**PUBLIC MEETING - AUDIT AND RISK ASSURANCE COMMITTEE**

**MONDAY 30 OCTOBER 2023 @ 1000 HRS**

**VIRTUAL – MS TEAMS**

**PRESENT:**

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| Brian Baverstock, Chair (BB) | Malcolm Payton (MP) |
| Tim Wright (TW) | Mhairi Wylie (MW) |

**IN ATTENDANCE:**

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|---|---|
| Ross Haggart (RH) | Chief Officer |
| Stuart Stevens (SS) | Deputy Chief Officer |
| John Thomson (JT) | Acting Director of Finance and Procurement |
| Mark McAteer (MMcA) | Director of Strategic Planning, Performance and Communications |
| Lynne McGeough (LMcG) | Acting Head of Finance and Procurement |
| David Johnston (DJ) | Risk and Audit Manager |
| Gillian Callaghan (GC) | Internal Audit (Azets) |
| Gary Devlin (GD) | Internal Audit (Azets) |
| Michael Oliphant (MO) | External Audit (Audit Scotland) |
| Anne MacDonald (AMac) | External Audit (Audit Scotland) |
| Robert Scott (RS) | HMFSI |
| Karen Lewis (KL) | People Manager (Item 7.1 only) |
| Ijaz Bashir (IB) | Asset Management and Performance Manager (Item 13 only) |
| Roddy MacKinnon (RMacK) | Scottish Equipment Manager (Item 13 only) |
| Ellen Gayler (EG) | Senior Data Analyst (Item 14 only) |
| Liz Barnes (LB) | Interim Deputy Chief Officer Corporate Services |
| Kirsty Darwent (KD) | Chair of the Board |
| Richard Whetton (RW) | Head of Governance, Strategy and Performance |
| Kevin Murphy (KM) | Group Commander, Board Support Manager |
| Heather Greig (HG) | Board Support Executive Officer |
| Debbie Haddow (DJH) | Board Support/Minutes |

**OBSERVERS:**

None

**1      CHAIR'S WELCOME**

1.1     The Chair opened the meeting and welcomed those present and those participating via MS Teams.

1.2     Those participating via MS Teams were reminded to raise their hands, in accordance with the remote meeting protocol, should they wish to ask a question.  The meeting would be recorded for minute taking purposes only.

**2      APOLOGIES**

2.1     None

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

3.1      The Committee discussed and agreed that Item 20 *(SFRS Data Quality Issues and Considerations*) would be heard in private session due to matters considered of a confidential nature in line with Standing Orders Item 9G.

3.2      No further items were identified, however, JT advised that an additional Anti-fraud/Whistleblowing Update could be provided in the private session, if deemed necessary.

**4        DECLARATION OF INTERESTS**

4.1      There were no declarations of interest made.

**5        MINUTES OF PREVIOUS PUBLIC MEETING:**

5.1      **Thursday 27 June 2023**

5.1.1    The following amendments were proposed:
In relation to paragraph 16.1.1 (1st bulletpoint), RS proposed that the final sentence be removed as this was considered a sweeping statement.

In relation to paragraph 16.1.1 (1st bulletpoint), RH proposed the statement that SFRS were seeking advice from Police Scotland should be corrected to HMFSI seeking advice from Police Scotland.

In relation to paragraph 9.1.9, TW proposed that wording in the final sentence be amended from *".. policies would assist until system issues .. "* to *".. policies would persist until system issues .. "*.

5.2      **Matters Arising**

5.2.1    There were no matters arising.

5.3      **Subject to the above amendments, the minutes of the meeting held on 27 June 2023 were approved as a true record of the meeting.**

**6        ACTION LOG**

6.1      The Committee considered the action log, noted the updates and agreed the following actions.

Action 7.5 Annual Procurement Report 2022/23 (13/10/2022):  It was agreed that, having explored the options, the complexities of including a GVA report outweigh potential benefits and therefore this action should be closed.

Action 8.1.15 SFRS Internal Audit Progress Report 2022/23 - Final Report – Revenue and Funding Maximisation (13/10/2022):  JT and RW provided a verbal update regarding the potential partnership work with CivTech and what this would entail.  RW would provide further updates on innovation within the performance report presented to the SFRS Board. It was agreed to close this action.

