

ARC(17-18)2 Minutes

SAAS Audit and Risk Committee

Date of Meeting	Wednesday 5 July 2017
Time	10:30 – 13:00
Location	Boardroom, G Spur, Saughton House

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

- Paul Lowe, SAAS Chief Executive (Chair) (PL)
- Nic Krzyzanowski, SAAS Head of Corporate Office (NK)
- Claire Tinney, SAAS Finance Manager (CT)
- Anne McNee, SAAS, Risk Manager (AM)
- Myra Binnie, Scottish Government Internal Audit (MB)
- Gareth Kelly, Grant Thornton (GK)

Apologies

- Dougie Shepherd, Scottish Government Internal Audit
- Audrey Shimmons, SAAS Director of Finance

1. Welcome

- 1.1. DS welcomed the group and apologies were noted.
- 1.2. There were no conflicts of interest declared.
- 1.3. Amendments were made to the running order of the meeting, taking the Annual Report and Accounts and External Audit as agenda items 4 and 5 respectively.

2. Minutes of previous meeting and matters arising

- 2.1. The minutes of the previous meeting were approved.
- 2.2. There were no matters arising.

3. Update on action points

- 3.1. AP 1617-38: This action was on-going and was anticipated to be completed by or before August.
- 3.2. AP 1718-1: Whilst this IT Project Management audit review was to be discussed later in the meeting, the action was considered completed.
- 3.3. AP 1718-2: This action was on-going and progress was satisfactory however it was highlighted that the refreshed governance structure should come back to the Executive Team for consideration.

AP	Anne McNee	To bring the refreshed Risk governance structure to the Executive Team for consideration and then to the next Advisory Committee for awareness.	19/08/17
----	------------	---	----------

- 3.4. AP 1718-3: It was highlighted that the change of name from the Audit and Risk Committee (ARC) to the Audit and Risk Assurance Committee would not change the remit of the group, and would be adopted. The Audit Committee handbook was in the process of being updated with the name change and the Scottish Government (SG) had already changed the title of their ARC. This action was closed.
- 3.5. AP 1718-4: It was noted that the only feedback AM had received on the Risk Management Group Terms of Reference were regarding risk governance organogram. This action was closed.
- 3.6. AP 1718-5: This action point was closed.
- 3.7. The ARC self-assessment questionnaires were raised and NK would circulate the collated responses to the group.

AP	Nic Krzyzanowski	To circulate the collated responses of the ARC self-assessment questionnaires to the Non-Executive Board Members.	21/07/17
----	------------------	---	----------

4. Annual Report and Accounts

- 4.1. The final version of the Annual Report and Accounts was circulated to the group. 2016-17 represented the first year that Grant Thornton were the external auditors. There was discussion regarding the SCOTS IT system access required for external auditors and lessons had been learned from this years' experience regarding this. The only minor point that was raised by the external auditors was accepted and actioned. Once the committee had agreed and signed the final version, it was to be laid in Parliament in August.
- 4.2. Positive feedback was received particularly regarding the process, format and corporate governance framework. Feedback was requested from the group on what worked well and any areas that could be improved. It was noted that feedback on the report should be evidenced and documented.

AP	ARC attendees	To give feedback on any lessons learned from the Annual Report and Accounts production process to Claire Tinney.	31/07/17
----	---------------	--	----------

- 4.3. There was discussion surrounding commentary on some of the figures, i.e. the £40 unit and the increase in the number of appeals, and it was highlighted that any performance variations need to explain what has happened and why.
- 4.4. The ARC endorsed the report.

5. External Audit ISA260 Audit Findings 2016-17

- 5.1. GK provided a summary of the external audit report and was thoroughly positive in his feedback about the report and the process undertaken to inform the report.
- 5.2. The only area which required further development was an anomaly in trade payable accruals within SEAS in which £13,000 didn't have an auditable trail. A SG or SEAS system change may be required as a fix. It was noted that different SG agencies use the SEAS system in different ways and as SEAS was a corporate system, the risk may require rewording.
- 5.3. It was considered that, relating to medium term workforce planning, that financial modelling may be best aligned with the Corporate Plan period. Constraints with this were recognised although it was noted that longer term financial modelling could demonstrate corporate range, priorities and aspirations.

