



SCOTTISH
FIRE AND RESCUE SERVICE
Working together for a safer Scotland

Agenda
Item 11a

PUBLIC MEETING - AUDIT & RISK ASSURANCE COMMITTEE

WEDNESDAY 25 MARCH 2020 @ 0900 HRS

TELECONFERENCE

PRESENT:

Brian Baverstock (BB), (Chair) L Bloomer (LBI)
Sid Patten (SP) Mhairi Wylie (MW)
Tim Wright (TW)

IN ATTENDANCE:

Martin Blunden (MB) Chief Officer
Ross Haggart (RH) Deputy Chief Officer
Sarah O'Donnell (SO'D) Director of Finance and Contractual Services
Mark McAteer (MMcA) Director of Strategic Planning Performance and Communications
John Thomson (JTh) Head of Finance and Procurement
Jim Montgomery (JM) Internal Audit
Caroline Jamieson (CJ) External Audit (Deloitte)
Gary Devlin (GD) Internal Audit (Scott-Moncrieff)
Matthew Swann (MS) Internal Audit (Scott-Moncrieff)
Richard Whetton (RW) Head of Corporate Governance
Hilary Sangster (HS) Group Commander Business Support
Alasdair Cameron (AC) Group Commander Board Support
Debbie Haddow (DH) Board Support/Minutes

OBSERVERS:

Alan Duncan, Accounting Manager
Marion Lang, Corporate Admin Team Leader
Heather Greig, Board Support Executive Officer

1 CHAIR'S WELCOME

1.1 The Chair opened the meeting and welcomed those participating via teleconference. The recently circulated virtual meeting protocol was reiterated to the attendees.

2 APOLOGIES

2.1 Gary Gibb, Internal Audit
Pat Kenny, External Audit (Deloitte)

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

3.1 The Committee agreed that an additional item (COVID-19) would be taken in private due to matters involving national security (Standing Order 9C)

3.2 No further items were identified.

4 DECLARATION OF INTERESTS

4.1 None.

5 MINUTES OF LAST PUBLIC MEETING: 23 JANUARY 2020

5.1 The minutes were agreed as an accurate record of the meeting.

5.2 Matters Arising

5.2.1 There were no matters arising.

5.3 **The minutes of the public meeting held on 23 January 2020 were approved as a true record of the meeting.**

6 ACTION LOG

6.1 The Board considered the action log and noted the updates.

6.1.1 **Item 7.5 – SFRS Internal Audit Progress Report 2019/10 (23/01/2020)** – As a point of clarification, JM stated that as the Service Delivery Model was not agreed, they cannot assess the financial monitoring against an unknown cost. There was no inference /implication that financial monitoring of the Transformation Programme was not happening. In general, the Service's financial governance was good.

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 and Annual Assurance Report 2019/20**

7.1.1. JM informed the Committee that Risk Management Report received a Reasonable Assurance.

7.1.2 The Committee noted the comment relating to escalation of risk and JM stated that a review of the Programme Office Board's process for escalating risks was a key intention behind the recommendation. The Committee were also reminded that there was a planned annual session for the SFRS Board to review strategic risks.

7.1.3 The Committee noted that the Management's response did not directly respond to the recommendations or reflect the action required for Recommendation 4 and 5. It was agreed that the Management Response would be reviewed to accurately reflect the action required.

ACTION: RW

7.1.4 In relation to Recommendation 4, JT noted that risk appetite was being reviewed and an overall risk appetite written statement would be prepared and not necessarily reflected within the risk register. The Committee noted that this Recommendation had been recorded as complete, however, as some work still had to be undertaken it agreed that the status of the action would be amended to "pending" with a proposed timescale.

ACTION: SO'D

7.1.5 A discussion took place on the difference between operational and corporate risk appetite within the Service, the difficulty in set a single corporate risk appetite for the whole organisation and the benefits of looking at best practice outwith the Service.

7.1.6 JM informed the Committee that Ernest Young's Fraud Risk Management Arrangement report received a Reasonable Assurance, as aligned with Scottish Government's grading scale.

