

Audit and Risk Committee

Wednesday 29 May 2024

10am to 1pm

Hybrid Meeting (Pacific Quay and Teams)

Minutes of meeting

Present:

Sarah Pumfrett Non-executive Member (Chair)

Keith Rosser Non-executive Member (KR)

Stephanie Glavin Non-executive Member (SG)

Lesley Muirhead Non-executive Member (LM)

Attending:

Gerard Hart Chief Executive

Laura Robertson Deputy Chief Executive

Nicola McBain Director of Corporate Services

Andrew Cunningham Deputy Head of Digital and Service Delivery

[REDACTED] Senior Internal Audit Manager

[REDACTED] Internal Audit Manager

[REDACTED] Head of Finance

[REDACTED] Head of Corporate Governance

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[REDACTED] Senior Manager – Deloitte

Observers:

[REDACTED] Head of Improvement

[REDACTED] Stakeholder Events Officer

Secretary:

[REDACTED] Executive Assistant and Governance Manager

Apologies:

Lynne McMinn Executive Director of Policy and Digital Innovation

Welcome and apologies

The Chair of the Audit and Risk Committee welcomed everyone to the meeting, one apology was noted.

Registers of interest

No new interests were disclosed.

Previous actions and minutes

Previous minutes were noted as a true reflection of the meeting.

The committee agreed they were content with all action updates.

The following actions were agreed for closure:

Action 06/August (Risk): All changes implemented and new risk presentation in development.

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Action 01/December (Finance): The budget was shared as an out of committee paper with the ARC for review following Board.

Action 04/December (Accreditation): Meeting has taken place.

Action 05/February (Information Governance): Examples of corrective actions put in place over 2023/24 has been included in the ARC report.

Action 07/February (Audit Recommendation Tracker): information has been shared.

Chief Executive update

The Chief Executive advised that there have been significant digital releases since January 2024. Disclosure Scotland are making significant savings on moving to digital, which is fundamental to delivering the Disclosure (Scotland) Act by April 2025.

The Deputy Head of Digital and Service Delivery advised that releases are undertaken every two weeks and provided updates as follows:

- On-going monitoring is in the process of getting closed off, with a minimal viable product being delivered in June and other releases will be done throughout the month.
- PUCMS case management is now talking to Phoenix, with the last piece of functionality being released on 5 June.
- Work continues to get off of PASS and migrate to Phoenix.
- More than half of basic and standard applications now being processed via Phoenix, and Enhanced applications will be enabled to do so from 5 June.

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- Online accounts: processing more than half of applications, with 55% digital results that continue to grow.
- Next stage will allow applicants to share digital copies of their results with third parties as of 5 June.

LM remarked that at the last meeting it was recorded that there were massive improvements being realised, however with the pace and quantity picking up, what difference was this making for the user and what are the risks with so much going on at once?

The Deputy Head of Digital and Service Delivery advised that the difference for the user is massive, with digital results removing the need for a paper certificate to be printed and posted, this provides faster turnaround times and user feedback has been positive.

Considering the risks, the big target is to get off of Alfresco Platform by July, however contingency planning has been agreed by the Leadership Team. Additionally, there are possible risks against launching and finding bugs/defects, however mitigations are in place that roll back can be achieved quickly if required within a two-week period.

The Chief Executive talked about the recent visit from the Minister for Children, Young people and Keeping the Promise, Ms Don. Advising how Disclosure Scotland is contributing to the Public Sector Reform and indirectly reducing child poverty.

The Minister visit was led and delivered by staff, and Ms Don seemed delighted by how the staff conveyed their enthusiasm for the work being done at Disclosure Scotland.

The Committee were advised that there are Scottish Statutory Instrument slots to be agreed and work is being carried out to get political and wider go-ahead to allow for the 1 April 2025 Act implementation. There is a risk that if we do not secure the slots soon, we could miss the opportunity to meet the deadline.

