

Audit and Risk Committee

Wednesday 15 February 2023: 10am to 1pm

Hybrid Meeting - Pacific Quay Boardroom/Microsoft 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
Laura McCluskey	Deputy Chief Executive Business Strategy
Kenny Birney	Deputy Chief Executive Digital Strategy
Nicola McBain	Director of Chief Executive Office
Lynne McMinn	Director of Policy, Customer Engagement, Communications and Finance
[redacted]	Head of Finance
[redacted]	Head of Strategic Finance
[redacted]	Financial Accountant
[redacted]	Head of Corporate Governance
[redacted]	Internal Audit (IA) Manager
[redacted]	Senior Internal Audit (IA) Manager
[redacted]	Head of Change Management
[redacted]	Deloitte

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Apologies:

Kathleen McInulty Director of Safeguarding
[redacted] Deloitte

Secretary:

[redacted] Executive Assistant

Welcome and apologies

1. The Chair welcomed everyone to the meeting, including two new members to the group, Stephanie Glavin and [redacted].

Declaration of interests

2. None.

Previous minutes and actions register

3. The minutes were noted as a true and accurate reflection of the meeting. All actions were closed.
4. The Chair updated the group on the contents of the pre-Audit and Risk meeting where fluidity of the changing in the structures was discussed specifically in reference to change governance. It was reflected that some of the papers provided to the Audit and Risk Committee are very lengthy and a suggestion was made to look at how other SG organisations prepare their papers to ensure the papers are focused and outline the action needing to be taken.

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Matters arising

5. None

Chief Executive update

6. The Chief Executive provided an update on the current priorities for the organisation.
7. Performance remains at the best level over a prolonged period of time than it has ever been.
8. Within the Protection Unit there are a reduced number of cases waiting for listing.
9. The Leadership Team have agreed that the Deputy Chief Executive Business Strategy will focus on the organisation on a strategic level. The Director of Safeguarding will now focus on the operational side.
10. With the introduction of the Programme Boards some aspects of our governance are being revolutionised. There is a need to focus in on what works. This change will bring a degree of clarity to our programme and project SROs. There is a critical role for the non-executives in the programme boards. All of this comes under Phase 2 working.
11. Thursday project deep dive sessions have been introduced. They have increased dialogue between project teams and the Leadership Team and help to promote collaboration. The Chief Executive advised that he is also currently writing up a paper on new ideas for risk management.

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12. The Chair asked what did the Leadership Team expect the outcome of the Thursday deep dives to be and how does it cut across the Programme Boards.
13. The Chief Executive responded that the most important projects are included in the deep dives. This is a good way to monitor and manage projects. They also provide assurance to the Accountable Officer on the progress of the projects. They are however not a formal governance mechanism.
14. The Deputy Chief Executive Business Strategy advised that the deep dives help form stronger and deeper links with our business leads, allowing us to question and bring our own understanding up to speed. This is also a good way for staff to access the Leadership Team.
15. The Deputy Chief Executive Digital Strategy added that the deep dives provide a checkpoint where projects can be monitored and allows for better decisions to be made based on the advice given.
16. The Chief Executive reminded the group that it was imperative that the Director of Safeguarding is involved in the deep dives as we do not do anything that would compromise the safeguarding process.

Finance update

17. The Head of Finance provided an update on the current financial position, covering period 9 – Year to December 2022, summarising the main points around the overall underspend, staffing costs (including the pay award) and the current income position.
18. The Chief Executive commented that although there are mentions of overspends, Disclosure Scotland is underspending on budgets and there will be

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potential pressures on our budget next year, due to rising costs, for example rising charges for other Scottish Government services.

19. The Chair asked the Head of Finance what were the three areas that cause the most concern.
20. The Head of Finance responded:
 - a. Income - because Disclosure Scotland cannot control the fees that we charge. Fees have not increased since 2011.
 - b. Staff costs – it is very difficult to estimate what the pay award is going to be the next year. This makes up a significant amount of our overall costs.
 - c. Managing the capital projects.
21. The Chief Executive added that the political landscape we are working in is a concern and the instability that comes with it. Digital automation in Disclosure also needs to be implemented before the end of March to reduce costs.
22. The Deputy Chief Executive Business Strategy added that where an overspend is showing, it is important to note the amount paid to police forces for enquires and searches. This year we tended to underestimate those budgets. A lot of work has been done on reforecasting volumes.
23. SG commented that the challenge with the finance paper is the level of detail included. Sometimes there is a risk that some of the key messages are missed so could the format within the report be reviewed to pull out those key messages, for example, what should the group be aware of, what should we be worried about. SG is happy to provide feedback and work with the finance team on this.
24. The Chair commented that this reiterates that more work needs to be done on the content of the papers.

