Audit and Risk Committee

Tuesday 15 August 2023
1:30pm to 4:30pm
Hybrid Meeting (Pacific Quay and Teams)
Minutes of Meeting

Present:

Douglas Hutchens	Non-Executive Member	(Chair)
Keith Rosser	Non-Executive Member	(KR)
Stephanie Glavin	Non-Executive Member	(SG)
Dr Tom Mitchell	Independent Member	(TM)

Attending:

Gerard Hart	Chief Executive
Nicola McBain	Director of Corporate Services
Lynne McMinn	Director of Policy and Customer Engagement
Andy Cunningham	Deputy Head of Digital and Service Delivery
[redacted]	Senior Internal Audit (IA) Manager
[redacted]	Internal Audit
[redacted]	Head of Strategic Finance
[redacted]	Head of Finance
[redacted]	Head of Corporate Governance
[redacted]	Deloitte
[redacted]	Deloitte

Apologies:

Laura McCluskey	Deputy Chief Executive Business Strategy
Kenny Birney	Deputy Chief Executive Digital Strategy

Secretary:

[redacted]	Governance Manager

Welcome and apologies

1. The Chair welcomed everyone to the meeting and the above apologies were noted.

Registers of interest

2. No registers of interest were declared at the meeting.

3. The Chair advised the committee that the members and Internal Audit had a successful pre-meet but wanted to address a few issues that had been discussed around the governance of the meeting.

4. There were no members of External Audit present at the pre-meet.

5. There were concerns on how late some of the papers had been, a paper was titled 'Do not use' and the papers did not seem to marry up with the agenda.

6. He suggested an agreement should be reached that if a paper was not ready a week before the meeting, it would not be included in the meeting.

7. He also advised that the committee had not had sight of the minutes from the meeting that had been held on the 15 May.

8. The Director of Corporate Services apologised to the committee and advised that all concerns would be addressed with the team and assured them that there would not be a repeat moving forward.

9. She advised that the previous minutes would be shared with the committee using the out of committee route.

Action 01/August: Minutes from the 15 May meeting to be shared with the committee following the meeting and the process for papers should be updated to ensure all papers are complete prior to circulation.

Previous actions and minutes

10. The Chair talked through the previous minutes and highlighted that apologies had been noted from [redacted] when in fact he had attended. He also requested that page numbers be readded to the minutes.

Action 02/August: Add page numbers to minutes.

11. SG noted that in section 15, it was stated that 'two different budgets are reported on.' This was incorrect, it was two different levels that were reported on, not two different budgets.

12. The actions were discussed as follows:

Action 01/February: Ensure Stephanie Glavin is invited to the Audit and Risk Committee in March. **Update:** this has been completed and is now **Closed**

Action 02/February: Move the date of the September Audit and Risk Committee meeting to fit in with Scottish Government timescales on completing the Annual Report and Accounts. **Update:** this has been moved to

today and the September meeting has been cancelled. This action is now complete and is **Closed.**

Action 03/February: Make improvements to the readability of the Risk report. **Update:** improvements have been made to the report for readability and action is now **Closed.**

Action 04/February: Review the finance budget risk and ensure finance horizon risk is drafted. **Update:** Three new Finance risks have been added to the risk register and are being reported on. This action is now **Closed.**

Action 05/February: Assurance mapping has been updated with the feedback received. A workshop will be held with Heads of Service and a paper will be brought back to the ARC in November. Will be added to the November agenda. Action **Ongoing.**

Action 06/February: Correct error in cover paper Under Data Security Incidents over the last four quarters – QTR 4 – 2021 should read as QTR 4 – 2022. Paper updated and action is now **Closed.**

Action 07/February: Develop a strategic risk around change. **Update:** risk has now been added to the register and is presented in the risk papers. **Action Closed**.

Finance update

13. The Head of Finance presented the finance update.

14. She called out that the original funding gap was moving in the right direction and has been reduced slightly by savings.

15. Income wise we are doing very well and have recovered £480,000, more than was expected. Due to the uncertainty around the finance position these funds have not been released yet.