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Disclosure Scotland have a clear focused financial position for the year ahead:

- Barring down contractor costs where we can
- Making more savings as we grow online PVG and basics
- Basics application performance increased and benefiting from some form of automation

Matters arising

No matters arising discussed.

Finance update

The Head of Finance advised that External Audit begin their fieldwork as of next week for the Annual Report and Accounts.

The committee were advised that a new finance and HR system is to be implemented by the Scottish Government in October and Audit Scotland will be carrying out a check and review of the transition.

Highlights from the report were discussed as follows:

- In the last 12 months we have had an underspend across all of our areas. This was impressed upon us by central Scottish Government to lower our spend
- An underspend on staffing costs
- Income for 2023/24 totalled £16.5 million pounds. Income for the year was greater than forecast, however the committee alerted that income for March 2024 was lower than forecasted. This has continued into April.

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- A savings plan was entered into with Amazon Web Services, bringing savings of around fifty thousand pounds per month
- Savings benefits being realised due to online accounts and digital results
- A drop in Capital spend in March, mainly due to beginning Act discovery work. Going forward there will be more of a focus on capital projects and work to forecast this is in progress. While ensuring there is the correct split between Capital and Revenue spend
- 2024/25 budget: currently there is a gap on the Revenue budget of ten million pounds. Submissions made to the Minister regarding the Act spend to ask if they are content for the forecasted spend to go ahead whilst work to minimise the cost is ongoing.
- The introduction of an improved timesheet for our contractors for 2024/25 will provide a better allocation of their costs compared to 2023/24

KR enquired on how confident Disclosure Scotland are on the costing of projects.

The Head of Finance advised that all business cases were revised last year. However, there are four projects currently where the costing is unknown. The Principal Finance Manager (Strategy) has worked with the Finance team to best estimate the costs. However, all of the figures do provide some form of buffer.

The committee were informed that there will be a recruitment freeze starting in July due to the implementation of the new finance and HR system. This causes concern should contractors leave during this period, as we would not be able to recruit.

SG enquired to what the current thinking and impact is around the move to the 35-hour working week come October?

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The Head of Finance explained with the efficiencies of automation of applications, they are hopeful there will be a relevant offset and benefits. However, this is being kept in view.

The Deputy Chief Executive reminded the committee that the service level agreement is 14 days, therefore they are not overly concerned by the reduction to a 35-hour working week. Currently most staff are working a 36-hour week as they make use of the wellbeing hour that is currently in place.

Draft governance statement

Audit and Risk Committee members were asked to review the governance statement and provide feedback to the Head of Corporate Governance by close of play 5 June.

KR commented that he liked the new format. However, it lacked assurance mapping and the initial approach to the new risk strategy and wondered if that could be pulled through.

The Director of Corporate Services reminded the group that the new risk approach was introduced in this current financial year, but they would add a line regarding the work been done.

Internal Audit

The annual assurance opinion 2023/24, is a good news story with a substantial opinion based on three pieces of work, Collaboration, Review of Budgetary Processes and Review of Key Performance Initiators.

During the year Internal Audit were asked to advise on the new risk management strategy. This provided a great opportunity in a critical friend role and was followed up by a body of work also.

The Chair challenged the substantive assurance opinion and asked if the controls in place are over controlled?

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The Senior Audit Manager answered that consideration is given to this, and that Disclosure Scotland have a strong focus on internal controls and risk management and that he is comfortable with the level of controls in place.

The Chair advised they were pleased to hear this and from their short period of time in the organisation it aligns with their views.

KR went on to say that within pages 7 and 8 of the report, this is signposting on where improvements are required and assumes that the Director of Corporate Services has them on their radar? The Director of Corporate Services responded, advising that they're aware.

External Audit

The external audit manager advised changes to the audit team and work has been brought forward to Monday 4 June.

Wider scope work will also commence at the same time and external auditors will reach out to individuals within Disclosure Scotland as part of this work.

The Chief Executive suggested that External auditors could come along to the next Leadership Team meeting if this would assist them in their work.