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25. TM remarked that there is no feel within the paper whether there are climbing or permanent differences in the year and asked if the resource underspend is impacting on delivery.
26. The Head of Finance confirmed that the resource underspend was not impacting on delivery.

Internal Audit – quarterly update

27. The Internal Audit Manager provided an update on Directorate for Internal Audit and Assurance activity since the last meeting in November 2022.
28. The Internal Audit Manager confirmed that Scottish Government Head of Audit will be leaving Scottish Government for a career break and that [redacted] will take on the role of interim Head of Audit until a recruitment campaign is underway.
29. KR commented that he welcomes the integrated approach, and that Internal Audit helps to support the organisation by bringing in other areas to provide assurance to the Accounting Officer. The Project Management Office Arrangements Final Report is very good but would be keen to hear what needs to happen for the rating to be substantial and how does it compare to other Project Management Offices in Scottish Government.
30. The Internal Audit Manager replied that the Project Management Office is still evolving, the guidance is not yet complete. It is not possible to benchmark against other agencies in Scottish Government as they have different numbers of staff and may have been in position for longer than Disclosure's Project Management Office.

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31. The Director of the Chief Executive Office confirmed that best practice in other Project Management Offices was looked at and commented that in fact Scottish Government Programme and Project Management office have taken a lot of our PMO tools to use and that is very reassuring.
32. The Internal Audit Manager reminded the group that the Annual Plan had also been provided to the group and was also attached. Members confirmed that they have seen it and no comments were made.

External Audit

33. [redacted] provided an update on the progress of the external audit team so far.
34. The official handover from the previous auditors and the advanced planning phase have been completed.
35. Introduction and planning meetings have taken place with the Director of the Chief Executive Office, the Head of Corporate Governance, Head of Finance and the Finance team. Next will be the planning phase of the audit schedule for week commencing 27 February. Documents to aid this have already been requested. The outcome of this will be the draft audit plan that will be submitted to Audit and Risk Committee by the end of March. Dates are being finalised with the finance team to determine timelines on planned procedures, risk areas, insights to be provided and wider scope. The final field work will be done in June.
36. The Chair confirmed that he had spoken to [redacted] of Deloitte about planning and that Committee members have a date set for March. The Head of Corporate Governance to ensure that SG is invited.

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Action 01/February: Head of Corporate Governance to ensure Stephanie Glavin is invited to the Audit and Risk Committee in March.

Action 02/February: Head of Corporate Governance to 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.

Audit recommendation tracker

37. The Director of the Chief Executive Office updated the group on the progress of outstanding audit recommendations and requested endorsement of those recommendations proposed for closure.

38. There were three recommendations for closure.

- Internal Audit SAF1 (Safeguarding 1)
- Strategic Finance Long Term Plan
- Disclosure Scotland Annual Report and Accounts 2

The group were in agreement to close above recommendations.

39. The Chair reminded the group that the Audit and Risk Committee should be asked to sign off these recommendations having the Leadership Team's endorsement and commented that the reports are becoming better and finer tuned and thanked those responsible for the work done on this.

Quarterly review of risk register

40. The Head of Corporate Governance presented the Committee with an update on Disclosure Scotland Corporate Risk Register alerting the Committee to any

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risk movement over the most recent quarter and reminded the group that the Chief Executive is looking at a fresh model going forward.

41. The Deputy Chief Executive Business Strategy suggested that acronyms should not be included in the risk papers as this may not be understood by everyone.
42. TM commented that the language in the report is much clearer. There is a lot of information there which is really good, but perhaps it needs to be set out in a clearer way to make it easier to read.

Action 03/February: Head of Corporate Governance to make improvements to the readability of the Risk report.

43. KR commented that under 22/Finance Budget, on categorisation there should be a wider discussion on having a more horizon scanning risk. SG agreed that we need to ensure the longer-term risk on finance is captured.

Action 04/February: Head of Finance to review the finance budget risk and advise the group going forward.

Assurance mapping

44. The Head of Change Management provided the group with a template with suggested assurance to inform Disclosure Scotland's assurance map for 2023 to 2024 and, to seek feedback on levels of assurance against our strategic aims and business plan objectives.
45. The group discussed the suggested template.

