

**ARC(17-18)4 Minutes**

**SAAS Audit and Risk Assurance Committee**

<b>Date of Meeting</b>	Wednesday 21 February 2018
<b>Time</b>	10:30 – 13:00
<b>Location</b>	Boardroom, G Spur, Saughton House

**Attendees**

**Present**

- Ed McGrachan, Non-Executive Board Member (Chair) (EM)
- Nicola Bennett, Independent Audit Member (NB)
- Jo Brown, Grant Thornton, Head of Public Sector Assurance Scotland (JB)
- Myra Binnie, Scottish Government Senior Internal Audit Manager (MB)
- Anne McNee, SAAS Risk Manager (AM)
- Kathy Patterson, Non-Executive Board Member (KP)
- Dougie Shepherd, Scottish Government Internal Audit Manager (DS)
- Anne Ward, SAAS Director of Operations (AW)

**In Attendance**

- Fiona Lodge, SAAS Business Support Manager (minutes) (FL)
- Mhairi Canning, SAAS IT Service Desk Manager (for agenda item 6) (MC)

**Apologies**

- Paul Lowe
- Nic Krzyzanowski

**1. Welcome**

- 1.1. The Chair welcomed the group. A warm welcome was extended to JB who was joining the ARAC meeting for the first time.
- 1.2. There were no conflicts of interest noted.
- 1.3. Apologies were noted.

**2. Minutes of previous meeting and matters arising**

**ARC(17-18)4-1**

- 2.1. There were some queries on the content of the previous minutes.
- 2.2. At 7.5, it was the Scottish Government Audit Committee handbook that was being updated.
- 2.3. At 7.1, it was noted that the Agency Finance and Budgetary Monitoring/Control had a draft prepared and was not at full draft stage.

- 2.4. At 5.5, it was noted that a briefing to the Minister on CIFAS wasn't an action. An update was to be provided at agenda item 5.
- 2.5. At 6.8, it was noted that the SAAS red risks would be discussed today in addition to a presentation on cyber-security which related to one of the two red risks.
- 2.6. At 8.2, it was highlighted that the financial strategy had been shared with SAAS by Gareth Kelly of Grant Thornton.
- 2.7. At 6.4, Internal Audit (IA) would confirm that other Scottish Government (SG) departments/Agencies were content to share the information with us at the final report stage.
- 2.8. Once the additional information was added the minutes were considered approved.

### **3. Update on action points**

**ARC(17-18)4-2**

- 3.1. The actions were reviewed and updated – see Annex.
- 3.2. AP 1718-19: It was noted that feedback was supplied by KP on the governance review and KPIs. The action would be updated to reflect this. A governance review was to be undertaken and AW would take forward the KPIs.

### **4. Finance Report 2017-18 Q3**

**ARC(17-18)4-3**

- 4.1. It was noted that revenue operating costs were in line with the budget. Minor underspends were forecast in the capital and depreciation budgets. The Committee indicated they were content with the report.

### **5. Counter Fraud Report 2017-18 Q3**

**ARC(17-18)4-4; 4-5**

- 5.1. Data matching from Cifas was raised and it was noted that the Counter Fraud team were developing prioritisation and filtration in order to maximise the matching results. There was discussion regarding students being used as “money mules” to unwittingly launder money and SAAS had taken steps to publicise this to students.
- 5.2. Fraud referral numbers had reduced in the last quarter and analysis was being undertaken to identify the reasons for this including potential seasonal variations.
- 5.3. The National Fraud Initiative (NFI) biennial exercise was raised and this had resulted in 31 data matches to investigate which were on-going. It was noted that some of the investigations had uncovered instances where no fraud was committed against SAAS. The next exercise was to be undertaken in October.
- 5.4. It was highlighted that SAAS could work collaboratively with higher education institutions to combat fraud. It was noted that a pilot exercise would have the greatest impact at a large university with an international student population.

- 6.1. The Corporate Risk Register (CRR) was raised and the two red risks were noted. The RMG had discussed all of the CRR scores recently and were content. Of the two red risks, cyber-crime was to be discussed later in the meeting.
- 6.2. The SAAS website was a new red risk and this was due to accessibility issues of the website and unsupported legacy IT systems. A project to improve the website was to be initiated in the next financial year. It was also noted that improving the website was in the Corporate Plan.
- 6.3. There was discussion regarding the red risks being taken forward as projects and how this was funded. It was noted that once the website project was initialised, the overall risk score could reduce to amber.
- 6.4. The target score dates on the CRR were discussed and it was highlighted that the date was when the scores were aimed to be reduced to the target score. It was noted that a guide to risk management improvement had been produced within SG, with a focus on impact rather than likelihood of risk.