Action/01/May: External auditors to be invited to Leadership Team meeting 4 June.

Quarterly review of Risk Register

A copy of the new Risk Reporting was presented. The Head of Corporate Governance reminded the committee that the presentation was a work in progress to get it to a place where everyone is comfortable with.

New risks have been approved in this period:

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- Corporate risk 33 Portfolio finance
- Corporate risk 34 Act delivery scope

Discussion about the presentation and the Chief Executive advised that each risk should be broken down within the hexagons and the risks should be easily identified from there.

The group agreed that this is a work in progress and the team are learning as they go, taking all feedback onboard.

KR advised that he is supportive of the direction. However, called out:

- The format of the data breach risk, as it was unclear of where this should be sitting
- Actions regarding the data breaches within three months and the CDEL as of now

The Head of Corporate Governance advised that in terms of structure, changes have been made to scoring and simple error. With regards to the digital side, we recently took disaster recovery to the Security Working Group, and they are pulling a plan together for some artefacts that we know are missing from a digital perspective.

The Internal Audit Manager commented that they appreciate a visual look of enterprise risk however the risk presentation lacked a colour key, making it inaccessible.

The Chair advised that they like the presentation and that it is a maturity curve that the new presentation is on.

SG agreed with the chair that it is a maturity curve and suggested a deep dive into one of the segments be done at the next meeting.

Action/02/May: Deep dive into one of the risk segments to take place at August's meeting.

The Data Protection Officer advised that the Information Asset Register is out of date. The Scottish Government are due to release a new register that will be put in place once available.

Action/03/May: Information Asset Register to be updated

Information governance

Based on feedback provided at December 2023 meeting there has been a lot of work put into developing the content of information governance report.

This demonstrates procedural improvements that have been made, working with the independent accreditor and Head of ITSM on new approaches to manage and deal with incidents and how we learn from these.

The Data Protection Officer talked the committee through the data breaches and what actions have been taken to mitigate these in the future.

The Data Protection team are now also more embedded in the project teams, such as Act delivery to help prevent breaches in the future. The team are also looking to minimise the data that we hold as an organisation in the future.

KR called out on 2.1 of the paper it mentions that there is a medium low and high risk, 5 are medium and 10 are low. For future it would be useful to know which ones are medium.

Quarterly review of fraud and bribery

The committee were notified that the annual assessment had been carried out, with some areas moving up, which is positive.

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With no specific cases to use, test cases were used for the assess the Disclosure Scotland policy.

Key action for this reporting year is to a deep dive across the local risk registers on fraud and bribery and this will commence once the Annual Report and Accounts work has been completed.

The Chair enquired whether the organisations top five risk frauds are?

The Director of Corporate Services advised that the organisation has a good flavour for the internal ones, and it is external fraud that we need to become more familiar with. However, this area of work is carried out by the Compliance team within Disclosure Scotland.

Audit recommendation tracker

A number of recommendations have been proposed for closure and recommendations on Key Performance Indicators have been added.

The Deputy Chief Executive said that they had provided amended closure statements for the ones recommended for closure.

The Chair raised the following:

- Page 4 refers to assurance work, it is not clear who this refers to, is this Internal Audit or Assurance?
- The Chair is happy to close those that are proposed for closure
- Page 5 there is a typographical error, this should be Head of Change
- Page 6, has pushed for an extension for a review in quarter two, is this reasonable and if not should it be moved to quarter three?

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The Director for Corporate Services will take the points forward with the Head of Corporate Governance.

KR noted on page five, the due date is noted as March 2024 and asked if these can be updated to reflect the new revised date.

Action/04/May: Page 5 of the Audit Recommendation tracker, dates to be updated with new revised date.

KR also advised that the Business Continuity Plan was proposed for closure. However, he found it difficult to reconcile this with the comments from Internal Audit.

The Deputy Chief Executive advised that they are different things, and the closure of this action is sensible because there is a new action in terms of business continuity planning which is much more relevant.

AoB

None

Next meeting: 10 July 10am to 11am in office with hybrid option by exception.

