

**Audit and Risk Assurance Committee  
Minutes of Meeting  
Telephone conference 23 June 2020**

**Present:**

Siobhan White (SW)	SHR Committee Chair
Bob Gill (BG)	SHR Committee member
Mike Dailly (MD)	SHR Committee member
Ewan Fraser (EF)	SHR Committee member

**In attendance:**

Jim Montgomery (JM)	Senior Internal Audit Manager, Scottish Government
Mabel Hall (MH)	Internal Audit Manager, Scottish Government
Nicola Mackenzie (NM)	External Auditor, Scott-Moncrieff
Michael Cameron (MC)	SHR, Chief Executive
Iain Muirhead (IM)	SHR, Director of Digital and Business Support
Clare Nicolson (CN)	SHR, Business Manager
Joanne Bray (JB)	SHR, Business Coordinator (secretariat)

Agenda item	
1	<p><b>Chair's welcome</b> The Chair welcomed everyone present to the first virtual meeting.</p> <p>MC confirmed there were no plans to be back in the office by September, although the situation could change, and it would be best to assume that the September ARAC will be via telephone conference. MC confirmed that SHR will follow SG guidance, and that working from home is the current preferred approach.</p>
2	<p><b>Apologies</b> Apologies were submitted from Nick Bennett, Scott Moncrieff and Roisin Harris, SHR Corporate Governance Manager.</p>
3	<p><b>Declaration of interest</b> There were no new declarations of interest.</p>
4	<p><b>Minutes of the previous meeting, matters arising and audit log</b></p> <p>ARAC considered the draft minutes from its meeting on 9 March 2020. It agreed some minor corrections and to clarify the description of the timescales of SHR's records management planning.</p> <p>ARAC noted that there was no further update from the Scottish Government on SHR's funding and that the Scottish Government is preparing a summer budget review rather than the normal autumn review, in response to the pandemic. It also noted that SW did not write to Audit Scotland in response to its consultation as a result of the lockdown in March. This will remain as a matter arising, and Audit Scotland has extended the timeframe of its consultation. SW reported a new Auditor General is due to commence duties shortly.</p> <p>ARAC approved the minutes subject to the agreed amendments.</p>

	<p>ARAC considered matters arising and audit action log and noted that the review of software licences has now been completed.</p> <p><b>Action: SW to contact Audit Scotland in response to its consultation once revised timescale is clear.</b></p>
5	<p><b>Internal Audit</b></p> <p>MH presented the internal audit annual assurance report, highlighting that SHR has received ‘substantial’ assurance. ARAC welcomed the substantial assurance opinion. JM noted that of 22 public body clients, 7 received substantial assurance, 14 received ‘reasonable’ assurance, and 1 received a ‘limited’ assurance rating. ARAC noted that SHR has received substantial assurance constantly over a number of years.</p> <p>MH confirmed that a previous audit recommendation was implemented beyond target date, and that she is content with the reasons provided. She also explained that because some recommendations are partially implemented and that she has confidence that the work to date is sufficient, she will not do any follow up checks.</p> <p>ARAC discussed how other organisations they work with cover whistleblowing as part of the annual reporting process. IM confirmed that the annual report on fraud and data loss comes to ARAC when it is considering SHR’s annual accounts, in September this year, and this can cover whistleblowing specifically too.</p> <p>IM reported that he has received information on the Scottish Government annual assurance which covers the shared services systems SHR uses, and that he will share this with ARAC for consideration at the next meeting in September. IM reported that the opinion for overall assurance is ‘reasonable’ and that MC is likely to receive more detailed information on shared service quality issues through his accountable officer role. JM provided further background on the SG’s assurance rating.</p> <p>MH introduced the Scottish Government’s Internal Audit Charter, explaining that it reflects the organisational changes introduced in 2019, that, that aside, that there are no other major changes.</p> <p>MH also reported she is drawing up terms of reference for the first element of the 20/21 internal audit plan, following an introductory meeting with MC. This is a short advisory project. MH noted that ARAC is seeking assurance around the authority delegated from SHR Board to MC and onwards to the staff team in relation to statutory intervention decision and the parameters for any delegated decisions. MH confirmed that she will look at how delegated decisions are made as part of the advisory work.</p> <p>ARAC noted the update and thanked MH and JM.</p> <p><b>Action:IM to ensure whistleblowing is covered in the September report to ARAC on information security and fraud.</b></p>
6	<p><b>External Audit Update</b></p>