Action 7.1.13 SFRS Internal Audit Progress Report 2022/23 - Final Report Corporate Performance Management (10/01/2023):  Following discussions in the private session, it was agreed to close this action.

Action 9.4 Deloitte - Audit Dimensions and Best Value for the Year Ended 31 March 2022 (06/04/2023):  RAG status to be changed to green pending presentation to a future Strategy Day.

Action 9.1.11 SFRS Internal Audit Progress Report 2023/24 - Final Report – Sickness Absence Management (27/06/23):  Position statement to be updated with timescale.

Action 9.1.17 SFRS Internal Audit Progress Report 2023/24 - Final Report Arrangements for the Internal Assessment and Verification of SVQ (27/06/2023): LB advised the Committee that work continued to recover lost revenue. Further details on any lost revenue to be included within the next action log update which would allow this action to be completed.

Action 9.4.4 SFRS Progress Update/Management Responses (27/06/2023): This action should be closed.

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 2023/24**
7.1.1 GD presented a report to the Committee which summarised the progress on the delivery of the 2023/24 Internal Audit Plan and the following key points were highlighted:
- Final Reports presented for the Workforce Planning (On Call Firefighters) and Budgetary Control.
- Scope of and objectives for upcoming internal audits.

7.1.2 The Committee noted and welcomed the inclusion of the outline scope for the Risk Management and Partnership working audits.

7.1.3 The Committee questioned how benchmarking/comparisons with other organisations would be presented. GD noted that this information would be presented in a table format with RAG status applied to appropriate ranges, including best practices. GD also noted that feedback from the Committee on how this information was presented would be welcomed.

7.1.4 In regard to the Partnership Working audit, the Committee noted this related specifically to working with Local Authorities and suggested that the audit title and control objectives should be more explicit. The Committee further noted that clarity should be provided whether Community Planning Partnership arrangements were also being considered. GD noted the comments and agreed to amend the title and scope as necessary to provide this clarity.

**ACTION: Azets**

7.1.5 GD commented on the different arrangements and challenges within individual areas and noted that the audit would evolve to ensure that the outcomes were meaningful and of benefit to the Service.

7.1.6 RS reminded the Committee that the HMFSI's first Service Delivery Area Inspection had been published and offered to discuss and share any findings relating to partnership working with GD outwith the meeting. The Committee requested a report back on the outcome of discussions on comparisons with HMFSI fieldwork and sharing of information in relation to Partnerships.

**ACTION: Azets**

7.1.7 Final Report – Budgetary Control
GD advised the Committee of the outcome of the audit, noting the following key issues:
- Overall positive report finding good arrangements, lots of scenario planning undertaken, stress testing of budget assumptions carried out, as well as regular reporting.
- Improvements identified included business case work needs to be tightened up, in particular how they are reported, and ensuring consistency in business cases in operational areas where changes were required over trigger values.

- Other minor improvement recommendations were made.

7.1.8 JT noted the positive report which helped provide confidence in the existing controls and accepted the recommendations made particularly around business cases, both the development, potential business case light approach and consideration on wider aspects/benefits.

7.1.9 The Committee commented on the large number of archived scenarios and queried what learning was being taken from them. JT advised that broad scenarios are broken down into the incremental elements ie Wholetime, On Call, etc to identify and fully understand the impact and sensitivities around the scenarios. JT noted that these were valuable exercises and played a key role in budget setting processes.

*(E Gayler and K Lewis joined the meeting at 1040 hrs)*

7.1.10 In regard to business cases, GD reminded the Committee that there was a requirement for education and awareness on the importance of business cases, ie success criteria, scenario planning and evaluation mechanisms throughout the whole Service.

7.1.11 The Committee noted concerns on the improvement action relating to the procurement of a new internal financial management system and ensuring that the specification was right, given the work ongoing with the new People, Payroll, Finance and Training (PPFT) project.

7.1.12 The Committee queried how assurances could be given that strategic fit and prioritisation is a clear part of the criteria when considering business cases. The Committee sought assurance on the strategic context and clear process for selection.

