



<b>Audit and Risk Committee (ARC) Minute of Meeting</b>	
<b>20 July 2020 1030hrs Skype Meeting</b>	
<b>Chair</b>	Jayne Scott, Audit and Risk Committee Chair
<b>Present</b>	Andrew Harvey, Audit and Risk Committee Member Christine Martin, Audit and Risk Committee Member Julie Wardhaugh, Audit and Risk Committee Member Tim Wright, Audit and Risk Committee Member
<b>In attendance</b>	Janet Egdell, Accountable Officer Head of Finance (SW) Deputy Head of Finance (EG) SG Internal Audit Manager (SGIA) (LT) Senior Manager, Audit Scotland (MC) Head of Risk and Information Governance (JMcC) Head of Enterprise Risk Management (CI)
<b>Apologies</b>	Audit Director, Audit Scotland, (AS) (GS) SG Senior Internal Audit Manager (KM)
<b>Secretariat</b>	Secretary to Audit and Risk Committee (JM)

### 1. Introduction, apologies and chairman's matters

1.1. The Chair welcomed everyone to the meeting and noted the apologies received from the Audit Director and the Senior Internal Audit Manager.

1.2 No new declaration of interests were made.

### 2. Matters arising

2.1 No other matters were raised.

### 3. Minute of meetings

3.1 The minute of the meeting held on 24<sup>th</sup> June 2020 was accepted as a true record of the discussion held.

3.2 The Committee reviewed the action log and agreed:

**Action 4102** – Internal audit recommendations are clearly presented with audit trail maintained so this action can be closed.

**Action 4263** – Expected Internal Audit report presentation dates will be included on dashboard reports so this action can be closed.

**Action 4264** - Internal Audit plan will be updated quarterly and Committee feedback incorporated so this action can be closed.

**Action 4267** –The KRR will be shared with the Committee at each meeting as either a live overview or an extract for noting as the agenda allows so this action can be closed. New action agreed for the Accountable Officer to explore when Committee members could be part of a VDI trial.

***New Action - Accountable Officer to explore when Committee members could be part of a VDI trial.***

**Action 4339** – Ongoing. The Committee agreed to conduct a people and change deep dive in October where they would expect to receive a substantive report on planned and implemented actions against the recommendations made in the People, Performance Management and Development internal audit report, and where ARC input would be helpful.

**Action 4346** – Framework amendments are incorporated in the reports to ARC so this action can be closed.

**Action 4347** – Ongoing. RoS Secretariat are considering format of Outstanding Issues Log.

**Action 4369** – Internal audit follow up reviews process is in place so this action can be closed.

**Action 4370** - Internal audit progress dashboard are being presented to each Committee meeting so this action can be closed.

**Action 4371** – The Committee noted that the SWP action plan is being led by the SPWG chair through the people workstream of the Transition Project and agreed this action can be closed but would welcome an update on the Transition Project at the October meeting. The Committee agreed that they should also receive any information on the Project that is shared with the RoS Board.

**Action 4372** – Audit Scotland are providing verbal updates to all interim Committee meetings so this action can be closed.

**Action 4373** – Committee chair handover meeting with Audit Scotland has taken place so this action can be closed.

**Action 4374** – Audit Scotland have provided early feedback on the annual report so this action can be closed.

**Action 4445** – List of ARC attendees has been shared with the group so this action can be closed.

**Action 4446** – Additional ARC meeting to review the annual report and accounts and Audit Scotland report has been arranged to take place on 4<sup>th</sup> August.

#### **4. Matters arising not covered on the agenda**

4.1 No other matters were raised.

#### **5. Internal audit**

##### **5.1 Progress dashboard**

5.1.1 The Internal Audit Manager provided a verbal overview of the progress dashboard.

5.1.2 The Committee welcomed the progress made and agreed they would like to see review dates in the October dashboard and an indication of when reports are expected to be presented to Committee meetings.

***Action – SGIA to include proposed review dates and an indication of when reports are expected to be presented to Committee meetings in the October dashboard.***

##### **5.2 2020 / 2021 revised internal audit plan (Q2)**

5.2.1 The Internal Audit Manager provided a verbal overview of the 2020 / 2021 revised internal audit plan (Q2) which has been updated following recent discussions with management.

5.2.2 The Committee noted the postponed financial governance and corporate planning processes review and agreed that it would be helpful for this audit to take place during Q3.