AP	Myra Binnie	To provide the Risk Management Improvement Project guide timetable to Anne McNee.	01/05/18
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- 6.5. Corporate Risk 5 – Staff Recruitment and Retention was discussed. It was considered whether sickness absence should be considered as a standalone risk. Sickness absence as a risk to the Agency versus a management priority was raised and it was noted that this should be referred back to the RMG for consideration. Reputational risk due to sickness absence was considered a potential corporate risk.
- 6.6. The risk maturity exercise had been undertaken and the results would be discussed at the next Executive Team meeting. Improvements were evident in every area and risk maturity had increased from 45% in the previous year to 68% now. It was noted that better risk knowledge and practice was now embedded in the Agency as a whole.
- 6.7. The Risk Management Strategy was shared for information. The document would be updated as risk maturity within the organisation developed. The Risk Management Improvement project guide from SG would be taken into account, along with any additional guidance.
- 6.8. The assurance mapping paper was discussed and it was highlighted that the assurance map would improve over time. It was considered that undertaking assurance mapping as an annual exercise would be beneficial as part of the certification process.
- 6.9. MC joined the meeting to give a presentation on cyber security and the mitigating actions SAAS takes to prevent and recover from cyber-attacks. Whilst SAAS is part of the SG SCOTS network, SAAS undertakes its own patch management process. SAAS also has offsite data backup to enable fast data recovery in the event of an attack. It was noted that suspicious emails formed the basis of most security breach attempts.

AP	Secretariat	To share the Cyber Crime presentation with the ARAC attendees.	23/03/18 Completed
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## 7. Internal Audit Update

ARC(17-18)4-9

- 7.1. MB talked to the progress paper. The internal Audit plan was on track to be delivered on time and in full. Progress for each of the audits were noted.
- 7.2. It was highlighted that a workforce and succession planning audit would be undertaken in 2018-19.
- 7.3. There was discussion regarding the suggested Stakeholder Engagement/Relations audit. It was noted that work from the Policy, Engagement and Change directorate had made inroads to improving this. The need for collaboration between policy makers and SAAS as a delivery body was also being emphasised at the SAAS Advisory Committee.
- 7.4. The SFD audit was raised and it was highlighted that the project was given reasonable assurance. There were 7 recommendations, 2 medium and 5 low, mainly on quality assurance, benefits realisation and lessons learned to take to phase 2 of the SFD project. It was noted that SAAS were making good progress towards GDPR compliance.

## 8. External Audit Update

ARC(17-18)4-10

- 8.1. The external audit plan for the year ending 31 March 2018 remained in draft as the fees proposal was to be agreed.
- 8.2. In the audit plan it was highlighted that materiality had increased to 2% of gross expenditure. This reflected the good process from last year. A risk based approach would be undertaken again.
- 8.3. The fees proposal was raised and this was accepted.

DP The fees proposal for the external audit ending 31 March 2018 was agreed.

- 8.4. The audit was confirmed as independent with no ethical conflicts.

## 9. Audit Recommendations

ARC(17-18)4-12

- 9.1. It was noted that the Business Continuity recommendation was due to be completed in the next couple of months. An update on the progress of the audit recommendations would be provided at the next meeting.

## 10. Any other business

10.1. The annual review of ARAC effectiveness was raised and it was noted that the questionnaire was issued previously.

AP	Ed McGrachan	To issue the self-assessment questionnaire to ARAC attendees.	27/03/18
AP	Anne Ward	To bring key points from the self-assessment exercise for consideration at the next meeting.	17/04/18

**Date of next meeting:** Tuesday 1 May 2018

## Annex – Action points reviewed at meeting

1718-13	05/07/17	Risk	To review SAAS Risk Maturity prior to the next ARC meeting.	Anne McNee	On-going  Tabled at ARC meeting on 21/02/18, paper for next ARC meeting on 01/05/18.
1718-25	01/11/17	Audit Monitoring	To feedback to Ed McGrachan any preferences on the level of detail in the Audit Tracker extract.	All	Completed
1718-26	01/11/17	ARC Development	To inform Ed McGrachan whether an ARC Chairs' network was formed.	Dougie Shepherd	Completed
1718-17	01/11/17	Fraud	To provide a report on the CIFAS on-boarding process to the next ARC meeting.	Graham Philp	On-going  To come back to the ARC meeting on 01/05/18.