



<b>Audit and Risk Committee (ARC)</b> <b>Minute of Meeting</b>  08 February 2022 1030hrs Microsoft Teams Meeting	
Chair	Andrew Harvey, Audit and Risk Committee Chair
Present	Tim Wright, Audit and Risk Committee Member Christine Martin, Audit and Risk Committee Member Julie Wardhaugh, Audit and Risk Committee Member
In attendance	Janet Egdell, Accountable Officer Chief Finance Officer (HB) Head of Finance (EG) Enterprise Risk Manager (LH) Head of Enterprise Risk Management (CI) Head of Risk and Information Governance (AR) Head of Internal Audit (SG DIAA) (KM) SG Internal Auditor (SG DIAA) (JR) Director of SG Internal Audit (SF) Audit Director, Audit Scotland, (AS) (CG) Senior Auditor, Audit Scotland (AS) (KM) Chief Data Officer (AH) – <i>item 5.3</i> The Corporate Director (BH) – <i>item 9.3</i> Head of IT Enablement (PC) – <i>item 9.3</i> IT Security & Identity Technical Product Manager (AC) – <i>item 9.3</i>
Apologies	SEA to the Corporate Director (JM)
Secretariat	Executive Assistant to the Business Development Director (BG) Head of Secretariat (LM)

## 1. Introduction, apologies, and chair's matters

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

## 2. Declaration of interests

2.1. No new declarations of interest were made.

2.2. It was noted that the Audit and Risk Committee Chair is now a member of the Civil Nuclear Police Authority, and the Register of Interests has been updated accordingly.

## 3. Minute of meetings and outstanding actions

3.1. The minute of the meeting held on 02 November 2021 was accepted as a true record of the discussions held.

3.2. The Committee reviewed the outstanding action log and agreed:

**Action 4638** – Ongoing. Any opportunities where ARC members can add value will be discussed at the upcoming effectiveness review meeting on 14 February.

**Action 4822** – Payroll follow up is now completed and will be reported in the February SGDIAA progress report. ARC agreed to close this action.

**Action 4825** – Ongoing. Outputs of a financial risk review will be brought to the May 2022 ARC meeting.

**Action 4905** – A retrospective exercise on this year's Annual Report and Accounts (ARA) took place in December and all agreed that we should aim to tell a succinct rather than comprehensive story, with links to material elsewhere. The Accountable Officer will consider whether to introduce early communications to ARA reviewers, to highlight any changes to the report. ARC agreed to close this action.

**Action 4906** – Ongoing. An overview of the Work in Progress (WiP) position will be brought to the May 2022 ARC meeting.

**Action 4910** - The Head of Finance and the Chief Finance Officer presented the RoS Statement of Financial Position (Balance Sheet) at the February 2022 ARC meeting. ARC agreed to close this action.

**Action 4980** – Ongoing. A new checklist is in use for the current leadership development programme. The findings of the external evaluation of the previous management development programme (subject of the internal audit) are expected to be provided to EMT during Q4 and will be reported to ARC thereafter.

**Action 4981** – Ongoing. All interviews and assessments have been completed in support of the Management Essentials evaluation. The report is being finalised and insight will then be summarised to present to ARC in May.

**Action 4982** – ARC noted that the Data Management report management responses was tabled on the February ARC agenda for discussion and agreed to close this action.

**Action 4983** – The Enterprise Risk Manager discussed the Certificates of Assurance process offline with Julie Wardhaugh and notes from the discussions were circulated to Committee members on 20 January 2022. Further insights were tabled for discussion at the February meeting. ARC agreed to close this action.

**Action 4984** - Completed. Scottish Government Risk Management material, Cyber Bulletin and EY Thought Leadership material have been circulated to the Enterprise Risk Management team, IT Security team and Corporate Planning project team respectively for review and consideration of potential improvement opportunities. ARC agreed to close this action.

#### **4. Matters arising not covered on the agenda**

4.1. The Chair updated the Committee following an action arising from the September RoS Board meeting to discuss with the Keeper further improving links between ARC and the Board.

4.2. The Committee noted that members have been invited to participate in the NXD monthly calls with Directors for a three-month trial and the effectiveness of these discussions will be reviewed thereafter. It was also noted that the ARC Members would be invited to participate in the NXD skills audit, and the survey would be circulated to members in due course.

4.3. ARC noted that the ARC report to the RoS Board, prepared by the Chair on behalf of the Committee, will be recast in a slightly different format from March 2022 Board and will focus on key issues.

## **5. Internal Audit**

### **5.1. Internal Audit Progress Report 2021-2022**

5.1.1. The Scottish Government Internal Auditor provided an oral overview of the progress report key highlights. Good progress has been made against the plan, which is anticipated to be completed as expected, and the Committee was content to note the report as written.