5.2.3 The Committee heard that although September is the traditional date for a Q3 planning meeting to take place, SGIA are happy to arrange for this to take place as early as possible to ensure that all relevant Q3 terms of reference (ToR) are agreed before the end of Q2.

***Action – SGIA to ensure all Q3 review ToRs are in place by the end of Q2.***

5.2.4 The Committee queried whether sufficient audit work has taken place to inform the annual audit opinion and agreed that it would be helpful for SGIA to provide an interim opinion in the October progress dashboard report.

***Action – SGIA to provide an interim audit opinion in the October progress dashboard report.***

5.2.5 The Committee heard that discussions with management are ongoing to agree the scope of the cyber resilience review, and SGIA are confident following discussions held to date that no specialist audit expertise will be required to carry out this work. This review is likely to focus on technical investment decisions made within the governance framework. The Committee requested sight of the ToR as early as possible in the process to provide input and feedback.

5.2.6 The Committee noted that follow ups of the outstanding medium and high recommendations made in the Financial Planning (2020), Workforce Planning (2020) and Billing – Invoice Production (2019) reviews are now concluded with follow up reports in progress. The Committee were pleased to hear that no areas of concern were highlighted.

### **5.3 IT projects governance and financial monitoring report**

5.3.1 The Internal Audit Manager provided a verbal overview of the IT projects governance and financial monitoring report which provides an overall substantial assurance with one medium and one low recommendation made.

5.3.2 The Committee noted that there is no owner for the low rated recommendation on governance arrangements and SGIA will ensure this is identified for follow up activity.

***Action – SGIA to liaise with management to identify an owner of recommendation one - governance arrangements.***

5.3.3 The Committee were pleased to note that the report has been renamed appropriately to reflect the review scope, and SGIA will update the report to ensure this follows throughout and resubmit to RoS Secretariat for ARC files.

***Action – SGIA to update IT projects governance and financial monitoring report to ensure it is properly named throughout and resubmit to RoS Secretariat for ARC files.***

5.3.4 The Committee heard that management are content that the issue highlighted regarding an absence in the audit trail for the Workplace project was an isolated incident which they were fully sighted on at the time albeit not formally minuted.

### **5.4 Internal audit COVID 19 advisory work**

5.4.1 The Committee reviewed the COVID 19 advisory work update and noted the concerns raised around retaining General Purchase Card (GPC) controls whilst remote working. Current controls are paper based and the procurement team are working to introduce electronic controls.

5.4.2 The Committee considered that although advisory reviews do not usually come to Committee meetings as a matter of course, it was useful to see the findings this time and asked SGIA to liaise with the assurance team to consider how these should be tracked.

***Action – SGIA to liaise with the assurance team to consider how COVID 19 advisory review findings are best tracked.***

5.5 The Committee noted the Internal Audit days worked.

5.6 The Committee thanked the Internal Audit Manager for the reports.

## **6. Draft Audit & Risk Committee annual report to the RoS Board**

6.1 The Chair presented the draft Audit and Risk Committee annual report to the RoS Board and welcomed feedback from Committee members. It was noted that the external audit section at point 4 will be finalised once Audit Scotland's audit completion report is received.

6.2 The Committee were happy to approve the content but suggested that this could also include mention of the cyber resilience deep dive in May 2019 and the planned cyber security review. The Chair agreed that although these activities are out-with the reporting period, it would be appropriate to include this information for RoS Board oversight and will include this in the final report.

***Action – Chair to include mention of the cyber resilience deep dive in May 19 and the planned cyber security review in the final ARC report to the RoS Board.***

## **7. Assurance framework and Key Risk Register (KRR)**

7.1 The Head of Risk and Information Governance and the Head of Enterprise Risk Management presented the RoS assurance framework and live KRR for consideration of recommendations to RoS Board August 2020.

7.1.1 The Committee considered the information provided and provided the following feedback:

- a. Key Risk 1 - Financial health. The Committee suggested that management should review the further assurance actions to mitigate any disconnect between the risk scores and risk scenario.
- b. Key Risk 5 - Uncertainty of future business model beyond 2024. The Committee noted that this key risk deep dive might be superseded by Transition Project and agreed that an update on the project in the October meeting would be helpful.
- c. Key Risk 10 - LRC – realising benefits. The Committee discussed whether the relationship with Ministers and threat risk would suggest this an area worthy of deep dive, and agreed to add this to the deep dive list.
- d. Key Risk 11 - Maximising use of RoS data. The Committee discussed the emerging strategy and impact of the Transition Project on the risk scoring and heard that this is an interim status. The Head of Risk and Information Governance is working with the Key Risk Owner (KRO) to develop positive controls and is confident the framework will provide more reflective detail for the November meeting.