Action	Responsible	Due by	Status
<p>Action 05/February: Assurance Mapping</p> <p>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.</p>	<p>Head of Corporate Governance</p>	<p>31 May 2024 – revised date End of November 2024</p>	<p>20/08/2024: Assurance mapping work is now being worked on and a deep dive will be planned into a future ARC based on priority of items required for deep dive sessions.</p> <p>02/09/2024: The Head of Corporate Governance agreed with ARC members to bring a draft of the assurance mapping to the November ARC meeting.</p>
<p>Action 06/August: Risk</p> <p>Risk Register updates to be reviewed and consolidated.</p>	<p>Head of Corporate Governance</p>	<p>Closed</p>	<p>21-May-2024 - This action can be closed as all changes were implemented. We are now developing the new risk presentation, and this will bring with it future changes as we test and learn the process: Closed</p>

Action	Responsible	Due by	Status
<p>Action 09/August: Fraud Update the Bribery risk assessment.</p>	<p>Director of Corporate Services</p>	<p>Revised date October 2024</p>	<p>19-Aug-24: Head of Counter Fraud [REDACTED] attended the last meeting, and the group will be working with him to assist with the risk assessment. This is currently on-going Ongoing</p>
<p>Action 01/December23: Finance Head of Finance to share budgetary ask mapped against service outcomes at next ARC - review according to budgetary position once know and qualify expected return on digital investment for 2024/2025 and explore potential savings (and impact).</p>	<p>Head of Finance</p>		<p>07-May-24: The budget was shared as an out of committee paper with the ARC for review following Board. This takes into account expected savings as a result of online results, etc. where known. Action Closed</p>
<p>Action/04/December23: The Deputy Chief Executive to take Chair through the accreditation process.</p>	<p>To be set up by CGT LR/SP to meet</p>		<p>For Closure: Meeting already taken place Action Closed</p>

Action	Responsible	Due by	Status
<p>Action/05/December23: Risk Head of Corporate Governance and Director of Corporate Services to meet with non-executive members on Board paper presentation.</p>	<p>Head of Corporate Governance</p>	<p>14 February 2024</p>	<p>19-Aug-24 Closed as actions taken place Closed</p>
<p>Action/06/December23: Internal Audit Internal Audit Manager to set up meeting with ARC Chair</p>	<p>Internal Audit Manager</p>	<p>February 2024</p>	<p>07-May-24 - We will meet with Sarah as part of the standard Pre-ARC NED meetings. Action Closed</p>
<p>Action/08/December23: Board Proposed Agenda item for DS Board 2024 to discuss results of people engagement following the People Survey results.</p>	<p>Secretary</p>	<p>31 January 2024</p>	<p>06-Feb-24: People Survey Results shared as a below the line paper with DS Board for reading. DS Board Meeting 27 March agenda to include agenda item to discuss People Survey Results Action Closed</p>

Action	Responsible	Due by	Status
<p>Action/01/February: Chief Executive Update</p> <p>Update on Act projects to be brought to the next meeting.</p>	<p>Head of Change Management</p>	<p>29 May 2024</p>	<p>21-May-24: updates on the Act Programme via my Portfolio Highlight report which is presented to the Portfolio Board, LT and the DS Board for advice and direction. I can share this paper as a BTL paper for the ARC for awareness and Laura Robertson can provide any updates on any specific areas when required at ARC meetings. I would suggest this action is closed</p> <p>Action Closed</p>
<p>Action/02/February: Finance</p> <p>Board ad-hoc session to be held and include all non-executive members once update available on 2024/25 budget position.</p>	<p>Director of Corporate Services</p>	<p>Once budget position available</p>	<p>Closed – Members updated at Board Ad-hoc sessions on budget position regularly</p>