- 7.1.7 SO'D confirmed that an update on the Fraud Risk report with Management responses would be brought back to the Committee in July 2020, subject to the impact from COVID-19.
- 7.1.8 JM informed the Committee that the revised 2019/20 Internal Plan has been completed and an overall Reasonable Assurance opinion has been given for the Service's risk management, control and governance arrangements for 2019/20. He highlighted 2 significant issues still to be resolved: need to increase the pace of transformation and focus upon the efficient and effective implementation of the developed frameworks, policies and procedures. He confirmed that they had engaged and shared information with Gary Devlin, Scott Moncrieff. Exit interviews had been held with the Chief Officer and Chair of the Board. On behalf of his team, JM thanked the Service, Committee and Board for their support over the last 7 years and wished the Service well for the future.
- 7.1.9 The Committee expressed some reservations in relation to the level of reliance on the Gateway Review. JM confirmed that he was content to place reliance on the Gateway Review, as discussed at the previous meeting, and noted the update captured within the Action Log.
- 7.1.10 On behalf of the Service, SO'D thanked JM and GG for their support, professionalism over the years and wished them well for the future. On behalf of the Committee, BB added his thanks to JM and GG.
- 7.1.11 **The Committee noted the progress report and annual assurance report.**

7.2 Internal Audit Charter and Plan for 2020/21

- 7.2.1 GD presented the Internal Audit Charter, which details the context of the internal audit function, to the Committee.
- 7.2.2 MS presented an overview of the Internal Audit Plan 2020/21 and highlighted the following key areas:
- Development of Internal Audit Plan 2020/21 in consultation with Executive and potential reviews in future years.
 - Due to escalating pandemic, changes may be required to the proposed plan.
 - Rational for 2020/21 reviews was to form a clear baseline on key operations and also some risk based areas.
 - Monitoring of contractually agreed KPIs and potential for consideration of additional KPIs by the Committee.
- 7.2.3 The Committee were informed that the HMFSI were carrying out a review of the Service's Readiness and Preparedness to the COVID-19 pandemic.
- 7.2.4 The Committee queried the time allocated for the Governance and Strategy Review audit. GD advised that this audit would allow the Internal Audit team to gain an understanding of the organisation, identify baselines and oversee established governance arrangements which would better inform future work. This audit would complement, not duplicate, previous audits undertaken.
- 7.2.5 It was noted that the 2020/21 Plan did not include a review of the transformation programme and it was agreed that this would be discussed at the Integrated Governance Committee (25 March 2020).

ACTION: BB

- 7.2.6 **The Committee noted and recommended approval of the 2020/21 Plan, subject to further discussion at the Integrated Governance Committee about the inclusion of a review of the Transformation Programme.**

8 2019/20 Programme – Payroll Follow Up

8.1 The Committee noted the report provided outlining the actions taken by the Service since completion of the Payroll audit.

8.2 The Committee asked whether Internal Audit were content with the Service's response relating to RDS Log books. JT informed the Committee of the measures, in collaboration with Response and Resilience, put in to address these issues.

8.3 It was agreed that the follow up review would be undertaken during 2020/21. SO'D and Internal Audit to collaborate and provide assurance on follow up reviews.

ACTION: SO'D/MS

8.4 **The Committee noted the report.**

(GD left the meeting at 1005 hrs)

9 EXTERNAL AUDIT – THE AUDIT PLAN 2019/20

9.1 CJ represented the Committee with the report outlining the Audit Plan 2019/20 and highlighted the following key points:

- Sets out the materiality calculated, and requested the Committee to approve the materiality.
- Significant risk for current year.
- Details for audit fee and reaffirmation of their independence.

9.2 CJ noted that the materiality benchmark was comparable with other organisations of similar size.

9.3 In regard to financial sustainability, given the current climate and the recent rejection of the pay award, Deloitte were unable to provide any comment at the moment due to its dynamic nature, however, the Committee would be updated as soon as they had a clearer picture.

9.4 **The Committee noted the report.**

10 ACCOUNTING POLICIES 2019-20

10.1 JT presented a report to the Committee outlining the regulatory changes in relation to the preparation of the Annual Report and Accounts for financial year 2019-20 and presented the Accounting Policies being adopted.

10.2 **The Committee noted the report.**

11 ARRANGEMENTS FOR PREPARING THE ANNUAL GOVERNANCE STATEMENT 2019/20

11.1 A report outlining the preparatory arrangements and reporting methods developed for providing sufficient levels of assurance in support of the 2019-20 Annual Governance Statement (AGS) was presented to the Committee.

11.2 Within Appendix A, the accuracy of the duplicate ARAC reference with the SFRS Assurance Framework and the completeness of the list of external assurances under "Other Assurances" were discussed.

11.3 Within Appendix B, the reference to both Internal and External Audit roles were discussed.

11.4 The Committee asked for consideration to be given to state how a greater focus on highlighted assurances can be provided (ref para 3.2 covering report).

