

**Audit and Risk Committee**

**Tuesday 20<sup>th</sup> August 2019**

**09:30 – 12:30**

**MINUTES**

<b>Present:</b>	Douglas Hutchens Stuart Smith Dr Tom Mitchell	Non-Executive Member (Chair) Non-Executive Member Independent Member
<b>Attending:</b>	Lorna Gibbs Chris McCrone Gary Devlin [redacted] [redacted] [redacted] [redacted] [redacted]	Chief Executive (CE) Disclosure Scotland Head of Finance (DS) External Audit (EA), Partner Scott-Moncrieff External Audit (EA), Scott-Moncrieff Senior Internal Audit (IA) Manager Internal Audit (IA) Manager Senior Internal Audit (IA) Manager External Audit (EA), Scott-Moncrieff
<b>Other Attendees:</b>	Joy Bramfitt-Wanless Gerard Hart	Director of Transformation Delivery for item 16 Director of Protection Services and Policy and Chair Corporate Risk Review Group (DS) for item 17
<b>Secretary :</b>	[redacted] [redacted]	Governance Manager Senior Governance Manager
<b>Apologies:</b>	Alan Eastwood	Director of Corporate Services

**Welcome and Apologies**

1. The Chair welcomed everyone to the meeting. The above apologies were noted.

**Declaration of Interests**

2. None.

### **Minutes from Meeting 18<sup>th</sup> July 2019**

3. Amendments are required to the following:

- Paragraph 24: Beginning of paragraph changed from 'TM stated' to 'The committee agreed'.
- The chair asked for dates of update to be added in the action table status.

**Action/01/Aug:** Dates of updates to be added in action table status.

4. With these amendments, the minutes were agreed as an accurate, true reflection of the meeting. The Committee agreed that all action points, with the exception of the following, are now closed:

**Action/05/July:** GDPR6 to be confirmed with LB.

**Action/07/July:** CGT to look at times of future meetings and adjust ones which require pre-meetings accordingly

**Action/08/July:** Fraud and Bribery to discuss external Fraud at next ARC meeting.

### **Chief Executive Update**

5. The CE provided an update on the following:

- BT Exit is in line with the plan. The application volumes will be scaling up, currently at 25% of PVG applications going through PASS, this will be increased to 40% then will include PVG with convictions. Turnaround time is currently at 2 ½ days. Contingency is highly unlikely, which is positive, focus will now be on what we do after BT Exit. BJSS contract ends in December 2019, the ARC should focus on DS capacity and what to do next.
- DH asked how the wider team were through this transitional period. LG commented the Director of Disclosure Services was looking at this in terms of her people. Let's Keep Talking is taking place where staff can speak to LT about how they are feeling and ask questions. LG was optimistic about the appointment of the new Director of Disclosure Services and their role will be to focus on resilience/morale.
- JM noted preparations for no deal. LG confirmed the only consequence for DS is financial. A lot of work has been done which didn't identify any major risks. There will be, however, a knock on effect from the Police and public sector finances.

- Police access to EU databases ceasing after Brexit was discussed. LG confirmed this is not something DS do so there will be no risk. noted risks will start to reflect BAU. DS will be responsible for operational risks, being sure how to deal with them and capacity to do it.
- Disclosure Bill – The Policy team and Customer Engagement team have been holding events to engage with key stakeholders across all sectors. This allowed explanation of the principles of the bill and to gain a better sense of any contentious areas.
- Target Operating Model – No further update and will be discussed at board as we move forward.
- Finance – Conversations with the centre are on-going regarding financial pressures. CM reporting a short fall in income. DBS changing prices may effect market. PVG membership is stabilising at 1.3 million members. We have our own IT team and agency staff which should reduce financial pressures. DH commented it would be useful to develop communication in this regard. LG stated communications preparation is on-going for the bill.

### **Annual Report and Accounts**

6. LG advised the Committee that the independent audit of Disclosure Scotland's (DS) Annual Report and Accounts for 2018/19 is now complete.
7. CM confirmed that all changes/updates had been taken on board. DH commented the version that was updated on eRDM Connect was small tidy up changes. The report shows the position as it is at the moment however, there will be a discussion regarding median pay with AS when the report is published. SS noted thanks to all involved and noted one item for comment in the Financial Performance section (p30), paragraph 5. For future he suggested considering a table detailing budget numbers to simplify and include totals.
8. TM noted the KPIs show the number of red risks. It is important to capture how they are managed and not necessarily the number of them. LG agreed this is not adding value and should be noted for next year. TM recommended changing the KPI or deleting it. It should detail the number outside risk appetite. DH confirmed this should be noted for next year.
9. DH commented the report is a true and fair view of accounts and transactions. The outcome is high quality thanks to CM and his team. It was noted the financial statement showed the reduction in income and expenditure; £18 million. This is part of the transformation project story of financial change which is reflected in the annual report.

