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| Audit and Risk Committee (ARC) Minute of Meeting 11 May 2021 1030hrs Microsoft Teams 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 Risk and Information Governance (AR) Head of Enterprise Risk Management (CI) Enterprise Risk Manager (LH) SG Senior Internal Audit Manager (SGIA) (KM) SG Internal Audit Manager (SGIA) (LT) Senior Auditor (AS) (CT) Head of Program Office (JM) - <i>item 5.2</i> Head of Organisational Development (LM) - <i>item 5.2</i> Payroll Manager (NH) - <i>item 5.2</i> Communications Officer (KM) - <i>item 7</i> Head of Customer Experience (IM) - <i>item 9</i> |
| Apologies | Head of Finance (EG) Audit Director, Audit Scotland, (AS) (CG) Senior Manager, Audit Scotland (AS) (MC) |
| 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 as above.

1.2 The Committee noted that the Audit Scotland interim management report has been withdrawn from today's agenda due to unforeseen absences and will be discussed separately, at an additional meeting, as soon as can be arranged.

1.3 It was noted that the Committee conducted a land register completion (LRC) deep dive on 26th March 2021.

2. Declaration of interests

2.1 No new declarations of interest were made.

3. Minute of meetings and outstanding actions

3.1 The minute of the meeting held on 17th February 2021 was accepted as a true record of the discussion held.

3.2 The Committee reviewed the outstanding action log and agreed:

Action 4635 - Ongoing. Internal audit target dates will be kept under review until the end of August.

Action 4636 - A process to alert the Accountable Officer early to signs of delayed delivery of audit recommendations is in place so this action can be closed.

Action 4637 - A process to invite individuals seeking extension to audit recommendation target dates is in place so this action can be closed. The Committee will also consider any issues where individuals could be invited to attend future meetings when reviewing the outstanding issues log.

Action 4638 - Ongoing. The Accountable Officer and Executive Management Team (EMT) continue to seek opportunities where Committee members could add value.

Action 4641 - A process is in place to ensure governance checks are included in all internal audit reviews so this action can be closed.

Action 4642 - A process is in place for the Accountable Officer to review outstanding audit issues ahead of Committee meetings so this action can be closed.

Action 4644 - Ongoing. The Accountable Officer continues to consider how the Committee can have increased sight of functional assurance work wider than the key risk register.

Action 4726 - Some additional detail has been included in the internal audit plan at the Committee's request so this action can be closed. Committee members were invited to compare this with the draft version submitted to the February meeting and provide any feedback direct to Scottish Government Internal Audit (SGIA) if needed.

Action 4727 - Ongoing. SGIA will provide a clarifying note around the quality assurance checks highlighted in the compensation internal audit report in the impending follow up review.

Action 4728 - A monthly IT security update will be shared with Committee members so this action can be closed.

Action 4729 - The Committee were content with the explanation for the inherent risk change from 10 to 15 for key risk 1 as reported to the February 2021 meeting, and agreed this action can be closed.

Action 4730 - A deep dive into assurance opinion and target measures has been scheduled for the July check-in meeting so this action can be closed.

Action 4731 - The Committee received clarification of 'implementation group 2' in the Farrpoint report as reported to the February 2021 meeting so this action can be closed.

Action 4732 - Other forms of assurance are now actively considered for discussion as substantive items on ARC agendas so this action can be closed.

4. Matters arising not covered on the agenda

4.1 No other matters were raised.

5. Internal Audit

5.1 Finance final report

5.1.1 The Senior Internal Audit Manager presented the finance final report which was taken as read. The report provides an overall substantial assurance opinion and although 5 medium recommendations were made, they were not deemed to be of a sufficient level to threaten the overall opinion.

5.1.2 The Committee noted the observations made that the income team is challenged by having limited staff resource in the management note at 3.2.6, and was reassured to hear that this did not result in a formal recommendation as SGIA is content that this issue is already being addressed.

5.1.3 The Committee noted recommendation 3 to establish a training plan for budget liaison officers (BLO) and was reassured to hear that although no BLOs were interviewed during the course of the audit, this recommendation was made in discussion with the Chief Finance Officer to mitigate the emerging financial key risks.

5.1.4 The Committee congratulated the finance team for their hard work to receive a substantial audit rating in challenging circumstances over the last year and asked the Chief Finance Officer to pass on its thanks to her team.

5.2 Payroll final report

5.2.1 The Internal Audit Manager presented the payroll final report which was taken as read, and was joined by the Head of Programme Office, Head of Organisational Development, and the Payroll Manager. The report provides an overall limited assurance opinion with a number of good practice examples highlighted and 2 high and 2 medium recommendations made.

5.2.2 The Committee noted that promotion documentation was reviewed during the course of the audit and recalled that the issue of notifying payroll has been highlighted in previous payroll audits. The Committee heard that an appropriate approval process is in place which ensures that payroll are notified however agreed it would be helpful to review previous Committee papers to ensure that the original recommendation is not lost.

Post meeting addendum to minute - A recommendation to develop an appropriate approval process for promotions and the subsequent communication to payroll was made in the November 2017 payroll and expenses audit. The Committee agreed to

close this recommendation on 20th July 2020 upon confirmation that an appropriate process is in place. SGIA follow up supported the recommendation closure.