16. The main risk that we face in the Revenue budget is the pay award. As this was not confirmed until yesterday, the paper does not show the effect this will have, however some of it was factored into accruals.

17. Now that more information is available a deep dive will be carried out to see where our unfunded pressures lie.

18. Quite a number of the projects are costing more money and taking longer than expected. This is being outlined via a re-baselining exercise.

19. It is too early to tell whether a new scheme started at the beginning of August for Childcare applications has made a difference to our income as the volumes at the moment are too low.

20. Capital expenditure has taken a slight drop with the expectation that the costs for the Telephony project would be paid this month not coming to pass.

21. All projects are staff and contractor based and have been extended into the next financial year.

22. The Platform migration project is a big piece of work and carries a significant risk, mostly funded from the Capital budget. The re-baselining work will set out the impact.

23. Engagement with Scottish Government continues, and we are looking at wider savings, while also setting out how are Capital budget asks will be spent.

24. SG thanked the Head of Finance. She advised that it was a good paper, and the new format works well. She had three further questions. One was on a specific figure which was clarified. One was on potential changes in working hours, this however is still to be impacted alongside the pay award. Workforce planning will also need to consider this. Finally, a question on the re-baselining of projects. The Head of Strategic Finance stated that they had something that could be shared in due course via the Programme Boards.

25. KR noted the risk status is marked as Amber, but overall on the risk register the risk is Red.

26. The Head of Strategic Finance stated that the re-baselining and the way that the resource planning had been done was very logical and gives them confidence. Further work is however ongoing and the replanning paper on our Platform Strategy will make it clearer whether it will affect both Capital and Revenue.

27. KR stated that he had read about cost savings but there was no specific date and asked if this should be prioritised? Some of the decisions go to the Leadership Team who may decide there may be benefit in spending money. If there was a cost saving paper it might be easier to make some of those decisions more strategically.

28. The Head of Finance agreed but stated that had been waiting for the final replanning but would start looking into gathering the information.

Action 03/August: Cost savings paper to be presented at next ARC meeting.

29. The Director of Corporate Services advised that there was a lot of work ongoing around benefits realisation and that benefits can be realised at different points in a project.

30. The Chief Executive spoke about the drivers for projects being delivery times and costs, and shared with the committee that the recent delivery of two pieces of software was a huge achievement.

31. There was some discussion about the business cases and the need for re-baselining. Also, reflection on the governance structure and introduction of the new Strategic Design Authority and the Programme Boards.

32. Scaling up the Private Beta project should result in significant savings.

Chief Executive update

33. The Chief Executive advised the committee that Mr Arthur, the Minister for Community Wealth and Public Finance had visited Pacific Quay and they had had a great discussion about collaboration.

34. The Service Level Agreement is currently sitting at about eight days.

35. The Protection Unit waiting times are decreasing also as we evolve our National Barring service.

Annual Report and Accounts

This section covers:

- **Final Report on Audit of 2022/23 Annual Accounts**
- **Disclosure Scotland ISA 260 report**
- **Disclosure Scotland ISA 580 report**

36. The Chair introduced the Annual Reports and Accounts and then passed over to External Audit.

37. [redacted] briefly spoke about the ISA 580 and then went onto speak about the ISA 260 report.

38. He advised the committee that they were pleased with the audit and felt it went really well for the year. He passed his thanks onto everyone and expressed that being in this position in Year 1 was really good.

39. They submitted an unqualified audit opinion which is recorded in the ISA 260.

40. The Chair thanked the wider team for all their work, stating that making these relationships was important. No other points were raised.

41. This is the final report of the Annual Report and Accounts. A lessons learned exercise will be undertaken in due course. The ISA 580 is standard with no modifications to it.

42. Comments and feedback from the July meeting were incorporated into this version and created a more balanced view as recommended by Deloitte.

43. Some things that were not possible to incorporate into this year's report will be looked at for next year's alongside anything from the Lessons Learned exercise.

44. The Chair pointed out that the table on page 41 and 42 of the report giving Programme Board names and titles was difficult to read. This will be updated.