11.5 **The Committee noted the report.**

12 PERFORMANCE IMPROVEMENT FORUM (PIF) ACTION PLAN UPDATE AUDIT SCOTLAND: THE SCOTTISH FIRE AND RESCUE SERVICE MAY 2018

12.1 MMcA presented the report to the Committee providing an update on the action plan for the Audit Scotland The Scottish Fire and Rescue Service May 2018 Report, noting the one amber action and the 3 red actions.

12.2 MMcA informed the Committee of the changes within the process for managing PIF reports and agreed to circulate information on the new process.

ACTION: MMcA

12.3 In relation to Recommendation 5 Action 2, the Committee commented on the need to address the original action to allow this to be closed off. Further development could be undertaken separately. MMcA to discuss the closure of this action with Liz Barnes.

ACTION: MMcA

12.4 **The Committee noted the report.**

13 AFFILIATED ORGANISATIONS BOARD UPDATE AND COMMITTEE OVERSIGHT

13.1 RH provided a verbal update on the recently created Executive Board which oversees the Service's relationship with charitable or non-profit organisations with links to the Service. The terms of references for the Affiliated Organisations Board (AOB) had been developed and endorsed by the Strategic Leadership Team.

13.2 A draft Memorandum of Understanding (MoU) between the Service and Educational, Cultural and Commemorative Trust has been developed along with a draft Service Level Agreement (SLA) in relation to the Museum of Fire. Both draft documents were current in the process of being finalised. Similar MoU/SLA would also be developed with other organisations affiliated with the Service.

13.3 **The Committee welcomed and noted the verbal report.**

(RH left the meeting at 1030 hrs)

14 INTERNAL CONTROLS UPDATE

14.1 a) Strategic Risk Register

14.1.1 SO'D presented the report on the Strategic Risk Register (SRR), as at March 2020 and highlighted:

- Cognisance taken of the recent Internal Audit' Risk Management Arrangements Report.
- InPhase implementation and development of effective risk management reporting and stronger links with Annual Operating Plan (AOP) actions.
- Continuation of the review and rationalisation of the SRR.
- Future intention to align the reporting of the AOP alongside the SRR

14.1.2 The Committee noted the continuing review of the Strategic Risk Register and the issues this creates to scrutinise the register effectively. SO'D acknowledged this and stated that review should be complete by the next Committee meeting (July 2020), albeit with the caveat of potential further impact of COVID-19. On completion of the new Strategic Risk Register, an audit trail will be provided to show the changes back to the previous versions of the register.

14.1.3 The Committee asked where the scrutiny of the mitigating actions would be undertaken. SO'D reiterated the intention to present the AOP and the SRR to allow detailed information/actions to be provided for scrutiny of the relevant Committee.

14.1.4 The Committee noted the review and development of the Strategic Risk Register. It was further noted that a Strategy Day session would be held to update and engage with all Board Members.

14.1.5 **The Committee noted the report.**

14.2 *Spotlight Risk Report – COVID-19*

14.2.1 Following a brief discussion, it was agreed that the update on this risk (including the proposal to cover part of this in private session) would be deferred and presented at the full Board Meeting on Thursday 26 March 2020.

14.3

14.3.1 **b) Anti-fraud**

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

15 REVIEW OF COMMITTEE TERMS OF REFERENCE

15.1 AC presented the revised Committee Terms of Reference, noting the amendments were made to the following sections: Introduction, Responsibilities and Appendix 2.

15.2 The Committee commented on proposed changes within the Responsibilities section 1 and requested further clarity on the language. AC reminded the Committee that this section was reviewed following feedback from the recent workshop and was consistent with other Committees.

15.3 **The Committee approved the revised Terms of Reference, subject to any further material issues being raised by LBI.**

16 REVIEW OF ACTIONS

16.1 AC confirmed the actions arising during the meeting.

17 FORWARD PLANNING

17.1 **a) Committee Forward Plan Review**

17.1.1 The Committee noted the Forward Plan and the potential impact of COVID-19 on timescales.

- Update on Fraud Risk Management Arrangement Report (July 2020)

17.2 **b) Items for Consideration at Future IGC, Board and Strategy Days Meetings**

17.2.1 It was proposed that an item be taken to the Integrated Governance Committee regarding the review of transformation programme and potential inclusion in the 2020/21 Internal Audit Plan.

17.2.2 It was proposed that a future Board Strategy Day session be considered for Risk approach/risk appetite.

18 DATE OF NEXT MEETING

18.1 The next meeting is scheduled to take place on Thursday 9 July 2020 at 1000 hrs.

18.2 There being no further matters to discuss the public meeting closed at 1050 hrs.