5.2.3 The Committee heard that the Digital HR project was conducted in two stages - the business case initially and then implementation. A comprehensive lessons learned exercise has been carried out following the closure of the project and one reflection is that future similar projects should be done as one. The Committee suggested that all business cases should be properly checked against complexity at a very early stage in the process. There are no similar projects underway at the moment for the lessons learned to inform but they will be carried forward into any future projects. The lessons learned have also been shared with external networks such as Scottish Government and Scottish Courts and Tribunal Services and the Committee asked the Head of PMO and Accountable Officer to consider if more can be done to embed and share the lessons learned and provide an update to the August ARC meeting.

Action - Head of PMO and the Accountable Officer to consider if more could be done to embed and share the Digital HR project lessons learned and provide an update to the August ARC meeting.

5.2.4 The Committee discussed recommendation 3 and noted that this recommendation covers the whole process for reviewing any amendments to payroll but considered that this could perhaps have been separated into two issues - one specific to the payroll team and one for pay amendments for the wider organisation,

5.2.5 The Committee noted the references made to desk notes and desk instructions throughout the report and were reassured that these are the same thing.

5.2.6 The Committee heard that the finance team is on track to meet all target dates and that the follow up review will be conducted in October and reported to the November ARC meeting.

5.2.7 The Committee heard that it was difficult to decide on the right time to undertake the audit and agreed it would have been preferable to delay this by a few months to ensure the new system was fully established. The Committee agreed that it is important to be flexible with the annual audit plan to meet business need. Furthermore, the audit follow up is due to take place very soon and the Committee suggested that this incorporates a further review to ensure that nothing was missed in the original audit due to the timing of this.

Action - SGIA to incorporate a further review in the Payroll follow up to ensure that nothing was missed in the original audit due to the timing of this.

5.2.8 The Committee was reassured to hear of the positive management response and actions underway, and thanked the teams involved for their support with this audit. Particular thanks were given to the Payroll Manager for his hard work in managing the payroll function.

5.3 Internal audit progress report

5.3.1 The Senior Internal Audit Manager presented the internal audit progress report which was taken as read. The Committee welcomed the new clear reporting format and noted the attached Internal Audit Strategy and Charter for 2021 - 2022.

5.3.2 The Committee noted that the Payroll follow up review has been omitted from table 3 of the report in error.

5.3.3 The Committee considered it would be helpful if future progress reports could include a proposed date to be submitted to ARC for agenda planning purposes, with the understanding that dates could change depending on business need. Furthermore, the Committee requested that all proposed dates should be shown as months instead of quarters.

5.3.4 The Committee noted point 2.2 regarding integrated assurance and heard that this recommendation in the annual assurance report is a standard encouragement for all SGIA clients to seek independent assurance from other areas. The Committee were further reassured to hear that SGIA colleagues are already involved in the upcoming Register of Controlled Interest (RCI) digital first review and that RoS colleagues are also participating in similar reviews for other organisations.

5.4 Internal audit annual plan 2021 / 2022

5.4.1 The Senior Internal Audit Manager presented the internal audit annual plan 2021 / 2022 which was taken as read. The plan will be subject to regular review throughout the year, and any proposed changes to the timing of audits as the risk environment changes will be discussed and agreed with management and presented to the following ARC meeting for comment.

5.4.2 The Committee queried what the digital review in year 3 of the cyclical review schedule could encompass and heard that this will depend on management's definition of any risk areas. This will be discussed and agreed with management when the time comes. The Committee agreed that a digital review placeholder in the cyclical plan is sensible given RoS vision to be a digital organisation.

6. Assurance framework

6.1 RoS assurance framework

6.1.1 The Head of Enterprise Risk Management provided an oral overview of the key highlights in the updated assurance framework 2020 - 2025.

6.1.2 The Committee noted the highlighted changes to the framework and was reassured to hear the reasoning behind some of these. The Committee agreed it would be helpful if a summary of what has changed is included in the cover paper for future reports.

6.1.3 The Committee noted key risk 8 - cyber resilience - and considered whether it would be seen that we had done all we could to mitigate this risk should any incidents

occur. The Committee were reassured to hear that one of the treatment options for this risk is to reduce the impact of any incidents and that some test exercises to test the cyber management plan are being planned for later this year. In addition the PKI stage 1 audit will look right across the information management system to look for additional assurance in this area.

6.1.4 The Committee considered that assurance seems quite light for key risk 11 - maximising the use of RoS data - and heard that an internal data audit planned for this year will provide some additional assurance. The Committee agreed that assurance will become more and more important as the benefits of this opportunity emerge.

6.1.5 The Committee noted key risk 13 - people and change - and agreed that the payroll assurance review does not provide any assurance as a people measure.

6.1.6 The Committee noted the key risk deep dive list and that two are scheduled to be conducted at the July check in meeting. The list will be reviewed at each business meeting following review by the Executive Management Team to ensure that they are ordered to meet business need.