Action 04/August: Head of Corporate Governance to restructure table on pages 41 and 42 to make it easier to read.

45. The Chief Executive advised he found it refreshing to set out the challenges as well as the positives.

Action 05/August: Share the Annual Report Lessons Learned with the committee as a below the line document at the next meeting.

46. The Chair asked the members if they were content to let the report be signed and dated.

47. The members confirmed they were content.

Internal Audit update

48. The Internal Audit Manager, [redacted], presented the update.

49. The year is progressing well with most of the reviews done in Q2. Although she came into her role part way through the year, she has found everyone to be very engaging and has formed good relationships.

50. The Collaboration audit is underway and the first meeting for the Finance audit took place this morning. Follow-ups have been concluded and can be found in the appendices.

51. The next stage will be planning the five-day advisory stage. We have had some discussions, but any suggestions will be welcomed.

52. The Chair felt that following discussions at the ARC pre-meeting that a light touch review on Governance and the Programme Boards might be a good use of the five days.

53. The Chief Executive stated that as a number of projects have gone on longer and cost more that it might be good to look at the culture around behaviours and tolerance.

54. He advised that he will be meeting with all the C1s across the organisation in the next few months to talk about strategic thinking.

55. The Director of Safeguarding spoke about what we do with our lessons learned outcomes. The Digital Programme Board was advised of the lessons learned from the Vetting project but if people aren't directly involved in the projects/boards they may not know.

56. The Chief Executive advised there are two aspects:

- What pre-conditions need to be in place for good programme delivery.
- Things can still go wrong and certain interventions we are learning, don't work.

57. The Director of Corporate Services suggested looking at the outcomes of the Collaborative audit, doing some deep dives and then look to next year and see if further work was needed as five days may not be enough.

Audit recommendation tracker

58. The Head of Corporate Governance presented the dashboard.

59. There are four recommendations put forward for closure at today's meeting, two Internal Audit ones and two External Audit ones.

60. There was some discussion about the closure of recommendation PMO1 (establishing a timeline for the completion of the Handbook and Toolkit) as there has been no sign off by the Leadership Team.

61. The Director of Corporate Services advised the committee that a timeline and baseline had been agreed with the Leadership Team. It was felt that as the

handbook and toolkit would be living documents that this was sufficient to meet the recommendation and that Management would be monitoring the progress internally.

62. There was some discussion about the Finance Strategy and about how long the forecast is. The Head of Strategic Finance advised the committee that this too was a living document and that a future version will be shared with the ARC when appropriate.

63. The current Service Level Agreement was discussed and whether there was a possibility that at some point this may change. The Chief Executive advised that this will be considered in the future. After the implementation of Digital solutions and automation we should be able to define more clearly what impact this will have on some of the KPIs.

64. The Chair asked what can be done to not lose sight of this?

65. The Director of Corporate Services advised that it could perhaps be looked at as part of the KPIs brought to the Board and they could discuss at tomorrow's Board meeting.

66. The Committee agreed to close the recommendations.

Quarterly review of risk register

67. The Head of Corporate Governance talked through the risk update.

68. The Head of Finance spoke to the committee about the three Finance risks and the reasoning behind changing the risk scores. The committee was advised that once the re-baselining and replanning exercises are completed the scoring will be reconsidered.

69. The Head of Corporate Governance advised that two risks had been de-escalated since the last ARC meeting: the Disaster Recovery site risk and the Hybrid working risk. Both these risks are now being managed at a local level.

70. One new Change risk had been added and another was in draft form.

71. KR asked that the risk updates be reviewed and consolidated where possible.

Action 06/August: Risk Register updates to be reviewed and consolidated.

72. The Chief Executive spoke about being able to see the steps we are taking and having reassurance from it but agreed it could be more tightly presented.

73. The Chief Executive advised the committee that he had created an approach to address risk categories stating that it didn't need to be a classic method and he was keen to get the committee's feedback.