### **5.2. Draft Internal Audit Plan 2022 / 2023**

5.2.1. The Head of Internal Audit presented the draft internal audit report for 2022/2023.

5.2.2. The Committee noted the 'Procurement New Supplier Checks' activity to address risk number 1. The Committee suggested that the 15 estimated budget days should be concentrated on Procurement in general rather than focusing on just 'new supplier checks'. The Head of Internal Audit agreed to amend the activity title for this in the report to 'Procurement System and Processes' to reflect this change.

5.2.3. The Committee was content to note the paper as written as thanked the Scottish Government Internal Audit team and the Accountable Officer.

### **5.3. Data Management: Use/Storage and Governance of Data Assurance Review**

5.3.1. The Chief Data Officer joined the meeting to discuss the revised addendum to the management responses in the Data assurance review as requested at the November ARC meeting.

5.3.2. The Committee was content with the revised set of management responses and thanked the Chief Data Officer and the Accountable Officer for their support with the Data Management final report. It was agreed that the revised actions could now be added to the outstanding recommendations log to be tracked in the usual way.

5.3.3. The Committee agreed that it was useful to have sight of both the clean and amended version of the report to show tracked changes and the previous ARC commentary. The Chair highlighted that it's not necessary to include a clean and tracked changes version of documents in every instance, however, this approach would be welcomed going forward where the Committee is reviewing items with substantial changes.

## **6. External audit**

### **6.1. External Audit Planning Update 2021/2022**

6.1.1. The Audit Scotland Audit Director advised that due to resource challenges, the formal annual audit plan is not yet complete, however, the Committee noted the external audit planning update provided.

6.1.2. The Audit Director informed the Committee that she is optimistic that the annual audit plan will be finalised within the agreed timescales but will keep the Committee informed of any changes.

6.1.3. The Committee agreed that the Senior Executive Assistant (SEA) to the Corporate Director will circulate the finalised version of the annual audit plan for Committee approval via correspondence when available. The Committee agreed that if there were any substantive changes to the plan then these could be discussed formally at the March ARC deep dive.

***Action – The SEA to the Corporate Director will circulate the finalised version of the external audit annual audit plan for Committee approval via correspondence.***

## **7. Assurance Framework**

### **7.1 RoS Assurance Framework 2021-2026**

7.1.1. The Enterprise Risk Manager provided an oral overview of the RoS Assurance Framework 2021-2026 key highlights and changes made since the last report.

7.1.2. The Committee received assurances that work is ongoing to engage stakeholders, ministers, and external colleagues on the change in approach to how RoS achieve and articulate land register completion, however, the Committee stressed that it would be helpful to receive formal assurance, when the timing is right, that Ministers have publicly supported our change in approach to achieving the original target set. The Committee noted that the Keeper would have an opportunity to discuss our change in approach to LRC at her parliamentary committee appearance on 2 March. It was agreed that ARC should track this until adequate assurances are received.

***Action – The Accountable Officer to consider the timing and approach to ensuring Ministers have publicly supported our change in approach to Land Register Completion and bring evidence of this back to ARC for formal assurance.***

7.1.3. The Committee noted the changes to the key risk deep dive schedule and heard that, following the December Board and EMT Corporate Governance meetings, an additional deep dive on IR35 has been proposed for the March 2022 ARC check-in meeting. The Committee heard that IR35 will also form part of this year's internal audit plan and the Accountable Officer agreed to consider the sequencing of each to ensure she is content with any overlap.

***Action - The Accountable Officer to consider the sequencing of the IR35 deep dive and IR35 internal audit to ensure she is content with any overlap.***

7.1.4. The Committee heard that the Hybrid working deep dive will be pushed back from the July ARC meeting to the September meeting.

7.1.5. The Committee thanked the Enterprise Risk colleagues for the opportunity to review and comment on the RoS Assurance Framework 2021-2026, noted the changes to the agreed internal audit plan and KRR and agreed the deep dive schedule proposed by EMT.

## **8. Annual Review of Policies for Comment**

8. The Accountable Officer provided an oral overview of the annual review of policies recently undertaken by EMT and invited Committee members to comment in advance of final sign off.

### **8.1. Review of Key Accounting Policies and Judgements**

8.1.1. The Committee noted the review of key accounting policies and judgements.

### **8.2. Review of Whistleblowing Policy**

8.2.1. The Committee noted the review of the whistle-blowing policy.

### **8.3. Review of Fraud Response Policy**

8.3.1. The Committee noted the review of the fraud response policy.

8.3.2. The Committee questioned if there would be any fraud risk in sharing data with third parties and whether this should be encompassed within the policy if there were risks. The Accountable Officer provided assurances that work is ongoing to review our licences to provide clarity around reuse of third-party data but agreed to consider further any fraud risks from sharing such data, and provide an update at a future ARC meeting where required.