6.1.7 The Committee thanked the Head of Enterprise Risk Management for the helpful report and agreed that as ARC are not an approving body, future papers should recommend that ARC review, note and offer advice.

Action - The Head of Enterprise Risk Management will update the assurance framework to incorporate ARC feedback.

7. Draft annual report

7.1 The Communications Officer joined the meeting to provide the Committee with an opportunity to discuss any of the feedback already submitted. All feedback received to date has been very much appreciated and is being incorporated into the draft report.

7.2 The Committee considered that it is important not to undersell the benefits of the digital improvements made to date and that good investments made in previous years have enabled RoS to respond well to the COVID-19 pandemic.

7.3 The Committee noted that the report is very easy to read, albeit very long, and was pleased to hear that any duplication or repetitive words will be caught in the next review stage.

7.4 The Committee reflected on its suggestion last year to create a summary version of the report and was pleased to hear that an animated version of the key highlights will again be created and promoted on social media. Furthermore, the KPI section at the front of the full report will provide a summary of the years progress and the Communications team is also considering a launch event which will support accessibility.

7.5 The Committee noted that a designed version of the report will be shared with Audit Scotland in June and will thereafter be circulated to members outwith Committee

in July for further comment. ARC will then review the final version at the August meeting prior to RoS Board sign off in September.

8. Annual review of policies for comment

8.1 The Committee noted the Key Accounting Policies review paper which has been updated since initially presented to ARC in February 2021. The Committee was content to note the updated paper with no further comments.

9. Outstanding Issues Log

9.1 The Committee reviewed the outstanding issues log and agreed:

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| Finance system admin back up | On track for completion by 30/06/21 |
| Procedure document and control enhance | Closed as complete |
| Multi-product team cost data | Closed as complete |
| <ul style="list-style-type: none"> • Performance management routines • Review calibration • APR process improvements • Controls & responsibilities • PAL reports guidance | Closed but will remain on log until the People, Performance Management and Development SGIA follow up review is complete. |
| Budget monitoring training | Closed as complete |
| COVID 19 lessons learned | On track for completion by 31/05/2021 |
| Land register completion | Extension to 30/09/2021. Noted that this work has been delayed due to the pandemic, but the roadmap is now on track to be agreed and published. |
| Workforce planning | Closed as complete |
| Evidence of QA checks | Closed as complete |
| Evidence of quality and accuracy of compensation controls | Closed as complete |
| Development of a cyber security plan | On track for completion by end of Q1 2021/22 |
| Formalisation of investment decision process | On track for completion by end of Q1 2021/22 |
| Alignment of operational and strategic risks | Extension to end Q2 2021/2022 |
| Governance service of SAT membership | New target date set of 30/06/2021 to enable SAT terms of reference to be signed off by EMT. |
| Stakeholder reporting | Closed as complete |
| Creation of tailored access rights | Closed as complete |
| Review of payroll desk notes | On track for completion by end of Q2 2021/22 |
| Establish a regular independent management checking regime | On track for completion by end of Q1 2021/22 |
| Production of an errors and warnings report | On track for completion by end of Q1 2021/22 |

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| Regular review and update of corporate finance management documentation | On track for completion by 31/12/2021 |
| Completion of suite of finance job roles | On track for completion by 31/12/2021 |
| Enhancement of BLO role | On track for completion by 31/12/2021 |
| Formalisation of governance group ToRs | On track for completion by 30/09/2021 |
| Organisation wide understanding of finance requirements, reporting, data and terminology | On track for completion by 31/12/2021 |

10.2 The Committee agreed it would be helpful if the target dates were shown as months and for recommendations to be allocated unique reference numbers in the log going forward.

Action - Enterprise Risk Manager to ensure target dates are shown as months and recommendations are allocated unique reference numbers in the outstanding issues log.

10. Customer Satisfaction (CSAT) update

10.1 The Head of Customer Experience joined the meeting and provided an oral overview of the key highlights outlined in the customer satisfaction survey result report. Results will be shared with C band colleagues and the wider organisation, and the next survey will highlight any changes made following customer feedback.

10.2 The Committee was delighted to see such positive results and that customers feel able to provide feedback in the knowledge that it will be acted upon. The Committee noted the proposal to move to a survey used by the Institute of Customer Services (ICS) to enable benchmarking against similar government bodies and would be interested in seeing the results of such benchmarking when available.

10.3 The Committee was interested to note the causes of dissatisfaction matrix and heard that there are aspirations to move towards using software to capture this information in the future now that there is a call recording policy in place.

10.4 The Committee heard that although lenders and citizens are not covered in this survey, there is a facility on the RoS external website for all customers to provide feedback at any time. All customer complaints and feedback are being recorded in the Salesforce customer database and consideration is also being given to rating calls in the future.

10.5 The Committee thanked the Head of Customer Experience for a very interesting and focused update.

11. Items for noting

11.1 The Committee noted the following items:

- Finance update
- KPI scorecard update
- Key risk register extract

12. Any other competent business

12.1 No other business was raised.

13. Meeting close

13.1 The meeting closed at 13:20hrs.

13.2 Date of next BAU meeting:

20th August 2021

1030hrs

Microsoft Teams meeting