	<p>NM explained that there had been a lot of change since March that had led to requesting that SHR's audit be postponed. She explained that this was driven by delays across audit sector. She thanked SHR for being flexible and reported the audit will now proceed in July, report to ARAC in September and that SHR will still be able to meet its statutory deadline of December 2020, and Scott Moncrieff will be able to meet its statutory deadline of publishing its annual report by the end of October.</p> <p>NM explained that reporting requirements from HM Treasury have been amended and permit the omission of some of performance analysis to give flexibility, but everything else remains the same.</p> <p>NM reported that the pandemic and its impact will be treated as a significant risk and reported on in the annual report, and that this is standard across all bodies.</p> <p>NM confirmed auditors have managed to reschedule most of their work which was around five weeks behind.</p> <p>ARAC noted the update. It discussed if the delay will cause any issues for SHR. IM confirmed that this audit environment is untested as there is no access to the office and the pandemic could influence staff resourcing and prioritisation between now and the audit, but that SHR is in as reasonable place as can be.</p> <p>IM also advised ARAC that he had been contacted by Audit Scotland with notification to extend external auditor appointments, due to the ongoing disruption.</p> <p>ARAC noted the updated and thanked NM.</p>
7	<p><b>Risk report</b></p> <p>ARAC considered SHR's risk register. MC confirmed that no significant changes were made following the discussion of the register at the last Board meeting and that MT has updated the register recently.</p> <p>ARAC welcomed the way that impact of COVID19 is documented throughout the register. ARAC considered the risks and discussed risk 7. It noted that the extension of furlough was rejected by UK Parliament. It also noted a forthcoming report expected on the impact from October on unemployment.</p> <p>JM explained a recent report / checklist on COVID19 risk assessments shared with SHR covering procurement, legal, finance, governance arrangements. ARAC welcomed this, noting the work ongoing in SHR, the level of change and how workplans have had to be reshaped. ARAC asked IM to circulate it for possible further discussion in September. SW suggested she discusses the report / checklist with IM / CN over the summer.</p> <p>CN and IM introduced SHR's risk strategy. CN confirmed the current strategy was approved in 2019 by Board and that there are no changes proposed as it is operating well. This is an opportunity for ARAC to periodically review, and any changes suggested by ARAC would be taken to the Board for approval. ARAC welcomed the opportunity. It agreed the strategy is working well and that no proposals for change were required.</p> <p>ARAC noted the risk report.</p>

	<p><b>Action: IM to circulate Covid 19 risk assessment and set up discussion over the summer with SW / CN.</b></p>
8	<p><b>AOB</b></p> <p><b>Joyce Wardrop</b> ARAC reflected on the recent sad news that SHR's Finance Officer Joyce Wardrop had passed away. All present agreed to pass condolences to Joyce's family. ARAC noted that many staff in SHR had worked with Joyce for a long time and that she had also worked closely with internal and external audit teams during her time with SHR.</p> <p><b>Agenda Planner</b> ARAC considered the agenda planner and noted the accounts will be presented for consideration in September 2020.</p> <p>IM confirmed the team is considering work planning for the rest of the year and planning to propose an operating plan to the Board in August 2020. He explained that it is highly likely that the planned Best Value work will not be ready for ARAC in September 2020 because of resourcing priorities around work such as the postponed audit and substantial office recovery work led by CN. MC explained that ARAC will be well sighted on the recovery agenda and approach. He explained the current thinking around possibly office recovery timescales, and noted that he will be discussing this further with SHR Board in July.</p> <p>ARAC noted the challenges around prioritisation and that the Best Value paper is likely to be postponed beyond September.</p> <p><b>New matters for consideration for audit activity</b> ARAC asked that COVID-19 Recovery be considered for consideration for audit activity.</p> <p><b>Action: CN and IM to keep audit programme under review and consider whether / when would add value to consider COVID-19 recovery as a topic.</b></p>
9	<p><b>DONM</b> – 8 September 2020</p>