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| <p>Audit and Risk Committee (ARC) Minute of Meeting</p> <p>01 October 2020 1300hrs Skype Meeting</p> | |
| Chair | Andrew Harvey, Audit and Risk Committee Chair |
| Present | Andrew Harvey, Audit and Risk Committee Member Tim Wright, Audit and Risk Committee Member Christine Martin, Audit and Risk Committee Member Julie Wardhaugh, Audit and Risk Committee Member |
| In attendance | Janet Egdell, Accountable Officer Chief Finance Officer (HB) Head of Finance (<i>incoming</i>) (EG) Head of Risk and Information Governance (JMcC) Head of Enterprise Risk Management (CI) Enterprise Risk Manager (LH) Senior Manager, Audit Scotland (AS) (MC) SG Senior Internal Audit Manager (SGIA) (KM) SG Internal Audit Manager (SGIA) (LT) |
| Apologies | Audit Director, Audit Scotland, (AS) (GS) Head of Finance (<i>outgoing</i>) (SW) |
| Secretariat | Secretary to Audit and Risk Committee (JM) |

1. Introduction, apologies and chairman's matters

1.1 Andrew welcomed everyone to the meeting and noted the apologies received from the Audit Director, Audit Scotland and the outgoing Head of Finance who is retiring from RoS and has attended his last meeting. The Committee extended their sincere thanks for all his contribution to the Committee meetings over the years.

1.2 A particular welcome was extended to the new Chief Finance Officer and the Enterprise Risk Manager to their first Committee meeting.

2. Declaration of interests

2.1 The Committee noted that Tim Wright has joined the Nationwide Building Society Community Trust Grant Aiding Board, however there is no conflict of interest with any items on today's agenda. It further noted that this interest would now be recorded in the RoS Register of Interests.

3. Minute of meetings

3.1 The minute of the meeting held on 04th August 2020 was accepted as a true record of the discussion held.

4. Matters arising not covered on the agenda

4.1 No other matters were raised.

5. Internal Audit

5.1 Progress dashboard and revised 2020/21 plan

5.1.1 The Senior Internal Audit Manager presented the progress dashboard and revised 2020/21 plan. Recent work has focussed on follow ups and the fieldwork on the compensation review has begun.

5.1.2 The Committee noted that four assurance reports are planned to be submitted to the February meeting and heard that this timing is as a result of organisational readiness. The Committee considered that early sight of these reports will be required to ensure they have sufficient time to review these in advance of the February meeting, and agreed that SGIA and RoS Secretariat should liaise to share these with Committee members as soon as possible and, certainly, well in advance of the seven day paper circulation date.

Action - SGIA and RoS Secretariat to liaise to share the final internal audit reports with the Committee members in advance of the February 2021 paper circulation date.

5.1.3 The Committee were reassured to hear that the planned work will provide enough information to inform Audit Scotland's annual opinion should timescales not slip, and that Audit Scotland will continue to liaise with SGIA as part of their planning work to ensure work is aligned. The Committee expect SGIA to provide an early alert should this happen, with emphasis on the reports planned for the May 2021 meeting.

5.1.4 The Committee noted that the progress report does not include COVID related work this time and agreed that it would be helpful if a summary can be added back into future reports.

Action - SGIA to include a summary of COVID work undertaken in future progress reports.

5.1.5 The Committee discussed the Cyber Resilience assurance review terms of reference (ToR) which were recently shared with members for feedback and were assured that SGIA do not require specialist involvement to assist with this as it is not a technical review. Public Key Infrastructure (PKI) has been removed from the ToR scope and will be reported on separately as an advisory piece planned for Q4.

5.1.6 The Committee noted the planned total 35 days of work on the Financial Governance and Reclassification reviews and heard that these will combine assurance and advisory work with two different scopes. SGIA and the Chief Data Officer are liaising to look at how these scopes should be separated.

5.1.7 The Committee noted that the next proposed ARC meetings are in November 2020 and February 2021 and are content that the Accountable Office and SGIA will provide an early alert if any substantive issues arise in the meantime.

5.1.8 The Committee thanked SGIA for the helpful paper.

6. External Audit

6.1 Annual Report & Accounts and Audit

6.1.1 The Senior Manager, Audit Scotland confirmed that the annual report & accounts and audit were signed off by the RoS Board on 19th August using a new electronic signature process. Audit Scotland's thanks were extended to the Accountable Officer and finance team for the very smooth process this year and the Committee thanked all involved for the fantastic effort made to sign off the annual report & accounts and audit within planned timescales despite the exceptional circumstances.

6.1.2 The Committee heard that Audit Scotland are in the process of reviewing their work programme for performance audits with the new Auditor General and this should be finalised in the coming months. Many organisations have had to delay their annual report and audits due to COVID-19 which is likely to impact the overall 2020/21 agenda, although it is hoped that work can begin on the RoS 2020/21 audit during Q3 / early Q4.

