

**Audit and Risk Committee**  
**Wednesday 23 November 2022**  
**10am to 1pm**  
**Hybrid Meeting (Pacific Quay and Teams)**  
**Minutes**

<b>Present:</b>	Douglas Hutchens	Non-Executive Member (Chair)
	Stuart Smith	Non-Executive Member
	Dr Tom Mitchell	Independent Member
<b>Attending:</b>	Gerard Hart	Chief Executive
	Laura McCluskey	Director of Operations and Strategic Change
	Kenny Birney	Digital Programme Director
	Nicola McBain	Director of Chief Executive Office
	Kathleen McInulty	Head of Safeguarding
	[redacted]	Head of Finance
	[redacted]	Head of Corporate Governance
	[redacted]	Internal Audit (IA) Manager
	[redacted]	Head of Procurement
	[redacted]	Head of Customer Engagement
	[redacted]	Senior Governance Manager
<b>Observers:</b>	[redacted]	Deputy Head of People Services
	[redacted]	Cyber Security Analyst
<b>Apologies:</b>	Keith Rosser	Non-Executive Member
	[redacted]	Senior Internal Audit (IA) Manager
<b>Secretary:</b>	[redacted]	Executive Assistant

### **Welcome and apologies**

1. The Chair welcomed everyone to the meeting and introduced the observers.

### **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 with exception of the following were closed:

**Action/Feb/02:** Data Protection Officer present the findings of the data protection governance review to the Audit and Risk Committee.

### **Matters arising**

4. None

### **Chief Executive update**

5. The chief executive provided an update on the current priorities for the organisation.
6. Information on cost savings has been provided to Scottish Government to fund other government priorities. This is being tracked through the Disclosure Scotland finance team.
7. The Chief Executive noted that credit should be given to the Director of Operations and the Director of Digital as optimal levels of performance have been achieved through peak time and with fewer staff than before. This is a result of improved information technology and better processes.
8. The Leadership Team is keen to keep moving from silo working and to promote collaboration within the organisation. Each month four projects are prioritised. This month the projects concerned are platform re-engineering,

replacing the finance tool, the online portal and the link between the barring service and the phoenix system. Each week a meeting is held to discuss and help move forward the project under discussion.

9. There has been significant pressure from Scottish Government centre to contribute to government requirement for savings. From February 2024 to end 2025 Disclosure Scotland will be delivering new functions within digital which will increase its contribution to the savings.
10. A green rating has been received from the Auditors for Governance, but he stated that there is no room for complacency. There is a need to tighten up the relationship between the advisory panels and the front line teams. Project boards will be set up across the current areas of digital, the Act and the Business Change programme. Each will have a programme board and an SRO. The hurricanes will remain in place.
11. SS commented that collaboration between the various parties on the panels must take place going forward.
12. TM asked if Scottish Government has placed any conditions on the rescheduling of the Act implementation in the use of the new platform.
13. The Chief Executive confirmed that no conditions have been put in place.
14. The Director of Operations confirmed that better processes and mechanics will be in place once the new platform is in.
15. The Chair asked for an update on the situation with the non-executive appointments.
16. The Director of the Chief Executive office explained that an appointment will be made in February to cover Finance. The candidate has public sector

finance experience and may apply for the role when it becomes substantive. Further work is being carried out in looking for another member and a number of conversations have been set up to recruit someone for the safeguarding side. An induction plan is being developed.

17. DH raised the issue of the cover papers for the Audit and Risk Committee not being completed fully by report writers, with particular reference to the governance section in papers not being completed.

**Action 01/November:** When commissioning papers the Secretariat will remind report writers to ensure cover papers are completed fully before submitting.

### **Procurement annual report**

18. The Head of Procurement provided an overview of the annual procurement report for information. The report has been sent to the Ministerial mailbox and approved by the Leadership Team. A quarterly report will be provided to the LT going forward.
19. DH expressed that this is a very helpful report providing a focus on what is happening within procurement. DH asked if Disclosure Scotland is doing enough to promote equality and local SMEs within procurement?
20. The Head of Procurement confirmed that this is a big driver in procurement and that we strive to ensure our strategic approach to procurement does not create barriers and that this is part of our strategy as to how we approach the market.
21. SS enquired if enough was being done to keep costs down with regard to Amazon web service.

22. The Director of Digital confirmed that some savings that can be made now have been identified, and when we move to the new platform this will produce more savings.