Information Governance

74. The Director of Corporate Services presented the Information Governance report.

75. All data breaches reported were of low risk and none were reported to the Information Commissioner's Office.

76. There has been ongoing work by the Data Protection Team to better educate the organisation on data breaches and how and when to report them.

77. There has been one P1 and three P3 data security incidents and various actions are being taken following these incidents.

78. The Chair asked for further information on three of the incidents and this will be provided through correspondence.

Action 07/August: Director of Corporate Services to provide incident information.

79. There was some discussion about whether some of the residual risks from data breaches may disappear with the implementation of the ACT and Digital solutions.

80. Although many of the issues we have at present will disappear, we may encounter new issues which we are not yet aware of.

81. Clarity was sought over whether the Security risk on P10 and it was advised this would be resolved when we move onto our new platform.

Quarterly review of fraud and bribery

82. There have been no actual or attempted Fraud and Bribery cases since the last Audit and Risk Committee.

83. The most recent Fraud and Bribery Response Team meeting focused on a test case and will continue to follow that approach should there be no actual cases.

84. Our Data Practitioner recently attended a course held by Social Security Scotland and he provided an overview to the group of his learnings. The group aim to look more closer at External Fraud in the next year and at the next meeting we will be discussing a recent Compliance case which involved Business to Business cases.

85. TM advised that he was pleased that the group were discussing test cases and doing quarterly trawls but questioned training and learning and compliance with Principle 5 of the Bribery Act. This will be reviewed by the group.

Action 08/August: Add Bribery Act compliance to the fraud action tracker.

Action 09/August: Update the Bribery risk assessment.

PUCMS project

86. The Deputy Head of Digital and Service Delivery presented the paper, advising that the intention of the project was to make the PUCMS system talk to the Phoenix system. He invited any questions or discussion.

87. The Chair stated that looking at the conclusions the questions have to be asked 'Why do we not know those things are happening?' 'What are we not doing right that means that we can't see these things?'

88. The Chief Executive advised that the PUCMS system was last accredited in 2015 and has been maintained by ITECS since. Previous focus had been on the creation of the PASS system and focus was taken away from the barring service.

89. When PUCMS was then prioritised, it uncovered known and unknown faults, poor inception led to a lack of understanding in the Business Case which was discovered mid-stream.

90. This project was tightly managed, and the right steps taken and actioned immediately.

91. TM spoke about the timing of identification of issues and the approach taken. He called out scope and advised that projects should always look at the pre-requirements and analyse before the project has started. This step seems to have missed with this project.

92. The Chief Executive recognised that there was a lack of financial overview on the project and appointed the Head of Strategic Finance to engage with the Digital team and get a read out of the projects.

93. The Head of Strategic Finance has now been brought onto the Strategic Design Authority and all projects will now go through that group.

94. There will be some changes made to the Digital Management and PMO will be tightened up.

95. On reflection some of the issues could have been predicted and if certain questions were asked at the start some of this may have been avoided.

96. SG told the committee that the paper was helpful but had two observations:

- Planning timescales – Milestones dates get close and then get changed. They need to be more realistic while being optimistic.

- Costing. This will be addressed through the rebase lining exercise, but costs seem to change month on month.

97. The Head of Finance advised that this is laid out in the papers that the discovery phase was not detailed enough to accurately predict timescales and costs.

98. The Director of Corporate Services shared that we were building the second line of assurance through audits and spot checks and also looking at external assurance through the project lifecycle.

99. The DS 25 Programme Board have challenged some aspects and require plans based on evidence.

100. KR made a general comment around the Act Programme Board and the lack of evidence and questioned if we had tested what we know?

101. The Chief Executive stated that the mindset should be around outcomes being delivered. The Discovery phase will look at how do we develop the technology to deliver the outcomes.

102. We need to use the Programme Boards to get the culture right and be as forward thinking as we can be. The Discovery phase should be strategic as well as practical.

103. The Chair suggested that a short update be brought back to the next meeting.

Action 10/August: Update on the PUCMS work to be brought back to the next ARC meeting.

