

SAAS Audit and Risk Committee

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| Date of Meeting | 1 February 2017 |
| Time | 10.30am |
| Location | Boardroom, G Spur, Saughton House |

Attendees

Present

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

In attendance

- Paul Lowe, SAAS Chief Executive
- Keith Jenkinson, SAAS Director of Corporate Services
- Audrey Shimmons, SAAS Director of Finance
- Nic Krzyzanowski, SAAS Head of Corporate Office
- Anne McNee, SAAS Risk Manager
- Myra Binnie, Scottish Government Internal Audit
- Tony Forteza, Scottish Government Internal Audit
- Gareth Kelly, Grant Thornton
- Louise Marrs, SAAS Finance (Secretary)

1. Welcome

- 1.1. Derek Smeall welcomed attendees to the meeting and opened up introductions round the table. Paul Lowe introduced Anne McNee to the committee. He advised that Anne had recently been appointed to support SAAS with Risk Management activities.

2. Minutes of previous meeting – AC(16-17)30

- 2.1. The minutes of the meeting held on the 02 November 2016 were discussed to satisfy the record. The following changes were noted :
- 6.4 – this was in relation to one particular KPI not the referenced targets and the word ‘realised’ should be altered to read ‘raised’. To be raised at next SAAS Board meeting (22 February 2017).
 - 6.5 – bullet point three ‘once’ should be amended to ‘one’.
 - 6.6 – should read “Fraud were working closely with ‘the’ team.

- 7.2 – the last sentence, bullet point one reads “without sufficient implementation on the Agency” this should read “without sufficient involvement of the Agency”
- It was noted that formal action points should be recorded for paragraphs 8.3 and 8.4.

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| AP | Nic Krzyzanowski | Consider if a redaction policy for minutes is needed for publishing purposes. | 31/05/17 |
| AP | Nic Krzyzanowski | Terms of Reference for all committees and boards should be reviewed to ensure confidentiality is suitably covered. | 31/05/17 |
| AP | Nic Krzyzanowski | 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. | 31/05/17 |

3. Update on action points - AC(16-17)31

- 3.1. The committee reviewed and updated the outstanding action points and agreed that visible due dates should be recorded against all actions.
- 3.2. Comments included in action point table in the Annex.

4. Finance update - AC(16-17)32

- 4.1. Audrey Shimmons presented the finance update, giving the position of the Agency as at December 2016. Spring Budget Revision for 2016/17 is now complete. We have secured the 2017/18 budget for both running costs and programme.
- 4.2. Running costs - overall a small underspend was reported to December. Capital costs were behind profile with further spend expected against the SFD project. Due to recruitment timings new employees started later than originally anticipated however this has provided some flexibility to bring forward the yearly recruitment of additional staff within the Contact Centre.
- 4.3. Movement has been seen in the Programme budget mainly due to RAB charge review.
- 4.4. The Budget Bill for 2017/18 is currently going through parliament, the passage of the Budget Bill and the negotiations that may be attached to the Bill may affect spending priorities.

5. Fraud update AC(16-17)33

- 5.1. Audrey Shimmons presented the Fraud update for the period 1 October 2016 to 31 December 2016.

- 5.2. Discussions took place around data sharing and data protection and case volumes. National Fraud Initiative matches had been received for investigation.
- 5.3. The Key Performance Indicator relating to the turnaround of fraud investigation cases was discussed. The Chair noted that the Key Performance Indicator (KPI) could either be correct and appropriate and we are not performing against it, or the KPI is unreasonable and a decision is required as to whether it should be changed. The Committee asked that the Head of Counter Fraud attend the Board to engage in the debate. The Chief Executive highlighted that any comparison with regard to KPIs needs to be in the context of other organisations of a similar size and scale and bring this to the debate.