### **Finance update**

23. The Head of finance provided an update on the current financial position, covering period seven (1 April 2022 to 31 October 2022), summarising the main points round the overall underspend, staffing costs (including the pay award) and the current income position.
24. The group discussed whether the figures related to cost savings were timing differences or permanent and genuine savings.
25. The Head of Finance confirmed that a capital underspend was expected and that DS is aiming to reduce its capital spend this year and next.
26. The Director of Operations explained that the reduction in permanent and agency staff costs are permanent and due to the strategy which is in place. It was noted that all vacancies are now required to be authorised by the Chief Executive.

### **Deep dive – SG budgetary position options for savings**

27. The Head of Finance took the group through the deep dive report to highlight the Budgetary Risk of Disclosure Scotland (DS) setting a RDEL (Cash) budget and a Capital budget in excess of the original budget set by the Budget Act with the agreement of the Director of Children and Families directorate.
28. The Chair commented that this was a very helpful paper and that the savings made do appear to be big ticket/strategic items. The Chair suggested that a communication could go to staff to invite them to offer up ideas for efficiency savings in their own individual areas of work.

29. The Director of Operations advised that this has already been done when looking at our manual processes for Service Level Agreement (SLA) about 18 months ago. Staff identified what parts of the process were not working. The result of this was that two manual workarounds were then removed. Staff were also consulted on the overtime process which has also now received improvements thanks to staff input.

**Action 01/November:** Director of Operations and Director of Safeguarding to investigate what else can be achieved in savings in the operational area.

30. SS commented this was a good paper and advised that it would be important to be looking ahead to the next four years. Linking this with a strategic plan on efficiencies going forward and linking this to the Target Operating Model. The Director of Policy, Communications and Customer Engagement confirmed that the Head of Strategic Finance is currently working on a plan and this should be ready by end of March 2023.

**Action 02/November:** Head of Finance to 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.

## **Section 22**

31. The Director of Operations provided a summary of the key actions taken by Disclosure Scotland in response to the observations of the Auditor General's review of the Disclosure Scotland Transformation Programme.
32. The Chief Executive reiterated that it is important to stress that the section 22 has not been a driver in the work of Disclosure Scotland. It is important to move forward now into the next phase and to accept that this issue is now closed.

33. The group expressed its agreement that the issue should be now closed, as long as the corporate memory is retained to ensure that this inward-looking mindset is not able to reoccur.
34. The Director of Operations confirmed that the Change Managers have been provided with the report and can lift information and narrative from it for change communications around phase two. This is a demonstration of our ability to deliver and drive progress forward.
35. The group sought confirmation that all of the information related to this report should be held securely on file.

**Action 03/November:** Director of Operations to 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.

### **Disclosure Scotland Act – stakeholder engagement**

36. The Head of Customer Engagement provided the group with an outline of the current and planned approach to stakeholder engagement to support the implementation of the Disclosure (Scotland) Act.
37. SS commented that this is a very ambitious and reassuring plan and asked how many meetings have taken place with stakeholders and what lessons have been learned.
38. The Head of Customer Engagement responded that the exact figures were not to hand but would be well into double figures. These meetings have helped to progress work on projects. An alternative option has been using online surveys if customers do not have the time to talk to the customer engagement team.

39. SS recommended an approach be made to the Royal National Institute of Blind People and the Royal National Institute for Deaf People as they are often overlooked.

**Action 04/November:** Head of Customer Engagement to share the report with Keith Rosser with the aim of gaining feedback on Act stakeholder engagement from the perspective of an Audit and Risk Committee member.

### **Assurance mapping**

40. The Senior Governance Manager provided the group with options for Disclosure Scotland's assurance map, seeking endorsement for one option and seeking advice on what should be in the map.
41. The group discussed the options and Director of the Chief Executive Office confirmed that advice on this has been given by Internal Audit and confirmed that internal controls checks are carried out every year and this mapping will help to progress that.
42. The group agreed to accept option number three.

### **Quarterly review of risk register**

43. The Head of Corporate Governance presented the Committee with an update on Disclosure Scotland Corporate Risk Register alerting the Committee to any risk movement over the most recent quarter.
44. The group discussed the method of assigning scoring risks with numbers and that Disclosure Scotland needs to be aware of the risks while using this system.



45. TM advised that there needs to be a clear definition of what the words or numbers used on the risk register actually mean.
46. SS asked that the appointment of external specialists in digital should be reflected in the register.
47. The Head of Corporate Governance confirmed that further updates on this have been received from the Director of Digital and the live risk register has now been updated to show this.
48. SS asked if Corporate Risk 14 could now be removed and closed.
49. The Head of Finance recommended that it should be kept in place until the end of December as they were currently testing the new Sage system.
50. TM commented on risk appetite and that the risks as described do not seem to be risks, simply statements and the disconnect between why an item is on the risk register and how we are prioritising it. There should not be a huge difference between the risk appetite and the risk scored.
51. The Head of Corporate Governance advised that he will investigate how members can see the whole descriptor.