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46. TM asked if the group felt that the Audit and Risk Committee was the right body to reach a conclusion. This is for the user not an assurance provider.
47. KR confirmed his support and that this is a good model but wanted to know what is the actual assurance on these as it is not clear in some areas.
48. The Head of Change Management requested that it would be helpful to receive initial thoughts on what the desired levels should be, what they are and then to collate them.
49. The Internal Audit Manager enquired as to whether working documents to support decisions made were available, as from the template it is difficult to understand how decisions were made.
50. The Head of Change Management confirmed that this will be documented going forward.
51. The Senior Internal Audit Manager congratulated on progress made so far and confirmed that there would be a need for evidence based supporting decisions. Assurance mapping is really important, but a difficult piece of work to put in place and maintain. Assurance should be proportionate.
52. The Director of the Chief Executive Office confirmed that Disclosure Scotland will engage formally with Internal Audit in terms of getting assurance on the approach.

Action 05/February: Head of Change Management to 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.

Quarterly review of fraud and bribery

53. The Director of the Chief Executive Office provided an update on reported incidents of attempted fraud and/or bribery in the last quarter.
54. There were no actual or attempted incidents of fraud or bribery reported for quarter three. Work has been carried out on the annual maturity model. Two areas have moved in terms of policy and reporting arrangements. The Data protection Officer and an HR representative have been added to the Fraud and Bribery group.

Information governance

55. The Deputy Chief Executive Business Strategy provided information to scrutinise and provide assurance regarding Disclosure Scotland information security, governance and management processes.
56. The Chair highlighted that there was an error in the cover paper. Under Data Security Incidents over last four quarters, QTR 4 – 2021 should read as QTR 4 – 2022.

Action 06/February: Deputy Chief Executive Business Strategy to correct error in cover paper Under Data Security Incidents over last four quarters - QTR 4 – 2021 should read as QTR 4 – 2022.

57. Work has been carried out on reviewing the process of our security incident management piece. This may need a deep dive once this process has been reviewed.
58. Deputy Chief Executive confirmed that this paper will be reviewed further by the appropriate leads for improvement purposes.

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59. KR highlighted that each item in ongoing actions all mention human error. At some point in future hopefully this will be resolved to a degree due to digital automation.

60. The Deputy Chief Executive Business Strategy confirmed that the information security forum has been established which allows all to come together to discuss trends. Out of this our Quality Assurance work is highlighted. As an Audit and Risk Committee we should be able to make recommendations on what to focus on. The Data Protection Office team will provide advice and support to anyone escalating an incident.

Deep dive – Change Governance

61. The Director of the Chief Executive Office provided the committee with an opportunity to provide advice and assurance on the changes being implemented to support effective change governance.

62. The Chair asked what is different to the panel structure that was in place previously.

63. The Director of the Chief Executive Office responded that the new structure was clearer for decision making for those running the programmes. Disclosure will continue to test and learn to ensure the right information is going through the new boards.

64. The Chair asked what is different to show that you will use the advice given by non-executives.

65. The Director of the Chief Executive Office commented that a journey of decisions being taken will be seen.

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66. KR noted that in the Terms of Reference there is mention of driving change forward. It should be spelt out for each programme board what it means to drive change forward. What is the process of appointing people to these Boards who will provide proper scrutiny. Will it be Disclosure employees largely.
67. Director of Chief Executive confirmed that membership of the programme boards has been well considered. It may increase over time and it may change over time. It will include our people, non-executive's and independent members.
68. TM added that it would seem that changes are being introduced every 12 to 16 weeks. Is sufficient time being allowed to determine if recent changes are providing benefits.
69. The Chief Executive responded that was a good challenge. These are not revolutionary changes.
70. The Internal Audit Manager added that incremental change could have an effect on staff morale.
71. The Chief Executive replied that to help with staff morale, Let's Keep Connected calls with staff take place on a regular basis. This allows staff to challenge the Leadership Team and speak up if they think something is wrong. The programme boards will take place in the creative space and we will allow staff to observe.
72. The Chair mentioned that the Director of the Chief Executive Office has offered to look at strategic risk around this and asked what the group thought about that.

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73. KR stated that this is sensible as the governance needs to be right around change. The group agreed.

Action 07/February: Director of the Chief Executive Office to look at strategic risk around change.