7.1.13 JT advised that strategic fit was part of the business case process and links to strategic objectives and benefits were identified. JT further advised that the requirements identified through the audit have been included within the People, Payroll, Finance and Training (PPFT) specification.

7.1.14 <u>Final Report – Workforce Planning (On Call Firefighters)</u>
GC advised the Committee of the outcome of the audit, noting the following key issues:
- Overall positive report with some areas of good practice identified.
- Five improvement actions raised, mainly concerning the revision of the recruitment selection policies and taking account of changes made through the On Call Improvement Programme.

7.1.15 GD noted that the challenges relating to On Call were not unique to the Service and whilst there were no major weaknesses within the approach, the arrangements were new and needed to be embedded. LB informed the Committee that the Service was part of a national working group which was exploring opportunities to further improve the situation with Retained/On Call firefighters.

7.1.16 KL provided a brief outline of the 5 improvement actions; the actions being taken to address them and the timescale for completion.

7.1.17 The Committee noted their concerns on the lack of urgency in addressing these issues and the general timescale for actions to be completed. KL assured the Committee that this area remained a priority and focus for the Service. KL outlined the challenges faced when engaging with candidates and the impact on resources with local areas. KL noted that the recruitment selection policies were not specific in relation to On Call recruitment and the intention during their review was to provide a broad overview of the principles of recruitment selection, developing supporting procedures and guidance.

7.1.18   The Committee commented that the focus was on redesigning processes, developing guidance, etc and whether the bureaucracy could be reduced.  The Committee queried the level of confidence that these changes would be effective and deliver success.

7.1.19   The Committee were reminded that several pilot programmes were ongoing and the outcome of these would help the development of future processes, etc.

7.1.20   In regard to the timescale since the last policy revision, LB noted there were several reasons for this with one being the various ongoing pilot programmes.   The outcome of these pilots would be considered during the revision process.  The Committee accepted this explanation and noted that it would have been helpful to have this contextual narrative within the report.

7.1.21   **The Committee scrutinised the progress report and the final reports.**

         *(G Devlin and K Lewis left the meeting at 1100 hrs)*

**7.2      SFRS Progress Update/Management Response**
7.2.1    GC presented a report to the Committee outlining the status of the recommendations raised by Internal Audit.  The following key areas were highlighted:
         • Seven actions were added and 11 actions were closed during this quarter.
         • Total of 38 outstanding actions remain with 22 actions not yet due for implementation.

7.2.2    The Committee sought clarification whether the external funding and revenue generation included the core Scottish Government monies and whether the seven recommendations were out of proportion based on the overall benefits.  LMcG advised that this funding did not include the Grant in Aid (GIA) funding from Scottish Government.  With regard to the level of benefits, LMcG noted that the Service were endeavouring to subsidise funding as much as possible to alleviate financial pressures.  JT further noted that the evaluation process would help identify whether to pursue potential grants/funding.

7.2.3    The Committee commented on the need for a more collaborative approach on taking necessary actions/providing evidence to close off risks promptly.  GC reminded the Committee of the close working relationship with the Service, that responses/evidence provided does not always address the original risk and that further responses had been received since the report was circulated.

7.2.4    With reference to the Water Planning risk, the Committee noted that the risk had progressed from operational to financial risk.  The Committee further noted that these risks should be reviewed and either confirmed as being addressed, reframed or recognised as being superseded.

7.2.5    **The Committee welcomed the update and the progress being made.**

**8        AUDIT ACTION PLANS AND CLOSING REPORTS UPDATE**
8.1      MMcA presented a report to the Committee providing an overview update of the current audit and inspection action plans for scrutiny.

8.2      MMcA noted that the Audit and Inspection Overview dashboard recorded 15 action plans as complete and of the remaining live action plans, one was reporting on track for completion (Green), one was reporting Amber (slippage in timescale) and a further 2 action plans were currently in development.

8.3      The Board noted the good progress being made and commented on the helpful information presented via the dashboard.