10. GP noted a clean audit opinion and reiterated the accounts were of high quality. EA were also satisfied there were no matters which they are required to report as exception. There were 5 risks highlighted in the assessment of risk of material misstatement, there were no further issues with these areas. The threshold for materiality remained unchanged from the planning threshold. The revised materiality was £638,388. Median pay requires discussion as agency staff are not shown in remuneration. There should be an additional appropriate disclosure to say why this is done. GP noted section 4 (wider scope conclusions) of audit report shows 3 main areas, governance statement, financial sustainability, all which audit are satisfied with DS arrangements. Other risks were also looked at including impact of EU withdrawal, financial management and openness and transparency. There is increasing drive for public bodies to be open and transparent and mentioned that the DS board minutes are not available on the website. LG commented it is difficult for DS to publish minutes due to my.gov restrictions. GD noted it is the role of audit highlight the scope to be more open and accountable.
11. GP noted section 5 of audit report expands on financial sustainability, with main findings on p57 – p62. It highlighted a shortfall in budget and available resource, with a significant decrease in funding. GS noted the scope for fewer agency staff and CM noted removing of funding for BT. GP commented the review on financial modelling shows a positive step towards self-sustainability.
12. GD noted section 6, Transformation Programme, identified 2 issues: overspend and governance. There had been a good response from management and an action plan has been put in place. Remuneration report for next year will include agency staff to cover for vacancies. DS doesn't have a separate remuneration policy as it follows the SG policy. GD raised with AS which was not an issue. CM confirmed that it was dealt with appropriately.
13. CM noted p17, paragraph 55, reference changed. GP will update and check references.
14. It was noted that SM was awaiting information from AS before accounts can be laid before Parliament. There is a concern around timings. LG noted September would mean AS didn't have full picture of transformation, although noted that this it is outwith DS control.
15. SS noted it would be useful for the committee to be updated on IR35. UK government accepts this and it is not in the FReM. SS also commented that the digital award for innovation in the public sector was not included in the report. It was agreed that this should be added. SS also noted there was no mention of value for money. GD commented the focus on the two areas moving forward as being transformational and financial sustainability. GD stated he is satisfied that there are adequate arrangements for value for money. GP noted taking a risk based approach and work on transformation which will cover all of the four dimensions. GD and GP will consider how to confirm this. SS suggested feedback.

16. Thanks were expressed to the auditors for a very comprehensive report.

### **Disclosure Scotland ISA 580 Report**

17. CM noted there were changes to paragraph 7, happy with that. GP commented it was a standard letter. Note 19 was changed, actually in the accounts and it was recommended that LG sign the accounts.

### **Final Report on Audit**

18. This agenda item was noted to have been covered in previous discussions in the meeting.

### **Update from Internal Audit : Transformation Programme Road Map**

19. JM provided an update on the observations and reflections. It was noted that there was no new concerns to highlight. Internal audit highlighted good practice. Internal audit comments 3 & 6 are still outstanding and will be closed off in near future. It is a reflection of getting to the cut-off point and coming to a natural end. It was agreed to close this today with reflections. The value of assurance was noted with IA and EA similarities. It was suggested that DS consider assurance mapping as a management tool, but need capacity to maintain it.
20. It was noted that this was the first time IA audited an agile approach, learnings were taken from this and thanks was expressed. IA are now looking at how they can take forward the agile approach elsewhere.
21. LG noted a change for 3.2, expressing that the ARC 'noted for information' rather than 'acceptance of both the Scott-Moncrieff report and Chris Shoukry's 5<sup>th</sup> report.' MH will update this.
22. DH commented on how the governance is changing because the whole programme had moved forward. The governance needed to change. LG noted this is it also a different type of risk.
23. GD noted that it was helpful as they had similar findings and shared concerns about assurance maps as they can become out of date quickly. These reports are, effectively a moment in time. DH commented they might not be the right vehicle as what was originally intended. SS noted the three lines of defence are helpful. JM commented that assurance maps can be used to compliment other things and do work for some.

**AOB**

24. DH noted the November meeting should look at a deep dive into where transformation programme is at this juncture as the risks are changing and the need to be understood by the risk committee. SS commented it should link with the BAU risk register and business continuity.

**Action/01/Aug:** Deep Dive into Transformation Programme and associated risks.

25. SS asked if there were any educational sessions planned for Non-Executives. GD commented there will be one late October, early November and invites will be sent out soon. Subject to be confirmed

26. TM commented on eRDM connect and if it could have historic documents on it not just the current meeting papers. DH suggested emailing members to update them when any changes made to papers.

**Action/02/Aug:** CGT look at having historic meeting papers on eRDM and ensure members are emailed when there are any changes/updates to papers on eRDM connect.

27. DH expressed his thanks to everyone involved in the Annual Report and Accounts.

28. Annual Report and Accounts were signed by the Chief Executive, Lorna Gibbs.

**Next Meeting 7<sup>th</sup> November 2019, 09:30 – 12:00, Meeting Room 1a.**

Action	Responsible	Due by	Status
<b>Action/05/July:</b> GDPR6 to be confirmed with LB.	Data Protection Officer	ASAP	LB confirmed that the form has been drafted. Guidance will take longer as department lacking in resource and audit tracker will be updated to reflect.  <b>20/09:</b> On-going
<b>Action/07/July:</b> CGT to look at times of future meetings and adjust ones which require pre-meetings accordingly	Secretariat / CGT	ASAP	Ongoing <b>20/09:</b> On-going. Meetings for 2020 will be arranged by CGT in Nov 2019.
<b>Action/08/July:</b> Fraud and Bribery - to discuss external Fraud at next ARC meeting.	Alan Eastwood	7 <sup>th</sup> November ARC	<b>09/10:</b> Agenda for November's ARC sent out. Agenda item 6. Quarterly review of Fraud and Bribery – how external Fraud is reported to the ARC.
<b>Action/01/Aug:</b> Dates of updates to be added in action table status.	Secretariat	ASAP	<b>25/10:</b> Dates added to action list.
<b>Action/02/Aug:</b> Deep Dive into next steps of Transformation Programme and associated risks	Chair	7 <sup>th</sup> November ARC	
<b>Action/03/Aug:</b> CGT look at having historic meeting papers on eRDM and ensure members are emailed when there are any changes/updates to papers on eRDM connect.	CGT	ASAP	<b>22/10:</b> ARC Connect folder will now contain sub folders with previous ARC papers. ARC will need to consider how many meetings they

			would like kept on.
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