



Audit and Risk Committee (ARC) Minute of Meeting 20 August 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 Finance (EG) Enterprise Risk Manager (LH) Internal Audit Manager, Scottish Government Internal Audit (SGIA) (LT) Lead Senior Internal Audit Manager, Scottish Government Internal Audit (SGIA) (IB) Senior Auditor, Audit Scotland (AS) (CT) Audit Director, Audit Scotland, (AS) (CG) Communications Officer (KM) – <i>item 6</i> Policy Lead (HM) – <i>item 10.1</i> Benefits Manager (BI) – <i>item 10.2</i> Head of Customer Services (GM) – <i>item 10.3</i>
Apologies	Head of Risk and Information Governance (AR) Head of Enterprise Risk Management (CI) Senior Manager, Audit Scotland (AS) (MC) SG Senior Internal Audit Manager (SGIA) (KM) EA to the Corporate Director (JM)
Secretariat	Head of Secretariat (LM)

1. Introduction, apologies, and chair's matters

1.1 The Chair welcomed everyone to the meeting and noted the apologies received as above.

1.2 It was noted that the Committee conducted a deep dive into benefits realisation of domains and a shallow dive into risk appetites and target measures at their un-minuted check-in meeting on 13th July.

2. Declaration of interests

2.1 The Chair declared two new interests since the last meeting, a tribunal membership in England (as a Specialist Lay Member of the Health, Education and Social Care Chamber) and Chair of the Disciplinary Committee of the Institute for Chartered Accountants in England and Wales.

3. Minute of meetings and outstanding actions

3.1 & 3.2 The minutes of the meetings held on 11th and 25th May 2021 were accepted as a true record of the discussions held.

3.3 The Committee reviewed the outstanding action log and agreed:

Action 4635 – Target dates for internal audit reports have been reviewed and are reasonable. This action can be closed with the caveat that it may be reopened in the future should target dates slip.

Action 4638 – Identifying opportunities where ARC members can add value to be added to the November effectiveness review meeting agenda for discussion. Action to remain open as this is ongoing.

Action 4644 - Other forms of assurance are now routinely presented at each meeting so this action can be closed. It was agreed that the Accountable Officer and Chair would keep the approach under review.

Action 4727 – The Committee received further clarity on the Compensation internal audit report so this action can be closed.

Action 4821 – Digital HR lessons learned have been shared widely so this action can be closed.

Action 4822 – Ongoing. A full Payroll review will begin on 25th October.

Action 4823 – ARC feedback was incorporated in the August assurance framework report so this action can be closed.

Action 4824 – ARC feedback regarding target dates and unique reference numbers have been incorporated in the outstanding recommendations log so this action can be closed.

Action 4825 – Ongoing. A progress update on financial risk reporting was provided under agenda item 9.4.

Action 4863 – Ongoing. Service Alignment Team (SAT) is still to provide a live example of SAT reporting in practice.

Action 4864 – ARC is satisfied with the information provided in the assurance framework following the shallow dive into risk appetites and target measures in July.

Action 4865 – Example effectiveness review questions have been collated 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 Internal audit annual assurance opinion 2020 – 2021

5.1.1. The Lead Senior Internal Audit Manager presented the final assurance report 2020 – 2021 which provides a 'Reasonable' overall assurance opinion. Adequate controls were found to be in place and whilst there is some room for improvement, no significant issues were found. Furthermore, RoS rapid response to the COVID-19 pandemic and subsequent recovery should be commended and is in line with other bodies across the Scottish Administration.

5.1.2 The Committee was pleased to hear that there were no areas of concern identified through a period of significant transformational change for RoS and was content to receive a Reasonable assurance opinion this year, noting that this conclusion was supported by the range of assurance evidence that it had seen during the year.

5.1.3 The Committee heard that SGIA hopes to bring examples of best practice or improvement opportunities seen elsewhere to future meetings and agreed that the other sources of assurance reviewed by ARC fall into the best practice category.

5.1.4 The Committee noted a typing error on page 22 of the report, which refers to an objective 'option' instead of 'opinion.'

5.1.5 The Committee considered how any COVID-19 induced risks are identified and heard that RoS recovery will be reviewed during the Business Continuity Planning audit planned for Q3 2021 / 2022 and included in the terms of reference (ToR) currently under development.

5.1.6 The Committee was pleased to hear that the cultural response to the internal audit work within RoS has been overwhelmingly positive and welcoming of any opportunities for improvement, with robust discussions taking place to determine the timing of each review for maximum value.