6. Internal Audit update - AC(16-17)34

- 6.1. Tony Forteza presented the committee with the Internal Audit update which consisted of the SAAS Progress Report (February 2017) and the SAAS IAD Plan for 2017/18. Tony advised that the SAAS IAD Plan 2017/18 was at an advanced stage with the draft having been agreed.
- 6.2. Tony reported that there was no significant risk or governance issues to report.
- 6.3. There are two follow up reviews in the current plan which relate to IT, both of which are directly linked to the Business Continuity Plan (BCP), an update on the progress of the BCP to be heard later in the meeting.
- 6.4. Tony highlighted that the previous head of Internal Audit is scheduled to return later this year to carry out a follow-up review of the 2015/16 Strategic Review of Internal Audit and its relationships with its clients. Feedback may be sought from clients including SAAS ARC members.
- 6.5. Tony informed the committee that he would be moving on to another post and Dougie Shepherd will take over the role from Tony from April 2017.
- 6.6. The committee thanked Tony for his commitment to his role over the last three and a half years. In particular it was noted by the Chair that Tony be thanked for the support and approach he has taken, particularly around added-value work.
- 6.7. The Chair raised a concern with regard to slippage specifically around deferred follow up reviews. Assurance was given that any deferment had legitimacy and the committee went on to suggest that it would be helpful to show which of the recommendations are in the process of being actioned. A decision was made to include this information in the Internal Audit updates going forward.
- 6.8. Tony went on to discuss the IAD Plan 2017/18 and proposed timings were considered.
- 6.9. The Committee highlighted that Discretionary Funding had not been reviewed since 2012/13 and it was noted that this will be considered under the Student Support Review.
- 6.10. The committee mentioned procurement and was advised that SAAS had undergone a recent Procurement and Commercial Improvement Programme (PCIP) health check with positive results. An update will be provided to the 5 April 2017 meeting of SAAS Board, following which consideration will be given as to any requirements for reporting to the Audit and Risk Committee.

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| AP | Internal Audit | Of the recommendations made on specific reviews detail should be included as to the stage or progress of the various recommendations made. | TBC |
| AP | Secretary | Internal Audit reports to be issued to ARC members when available and comments invited for discussion at next ARC. | 31/03/17 |
| DP | Secretary | Consider requirements for tabling Procurement and Commercial Improvement Programme (PCIP) review at future ARC meeting, following initial tabling at SAAS Board meeting on 5 April 2017. | - |

7. External Audit update - AC(16-17)35

- 7.1. Gareth Kelly presented the draft audit plan and stated that the transition phase with Audit Scotland and interim audit is now complete. The team are now at the audit planning stage and the overall approach to the audit will be substantive testing. Gareth highlighted the main audit risks within the plan and advised that emphasis will be placed on journals and testing.
- 7.2. Audrey confirmed her agreement with the plan and confirmed the ARC date of the 5th of July to be incorporated into the timetable.

8. Risk Register/Issues Log - AC(16-17)36

- 8.1. Nic Krzyzanowski presented the committee with the Risk Register. Nic highlighted that there has been no Risk Review meeting undertaken since the previous Audit and Risk Committee meeting in November due to staffing changes. Nic handed over to Anne McNee to provide an overview of her role as the new Risk Manager.
- 8.2. Anne detailed her intentions going forward. Anne's role will be to increase the focus on Risk and Risk Management and review the processes and ownership. This will include reviewing the corporate risk register, governance, escalation routes and embed a culture of risk awareness across SAAS through training and engagement.
- 8.3. Anne asked the committee members if they would be happy to contribute their views to improvement actions that may assist her work. The committee confirmed that they would be happy to contribute.
- 8.4. The Chair raised concerns that the quarterly review was missed and assurance was given to the committee that Anne will complete short focussed reviews within the next few weeks.
- 8.5. The committee asked if the student Funding Delivery project should be added to the Risk Register given that it is a major project. It was noted that the substantive risks within the SFD project were being considered with existing corporate risks (e.g. staffing) though the committee agreed that the project risk should be added to the register.

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| AP | Anne McNee | Add SFD project to Risk Register. | 31/03/17 |
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9. Audit Recommendations - AC(16-17)37

- 9.1. Nic Krzyzanowski presented the committee with an update on the Audit Recommendations.
- 9.2. There are currently four high priority recommendations on the tracker, two are active and two are not active. Anne McNee will take over ownership of the tracker as part of her role.
- 9.3. The Audit Recommendations Tracker should be issued in Excel format to ARC members to allow filtering and querying of information.

10. Not Fit for Support Policy - AC(16-17)38

- 10.1. Audrey presented the Not Fit for Support Policy to the committee and noted the change in responsibility from the Head of Policy and Engagement to the Head of Counter Fraud.

11. Business Continuity update - AC(16-17)39

- 11.1. Keith Jenkinson presented a Business Continuity update to the committee.
- 11.2. The detailed paper highlighted the significant progress made to date and the expectation that the BCP will be in place at end of March. An update would be provided at the next ARC meeting.

