



Audit and Risk Committee (ARC) Minute of Meeting 17 February 2021 1030hrs Skype Meeting	
Chair	Andrew Harvey, Audit and Risk Committee Chair
Present	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 (EG) Head of Risk and Information Governance (AR) Head of Enterprise Risk Management (CI) Enterprise Risk Manager (LH) Audit Director, Audit Scotland, (AS) (CG) Senior Manager, Audit Scotland (AS) (MC) SG Senior Internal Audit Manager (SGIA) (KM) SG Internal Audit Manager (SGIA) (LT) Internal Auditor (AM) - <i>(item 5.1)</i> Internal Auditor (AG) - <i>(item 5.2)</i>
Secretariat	Secretary to Audit and Risk Committee (JM)

1. Introduction, apologies, and chairman's matters

1.1 Andrew welcomed everyone to the meeting and in particular the new Head of Risk and Information Governance and new Audit Director. The Audit Director joined the meeting at 11am and no apologies were received.

2. Declaration of interests

2.1 No new declarations of interest were made. The Chair will have a new interest to declare in the near future and will inform the Secretariat when appropriate.

3. Minute of meetings and outstanding actions

3.1 The minute of the meeting held on 2nd November 2020 was accepted as a true record of the discussion held.

3.2 The Committee reviewed the outstanding action log and agreed:

Action 4452 - Microsoft teams rollout will enable Committee members enhanced access to RoS information and papers in the future therefore this action can be closed.

Action 4454 - Scottish Government Internal Audit (SGIA) terms of reference (ToRs) for quarter 3 are in place so this action can be closed.

Action 4455 - Insufficient assurance work was carried out to provide an interim audit opinion by October 2020 so this action can be closed.

Action 4588 - All available internal audit reports were shared with the Committee in advance of the February 2021 meeting so this action can be closed.

Action 4631 - PKI advisory has been captured in the SGIA dashboard report so this action can be closed.

Action 4632 - Cadence of governance meetings has been reviewed and an oral update will be provided in Committee should there be any changes to the assurance framework arising between Executive Management Team (EMT) and Committee meetings. This action can be closed.

Action 4633 - Framework template has been reviewed and proposal discussed and accepted under agenda item 7.1 so this action can be closed.

Action 4634 - Finance update to November RoS Board meeting has been shared with Committee members so this action can be closed.

Action 4635 - Ongoing. Accountable Officer and the Assurance Service will keep target dates in audit reports under review.

Action 4636 - Ongoing. Accountable Officer and Assurance Service will keep the escalation process for delayed delivery of recommendations under review.

Action 4637 - Ongoing. Accountable Officer will continue to consider consequences for colleagues who request repeated extensions to audit recommendation delivery dates and invite colleagues to attend an ARC meeting where that is appropriate.

Action 4638 - Ongoing. Accountable Officer will continue to seek opportunities where Committee members can add value.

Action 4639 & 4640- Governance to be added to the future deep dive list so these actions can be closed.

Action 4641 - Ongoing. Accountable Officer will continue to ensure governance checks are included in all internal audit reviews.

Action 4642 - Ongoing. Accountable Officer and the Assurance Service are reviewing the outstanding issues log review process in advance of updates to Committee.

Action 4643 - Proposal for Committee members input into the internal audit plan scope was included under agenda item 5.2 so this action can be closed.

Action 4644 - Ongoing. Accountable Officer will continue to look for appropriate opportunities for Committee members to have more sight of functional work wider than the key risk register.

4. Matters arising not covered on the agenda

4.1 No other matters were raised.

5. Internal Audit

5.1 Progress dashboard report

5.1.1 The Internal Auditors presented the progress dashboard report and provided an update on the live and actively planned internal audit activity.

5.1.2 The Committee noted that that final outputs in 2021 - 2022 may be shared with the wider Directorate of Internal Audit and Assurance (DIAA) colleagues to improve integrated assurance. This will help identify areas which may require further assurance through gateway or digital first reviews, and this new way of working will be reflected in papers going forward.

5.1.3 The Committee noted the revised approach to follow up reviews and heard that one follow-up review will now take place on all high and medium recommendations to coincide with the furthest implementation date. Previously, the number of follow ups undertaken was at the discretion of Senior Internal Audit Managers, but guidance on this has now been defined in the audit manual.

5.1.4 The Committee heard that the report format is being further developed and it is hoped that future dashboards will include charts etc.

5.2 Draft internal audit plan 2021 / 2022

5.2.1 The Internal Auditors presented the draft internal audit plan 2021 / 2022 which has been developed in good discussions with the Accountable Officer. The report includes a cyclical 3-year plan, however any of the planned reviews can be brought forward should there be an emerging risk.

5.2.2 The Committee agreed that it would have expected to see areas such as billing, payroll and workforce planning built into the cycle as core regular reviews, and the Internal Audit Manager and Accountable Officer will review the plan to expand on this detail. The Committee heard that payroll had been removed from the report in error.