5.1.7 The Committee noted the report and thanked the Internal Audit team for its support over the last year.

5.2 Internal audit progress report 2021-2022

5.2.1 The Internal Audit Manager presented the progress report 2021 / 2022, and highlighted the key dates for upcoming reviews, with reference to the HR Management Development Programme and Data Management reports expected for the November meeting. Both are on track with no delays expected (beyond the delay which meant that the HR work was not completed in time for this meeting), and all evidence is being received from RoS in a timely manner.

5.2.2 The Committee noted that the report suggests that the February 2022 meeting date is shown as 'yet to be confirmed' and requested that RoS Secretariat check that 2022 dates are in diaries, noting that they had already been arranged.

Addendum to minute – recurring dates for 2022 and beyond are in diaries, and dates for 2022 business as usual (BAU) and check-in meetings will be presented for formal noting at the November BAU meeting.

5.2.3 The Committee discussed the ToR scoping process and agreed that it would be very helpful for SGIA to meet with the relevant Executive Management Team (EMT) member early in the ToR development process, to determine the underlying reason for review requests into areas of work.

5.2.4 The Committee noted the progress report, internal audit assurance and annual report and the Scottish Government review of internal audit 2020 / 2021.

6. Annual report and accounts

6.1 2020-2021 draft annual report and accounts

6.1.1 The Communications Officer joined the meeting to receive questions on the annual report and accounts paper which asked the Committee to review and recommend that the RoS Board approves the 2020 / 2021 annual report and accounts for sign off by the Accountable Officer.

6.1.2 The Committee thanked the Communications Officer for the opportunities to provide input during the development process this year and agreed that it is good to see where comments and suggestions have been considered and incorporated.

6.1.3 The Committee thanked the Communications Officer for the very well-presented annual report and heard that similar reports are very lengthy across the board this year due to the COVID-19 response story, however suggested that advice is sought from external audit colleagues over the next 6 months to reaffirm that all the content in next year's report is adding sufficient value and communicating cogently to key stakeholders.

Action – Accountable Officer and Communications Officer to seek advice from external audit colleagues to ensure all content in the 2021 / 2022 annual report is adding sufficient value.

6.1.4 The Committee raised some minor points but was content to propose that the 2021 / 2022 annual report and accounts be signed by the Accountable Officer, subject to the Accountable Officer reviewing and determining if further changes are needed.

7. External audit

7.1 2020-21 draft covering letter

7.1.1 The Audit Director presented the draft covering letter to ARC, which confirmed that the audit work on the annual report and accounts 2020 / 2021 is complete subject to the internal audit annual report. This is now received and will be incorporated into the final report.

7.2 2020-21 draft annual audit report

7.2.1 The Audit Director presented the key points of the 2020 / 2021 draft annual report which summarises the audit findings and conclusions and provides an unmodified overall opinion. The Audit Director and Committee extended thanks to the finance team for its fantastic support and exemplary standard of work which enabled a very smooth audit.

7.2.2 The Committee members confirmed they know of no other internal matters of a fraud or non-compliance nature that should be brought to the auditors' attention before the accounts are signed.

7.2.3 The Committee discussed the significant findings at point 19 of the report and agreed that members would find it useful to receive an overview of work in progress (WIP) calculations. Furthermore, the Committee heard that there are plans to undertake a review of WIP calculations in the future and members would be happy to be involved in this.

Action – Chief Finance Officer and Head of Finance to provide Committee members with an overview of work in progress (WIP) calculations.

7.2.4 The Committee commended the management team on the work done to complete all but one prior year recommendation during challenging times and the positive response to this year's recommendations and identified risks. The Committee agreed the need to keep an oversight of the Land Register Completion risk to ensure this is appropriately addressed over the next 6 months.

7.2.5 The Committee were pleased to note the very positive draft report and extended its thanks to the Audit Director and the Audit Scotland team.

8. Assurance framework

8.1 RoS assurance framework

8.1.1 The Enterprise Risk Manager presented the key highlights of the RoS assurance framework 2020-25 report and the changes made since the last report. Feedback was welcomed in advance of submission to the September RoS Board meeting.

8.1.2 The Committee was content to note the updated assurance framework and the outcomes from the key risk workshop in May 2021, reflecting that any risks arising during COVID recovery will be captured through the people and workspace project (PAW) and through discussions with key risk owners. A summary extract of the key risk register will be circulated following today's meeting.

Action – Assurance Service to provide a summary extract of the key risk register to RoS Secretariat for circulation.

8.1.3 It was highlighted that annex (4) referred to in point 25 of the report was omitted in error and this will be presented for review at the November meeting instead.

Action – Assurance Service will include the outcomes of certificates of assurance work in the November framework paper for review by the Committee.