- e. Key Risk 13 - People and Change. The Committee agreed a deep dive should be scheduled for the October meeting.

7.1.1 The Committee noted the key risk deep dive list and agreed that the remaining deep dives should be scheduled into the ARC agenda planner.

**Action – The Head of Risk and Information Governance to liaise with management to review the Committee feedback on the assurance framework and key risk register in advance of August RoS Board.**

**Action – RoS Secretariat to liaise with the Accountable Officer and Head of Risk and Information Governance to schedule the remaining key risk deep dives into the ARC agenda planner.**

7.2 The Committee noted the live KRR and agreed that it would be helpful for this to be shared at least quarterly, and perhaps more regularly if many changes occur between meetings as the agenda allows. Where the live KRR overview is not on the ARC agenda, then the extract will be provided as a paper for noting.

7.2.1 The Committee approved of the new KRR format and thanked the Head of Risk and Information Governance and Head of Enterprise Risk for their hard work done to progress this and also for today's update.

## **8. Audit & Risk Committee Terms of Reference (ToR) annual review**

8.1 The Committee Chair presented a revised draft of the ARC ToR, which has been amended to provide further clarification. No fundamental changes have been proposed.

8.1.1 The Committee were happy to submit the proposed changes to the RoS Board for approval subject to the last bulleted point under responsibilities being amended to read Chief Finance Officer.

## **9. Outstanding issues log**

9.1 The Committee reviewed the outstanding issues log and agreed as follows:

Promotions policy	Agreed to close as complete
Finance system admin back up	Agreed extension request to 31/08/2020
Process doc and control enhance	Noted current target date of 31/08/2020 and agreed to extend this to 30/09/2020 to allow completion
Multi product team cost data	On track for completion by 31/08/2020
Openness and transparency	Agreed to close as complete
Performance reporting	On track for completion by 31/08/2020. Noted that there may further recommendations in the upcoming Audit Scotland report that may replace this. Will be reviewed again at the November meeting.

Enhance monthly reporting	Agreed to close as complete
Significant variances review	Agreed to close as complete
Recruitment performance plan	Agreed extension request to 30/09/2020
Budget resource template	Agreed to close as complete
Overdue outstanding POs	Agreed extension request to 31/10/2020
Pecos data review	Agreed to close as complete
ASL approval levels	Agreed extension request to 31/10/2020
Contract performance management	Agreed extension request to 31/10/2020
Outdated ASL list	Agreed to close as complete. Noted that SGIA will provide follow up recommendation in November 2020
Invoices without receipts	Agreed to close as complete
Performance management routines	Noted recommendation to close, however Committee agreed to keep this open until after the October key risk deep dive
Review calibration	Agreed extension request to 31/03/2021
APR process improvements	Noted recommendation to close, however Committee agreed to keep this open until after the October key risk deep dive
Improvement plan delivery	Agreed to close as complete
Controls and responsibilities	Noted partially implemented against target date of 31/10/2020
PAL reports guidance	Noted partially implemented against target date of 31/10/2020
SWP action plan	Agreed to close as complete

9.2 The Committee heard that it is SGIA process to conduct all follow up reviews on a particular report once the furthest review date is due, which may result in occasions where an opinion will not be provided at the time of the Committee review. The Committee agreed that they will continue to consider closure based on management recommendations as appropriate, and that SGIA will highlight if there is evidence of management closing any issues prematurely and provide a report on any further actions taken to ensure completion.

## 10. Items for noting

10.1 The Committee noted the Finance update – May 2020.

10.2 The Committee noted the KPI scorecard – May 2020 and heard that the Executive Management Team (EMT) have since agreed that arrears scoring should be categorised red and not amber.

## 11. Any other competent business

11.1 The Senior Manager, Audit Scotland provided a verbal update on the external audit progress and advised that it is expected that this will provide an unqualified opinion subject to all final checks.

11.2 The Committee thanked the Senior Manager for the update and look forward to seeing the report at the August meeting in advance of sign off by the RoS Board.

**12. Meeting close**

12.1 The meeting closed at 1220hrs.

12.2 Date of next meeting:  
4<sup>th</sup> August 2020  
1400hrs  
Skype