ARC(17-18)1 Minutes

SAAS Audit and Risk Committee

<table>
<thead>
<tr>
<th>Date of Meeting</th>
<th>Wednesday 3 May 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>10:30 – 13:00</td>
</tr>
<tr>
<td>Location</td>
<td>Boardroom, G Spur, Saughton House</td>
</tr>
</tbody>
</table>

Attendees

Present

- Derek Smeall, Non-Executive Board Member (Chair) (DS)
- Ed McGrachan, Non-Executive Board Member (EM)
- Kathy Patterson, Non-Executive Board Member (KP)
- Nicola Bennett, Independent Audit Member (NB)

In Attendance

- Audrey Shimmons, SAAS Director of Finance (AS)
- Nic Krzyzanowski, SAAS Head of Corporate Office (NK)
- Anne McNee, SAAS Risk Manager (AM)
- Myra Binnie, Scottish Government Internal Audit (MB)
- Dougie Shepherd, Scottish Government Internal Audit (DSh)
- Gareth Kelly, Grant Thornton (GK)
- Christine Leith, SAAS Business Continuity Manager (CL)
- Fiona Lodge, SAAS Business Support Manager (minutes) (FL)

Apologies

- Paul Lowe, SAAS Chief Executive
- Keith Jenkinson, SAAS Director of Corporate Services

1. Welcome

1.1. DS welcomed the group and round table introductions took place. Apologies were noted.

2. Minutes of previous meeting and matters arising

2.1. The minutes of the previous meeting were approved.
3. Update on action points

3.1. With AP 39 continuing as “in progress”, all other action points were completed and closed, with further detail on each action point update provided in the Annex.

4. Finance Report – 2016-17 Quarter 4

4.1. AS talked to the Q4 finance report. Running costs were anticipated to see expenditure matching budget. The depreciation budget was impacted by the SFD project not going live in the previous financial year. The capital budget remained on course to be underspent as previously forecast.

4.2. It was noted that the 2017-18 budget allocation from Scottish Government (SG) had been secured and the budgets for 2018-19 and 2019-20 were under discussion. For 2018-19 and 2019-20, SG required that everyone forecast their capital budgets from £0 and justify all potential capital expenditure.

4.3. The SAAS Annual Report and Accounts were being prepared and a draft was to be issued to Non-Executive Director’s and the Independent Audit Member in short course. It was anticipated that the Annual Report would demonstrate an improvement on the previous years’ operational performance.

4.4. It was raised that the current financial year would be the final year of SAAS administering the Individual Learning Account (ILA) scheme and receipt of ILA budget. There was discussion surrounding how this would impact on SAAS.

4.5. There were discussions regarding pressures on the Agency revenue budget for 2017-18, and staff working on projects funded by capital budget. It was considered that HESS programme funding would be sufficient to meet anticipated expenditure over the course of the year to include the new Care Experienced bursary.

5. Fraud Report – 2016-17 Quarter 4

5.1. AS gave a brief overview of the report and highlighted that as considerable training had been undertaken by the Fraud team, this had impacted marginally on turnaround times for investigations. It was noted however that any impact was within the agreed tolerances.

5.2. Increased links with other government departments, such as HMRC, were being advanced to help improve counter fraud measures.


6.1. It was noted that potential exposure to risk had been significantly reduced with the work undertaken on business continuity management. It was noted that one
low risk gap exists related to catastrophic events, such as the loss of the Saughton House Data Centre, though review work is planned.

6.2. Operational business continuity plans were to be created by each business unit and would support wider strategic business continuity plans. These were anticipated to be completed by the end of June.

6.3. Outstanding business continuity actions were raised which consisted of one action for roles and responsibilities and five from IT. These were to be checked within the new framework.

| DP | SAAS and Internal Audit staff to meet and review outstanding audit recommendations related to business continuity and identify any opportunities for closure/consolidation. |

6.4. Dependencies with SG and external suppliers was raised and it was noted that the minimum level of service for external suppliers had been identified. It was considered that whilst there was no formal service level agreement with ISIS, SAAS did have a high service priority.