Any other business

74. No.

Meeting reflections

75. The Chair asked the observers for their views on the meeting and highlighted that some significant issues had been raised. today. He asked the Chief Executive if this has given him assurance.
76. The Chief Executive responded that it was important to obtain a strategic view of issues and good to have relevant discussions with all of the committee who each have their own view on matters discussed.
77. The Chair commented that when the Chair of the Audit and Risk Committee moves later this year, this will lend a refresh to the committee.

Action 08/February: The Head of Corporate Governance to change the date of the May 17 meeting.

Date of next meeting: TBC 2023 10am to 1pm

Hybrid meeting: Pacific Quay/Microsoft Teams

Action	Responsible	Due by	Status
<p>Action/Feb/02: Data Protection Officer present the findings of the data protection governance review to the Audit and Risk Committee.</p>	<p>DM</p>	<p>Quarter 4 2022</p>	<p>The Data Protection Review was postponed due to other priorities including Drive Management however a lot of what was due to be in the review has been ongoing as business as usual. The scope of the review <i>may</i> have changed and does need further discussion by the Leadership Team.</p> <p>Update 6/2/23: The scope of the review has changed, and Drive Management Phase 2 has now opened.</p> <p>Action closed.</p>

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Action	Responsible	Due by	Status
<p>Action 01/November: Director of Operations and Director of Safeguarding to investigate what else can be achieved in savings in the operational area.</p>	<p>Director of Operations</p> <p>Director of Safeguarding</p>		<p>Update 25/1/2023:</p> <p>With attrition levels of 2.5 admin staff per month, it is expected operations can, through natural attrition, reduce administrative staffing costs as the following digital innovations are delivered and embedded:</p> <ul style="list-style-type: none"> • Phase 1 vetting – expected efficiencies for initial release -1.5 FTE (A3) • E-resulting – significant print cost savings • RPA – to be defined but administrative savings expected

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Action	Responsible	Due by	Status
			<p>Such savings will allow higher value task that cannot be performed without subjective intervention (such as Act functions) to be resourced and additional investment to be placed in safeguarding roles (compliance, barring, QA, data analysis) within set cost parameters.</p> <p>Efficiencies in Ops/PU/other processing teams should be dealt with through benefits realisation targets set through business cases and will continue to report regularly through the change management reporting framework.</p>

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Action	Responsible	Due by	Status
			Action closed.
Action 02/November: Provide a brief update to members on cost savings (actual and planned) on a twice-yearly basis. This can be provided as a Below the Line paper.	Head of Finance	17 May 2023	Update 7/2/23: A Savings section has been included within the Finance update paper. Action closed
Action 03/November: Add a sources section at the end of the Section 22 report. Also add in the strengthening of the Leadership Team due to the appointment of the two Deputy Chief Executives and the Director of the Chief Executive Office	Director of Operations	2 December 2022	Update 3/12: Amendments made to Section 22 report. Action closed.

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Action	Responsible	Due by	Status
Action 04/November: The Stakeholder Engagement report to be shared with Keith Rosser with the aim of gaining feedback on Act stakeholder engagement from the perspective of an Audit and Risk Committee member.	Head of Customer Engagement	25 November 2022	Update 25/11: Report shared with Keith Rosser on 16/11. Action closed.
Action 05/November: Ensure that when carrying out the forthcoming session on risk, when reviewing the register, we need to show how we clearly articulate our risk appetite.	Director of Operations	May 2023	Update 3/2/23: Risk appetite will be discussed at Corporate Risk Review Group then will be agreed by LT and then presented at a future ARC. Action closed.
Action 06/November: Send a letter to Audit Scotland to express concern about the lack of a handover for external audit and that no one representing external audit has	The Chair		Update 3/2/23: The Chair raised the issue directly with the Auditor who will communicate this to Audit Scotland.

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Action	Responsible	Due by	Status
attended this meeting or previous meetings, since the change of auditors.	Chief Executive		Action closed.
Action 01/February: Ensure Stephanie Glavin is invited to the Audit and Risk Committee in March.	Head of Corporate Governance		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		Action closed
Action 03/February: Make improvements to the readability of the Risk report.	Head of Corporate Governance		Updated as discussed – action closed

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Action	Responsible	Due by	Status
Action 04/February: Review the finance budget risk and ensure finance horizon risk is drafted.	Head of Finance		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		Action closed
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		Updated and action closed

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Action	Responsible	Due by	Status
Action 07/February: Develop a strategic risk around change	Director of Chief Executive Office		First draft completed and feedback given by CRRG a fresh draft going to the next CRRG
Action 08/February: Change date of the May 17 meeting	Head of Corporate Governance		Action closed