8.4      **The Committee scrutinised the report.**

*The Chair informed the Committee that Items 13 and 14 would be brought forward on the agenda.*
*(I Bashir and R MacKinnon joined the meeting at 1115 hrs)*

**13      RISK SPOTLIGHT: RETRIEVAL OF PPE**

13.1    IB presented the risk spotlight on the retrieval of PPE.  IB noted that the paperwork for returning PPE had been revised and circulated, correspondence had been updated to emphasis the costs incurred for the non-return of PPE by the Service and the audit action was on target for completion by March 2024.  IB further noted that discussions were ongoing with legal and finance colleagues to identify appropriate consequences for non-return of PPE.

13.2    The Committee commented on the opportunity within the PPFT programme to consider an element for recording what equipment/PPE had been assigned to individuals.

13.3    The Committee were provided with an example of the current process for requesting, returning and reissuing replacement equipment and PPE.  RMacK advised the Committee that in the case of individuals leaving the Service, the process was reliant on managers completing the process for returning equipment/PPE.

13.4    In terms of potential security risk, RMacK noted that all branded uniform was requested to be returned and every effort was made to retrieve same.  The increased communication and emphasis on returning kit, although helpful, would not totally mitigate the risk and consideration should be given to financial or legal sanctions being introduced.  It was noted that any incidents of individuals impersonating firefighters were reported to Police Scotland.

13.5    Brief discussion took place on the potential to withhold final salary payment until full return of PPE/equipment and the process required to implement this.  The Committee requested a future update on inter-departmental discussions relating to leavers returning all equipment and PPE, and any improvements to the process that can be made including consequences for non-compliance.

**ACTION:  IM/IB/RMacK**

13.6    **The Committee scrutinised the report.**

*(I Bashir and R MacKinnon left the meeting at 1130 hrs)*

**14      INTERNAL CONTROLS UPDATE**

14.1    **Risk Report Update**

14.1.1    DJ presented the risk report and dashboard to the Committee for scrutiny.  The Committee noted that the previous (paper based) approach afforded the opportunity to review and reflect on the information being presented.  As such, the Committee felt that further discussions on how this information is presented was necessary to ensure proper scrutiny could be undertaken.

**ACTION:  BB/DJ**

14.1.2    EG gave a demonstration of the risk dashboard and highlighted the following key points:
- Overview of Business Intelligence landing page.
- Board Summary Risk and Full Risk reports are accessed via the Governance tab.
- Summary risk report focuses on risk with high ratings (15 or above) with an option available to show all risks.
- Work was ongoing to realign all directorate and project risks to strategic outcomes rather than strategic risks.
- Risk Change overview page allows various filters, for example individual Committees, changes, actions, key words, to be applied.

- Pressing Issues pages which contained high rated risks (15 or higher) with details on changes, actions, etc.
- Directorate Risk page contains all risks in tabular form.

14.1.3    Notwithstanding the above comments on the need to revisit the form and content of information presented to the Committee, the link to the Risk and Performance dashboard be recirculated and included in all future reports.  This would allow the Committee to review and scrutinise the data ahead of presentation at meetings.

**ACTION:  DJ/EG**

14.1.4    The Committee asked for an update on the progress being made against the 2 highlighted risks (SDD007 and FCS005) which had a risk rating of 15 or over.  DJ advised that both risks were on course although there may be changes in dates for completion of work.  Further progress has been made since the report had been produced.

14.1.5    DJ demonstrated how the Service would interrogate the risk dashboard through the Directorate button.  This would allow the Committee to review progress and actions being taken and updates from the risk owner.

14.1.6    The Committee were requested to review and provide feedback on the risk dashboard, particularly what the Committee needs, how the Committee would use it and general experience by the end of November 2023.

**ACTION:  ALL**

14.1.7    RW reminded the Committee that a PowerBI session was scheduled for the next Strategy Day (23 November 2023).  The Committee welcomed this session and requested a particular focus on definition of the responsibilities/role of the Board and Committees and how the new approach supports scrutiny and challenge.