Action - Accountable Office and Internal Audit Manager will review the draft internal audit plan 2021 / 2022 to expand upon the detail of core regular reviews such as billing, payroll, workforce planning etc.

5.2.3 The Committee discussed the reports planned for quarter 3 and were reassured that this is good timing for these, as the permanent digital submissions legislation should be in law by then and we will also have a clearer view on staff working locations.

5.2.4 The Committee was content with the plan, subject to the minimum cyclical review of the 3-year plan being expanded upon.

5.3 Compensation final report

5.3.1 The Internal Auditor presented the compensation final report which was taken as read. The report provides a reasonable assurance overall with two medium recommendations made.

5.3.2 The Committee considered whether sufficient evidence is provided by the quality assurance checks highlighted in recommendation 1 and felt that the wording 'any checks' was a little vague. The Committee heard that this refers to the checks carried out before processing on the PECOS system. The Committee agreed that the Enterprise Risk Manager will update the report with further detail and that it would be helpful if future reports included more specific detail for clarity.

Action - The Enterprise Risk Manager will update the Compensation report to include further detail around quality assurance checks in recommendation 1.

5.3.3 The Committee heard that recommendation 1 is already completed and recommendation 2 is on track for completion by 31st March 2021.

5.4 Cyber resilience final report

5.4.1 The Internal Auditor presented the cyber resilience final report which was taken as read. The report provides a reasonable assurance overall with three medium recommendations made. Cyber resilience is in place but is developing aligned with standards and the team is sufficiently progressing on improvements.

5.4.2 The Committee highlighted the volume of acronyms throughout the report and requested that these be expanded in future reports. In addition, the Committee felt that it would have been helpful if plain English language was used for ease of understanding, rather than technical terminology.

5.4.3 The Committee heard that a RoS internal assessment had found limited assurance and SGIA was asked to recreate the assessment to check this opinion. RoS is striving towards internationally recognised industry standards and SGIA minimum standards which is the reason why the report has provided reasonable and not limited assurance. SGIA is content that plans are in place to ensure delivery of controls.

5.4.4 The Committee considered that it is unclear whether the report was more technical or governance focused, and heard that the Accountable Officer is reassured that this, together with the two reports for noting (11.4 and 11.5), provides good assurance around both our governance processes and technical processes. All have different scopes but provide broadly similar findings which provides assurance of incident handling consistency.

5.4.5 The Committee heard that there have been a couple of recent failed data scraping attempts which provided assurance of our defences, and agreed that the Accountable Office should consider with EMT how the Committee can receive some assurance of incident reporting and lessons learned. The Committee suggested that this could perhaps be achieved through a deep dive.

Action - The Accountable Officer and EMT to consider how the Audit and Risk Committee can receive assurance of cyber incident reporting and lessons learned.

5.5 Service Alignment Team (SAT) governance final report

5.5.1 The Internal Audit Manager presented the SAT governance final report which was taken as read. The report provides a reasonable overall opinion with three recommendations made.

5.5.2 The Committee noted the changed format trial and the proposal to reduce content on reasonable or above reviews whilst providing increased background details on reports with a limited or below opinion. The Committee was generally content with this proposal but highlighted the need for sufficient detail to ensure external Committee members understanding of the issue.

5.5.3 The Committee noted the management response provided for recommendation 1 and heard SGIA received assurance of the SAT terms of reference after the review but intend to check this is in place through its follow up process.

5.5.4 The Committee heard that the reports reviewed demonstrate a link between the corporate plan and strategic objectives, and that EMT is confident that the SAT team provides value for money.

5.6 The Committee noted the internal audit days worked and considered that this could now be removed from the agenda as a standing item as it is detailed in reports.

5.6.1 The Committee thanked the internal audit team for the helpful reports.

6. External Audit

6.1 Annual audit plan 2020 / 2021

6.1.1 The Audit Director presented the annual audit plan 2020 / 2021 and provided an oral overview of the key highlights.

6.1.1 The Committee noted that the autumn RoS Board meeting will take place in September providing additional preparation time this year, and recruitment of additional finance staff will also enable a more efficient and smooth process. As there is a longer gap between the August ARC and September RoS Board meetings, an additional ARC meeting to review the annual report and accounts can be scheduled if needed and this should be highlighted to the ARC secretary if this becomes apparent.

6.1.2 The Committee thanked the external audit team for the report and was content to note the audit plan. The Committee looks forward to receiving the interim report at the May ARC meeting.

7. Assurance framework

7.1 RoS assurance framework 2020 - 2025

7.1.1 The Head of Enterprise Risk Management presented the updated risk assurance framework and invited the Committee to review and approve this.

7.1.2 The Committee was pleased to note the change in opinion from limited to reasonable for key risk 1 - financial health, which is a result of the fee increase and reduced overall spend, and full funding secured for next year through the Budget Bill. The Committee queried the inherent risk change from 10 to 15 since the November framework paper and heard that this may be an error which the Head of Enterprise Risk Management will investigate.