8.1.4 The Committee reviewed the proposed key risk deep dive schedule and agreed as follows:

- Content to agree the proposed additional topics for inclusion in the key risk deep dive schedule.
- Fraud deep dive plus one other to be scheduled for the September check in meeting – topic to be confirmed by the Accountable Officer.
- The 2024+ workshop can be scheduled for November if EMT feel that this is good timing. This will replace the ‘uncertainty of future business model beyond 2024’ deep dive pencilled in for early 2022
- Fraud deep dive should cover all aspects of fraud - internal fraud, external fraud, registration fraud, recent fraud cases, best practice, and how things are controlled and managed. Also how working from home and digital working increases the risk and how we are mitigating it.
- EMT to consider the order of deep dives going forward and make a proposal to ARC for review at the November meeting.

Action – Assurance service to invite EMT to consider the order of key risk deep dives going forward and make a proposal to the November ARC meeting.

9. Audit and Risk Committee business

9.1 ARC annual report to the Board

9.1.1 The Committee considered the draft ARC annual report to the RoS Board and was content to remit this to the September Board meeting as written.

9.2 ARC annual ToR review

9.2.1 The Committee reviewed the suggested changes to the Committee ToR following feedback received by members and attendees and was content to remit this to the September RoS Board meeting for approval.

9.3 ARC effectiveness review

9.3.1 The Chair presented the ARC effectiveness review paper which proposed a consistent approach to the annual effectiveness review process for 2021 and beyond.

9.3.2 The Committee was content to approve the approach and timeline for 2021 as written and the process will be administered by RoS Secretariat.

9.3.3. The Committee heard that Audit Scotland colleagues have provided additional prompts around Covid response for members to consider when meeting to

review the survey outcomes and agree actions. The Committee agreed that it would use this document to support its decision making.

9.4 Financial risk balance sheet

9.4.1 The Chief Finance Officer (CFO) provided an oral update on ARC action 4825 progress (delegated by the RoS Board), to consider adding a quantification of risk or risk range to either the financial reporting or the risk register to help the Board better understand the risk the organisation is carrying. The Chief Finance Officer will work through threats and opportunity criteria with key risk owners to quantify financial risk and will present back to the Committee for an initial review in advance of presenting an annual review of the position to the RoS Board later this year.

9.4.2 The Committee noted the update provided and suggested that, in addition to the work described, it may also be helpful for the ARC to be involved in further discussions around the risks on the balance sheet and management judgements and it was agreed that the Chief Finance Officer should consider this further.

Action – CFO to consider having further discussions with ARC members around the risks on the balance sheet and management judgements.

9.4.3 The Committee discussed the tools used to assess how customer and financial impacts influence risk scoring and stressed the importance of providing sufficient context around any assumptions and thinking when quantifying financial risks. Furthermore, the Committee suggested the changed risk dynamic since reclassification should be revisited in slower times to assess any impacts.

9.4.4 The Committee thanked the Chief Finance Officer for the helpful update and agreed to add a brief update in the ARC report to the RoS Board to confirm that the finance team are addressing the request in liaison with ARC.

10 Other assurance

10.1 PKI project stage 1 audit report

10.1.1 The Policy Lead joined the meeting and presented the public key infrastructure (PKI) project stage 1 audit report, which provided an update on the audit findings. An advisory review to test current practice and policies in advance of the final stage 2 audit has been postponed due to a change in project approach as agreed by EMT and the stage 2 audit is now unlikely to take place for at least 12 months.

10.1.2 The Committee heard that robust processes are in place to address the 4 major non-conformances and that none pose any significant risks to RoS or our customers.

10.1.3 The Committee heard that although there is a financial cost to RoS being a 'registered applicant' under the tScheme (national body responsible for assessing PKI implementations), this registration will realise savings over the coming year. Furthermore, there are no technical or operational costs attached to this registration.

10.1.4 The Committee thanked the Policy Lead for the very interesting update into a current and fast-moving piece of work.

10.2 COVID-19 Transition project lessons learned update

10.2.1 The Benefits Manager joined the meeting and presented the key highlights outlined in the COVID-19 project lessons learned paper which provided an update following the formal project closure in April 2021. The outstanding key risks and actions were transferred to the People and Workspace project launched in May 2021.

10.2.2 The Committee noted that the key objective to restore colleague productivity levels is met in part and heard of the further work being done in this space. There will be a phased return to offices from September for colleagues who experience challenges with remote working and productivity will be monitored for signs of improvement.

10.2.3 The Committee agreed that RoS achievements over the last year really demonstrate the organisation's capacity to change and adapt, and the learning for future changes and considering risk appetite. The Committee was pleased to hear that these achievements will also be reflected in this year's Investors in People (IiP) report.