**ACTION:  RW**

14.1.8    **The Committee scrutinised and supported the continued development of the report.**

14.2    **Anti-fraud/Whistleblowing Update**
14.2.1    JT informed the Committee of 2 recent incidents and updates on the current position:
- On 14 September 2023, a quantity of batteries were lost in transition to the new West Asset Resource Centre (ARC).  The incident was being investigated and had been reported to Police Scotland.
- An employee reported a potential card scamming incident which was investigated and subsequently closed as no fraudulent issues were identified.

14.2.2    In regard to the relocation of stock to the new West ARC, the Committee asked whether the Service were confident that no further stock had gone missing.  JT advised that a mini stocktake, focusing on high-risk items, had taken place and no further stock had been reported missing.  JT further advised that it was not possible to undertake a full stocktake at this time, as this would close stores for a period of 2 weeks.

14.2.3    **The Committee noted the verbal report.**

*(The meeting broke at 1200 hrs and reconvened at 1205 hrs)*

**9    EXTERNAL AUDIT**
9.1    **Audit Dimensions and Best Value Report and Annual Reports 2021/22**
9.1.1    JT presented the report to the Committee outlining the progress on the External Audit Dimensions and Best Value Report for year ending 31 March 2021 and the Annual Report and Accounts Audit for 2020/21. JT noted that since the production of the report, additional updates had been provided by Audit Scotland and further context would be given under the next agenda item.

9.1.2 **The Committee scrutinised the report and noted the progress being made.**

9.2 **External Audit – Progress with Wider Scope Audit Recommendations**

9.2.1 AMcD presented the report to the Committee outlining progress against the wider scope audit recommendations and highlighted the following points:
- Interim report presented due to the primary focus being the annual accounts audit.
- Of the 19 actions, 6 were still in progress, 4 awaited further evidence and 9 had been closed during the quarter.

9.2.2 In regard to any areas of concern, JT noted that discussions had taken place on the budget to outcome point, in order to reach an agreement of how the action could be addressed. JT noted the intention was to improve transparency, opportunities for scrutiny and identify potential areas to take this forward ie Home Fire Safety Visits.  Further discussion would be held.

9.2.3 MO noted that further longer-term discussions were required and that a stocktake of actions to assess their position/relevance was a fair point.

9.2.4 The Committee sought and were provided with clarification on the reason for the separate audit and wider scope audit actions.  JT noted that the incomplete actions were taken into account during this year's audit and therefore would be closed on conclusion of the audit.

9.2.5 **The Committee scrutinised the report.**

9.3 **2022/23 Audit Plan Progress Report**

9.3.1 MO provided a verbal update to the Committee on the progress of the 2022/23 Audit Plan, noting that this was scheduled to be reported to the Special Committee meeting on 30 November 2023.  MO noted the initial submission of the draft accounts to Audit Scotland was delayed but he was still confident to be able to deliver within the agreed timeframe.

9.3.2 JT explained the reason for the late submission and was hopeful that the work undertaken since has helped to recover the position.

9.3.3 The Committee asked whether any areas of concern had been identified.  MO noted that the command and control contract was an area of concern.  MO further noted that a request had been made for more disclosure around the project and cancellation of same to be included within the accounts.  MO advised that the Auditor General was not planning to undertake a Section 22 Report this year due to the retained benefits from the original project and the subsequent current new project.   However, this area would remain an interest for both Audit Scotland and the Auditor General.

9.3.4 AMcD noted that there were no major concerns, commented on the level of learning required in relation to the pension funds and that good progress had been made to date. JT advised that, as per previous years, the Service were in a similar position with pensions and the reliance on other parties such as actuaries, local authorities etc.

9.3.5 The Committee requested early notification should the 30 November 2023 date be unachievable.

9.3.6 **The Committee noted the verbal update.**

**10** **ANNUAL PROCUREMENT REPORT 202/23**

10.1 JT presented a report to the Committee the Annual Procurement Report for the period 1 April 2022 – 31 March 2023, which the Scottish Fire and Rescue Service (SFRS) is required to prepare and publish under the requirements of the Procurement Reform (Scotland) Act 2014.

10.2    Due to the rescheduling of this meeting, JT noted that the Annual Procurement report had been presented and approved at the SFRS Board meeting on 26 October 2023.  Therefore, no approval was needed from the Committee.