6.5. The prioritisation of business units to undertake their continuity plans was discussed as was a communication strategy in the event of an incident that would affect service.

7. Internal Audit – Annual Assurance

7.1. MB introduced DSh as the new Internal Audit (IA) business partner.

7.2. It was noted that audit reviews across the wider Learning and Justice portfolio would be shared where possible as well as governance structures around education reform and sponsorship of Scottish Funding Council (SFC).

7.3. A ‘reasonable’ assurance was given by IA to SAAS for 2016-17 and SAAS was congratulated for the continued improvement in governance and controls. An internal control checklist from the Annual Assurance Report would assist consistency with future assurance. As recommendations had been accepted, assurance would be maintained for the year.

7.4. It was highlighted that if review reports were issued between committee meetings to be endorsed electronically by committee members then they should also be discussed and formally endorsed at the next committee meeting.

| AP | NK | Issue the IT Project Management audit review final report to ARC members when ready. | 24/05/17 |
| DP | In scheduling planned papers to be presented to ARC, the audit review papers should be included and clearly defined to be for review and endorsement. |

7.5. It was noted that in the fraud audit area, all recommendations were medium and none were high.
8. **Internal Audit – Audit Plan 2017-18**

8.1. The paper was noted as it contained a change to the timings of the Student Funding Delivery (SFD) and the Agency Finance & Budgetary Monitoring/Control audits.

9. **Internal Audit – Strategy and Charter**

9.1. MB noted the separate Strategy and Charter papers had recently been produced and would be presented to the SG Audit and Governance Committee. The plan is to review these every three years.

9.2. There was discussion regarding the format of the SAAS Assurance Map (unreadable within the IAD Plan 2017-2018). It was noted that Corporate Office were reviewing the format and structure of the map and could provide a cleaner version if required.

10. **External Audit – Progress Report**

10.1. GK provided a verbal update, noting that fieldwork in SAAS was due to start in early June.

10.2. It was noted that the draft SAAS report was more concise than previous years, through cutting out unnecessary commentary. The report was to be shared with Non-Executive Directors by 4 May with responses requested by 11 May.

10.3. Appreciation was expressed to GK for facilitating engagement with another organisation to discuss best practice in risk management.

11. **Corporate Risk Management**

11.1. AS outlined her role as Chair of the newly formed Risk Management Group (RMG) and how this will rotate on an annual basis to other Directors. RMG will provide a forum to discuss the Corporate Risk Register and set standards around risk management. The Terms of Reference for the group were provided and comments welcomed.

11.2. The Risk Management Approach paper was discussed and the overall risk maturity of SAAS was noted. From this, areas for improvement had been identified and were agreed by ARC. It was noted the assessment of risk maturity would be re-run in July 2017 to assess improvements.

11.3. The dynamic nature of the risks was discussed and it was considered that management of this type of situation should be specified in the terms of reference. There was also discussion surrounding risk governance which required further clarification – for example, that SAAS Board need to know about high-level risks and SAAS ARC needs to know they are being managed appropriately.
To clarify the governance expectation between the Risk Management Group, Executive Team, ARC and SAAS Board. 17/05/17

Consider whether Treasury guidance on renaming the committee to Audit and Risk Assurance Committee should be adopted. 05/07/17

| AP | AM | To send any comments on Risk Management Group Terms of Reference and draft Corporate Risk Register to AM | 17/05/17 |
| AP | NK | Consider whether Treasury guidance on renaming the committee to Audit and Risk Assurance Committee should be adopted. | 05/07/17 |

11.4. It was recommended that at each Risk Management Group (RMG) meeting the highest risks should be discussed and that a deep dive of one of the other risks should take place. It was noted that DSh had offered his support to risk management and this was accepted with gratitude.

11.5. The Corporate Risk Register was newly created and remained a draft document. ARC requested that recommendations for tolerance levels, risk appetite and the setting of risk standards come back to ARC at a future meeting. GK agreed to share slides on risk appetite mapping.

| DP | Recommendations on risk tolerance levels, risk appetite and the setting of risk standards to come back to ARC at a future meeting. |
| AP | All | To send any comments on Risk Management Group Terms of Reference and draft Corporate Risk Register to AM | 17/05/17 |
| AP | GK | To share slides with AM on risk appetite mapping | 05/07/17 |

11.6. Future work required planned within the risk improvements included embedding a consistency of approach through risk workshops and training with each business unit to make risk consideration business as usual. The RMG will set and monitor standards through a regular reporting regime.