Action	Responsible	Due by	Status
<p>Action/03/February: Risk Register</p> <p>Review Information Governance issue report for future meetings. For cyber assurance invite independent risk accreditor to future meeting to present role and value add.</p>	<p>Deputy Chief Executive/AR C Secretariat</p>	<p>Revised date August 2024</p>	<p>19-Aug-24: Closed Independent Accreditor to attend August Meeting</p> <p>Closed</p>
<p>Action/04/February: Information Governance</p> <p>Deputy Chief Executive, Head of Corporate Governance, Data Protection Officer, and Head of Cyber Security to work together to improve reporting and bring out the salient points to bring to the Audit and Risk Committee.</p>	<p>Head of Corporate Governance</p>	<p>29 May 2024</p>	<p>21-May-24: The DPO and Head of cyber security have drafted a new version of this paper and feedback will be requested during the session.</p> <p>Closed</p>
<p>Action/05/February: Information Governance</p> <p>Deep Dive to be commissioned within Protection Unit into data breaches, on what, how and prevention measures.</p>	<p>Data Protection Officer</p>	<p>31 March 2024</p>	<p>20-May-24: The Data Protection Team are constantly monitoring any data breaches to look for patterns. If a pattern meets a threshold of three similar breaches/responsible individual within three months we would do a deep dive and assign additional corrective</p>

Action	Responsible	Due by	Status
			<p>actions. Corrective actions are assigned for all data breaches and a signed acceptance of these secured, examples of corrective actions put in place over 2023/24 has been included in the ARC report.</p> <p>Action Closed</p>
<p>Action/06/February: External Audit</p> <p>Head of Corporate Governance to look at timelines with possibility of ARC members reviewing the draft narrative before going to external audit.</p>	<p>Head of Corporate Governance and Governance Manager</p>	<p>Revised date July 2024</p>	<p>19-Aug-2024: Closed draft narrative was shared ahead of July meeting</p> <p>Closed</p>
<p>Action/07/February: Audit Recommendation Tracker</p> <p>Head of Corporate Governance to share answers to Chairs questions as an out of committee update.</p>	<p>Head of Corporate Governance</p>	<p>29 February 2024</p>	<p>21-May-24: Answer to the Chairs questions will be shared ahead of the meeting</p> <p>Action Closed</p>

Action	Responsible	Due by	Status
<p>Action/08/February: Audit Recommendation Tracker</p> <p>Deputy Chief Executive is reviewing all current actions; these will either be rescoped based on the position of the Agency now or noted for closure.</p>	Deputy Chief Executive and Head of Corporate Governance	29 May 2024	<p>21-May-24: Review and comments shared with members out of committee.</p> <p>Action Closed</p>
<p>Action/08/February: Meeting Reflection</p> <p>Head of Corporate Governance and Secretariat to look at agenda item duration when planning next meeting.</p>	Head of Corporate Governance and Secretariat	29 May 2024	<p>21-May-24: Reviewed, due to the amount on the agenda we are limited to changes however we will look at options to extend the meeting when required.</p> <p>Action Closed</p>
<p>Action/01/May: External Audit</p> <p>External auditors to be invited to Leadership Team meeting 4 June.</p>	Executive Assistant to CEO	4 June 2024	<p>Closed meeting took place on 4 June</p>
<p>Action/03/May: Information Governance</p>	Data Protection Officer/SIRO	August 2024	<p>19-Aug-24: A business case is in draft to be taken for approval. The work will include a full data catalogue revision</p>

Action	Responsible	Due by	Status
Information Asset Register to be updated			<p>with the Information Asset Register to be updated, retention schedules to be reviewed, a Record of Processing Activities finalised and training for all Information Asset Owners. This is a large piece of work and some resource will come from the closure of the Outlook Public Folder Decommissioning project.</p> <p>Ongoing</p>
<p>Action/04/May: Audit Recommendation Tracker</p> <p>Page 5 of the Audit Recommendation tracker, dates to be updated with new revised date.</p>	<p>Head of Corporate Governance</p>	<p>July 2024</p>	<p>Proposed for Closure: 19-Aug-24: all dates have been updated proposed for closure. All dates updated within the August presentation</p>