AP	Gareth Kelly	To provide a report on financial scenario modelling to the Advisory Committee to raise awareness of medium- to long-term implications of Corporate Plan commitments.	11/10/17
----	--------------	--	----------

- 5.4. Once the email detailing subsequent event questions and answers was issued, the external audit could be signed off.
- 5.5. The external audit report was commended and the differences between auditing core SG and an agency were discussed. The external audit report was formally endorsed by the ARC.

AP	Nic Krzyzanowski	To circulate the ARC Annual Report 2016-17 and the ARC Statement of Assurance to committee members.	14/07/17
----	------------------	---	----------

6. Risk Update

- 6.1. The Risk Register was updated following the Executive Team and Risk Management Group (RMG) meetings subsequent to the last ARC meeting. One red risk remained for cyber-crime, the other red risks were reduced to

ambers. Overall there remained five amber risks with a score of 12 and two amber risks with a score of 9.

- 6.2. The Brexit risk was being expanded to be less specifically focused on Brexit and more about general political risk increasing pressure on business areas.
- 6.3. It was noted that risk owners and managers attended RMG meetings as a matter of course and were therefore fully sighted on any changes to their risks.
- 6.4. Sickness absence was considered as a risk and it was highlighted that the Executive Team considered the risk would be more appropriate on the HR business unit risk register, as opposed to the Corporate Risk Register. As a red risk on the HR business unit risk register, the risk would be discussed within the forum of the RMG. It was noted the risk is unavailability of staff rather than sickness in isolation. Sickness absence would continue to be monitored through the SAAS Balanced Scorecard.

AP	Anne McNee	To ensure sickness absence was noted in the Corporate Risk Register within Risk 6: Staffing – recruitment and retention.	31/07/17
----	------------	--	----------

- 6.5. Three new risks had been identified and were in development: change portfolio; ageing IT systems and; equalities.
- 6.6. There was discussion surrounding cyber-attacks and a report was mentioned and agreed to be shared.

AP	Gareth Kelly	To supply secretariat with the report by J Abbott on cyber-attacks, secretariat to forward to Mike Chalmers, Keith Jenkinson and Christine Leith.	07/07/17 Completed
----	--------------	---	-----------------------

- 6.7. Overall risk awareness was commended and it was noted that this was growing within the organisation. The enthusiasm and engagement of SAAS staff for risk management was also noted.
- 6.8. The risk maturity of the organisation was raised and this was to be reviewed before the next ARC meeting.

AP	Anne McNee	To undertake a follow-up SAAS risk maturity exercise and feedback to ARC members on outcomes.	01/11/17
----	------------	---	----------

- 6.9. There was discussion regarding reviewing and documenting the experiences of the RMG so far, such as lessons learned, decision making and clarity of purpose. It was considered that periodic sessions to clarify this with the RMG which was then relayed to the ARC could be advantageous.

AP	ARC attendees	To consider which areas should be reported back to the ARC from the RMG to provide greater clarity and assurance.	01/11/17
----	---------------	---	----------

- 6.10. It was noted that AS's membership of both RMG and ARC created connectivity between the two groups.

7. Internal Audit Progress Update

- 7.1. The first internal audit progress report of 2017-18 had been produced and circulated to the group. Student Funding Delivery (SFD), which was the first review in the plan, was in the early stages of fieldwork, and this will incorporate preparedness activity for the incoming General Data Protection Regulation (GDPR). A GDPR checklist was created for wider SG on consideration from data controllers and data processors which had been reviewed by the Chief Information Officer in SG and would be completed as part of the SFD audit.
- 7.2. MB noted wider work being undertaken across Internal Audit Directorate. A second cyber review, the first of which had previously only taken place in SG main, was to be rolled out wider and SAAS were to be included. This was due to commence in the autumn.
- 7.3. The internal audit annual report which acted as a strategic review was supplied to attendees for information.
- 7.4. It was noted that within the current years' review, there was slippage of a couple of weeks and this would be worked into the revised current year timetable.