12. Audit Recommendations

12.1. To improve the management of audit recommendations a SAAS Audit Tracker had recently been created, linking together Audits and their supporting Audit Recommendations. This included a high level overview report in addition to the ability to query the data in depth for the audit and recommendation reports. It was considered that an additional workshop to explore the tracker in depth may be beneficial. It was raised that high priority closed recommendations should be included in any report provided to future ARC meetings.

| DP | To ensure that the Audit Tracker report incorporates high priority closed audit recommendations (and not just open ones) for future meetings. |
13. ARC Self-assessment checklist

13.1. There was discussion surrounding the self-assessment questions and it was agreed that some questions are generic enough that they do not need to be answered separately by each member.

| AP | NK | To edit the ARC self-assessment form and re-issue to committee members for completion | 03/05/17 |

14. Any other business

14.1. There was no additional business raised.

Fiona Lodge
May 2017
<table>
<thead>
<tr>
<th>Reference</th>
<th>Date raised</th>
<th>Action point</th>
<th>Action officer</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>01/07/16</td>
<td>Session on assurance mapping to be arranged for non-executive board members</td>
<td>Head of Corporate Office</td>
<td>A learning exercise was undertaken by NK and Tony Forteza to agree business as usual activities. It was agreed by the group that this action point could be closed.</td>
</tr>
<tr>
<td>26</td>
<td>02/11/16</td>
<td>To investigate the Fraud performance indicators for relevance and report back to ARC</td>
<td>Audrey Shimmons</td>
<td>Closed.</td>
</tr>
<tr>
<td>38</td>
<td>01/02/17</td>
<td>Consider if a redaction policy for minutes is needed for publishing purposes.</td>
<td>Nic Krzyzanowski</td>
<td>Closed.</td>
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<tr>
<td>39</td>
<td>01/02/17</td>
<td>Terms of Reference for all committees and boards should be reviewed to ensure confidentiality is suitably covered.</td>
<td>Nic Krzyzanowski</td>
<td>A review of all committees’ and boards’ Terms of Reference would be undertaken to ensure consistency and was due to be completed for review by the next ARC meeting.</td>
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<tr>
<td>40</td>
<td>01/02/17</td>
<td>Seek advice from other government teams (e.g. Public Bodies Unit, Freedom of Information Unit, Data Protection and Information Asset Team) on what information should be included in minutes.</td>
<td>Nic Krzyzanowski</td>
<td>Closed.</td>
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<tr>
<td>41</td>
<td>01/02/17</td>
<td>Details should be included as to the stage or progress of the various audit recommendations made.</td>
<td>Nic Krzyzanowski</td>
<td>Closed.</td>
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<tr>
<td>42</td>
<td>01/02/17</td>
<td>Internal Audit reports to be issued to ARC members when available and comments invited for discussion at next ARC.</td>
<td>Nic Krzyzanowski</td>
<td>Closed.</td>
</tr>
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<tr>
<td>43</td>
<td>01/02/17</td>
<td>Add Student Funding Delivery (SFD) project to Corporate Risk Register</td>
<td>Anne McNee</td>
<td>Closed.</td>
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<tr>
<td>44</td>
<td>01/02/17</td>
<td>All members to review the Terms of Reference and send suggestions, questions or updates to Nic by email.</td>
<td>All (Nic Krzyzanowski)</td>
<td>Comments provided were incorporated into the Terms of Reference. As members had reviewed and agreed the terms of reference, this action point could be closed.</td>
</tr>
<tr>
<td>45</td>
<td>01/02/17</td>
<td>To provide Audit and Risk Committee self-evaluation templates.</td>
<td>Nic Krzyzanowski</td>
<td>This was to be discussed in greater detail as an agenda item. It was noted that a completion date of 26 May for the self-evaluation templates was acceptable.</td>
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