Action – The Head of Enterprise Risk Management will investigate the inherent risk change from 10 to 15 for key risk 1 to determine the reason for this.

7.1.3 The Committee noted the change in opinion from reasonable to limited for key risk 3 - LRC ministerial target 2024 due to the ongoing potential impact of COVID-19 and looks forward to hearing more on this at the deep dive in March. It was noted that this links into key risk 10 - LRC realising benefits which will also be touched upon in the deep dive.

7.1.4 The Committee noted that some presentational changes have been made to the framework following previous Committee feedback, with deletions in red text and additions in blue text. The Head of Enterprise Risk Management also presented a proposal for some further changes which the Committee was content to agree. The Committee further requested that future papers also call out any status changes and key reasons for this in the cover paper.

7.1.5 The Committee considered the gap between assurance opinion and how targets are reached and heard that these are closely related and linked to risk appetite. Added controls are in place to provide more certainty and assurance and reduce target risk where there is a low risk appetite. The Committee considered that this may be two measures of the same thing and agreed that Chris Martin can discuss this further with the Accountable Officer and the Head of Enterprise Risk Management offline.

Action – Chris Martin, the Accountable Officer and the Head of Enterprise Risk Management will discuss the assurance opinion and target measures offline.

7.1.6 The Committee thanked the Head of Enterprise Risk Management for the helpful paper.

7.2 Key risk deep dive schedule 2021

7.2.1 The Committee considered the key risk deep dive schedule for 2021 and was happy with the proposed schedule.

7.2.2 The Committee confirmed LRC - Realising Benefits and Benefits Realisation of Domains for the March and July check in meetings respectively.

7.2.3 The Committee agreed that the list should be noted at each meeting to review the schedule and timetable and that two deep dives could be undertaken at a time if needed.

8. Annual review of policies for comment

8. The Accountable Officer provided an oral overview of the annual review of policies recently undertaken by EMT and invited Committee members to comment in advance of final sign off.

8.1 The Committee noted the review of key accounting policies and judgements paper and agreed with a suggestion that further consideration is given to the wording around funding and income to reflect the changes on how this is accounted for with Scottish Government.

8.2 The Committee noted the review of whistle-blowing policy.

8.3 The Committee noted the review of fraud response policy and heard that digital signatures are only accepted from professionals currently and EMT is aware that this is a potential growth area for fraud if this should be considered for citizens. The Committee agreed that it would be helpful if the fraud response policy were included in the background papers for the fraud deep dive later this year.

8.4 The Committee noted the review of hospitality policy.

8.5 The Committee was content to endorse the policies subject to the further consideration of the key accounting policies and judgements review as discussed and welcomed the move to a new concise policy template.

9. Audit and Risk Committee effectiveness review - November 2021

9.1 The Committee and external colleagues noted the effectiveness review notes and were happy to approve this for submission to the March RoS Board meeting.

10. Outstanding Issues Log

10.1 The Committee reviewed the outstanding issues log and agreed:

Finance system admin back up	Extended to 30/06/2021
Procedure document and control enhance	On track to complete by 31/03/2021
Multi-product team cost data	On track to complete by 01/04/2021
Recruitment performance plan	Closed
Performance management routines	Closed but to remain on log until completion of SGIA review
Review calibration	Closed
APR process improvements	Closed
Controls and responsibilities	Closed
PAL reports guidance	Closed
Financial plan & accounts policies	Closed
Budget monitoring training	On track to complete by 31/03/2021
Finance team capacity	Closed
Financial planning	Closed
COVID 19 lessons learned	Extended to 31/05/2021
Land register completion	On track to complete by 31/03/2021
Workforce planning	On track to complete by 31/03/2021

11. Items for noting

11.1 The Committee noted the finance update.

11.2 The Committee noted the KPI scorecard update.

11.3 The Committee noted the key risk register extract and agreed this is helpful to see at each meeting.

11.4 The Committee noted the Farrpoint information security and risk cloud security assurance report and highlighted that it is unclear what is meant by RoS being in 'implementation group 2' as only the executive summary is provided. The Head of Risk and Information Governance agreed to circulate clarification on this after the meeting.

Action - Head of Risk and Information Governance to circulate clarification of 'implementation group 2' in the Farrpoint report to the Committee members.

11.5 The Committee noted the Crofting Register penetration testing report and agreed that this and the Farrpoint report provide good assurance. It was also discussed whether such technical reports should be tabled as discussion items on the agenda rather than as items for noting and thus receive similar status as audit reports at Committee meetings.

Action - Accountable Officer and the Chair to consider how other sources of technical assurance are presented to and considered at Committee meetings.

11.6 The Committee noted the Public Records (Scotland) Act annual update.

12. Any other competent business

12.1 No other business was raised.

13. Meeting close

13.1 The meeting closed at 1258hrs.

13.2 Date of next BAU meeting:
11th May 2021
1030hrs
Microsoft Teams meeting

13.3 The Committee members and RoS colleagues will meet on the 26th March 2021 to conduct a LRC - realising Benefits key risk deep dive.