8. Internal Audit Fraud Report

- 8.1. It was noted that the Executive Team had considered the final report, the action plan and due dates and were comfortable with the noted timescales.
- 8.2. The Committee acknowledged the hard work that had gone into this audit and this was echoed by Internal Audit.

9. Internal Audit IT Project Management Final Report

- 9.1. Overall assurance was given as "reasonable" and six medium level recommendations were identified. Internal audit, Corporate Office, the Change team and IT were all content to take the recommendations forward. It was noted that the review was based on the Student Funding Delivery (SFD) project, and that there had been separate progress in strengthening project management toolkits and policies anyway.
- 9.2. It was noted actions in response to the recommendations would be undertaken by the Project Management Office (PMO) and generally had completion dates of 1 June 2018, this was a realistic timescale due to resource pressures on the PMO. All project resources were to be centralised and accessible and completion of this could bring the completion date forward.
- 9.3. It was noted that Lauren McNamara, SAAS Director of Policy and Engagement, was to assume responsibility for business change which presented an opportunity to streamline project governance.
- 9.4. There was further discussion regarding timescales and risk priority and it was considered that if risks were noted as being of high priority the timescales would

be shorter. However, this had to be balanced with achievability therefore the recommendation delivery dates were considered realistic.

- 9.5. It was highlighted that the SFD project was successful in both the internal SAAS/SG and public environments and that there should be reflection on the successful delivery outcomes.

10. SAAS Counter Fraud Annual Report 2016-17

- 10.1. Significant progress was made on five goals (deter; prevent; detect; investment; enforce). 2016-17 was the first year of the implementation of the counter fraud strategy which included SAAS gaining CIFAS membership. The Fraud team had all studied towards the new Cabinet Office standards to achieve specialism in counter fraud.
- 10.2. With regards to Withdrawal Data and data supplied by educational institutes being inaccurate, SAAS were working closely with institutions to improve the data received and IT improvements were assisting with this.
- 10.3. It was considered that noting the annual funds lost to fraud compared with total annual fund administered by SAAS could be included in the succeeding years' report.
- 10.4. Other metrics were also considered for inclusion in future reports such as data from CIFAS on prevention of fraud, situations where support had been stopped and recoveries data.
- 10.5. It was noted that auditors for educational institutions could assist with inaccurate attendance/withdrawal data in particular regions or areas.
- 10.6. The reference to organised crime was raised and it was noted that SAAS maintained good links with Police Scotland and COPFS. It was highlighted that organised crime was noted on the fraud business unit risk register.

11. Any other business

- 11.1. There were no other items of business raised.
- 11.2. DS noted this would be his last meeting with SAAS as a Non-Executive Board Member. DS expressed his gratitude to the committee and this was echoed by the attendees. PL gave appreciation to the expertise and knowledge DS had brought to SAAS over his 8 years, particularly with regards to college sector issues. EM would fulfil the role of chair going forward.

Fiona Lodge

July 2017

Annex – Action points reviewed at meeting

Reference	Date raised	Action point	Action officer	Updates
1617-38	01/02/17	Terms of Reference for all committees and boards should be reviewed to ensure confidentiality is suitably covered.	Nic Krzyzanowski	On-going
1718-2	03/05/17	To clarify the governance expectation between the Risk Management Group, Executive Team, ARC and SAAS Board.	Anne McNee	On-going, revised risk governance organogram to go back to Executive Team and Advisory Committee.
1718-4	03/05/17	To send any comments on Risk Management Group Terms of Reference and draft Corporate Risk Register to Anne McNee	All (Anne McNee)	Completed
1718-1	03/05/17	Issue the IT Project Management audit review final report to ARC members when ready.	Nic Krzyzanowski	Completed
1718-3	03/05/17	Consider whether Treasury guidance on renaming the committee to Audit and Risk Assurance Committee should be adopted.	Nic Krzyzanowski	Completed
1718-5	03/05/17	To share slides with AM on risk appetite mapping	Gareth Kelly	Completed