6.1.3 The Committee heard that Audit Scotland have launched a COVID-19 eHub to which the link was shared with members in September. This eHub contains papers that may be of interest to the Committee.

6.1.4 The Committee thanked the Senior Manager for the update and look forward to receiving a further progress update in November.

7. Assurance framework

7.1 Assurance framework and key risk register (KRR)

7.1.1 The Head of Risk and Information Governance presented the assurance framework paper which provided the Committee with an overview of the new reporting approach and a proposed schedule of key risk deep dives for 2021. The Head of Enterprise Risk Management also presented a demonstration of the live key risk register.

7.1.2 The Committee noted that the assurance framework content has been embedded in the KRR Excel file to bring both reports together and agreed that it would be helpful for a pdf version of the KRR to be submitted to each quarterly ARC meeting for noting.

7.2 Key risk deep dive schedule

7.2.1 The Committee considered the proposed deep dive schedule and dates for 2021 and were content to approve this albeit with the need for some flexibility as matters arise.

7.2.2 The Committee noted the proposed LRC deep dive for March 2021 and agreed this will be timely as the RoS Board are looking at the overall strategy at their November meeting. The Committee will test the controls and metrics in their deep dive and agreed that this could also include a review of any opportunities and risks of non-completion should this be deemed appropriate when the time comes.

7.2.3 The Committee noted that the last cyber resilience deep dive took place in May 2019 and agreed that another may need to be scheduled during 2021 depending on the outcome of the upcoming assurance review.

7.2.4 The Committee considered that it would be helpful to receive an update on the transparency project and heard that the Executive Management Team (EMT) have discussed this at their recent Corporate Governance meeting. The Committee requested that the paper provided for the EMT discussion be included in the November ARC papers for noting, should EMT be content that the work is complete.

8. Transition Project Update

8.1 The Keeper and Project Manager joined the meeting to present the COVID-19 transition project paper which provided ARC with an update on the transition project and sought advice on the residual risk left from the pandemic and the organisation's need to transition to a new state which the project is set to deliver.

8.2 The Committee queried how certain EMT are of a permanent move towards digitised processes and were reassured to hear that mitigation is in place for consideration should legislation change be unsuccessful and that EMT are confident that this can still be achieved without legislative cover. The Committee heard that EMT are confident that RoS vision aligns with any future changes to the property market and are working to develop a re-deployable staff profile.

8.3 The Committee considered whether the future vision will impact the value of the RoS estate and heard that the estate is likely to reduce as many staff have indicated that they would be content to continue to work mostly remotely in the future. Discussions are taking place with Scottish Government on the future vision for Meadowbank House.

8.4 The Committee heard that the transition project will transfer to business as usual when EMT consider that it has restored RoS back to its pre COVID position and the business is back on track with the corporate plan and key priorities such as the plan to tackle the arrear. The project plan is currently due to end on 31st March 2021 with ongoing key deliverables being closely monitored. Due to external factors outwith our control the project may need to continue beyond this date.

8.5 The Committee noted the people related risks on the risk log and were reassured to hear that work is being undertaken to understand how staff are coping with remote working and the supports that are being considered for those who are finding it challenging. The Committee suggested that the project team should keep a watching eye on this risk as we move into the winter months.

8.6 The Keeper thanked the Committee for providing reassurance that all observations are being duly considered and identifying those areas that may require some more focus. Future transition project updates to the RoS Board will be shared with Committee members and any feedback will be gratefully received.

8.7 The Committee thanked the Keeper and Project Manager for the helpful and straightforward paper and discussion.

9. People and Change Key Risk Deep Dive

9.1 The Corporate Director and Interim Head of Organisational Development (OD) joined the meeting and provided a supplementary presentation which complemented the people and change background paper.

9.2 The Committee were interested to hear about all the activity and exercises underway and the resultant opportunities to enable a better understanding of organisational development within RoS, upskill staff and promote positive engagement with team leaders.

9.3 The Committee were delighted to see the very positive Investors in People results and look forward to noting the full report at a future ARC meeting.

9.4 The Committee queried organisational readiness for resistance to change and heard that the new change management practice tools have helped the OD team to better understand change fatigue levels within the organisation and to develop strategies to help staff cope with change. The Committee were reassured to hear this and commended RoS approach to providing remote working support to staff.

9.5 The Committee thanked the Corporate Director and Interim Head of OD for the presentation and congratulated them on a thorough and comprehensive piece of work. The Corporate Director in turn thanked the Committee for the helpful feedback and comments.

10. Any other competent business

10.1 No other business was raised.

11. Meeting close

11.1 The meeting closed at 1530hrs.

11.2 Date of next meeting:
2nd November 2020
1030hrs
Skype