***Action - The Accountable Officer to consider any fraud risks from third-party data sharing and provide an update at a future ARC meeting where required.***

### **8.4. Review of Hospitality**

8.4.1. The Committee noted the review of the hospitality policy.

8.4.2. The Committee noted that there had been one breach of the hospitality policy but heard that this has since been rectified.

8.4.3. The Committee were happy to note that the new hospitality register is now working well and agreed that the contents are entirely appropriate in terms of the standards required of members of the Civil Service.

8.4.4. The Committee was content to endorse the policies and provided no further recommendations.

## **9. Other forms of assurance**

### **9.1. Statement of Financial Risk Overview**

9.1.1 The Chief Finance Officer and Head of Finance provided an oral overview of the statement of financial risk. The Committee heard that the Work in Progress (WIP) calculation is an area which could pose the most risk in terms of the need to form judgements. The Committee heard that there will be an overview on WIP at the May ARC meeting which will highlight the improvements made to WIP to provide assurances.

9.1.2 The Committee thanked the Chief Finance Officer and Head of Finance for their update and was content to close corresponding action 4910.

### **9.2. Certificate of Assurance Process**

9.2.1. Julie Wardhaugh provided an update on the meeting she had with the Enterprise Risk Manager regarding the Certificate of Assurance (COA) process. The Committee was happy to hear that the process is well managed and noted that there are no areas for concern.

9.2.2. The Committee thanked the Enterprise Risk Manager for the helpful deep dive into the COA process.

### **9.3. Adarma Overview**

9.3.1. The ARC Chair welcomed the Corporate Director, Head of IT Enablement and the IT Security & Identity Technical Product Manager to the meeting, who presented the findings from a recent Adarma report.

9.3.2. The Committee heard that the Information Security Group (ISG) have oversight of the Information Security Management System (ISMS) and sponsor delivery against improvements associated with the domains. The Committee agreed that it would be helpful to have sight of the ISG heat map dashboard for noting on a quarterly basis to provide assurances of progress within this space.

***Action – The Head of Risk and Information Governance will provide the ISG heat map dashboard to ARC for noting on a quarterly basis to provide assurances of progress with the Information Security Management System.***

9.4. The Committee noted that RoS would ideally be looking to run a major incident exercise facilitated by Adarma once a year due to the organisation continuing to evolve its processes since the start of lockdown.

9.5. The Committee discussed the transition to hybrid working and whether this has changed the nature of the risk of cyber resilience. The Committee agreed the importance of resilience training in maintaining colleagues' wellbeing in the event of a cyber security attack. The Corporate Director and the Head of Risk and Information Governance agreed to consider further resilience training to help maintain colleagues' wellbeing.

***Action - The Corporate Director and the Head of Risk and Information Governance to consider further resilience training to help maintain colleagues' wellbeing in the event of a cyber security attack.***

9.6 The Committee thanked the Corporate Director, Head of IT Enablement and the IT Security & Identity Technical Product Manager for the engaging presentation and looks forward to hearing the progress of actions within the Adarma report.

## **10. Outstanding Recommendations Log**

10.1. The Committee reviewed the outstanding recommendations log and agreed:

- To note all the recommendations in yellow with a status of 'on track'.
- To close all complete recommendations in green with a status of 'propose to close'.
- UID 102 – The Committee noted that RoS management are content that no further activity/action is required. Documents have been reviewed and updated and continue to be as part of the ongoing process. The Committee agreed to close as proposed.
- UID 122 – The Committee agreed to a further extension of the final recommendation to September 2022 to allow the new improved WIP method to be utilised for the year end accounts. The Committee requested that a 1 step update on the methodology come to the May ARC meeting and a brief update on its live use in reporting accounts to the August meeting.

## **11. Items for noting**

11.1. The Committee noted the following items:

- Finance update January 2022
- KPI scorecard – December 2021
- RoS Board minute September 2021
- Information Assurance Governance Report
- Accountable Officer Event – 01 December 2021

11.2 The Committee agreed that they would like sight of the Information Assurance Governance report for noting on a quarterly basis.

## **12. Any other competent business**

12.1. No other business was raised.

**13. Meeting close**

13.1. The meeting closed at 14.00. The Chair thanked all attendees for their participation and looked forward to the May meeting.

13.2. Date of next BAU meeting:  
Tuesday 11 May 2022  
1030hrs