-service expenses system does have the requirement to record passenger details.

The Committee noted the report.

7.10

b) Performance Management Arrangements

7.11 JM informed the Committee that the Performance Management Arrangements audit provided a reasonable assurance level with 2 recommendations. The following was highlighted:

7.11.1

- Clearly defined and effective business planning process which are aligned with the National Performance Framework.
- Performance Management Framework is a well-designed, clear and comprehensive document.
- Well developed but resource-intensive performance reporting arrangements.
- Clearly defined governance processes to review the Performance Management Framework.
- Implementation of InPhase systems which would allow senior leadership and the Board ample scope to challenge these processes.
- Effective and robust procedures for stakeholder engagement.
- Acknowledged the pace of change required to achieve the 1 April 2020 timescale.
- Local performance reporting was still under development.
- No sense of staff buy-in to the InPhase system (Rec 3)
- Effectively ensure sustainability into processes i.e. long-term resourcing, learning and development plans to ensure sustainability and continuous improvement of InPhase.
- Conduct post implementation of InPhase after one year.

7.11.2

MB stated that plans had been put in place to address long term sustainability and acknowledged the need to resource appropriately. In relation to customer engagement, it was noted that this had only be partially undertaken (to Commander level). SS stated that the work undertaken since this audit has increased in pace and it was now ahead of schedule, therefore, the 1 April implementation date was achievable. He stated that a long-term resourcing plan was now in place, training plans were being developed and Corporate Comms were preparing a Comms strategy.

7.11.3

In relation to Recommendation 2 (risk of expertise in single source), SS indicated that 4 members have been upskilled to provide resilience and the team were fully scripting all work carried out to date to ensure accurate records.

The Committee noted the report.

7.11.4

(MB left the meeting at 1410 hrs)

8 EXTERNAL AUDIT – ANNUAL REPORT TO MEMBERS AND AUDITOR GENERAL FOR SCOTLAND

8.1

CJ represented the Committee with the report and clarified the amendments made following the previous meeting. The Committee were referred to the Financial Sustainability section which stated that this would remain under review given the recent pay award discussed in October 2019 and it was important that the Board develops plans to address the financial implications.

8.2 The Committee asked for assurance of whether there was sufficient systems and procedures in place given there is an inherent fraud risk irrespective of participating in National Fraud Initiative.

8.3 In her professional judgement, SO'D stated that the Service has put in place the most appropriate arrangements which are audited, tested and, if necessary, improvements made. Through the collection of policies, procedures, arrangements, checks, internal and external audits, scrutiny and the existence of this Committee layered together, this was an appropriate system of governance to ensure that the Service is protected. The Committee were also reminded of the Fraud Risk Arrangement due to be undertaken and completed by 31 March 2020.

8.4 The Committee requested that the scope of the upcoming Fraud Risk Arrangement take consideration of previous audits and recommendations.

ACTION: SO'D

8.5 **The Committee noted the report.**

9 GIFTS, HOSPITALITY AND INTERESTS REGISTER – QUARTERLY UPDATE

9.1

SO'D presented the Committee with the 2019/20 Quarter 3 update on the Gifts, Hospitality and Interest Register. The following key points were highlighted:

- Seven potential matches were currently being investigated where employees may also have an interest in a goods/services supplier to the Service.
- Need to maintain employee awareness of potential conflict of interest. Targeted communications to be issued.

ACTION: SO'D

9.2 **The Committee noted the report.**

*(The meeting broke at 1420 hrs and reconvened at 1430 hrs)
(GD joined the meeting at 1430 hrs)*

10 INTERNAL CONTROLS UPDATE

10.1

a) Strategic Risk Register

10.1.1

SO'D presented the report on the Strategic Risk Register, as at January 2020 and highlighted:

- Specific changes to risk CR4.4 (SR4.13): Available expenditure to match funding (risk rating increased), CR1.4 (SR1.5): Effectiveness of partnership engagement in relation to community safety and resilience (lower risk rating) and new risk (SR1.2): Relationships with SFRS affiliated organisations and charity partners.
- Ongoing audit by Scottish Government on Strategic Risk Register.
- Risk register will be a key tool for the new Internal Auditors (Scott-Moncrieff).
- Recognition of the high number of strategic risks and work started to rationalise and align with Strategic Plan. Strategic Leadership Team continuing to review strategic risks.
- Work ongoing to develop a risk module within InPhase.