12. Review of terms of reference - AC(16-17)40

- 12.1. The Chair noted no disagreements to the elements of the terms of reference or the proposed changes, however he asked that content for each meeting be reviewed.

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| AP | All | To review the terms of reference and send suggestions, questions or updates to Nic by email. | 14/04/17 |
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13. Any other business

- 13.1. The committee asked to look at the Board self-evaluation arrangements and if separate templates existed for audit and risk committee evaluation.
- 13.2. Internal audit, external audit and the ARC members will hold a closed session immediately before the May ARC meeting to evaluate their effectiveness.

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| AP | Nic Krzyzanowski | To provide Audit and Risk Committee self-evaluation templates. | 31/03/17 |
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Date of next meeting: 3 May 2017

Annex – Action points update

| No | Date raised | Action point | Status | Notes |
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| 21 | 02/11/16 | To investigate a process to enable members to see past papers, as they had been able to do through Sharepoint | Complete | Sharepoint has been phased out in SG, papers are available on demand. Corporate Office will consider as routine business. |
| 22 | 02/11/16 | Combine the four action points relating to risk to produce one single risk, and create a new action point. Close the four original action points | Complete | Anne McNee will take this forward as part of the risk review. |
| 23 | 02/11/16 | Revisit the format of the action points | Complete | Corporate Office will consider as part of routine business. |
| 24 | 02/11/16 | Include the Not Fit for Support policy in the agenda for the next meeting | Complete | Item covered as agenda item 10 at 1 February 2017 meeting of ARC. |
| 25 | 02/11/16 | Liaise with Tony Forteza in making arrangements for the assurance mapping session | Complete | Tony to meet with Anne McNee and Nic Krzyzanowski to do walkthrough of process. |
| 26 | 02/11/16 | To investigate the Fraud performance indicators for relevance and report back to ARC | In Progress | A paper will be made available at the 22 February 2017 meeting of SAAS Board. |
| 27 | 02/11/16 | To investigate the option of providing previous years data so as to show the improvement within the Fraud Team to deal with cases | Complete | Plans are being looked at to incorporate this requirement as part of the annual fraud report. |

| No | Date raised | Action point | Status | Notes |
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| 28 | 02/11/16 | To compile a detailed record/timeline around all communications with Health colleagues and include documentation around processes and actions to be taken. Include a costing paper around mitigating actions to reflect budget and resourcing | Complete | Log maintained but issues resolved to satisfaction. |
| 29 | 02/11/16 | Discussion should take place at ET to decide whether they wish NEBMs to get more directly involved with Health colleagues in resolving policy definition requirements, and the level of information that would be required to be provided first | Complete | Things moved on considerably and there is now no requirement for this. Consideration will continue to given by ET on requirements though. |
| 30 | 02/11/16 | To provide documentation relating to the escalation process of risks with regards the Health policy issues. | Complete | Health issues resolved. Action point did not capture initial requirements correctly so not needed. |
| 31 | 02/11/16 | Weekly updates on the situation around Risk 7 (policy decision timescales) to be sent to NEBMs | Complete | Linked to previous complete actions around communications with our Health colleagues. |
| 32 | 02/11/16 | To approach internal audit colleagues covering Health to gain more information around the situation with Risk 7 (policy decision timescales) | Complete | Emails have been forwarded to Corporate Office demonstrating awareness raised with Health. |

| No | Date raised | Action point | Status | Notes |
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| 33 | 02/11/16 | Update the issues log; carry out housekeeping of the register; remove risks 8 and 9 (equality impact assessments; reissue the register and log once updated | Complete | This will form part of Anne McNee's role as the newly appointed Risk manager. |
| 34 | 02/11/16 | Where an issue has been logged, attach commentary in the appropriate risk to reflect the escalation | Complete | Linked to above. |
| 35 | 02/11/16 | Provide update to members on business continuity planning | Complete | Item included as agenda item 11 at 1 February meeting of ARC. |
| 36 | 02/11/16 | Provide update to members on the high and medium priority recommendations | Complete | These will be included within the regular reports, follow on action for a spread sheet to be issued so that it can be filtered. |
| 37 | 02/11/16 | Ensure that each overdue recommendation has a reason for the lateness in the tracker | Complete | Regular discussion are held within the Corporate Office. Going forward the Risk Manager will oversee the Audit Recommendations Tracker and cross reference where appropriate. |