

**Audit and Risk Assurance Committee  
Minutes of Meeting  
Buchanan House, Glasgow 9 March 2020**

**Present:**

Siobhan White (SW)      SHR ARAC Chair  
Bob Gil (BG)              ARAC member  
Mike Dailly (MD)        ARAC member

**In attendance:**

Nicola MacKenzie (NM)   Scott Moncrieff  
Amy Hughes                Scott Moncrieff  
Amy McNee (AM)        Internal Audit Manager, Scottish Government  
Jim Montgomery (JM)    Senior Internal Audit Manager, Scottish Government (items 1-6)  
Michael Cameron (MC)   Chief Executive  
Iain Muirhead (IM)      Director of Digital and Business Support  
Roisin Harris (RH)      Corporate Governance Manager (secretariat)

Agenda item	
1.	<p><b>Chair's welcome &amp; apologies</b> The Chair welcomed everyone present.</p> <p>Apologies were submitted from Ewan Fraser (EF) ARAC member, Mabel Hall, Internal Audit Manager, Clare Nicholson SHR Business Manager and Nick Bennet Scott Moncrieff.</p>
2.	<p><b>Declaration of interest</b> There were no new declarations of interest.</p>
3.	<p><b>Minutes of the previous meeting, matters arising &amp; audit log</b> The Committee agreed to approve the minutes from its last meeting on 11 December 2019.</p> <p>ARAC reviewed the matters arising report and audit log and agreed to discuss best value further under agenda planning.</p> <p>IM reported that SHR has a duty to submit its record management plan to the Keeper at the National Records for Scotland. He explained that due to staff absence, some related work has not progressed, so SHR has rescheduled this to submit during 2020/21. He confirmed that the submission to the Keeper by March 2020 was on a voluntary basis and that SHR is not on the Keeper's published list of organisations that it intends to seek a submission from up to December 2020.</p> <p>The Board noted the updated timescales for this work.</p> <p>The Board also noted that the workforce planning work has also been delayed due to staff absence.</p> <p>ARAC noted the logs and updates.</p>

<p>4.</p>	<p><b>IT Update</b></p> <p>MC updated ARAC on IT matters. He reported on completion of tendering for BI system support and associated savings. MC reported that a business case has been provided to Scottish Government for capital funding but it will require Ministerial support. He explained dependencies include the next phase of website development and refresh of the comparison tool, alongside platform upgrades. MC explained that if the business case is unsuccessful, essential work would need to be funded from SHR's revenue budget, which would increase pressure on an already challenging position.</p> <p>ARAC considered the update and discussed:</p> <ul style="list-style-type: none"> <li>• the timescale for Scottish Government considering SHR's capital business case, noting as this is a new process and there is no clarity on timescales;</li> <li>• uncertainties around SHR's status as an 'area of known pressure' and the mid-year budget review for SHR's revenue budget; and</li> <li>• the BI support contract, noting upgrades are supplementary to the contract but essential and that SHR has mapped out when current software is due to fall out of support or host arrangements over the coming years.</li> </ul> <p>ARAC noted the updates.</p>
<p>5.</p>	<p><b>Internal Audit progress Report</b></p> <p>AM presented an update on internal audit work to ARAC. She reported:</p> <ul style="list-style-type: none"> <li>• Mabel Hall will take over from her as Internal Audit Manager;</li> <li>• Internal Audit will not follow up any further on recommendations around notifiable events from 2017/18; and</li> <li>• that she provided advice to MC on grant offer and around FOI.</li> </ul> <p>AM reported she has met with IM to discuss the audit plan and proposals cover reviews of:</p> <ul style="list-style-type: none"> <li>• the refresh of SHR's Statutory Manager list; and</li> <li>• implementation of the SPSOs new model complaints procedures by SHR.</li> </ul> <p>She also reported that there is scope for advisory work on statutory intervention decision-making and assurance mapping.</p> <p>ARAC welcomed the updates and the internal audit work plans agreeing it was important independent assurance.</p> <p>ARAC thanked AM and noted the progress report.</p>
<p>6.</p>	<p><b>External Audit</b></p> <p>NM presented the external audit plan for 2019/20 highlighting responsibilities, audit strategy including materiality levels, management controls and wider scope around financial sustainability. NM set out the timetable for reporting. She also explained the audit fee is at the expected level that Audit Scotland has set.</p> <p>ARAC consider the audit plan and discussed:</p> <ul style="list-style-type: none"> <li>• approach to auditing financial sustainability given the context for SHR's budget settlement; and</li> <li>• audit fees, noting escalation to Audit Scotland Chief Operating Officer and ongoing consultation on the code of Audit Practice, and agreed SW should respond as ARAC chair.</li> </ul>

	<p>NM reported that she will submit the audit plan to Audit Scotland and indicate that the fee discussions with SHR are ongoing. She also reported the onsite audit work will take place in mid-May for around one week.</p> <p><b>Action: SW to respond to the consultation on the code of audit practice around fees for small less complex organisations like SHR.</b></p>
7.	<p><b>Capital Accounting policies – Asset lives</b></p> <p>IM presented a proposed change to the useful economic lives of assets disclosed in the financial statements. He highlighted the approach for laptops, surface pros and servers. IM also confirmed that SHR has plans in place to review software licenses by 31 March 2020.</p> <p>The Committee noted the change.</p>
8.	<p><b>Risk Report</b></p> <p>IM presented SHR’s risk register. He reported that Management Team reviewed it on 5 February and the Board on 24 February 2020 and that the Management Team will review it again on 10 March 2020 in the context of the uncertainties around SHR’s budget and the emerging Coronavirus Covid-19 implications.</p> <p>MC updated ARAC on the messages to landlords on business continuity planning and ongoing liaison with Scottish Government and the sector. He also reported that the Executive team reviewed SHR’s business continuity arrangements that morning and is assured SHR can operate remotely, but that if high sickness levels are experienced this may impact work plans. MC also flagged the potential impact of social containment on regulatory engagement with landlords.</p> <p>IM highlighted that SHR has operated for three weeks remotely when Buchanan House was shut and a follow up staff survey was largely positive. ARAC noted that was a relatively short period and anything longer in relation to the pandemic could impact ongoing work like the inquiry at Glasgow City Council. MC confirmed that the Management Team is considering business continuity plans and reviewing the operating plan on 10 March 2020. He explained key areas of focus include risks to tenant and resident safety alongside the impact on landlords.</p> <p>MC confirmed that SHR’s budget position for 2020/21 has not changed and is subject to the business case for capital funding and the area of known pressure status. ARAC noted the UK budget may impact the Scottish Government’s plans and that an emergency budget related to Coronavirus Covid-19 may be required so introducing further uncertainties.</p> <p>ARAC also discussed climate change, noting Management Team had reviewed the risk impact and agreed a separate risk was not required at this time. MC confirmed SHR has participated in the climate change consultation in relation to public body targets and is also about to review its environmental strategy.</p> <p>ARAC noted the risk register and planned Management Team discussions and how this related to SHR’s operating and business continuity planning.</p>

9.	<p><b>AOB</b> ARAC noted the agenda planner for June included Best Value and agreed to move this to September 2020 to allow for preparation time. IM reported that CN will be seeking proportionate options for SHR to consider best value.</p> <p>ARAC agreed there were no new matters for consideration for audit activity.</p> <p><b>Action: IM to update agenda planner.</b></p>
10.	<p><b>Effectiveness of meeting and papers and</b> ARAC agreed the meeting was effective.</p>
11.	<p><b>DONM</b> – 23 June 2020</p>