- 10.1.2 The Committee welcomed the addition of new risk SR1.2 (Relationships with SFRS affiliated organisations and charity partners). SO'D informed the Committee that ACO Haggart was responsible for this area, had established the Affiliated Organisations Board, to identify risk associated with these organisations and is making positive steps forward.
- 10.1.3 In relation to Risk CR4.4 (SR4.13): Available expenditure to match funding (risk rating increased), SO'D informed the Committee that the increase was to recognise the awareness of the challenges which will be worked through the normal budget setting process. She confirmed that controls were in place, there was potential for further mitigation actions to be evolved, however, there was no need to make any specific changes at this time.
- 10.1.4 SO'D noted that the Strategic Leadership Team were focused on the review of the Risk Register, Scottish Government would be completed within the next month and thereafter it would be brought forward to the Board. There was the potential for Scott-Moncrieff to carry out a further review which would provide them with a good overview and understanding of the Service.
- 10.1.5 The Committee noted the review and development of the Strategic Risk Register.
- 10.1.6 **The Committee noted the report.**
- 10.2 *Spotlight Risk Report – CR7.8 Suitability of systems to record, store and manage SFRS incident data*
- 10.2.1 SS gave an overview of the risk highlighting the following key areas:
- Home Office's Incident Recording System (IRS) used to record all current incident statistics.
 - Antiquated system with known storage issues but Home Office have no resources to address.
 - Development of inhouse systems has been considered and highlighted issues with accessing previous data.
 - IRS is linked to other internal system ie RDS payroll, prevention and protection activities, fire investigation reports, health and safety reporting and operational intelligence reporting.
 - Following awareness of potential significant issues, the Digital Steering Group tasked a high level project team to implement contingency arrangements to mitigate and isolate the Service from the Home Office. Phase 1 (upgrade of ICT/Security protocols) has been completed and Phase 2 (scope of replacement system) was underway. Discussions were ongoing with the Sponsorship Unit to secure funding should the Service withdraw from IRS.
 - The ability to benchmark against English and Welsh services would still be achievable should the Service withdraw from IRS.
 - There was a module within the new Command and Control System, however, it was not available at this stage to implement.
 - The potential reputational risk due to being unable to scrutinise incident data as well as the risk of losing of RDS payroll data, etc.
 - Recent work carried out by the Home Office has stabilised the system, however the Service is still considering the development of a bespoke system to better meet their needs.
- 102.2 SS assured the Committee that the Service were still able to fully scrutinise IRS and there was no loss of functionality.
- 10.2.3 Discussions took place on the benefits of raising the awareness of InPhase, range of business intelligence products available, the Data and Performance Team's services/products and future ambitions.

- 10.2.4 The Committee commented on the frustration and wasted resources caused by double entry of data across systems. SO'D agreed that this needs to be reduced and therefore, the Services needs to be funded and resourced appropriately to address this area.
- 10.2.5 The Committee requested that a brief written summary detailing how the risk has developed, along with any mitigating actions taken, be prepared for all future spotlighted risks.

ACTION: BST

10.3 b) Anti-fraud

- 10.3.1 SO'D noted that there were no issues to report.

11 UPDATE POSITION OF AREAS OF NON CONTRACT SPEND

- 11.1 SO'D presented the Committee with an update on the non-contract spend position as reported in the Annual Procurement Report for Financial Year 2018-19 in August 2019. The report outlines the development process of the procurement work programme, the aspiration to reduce non-contract spend and the resourcing/capacity challenges therein, priorities of the capital programme including future major resource intense contract renewals. The appendices detail the summary position for 2018/19, the current position as of January 2020 and the main areas recommended for prioritisation in 2020/21. The Service has the potential to use and participate in National Fire Chiefs' Council procurement exercises and frameworks.

- 11.2 SO'D assured the Committee that the position and risk associated with non-contract spend was recognised. Non-contract spend is regularly monitored and reported through our KPI and Annual Procurement Report.

- 11.3 The potential implications arising from the 26th Conference of the Parties (COP 26) was highlighted.

- 11.4 The Committee asked whether there were occasions when items were being purchased outwith existing contracts and were informed that this does not happen. SO'D noted that legacy arrangements were still in place due to resources/capacity. JT informed the Committee that the resources/capacity was not purely a procurement issues but a wider organisational demand.

- 11.5 SO'D reminded the Committee that this was a high priority, however, it is taken in conjunction with other higher priorities for the organisation.

- 11.6 It was noted that all non-contract spend, albeit through legacy arrangements, was centralised and controlled.

- 11.7 **The Committed noted the report.**

12 INTRODUCTION TO SCOTT-MONCRIEFF

- 12.1 SO'D reminded the Committee of the procurement exercise which resulted in the appointment of Scott-Moncrieff as Internal Auditor partners for the next 4 years and introduced Gary Devlin, Head of Public Sector.

- 12.2 GD noted his delight to be appointed and gave a brief background to the company. He commented on his early thoughts on the Internal Audit Plan which included risk management, overview of IT, estates and new expenses system (post implementation) and thereafter the transformation programme. Other areas ongoing includes use of data analytics and implications of COP 26.

DRAFT - NOT PROTECTIVELY MARKED

12.3 The Committee thanked GD and encouraged early engagement across the Service and with Scottish Government.

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 No items were identified.

14 REVIEW OF ACTIONS

14.1 AC confirmed the 5 No. actions arising during the meeting.

15 DATE OF NEXT MEETING

15.1 The next meeting is scheduled to take place on Wednesday 25 March 2020 at 1000 hrs in the Braidwood Suite, SFRS Headquarters, Westburn Drive, Cambuslang, G72 7NA.

15.2 There being no further matters to discuss the public meeting closed at 1530 hrs.

PRIVATE SESSION

16 MINUTES OF LAST PRIVATE MEETING: 10 OCTOBER 2019

16.1 The minutes of the private meeting held on 10 October 2019 were approved as a true record of the meeting.

17 PRIVATE ACTION LOG

17.1 The Committee noted the updated Action Log and approved the removal of completed action.

There being no further matters to discuss the private meeting closed at 1535 hrs.