**Action 05/November:** The Director of Operations to 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.

### **External Audit**

52. There was no representative from External Audit at the meeting.

53. The Group expressed concern about the lack of a handover for external audit and that no one representing external audit has attended this meeting or previous meetings.

**Action 06/November:** The Chair and Chief Executive to send a letter to Audit Scotland to express their concern about the lack of a handover for external audit and that no one representing external audit has attended this meeting or previous meetings, since the change of auditors.

### **Internal Audit**

54. The Internal Audit Manager updated the group with a progress report on Directorate for Internal Audit and Assurance activity since the last meeting in September.
55. Good progress is being made against the 2022-23 Internal Audit plan. Since the last review the Capacity and Capability review has been completed to draft report stage and planning has commenced for the Project Management Office Arrangements review.
56. The latest Internal Audit Strategic Matters, Integrated Assurance and Strategic Best Practice/Insight was included.
57. The Internal Audit Manager confirmed that there will be a fee increase of 3% from April 2023 for audit services. The fee to Disclosure Scotland will rise from £27,000 per annum to £27,810 per annum. This was noted by the committee.

### **Audit recommendation tracker**

58. The Senior Governance Manager updated the group on the audit tracker and advised that following feedback from members and the Leadership Team, the new format has been put onto a dashboard.

59. The dashboard – Internal Audit showed that five recommendations have been closed since September 2022. Four were closed at the meeting on 7 September and one out with committee.
60. The Audit and Risk Committee asked for a closing statement/evidence to be added for any future recommendations proposed for closure. Owners are now asked to provide a closing statement/evidence, with Director approval, if they are asking the Audit and Risk Committee to ratify closure.
61. The dashboard – Audit Scotland showed five new recommendations have been added as a result of the 2021-22 annual audit report by the external auditor.
62. The group endorsed the new dashboard as a positive step forward and reiterated that the Audit and Risk Committee members must see full details and evidence if a recommendation is to be closed.

### **Any other business**

63. The Chair confirmed to the group that this would be Stuart Smith's last Audit and Risk Committee meeting due to his retiral and the group thanked Stuart for his commitment and hard work over the last few years and the support he has provided to the Chair.

### **Meeting reflections**

64. The Chair asked the observers for their views on the meeting.

### **AOB**

65. None

**Next Meeting: 15 February 2023 10am to 1pm**

**Hybrid Meeting: Pacific Quay/Microsoft Teams**

Action	Responsible	Due by	Status
<p><b>Action/Feb/02: Data Protection Officer present the findings of the data protection governance review to the ARC</b></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 <b>may</b> have changed and does need further discussion by the Leadership Team.</p> <p><b>Update 6/2/23:</b> The scope of the review has changed and Drive Management Phase 2 has now opened.</p> <p><b>Action closed.</b></p>
<p><b>Action 01/November: Director of Operations and Director of Safeguarding to</b></p>	<p>Director of Operations Director of Safeguarding</p>		<p><b>Update 25/1/2023:</b> With attrition levels of 2.5 admin staff per month, it is</p>

**investigate what else can be achieved in savings in the operational area.**

expected operations can, through natural attrition, reduce administrative staffing costs as the following digital innovations are delivered and embedded:

- 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

Such savings will allow higher value task that cannot be performed without subjective intervention (ie Act functions) to be resourced and additional investment to be placed in safeguarding roles

			<p>(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> <p><b>Action closed.</b></p>
<p><b>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.</b></p>	<p>Head of Finance</p>	<p>17 May 2023</p>	<p><b>Update 7/2/23:</b> A Savings section has been included within the Finance update paper.</p> <p><b>Action closed</b></p>

<p><b>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</b></p>	<p>Director of Operations</p>	<p>2 December 2022</p>	<p><b>Update 3/12:</b> Amendments made to Section 22 report. <b>Action closed.</b></p>
<p><b>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.</b></p>	<p>Head of Customer Engagement</p>	<p>25 November 2022</p>	<p><b>Update 25/11:</b> Report shared with Keith Rosser on 16/11. <b>Action closed.</b></p>

<p><b>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.</b></p>	<p>Director of Operations</p>	<p>May 2023</p>	<p><b>Update 3/2/23:</b> Risk appetite will be discussed at Corporate Risk Review Group then will be agreed by LT and then presented at a future ARC. <b>Action closed.</b></p>
<p><b>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 attended this meeting or previous meetings, since the change of auditors.</b></p>	<p>The Chair Chief Executive</p>		<p><b>Update 3/2/23:</b> The Chair raised the issue directly with the Auditor who will communicate this to Audit Scotland. <b>Action closed.</b></p>