10.3    **The Committee noted the report.**

*(L Barnes left the meeting at 1235 hrs)*

**11      GIFTS, HOSPITALITY AND INTERESTS POLICY**
11.1    DJ presented the revised Gifts, Hospitality and Interests Policy and Quarterly Update to the Committee for scrutiny, the following key points were highlighted:
- Total number of declarations within the first 2 quarters was 31.
- Good progress was continuing to be made and this was evidenced through the increased number of declarations and enquiries.
- No fundamental changes have been made to the policy.

11.2    The Committee extended their thanks for the progress being made.

11.3    **The Committee scrutinised the report and supported the approval of the revised policy.**

**12      QUARTERLY UPDATE OF GIFTS, HOSPITALITY AND INTERESTS**
12.1    Covered under Item 11.

**15      REPORT FOR INFORMATION ONLY:**
**15.1    Quarterly Update Report on HMFSI Business**
15.1.1  RS presented the quarterly report to the Committee to provide an update on HMFSI's inspection and reporting activity during 2023/24 and the following key areas were noted:
- First Service Delivery Area (SDA) Inspection report for the East published and laid before Parliament on 19 October 2023.  Local level performance across several themes were considered and rated.  Format of the report provided was accessible for the general public as well as more focused information for Management/Board consideration.
- Next SDA inspection in the West had commenced and would identify good practice, areas for improvement and allow benchmarking with the East.
- Future SDA inspection would be undertaken in the North.
- Next report to be published would be Climate Change: Impact on Operational Activity.  The inspection highlighted areas of good practice made some recommendations and recognised the increasing impact on operational activities.
- Mental Health and Wellbeing Provision audit was nearing completion and recognised the steps taken at a strategic level, policy and procedural and the general change to the culture within the organisation.  Some recommendations were made relating to the roll out of policies and increasing awareness.
- Terms of Reference for the Organisational Culture inspection had been developed and feedback was still awaited from the Service.  It was proposed to focus on values, behaviours, misconduct and tools available to challenge inappropriate behaviour.
- Independent inspection of Northern Ireland Fire and Rescue Service was now publicly available.

15.1.2  The Committee noted the opportunity for benchmarking comparisons between the SDAs.  RS advised that the inspection would not overtly benchmark within the Service but would allow the Service to use the reports to draw some comparisons.

15.1.3 RS noted the delay in the publication of the report and advised the Committee that improvements had been made during this period. The Committee acknowledged the importance of this work as a continuous improvement tool and were encouraged that improvement actions had already been taken.

15.1.4 The Committee noted and welcomed the specific focus within the Organisational Culture audit.

15.1.5 **The Committee noted the report.**

**15.2 Outcome of HMRC Compliance Review 2023**
15.2.1 A report was provided to formally advise the Committee on the outcome of the recent HMRC Compliance Review.

15.2.2 **The Committee noted the report.**

**16 REVIEW OF ACTIONS**
16.1 KM confirmed that 7 formal actions were recorded during the meeting.

**17 FORWARD PLANNING**
17.1 **a) Committee Forward Plan Review**
17.1.1 The Committee considered and noted the Forward Plan.

17.2 **b) Items for Consideration at Future IGF, Board and Strategy Days Meetings**
17.2.1 No items were identified.

**18 DATE OF NEXT MEETING**
18.1 A Special Private meeting is scheduled to take place on 30 November 2023. The next public meeting is scheduled to take place on 18 January 2023 at 1000 hrs.

18.2 There being no further matters to discuss the public meeting closed at 1254 hrs.


**PRIVATE SESSION**

**19 MINUTES OF PREVIOUS PRIVATE MEETING:**
19.1 **Thursday 27 June 2023**
19.1.1 The minutes of the private meeting held on 27 June 2023 were approved as a true record of the meeting.

**20 SFRS DATA QUALITY ISSUES AND CONSIDERATIONS**
20.1 RW presented the report to the Committee to provide an update on issues related to data quality across the Service which were identified in a recent internal audit report.

20.2 **The Committee scrutinised the report and verbal update.**