10.2.4 The Committee thanked the Benefits Manager for sharing such a superb example of how RoS deploys a pragmatic approach to project management in really challenging circumstances.

10.3 Complaints annual review 2020/2021

10.3.1 The Head of Customer Service joined the meeting and presented the key highlights of the complaints annual review 2020 / 2021 as reported to the Policy and Practice Group in May this year.

10.3.2 The Committee noted the proactive action taken to reduce complaints and the various ways that feedback from customers is used to feed into training and promote continuous improvement. Where complaints are upheld, customers are advised what has been improved as a result, however there is no internal complaint route for registration decisions where a statutory route of appeal exists.

10.3.3 The Committee heard that there has been an increase in complaints received so far this year as life slowly returns to normal, with customer expectations for quicker response times now that processes are more digital.

10.3.4 The Committee noted the Model Complaints Handling Procedure (CHP) implementation in January 2020 and heard that this resulted in some internal language changes but no significant process changes.

10.3.5 The Committee thanked the Head of Customer Service for the very helpful and reassuring report and was very impressed with the joined-up approach to

complaints management and the steps taken to progressively improve the service provided.

10.4 The Committee considered that this section of the meeting was very informative and focused, and provided a richer understanding of the work undertaken across the organisation. The Committee agreed to continue this model of inviting colleagues to join the meetings briefly to receive questions on their papers if time allows, and that the Accountable Officer and Assurance Service will, with the Chair, continue to consider other forms of assurance topics for future meetings.

11. Outstanding Issues Log

11.1 The Committee reviewed the outstanding issues log and agreed:

43	Finance system admin back up	Agreed to close
74	Performance management routines	Agreed to close
75	Review calibration	Agreed to close
76	APR process improvements	Agreed to close
78	Controls & responsibilities	Agreed to close
79	PAL reports guidance	To be reopened until SGIA confirm they are content this has been fully implemented and can be closed. Agreed new target date for completion is 31 December 2021
87	COVID 19 lessons learned	Agreed to close
88	Land register completion	Agreed to close
95	Development of a cyber security plan	To remain open until fully complete. Agreed new target date for completion is 31 December 2021
96	Formalisation of investment decision process	Agreed to close
97	Alignment of operational and strategic risks	Remain open as on track for completion by 30 September 2021
98	Governance documentation	Agreed to close pending SGIA follow up review recommendation
99	Governance review of SAT membership	Agreed to close pending SGIA follow up review recommendation
102	Review of payroll desk notes	Remain open as on track for completion by 30 September 2021
103	Establish a regular independent management checking regime	Agreed to close pending SGIA follow up recommendation
104	Production of an errors and warnings report	Agreed to close pending SGIA follow up recommendation
105	Regular review and update of corporate finance management documentation	Remain open as on track for completion by 31 December 2021

106	Completion of suite of finance job notes	Remain open as on track for completion by 31 December 2021
107	Enhancement of BLO role	Remain open as on track for completion by 31 December 2021
108	Formalisation of Governance group TORs	Remain open as on track for completion by 30 September 2021
109	Organisation wide understanding of finance requirements, reporting, data and terminology	Remain open as on track for completion by 31 December 2021
115	Payroll user access & permissions	Agreed to close
116	Lack of audit reporting functionality	Remain open as on track
117	Lack of audit reporting functionality	Remain open as no update provided
118	Payroll – leavers checklist	Agreed to close
119	Payroll – exception reports	Remain open. Agreed new target date for completion is 31 December 2021.
120	Trade receivables – credit control	Agreed to close
121	Trade receivables – standing data	Agreed to close
122	Work in progress (WIP)	Agreed extension to 31 st October 2021

11.1.2 The Committee agreed that it would be helpful if the log could be reviewed to provide clarity on the status of overlapping internal and external audit recommendations and where recommendations to close are made before audit follow up reviews take place.

Action – Assurance Service, RoS Secretariat, and the SG Internal Audit Manager to consider how best to present the outstanding recommendations log going forward.

12. Items for noting

12.1 The Committee noted the following items:

- Finance update
- KPI scorecard update
- Key risk register extract
- Civil Service Commission Scorecard
- Register of Controlled Interest (RCI)

12. Any other competent business

12.1 No other business was raised.

12.2 The Chair thanked everyone for their contribution to a very full meeting and welcomed any direct feedback from today's attendees on the agenda content or meeting format.

13. Meeting close

13.1 The meeting closed at 1400hrs.

13.2 Date of next BAU meeting:
Tuesday 9th November
1030hrs
Microsoft Teams meeting