Meeting reflections

104. The Chair reflected that there have been very positive reports coming from both Internal and External Audit and everyone should be praised for their hard work.

Any other business (AOB)

105. Under AOB the Chair wanted the committee to recognise and thank the independent member of the committee, Tom Mitchell, for the contribution he has had to the committee over the last few years. This is Tom's last meeting and the committee wished him well.

106. The Chief Executive noted that this was also the last meeting for the Chair and that he had reached the end of his term. He thanked the Chair for the support he has provided to both him and his predecessor and praised his incredible transparency and relentlessness in carrying out his role.

107. On behalf of himself, the ARC, the Scottish Government and the Minister, he wholeheartedly thanked him for his role over the years.

108. The Chief Executive Officer also wanted to reiterate the comments made by the Chair about the work that the independent member had carried out over the years.

Next meeting: 22 November 2023 10am to 1pm hybrid.

Action	Responsible	Due by	Status
Action 01/February: Ensure Stephanie Glavin is invited to the Audit and Risk Committee in March.	Head of Corporate Governance	Closed	**Stephanie attended March meeting and invites have been extended for the rest of the year.** **Action closed.**
Action 02/February: Move the date of the September Audit and Risk Committee meeting to fit in with Scottish Government timescales on completing the Annual Report and Accounts.	Head of Corporate Governance	Closed	**This meeting has been rescheduled and September meeting has now been cancelled.** **Action closed.**
Action 03/February: Make improvements to the readability of the Risk report.	Head of Corporate Governance	Closed	**This is contained within the risk agenda item.** **Action closed.**
Action 04/February: Review the finance budget risk and ensure finance horizon risk is drafted.	Head of Finance	Closed	**Three new Finance risks have been added to the register.**

Action	Responsible	Due by	Status
			Action closed.
Action 05/February: Collate all the existing Leadership Teams' thoughts on the Assurance Mapping template and then come back to the Audit and Risk Committee with one agreed template and the detail of why that template has been selected. A deep dive on assurance mapping to be included in a future Audit and Risk Committee meeting.	Head of Change Management	November meeting	**Head of Change collating all the information. Workshop to be held with Heads of Service. Paper will be brought to the ARC meeting in November and will be added to the agenda.** **Action ongoing.**
Action 06/February: Correct error in cover paper Under Data Security Incidents over last four quarters - QTR. 4 – 2021 should read as QTR. 4 – 2022.	Deputy Chief Executive Business Strategy	Closed	**Paper updated.** **Action Closed.**
Action 07/February: Develop a strategic risk around change	Director of Chief	Closed	**Risk has been drafted and added to the risk register. Action closed.**

Action	Responsible	Due by	Status
	Executive Office		
Action 01/August: Minutes from the 15 May meeting to be shared with the committee following meeting.	Corporate Governance Team	Following meeting	**No update.**
Action 02/August: Add page numbers to minutes.	Secretary	Following meeting	**Pages numbers added. Action closed**
Action 03/August: Cost savings paper to be presented at next ARC meeting	Head of Finance	November ARC meeting	**No update.**
Action 04/August: Head of Corporate Governance to restructure table on pages 41 and 42 to make it easier to read.	Head of Corporate Governance	Following meeting	**No update.**
Action 05/August: Share the Annual Report Lessons Learned with the committee as a below the line document at the next meeting.	Head of Corporate Governance	November ARC meeting	**No update.**

Action	Responsible	Due by	Status
Action 06/August: Risk Register updates to be reviewed and consolidated.	Head of Corporate Governance	Following meeting	**No update.**
Action 07/August: Director of Corporate Services to provide incident information.	Director of Corporate Services	Following meeting	**No update.**
Action 08/August: Add Bribery compliance to the fraud action tracker.	Director of Corporate Services	Following meeting	**No update.**
Action 09/August: Update the Bribery risk assessment.	Director of Corporate Services		**No update.**
Action 10/August: Update on the PUCMS work to be brought back to the next ARC meeting.	Deputy Director of Digital and	November ARC meeting	**No update.**

Action	Responsible	Due by	Status
	Service Delivery		