

Minutes of Audit & Risk Committee meeting held on 22 May 2018

Present:

Colin Ledlie (Chair), Non-Executive Director
Mandy Gallacher, Non-Executive Director
Bill Matthews, Non-Executive Director
Michelle Lockhart, Independent External Member

Asif Haseeb, External Auditor (Audit Scotland)
Myra Binnie, Internal Auditor
Dougie Shepherd, Internal Auditor
Elizabeth Thompson-MacRae, Internal Auditor (observing)

Anne Slater, NRS, Acting Chief Executive
Steven Hanlon, NRS, Chief Financial Officer (acting Accountable Officer)

Simon Hazlewood, NRS, Head of Business Portfolio
Sam Bedford, NRS, Director of IT (item 3 only)
Lynn Nevin, NRS, Finance Manager (observing)

Apologies:

Jonny Steen, External Auditor (Audit Scotland)

Introductions: The chair welcomed all to the meeting and in noting this would be Michelle Lockhart's last attendance at the committee (following completion of the year-long pilot programme) thanked her for the positive contribution she had made.

1. Declarations of interest

1.1 There were no declarations of interest.

2. Matters arising

2.1 There were no matters arising.

3. ICT risks – follow up on deep-dive from November 2017

3.1 Sam Bedford (SB) gave the committee an update on the three key elements of IT risk and the progression of planned mitigating actions against each. While there is still much to do good progress had been made in several areas resulting in the following current risk exposure position:

- People risk – current Amber 15, previous Red 25
- Process risk – current Red 20, previous Red 25
- Technology risk – current Amber 15, no change.

3.2 The committee were satisfied that NRS response plan for IT risk appears to be appropriate and that the work undertaken reflects a positive trajectory which NRS should seek to maintain.

4. Minutes and Actions

4.1 The minutes were accepted as an accurate record. There were no outstanding actions.

5. NRS Update Report

Interim leadership arrangements

Anne Slater (AS) confirmed that following the recent departure of Tim Ellis, she had assumed responsibility on a temporary basis as NRS Acting Chief Executive with a focus on continuing to deliver our core business and key programmes, implementation of our operating model and governance structures associated with that. Update from Anne was published on Connect last week to reinforce those messages to staff.

Legal action

AS confirmed that a summons had been raised in the Court of Session against NRS in March 2018 in relation to a contract recently awarded by NRS. NRS has taken legal advice and is content that no further action is required at present.

Payroll

5.1 Up until 31 March the Scottish Government's HR Shared Service Centre provided NRS payroll services and NRS staff were on Scottish Government's payroll under their Pay As You Earn (PAYE) reference number. From 1 April to ensure NRS is fully compliant with all HMRC tax requirements NRS has been allocated its own unique PAYE organisational reference number.

5.2 However, the transition arrangements to move NRS staff to the new unique PAYE number has been problematic and as a result NRS staff due to have a legitimate tax code change have seen their salaries affected. These issues have been resolved and there are no financial implications for NRS. The focus now is on walking through the technical issues with SG and HMRC that led to these issues occurring which includes clarification of NRS status as a non-ministerial department.

6. Finance Report

2017-18

6.1 Steven Hanlon (SH) confirmed the provisional outturn position for 2017-18 was an underspend of £2,525k on Resource DEL (excluding depreciation) and a capital underspend of £654k. The main factors in Resource DEL underspend were more income from ScotlandsPeople than expected, underspend on 2021 Census contracts, and delays in filling vacancies.

6.2 The main factors in Capital DEL underspend were savings from re-examining delivery of statistical data processing environment for 2021 Census, delays in delivery timescales, and procurement savings

2018-19

6.3 SH confirmed that the underspend from 2017-18 would not have a roll on pressure impact for 2018-19 and that NRS starts the year with a £0.5m over-commitment. This is significantly lower than the start of year position NRS has had in recent years and the committee asked whether NRS would be able to avoid a significant underspend given the track record of turning around more significant over-commitments at start of year.

6.4 Tighter controls are being implemented through improved budget management arrangements which include monthly oversight from the Executive Management Board on current and projected budget position. These measures should help to ensure less unexpected over and under spends across the business.

6.5 Areas of uncertainty in the 2018-19 budget are around:

- filling a considerable number of staff vacancies
- income levels from ScotlandsPeople
- re-baselining of the Digital Preservation Programme
- external services support in IT services
- 2021 Census

6.6 NRS will develop contingency plans for managing emerging 2018-19 underspends.

Annual Report & Accounts

6.7 The committee were asked to submit any comments they may have on the circulated draft to SH in correspondence.

7. Governance Report, Certificates of Assurance and Audit recommendations report

Governance Report

7.1 Mandy Gallagher (MG) was pleased to see NRS had set out its key commitments for the year ahead and specifically that these include increased customer insight, and asked whether NRS had plans for measuring success against these commitments. Simon Hazlewood (SDH) confirmed the intention was to develop key performance indicators linked to our business services.

7.2 SDH confirmed that recent activity with the 2021 Census programme on equality impact assessments was linked to the emerging work around census legislation.

7.3 The committee noted progress with GDPR preparations and that mandatory staff training was underway with a target date of 25 May. AS confirmed that we have follow up processes in place to engage with line managers with staff who have either not passed or not attempted the training.

7.4 AS confirmed that the recent Gateway review of the Digital Preservation Programme had included two key recommendations which were to a) retain focus on delivering the Minimum Bit Preservation project and engage external technical assurance, and b) re-baseline the programme by re-setting the business case and planned programme outcomes. CL noted the elevated risk assessment of the Programme and noted that this would be discussed in detail at the next Strategic Board.

Certificates of Assurance

7.5 The committee noted progress with this year's exercise.

Audit recommendations report

7.6 The committee were pleased to see that historic recommendations had been closed off and progress in implementing recommendations from more recent audits, and asked NRS to make best efforts to avoid slippage against target dates for implementing recommendations.

8. Interim Internal Audit Annual Assurance Report

8.1 Myra Binnie (MB) confirmed that at this stage and before a final assurance statement is made, IAD consider a Reasonable Assurance rating for NRS which means there are adequate controls in place but improvement is required. MB also confirmed that while a Limited Assurance rating had been applied against the 2021 Census that the scope of that review was restricted to risk management arrangements.

8.2 MB confirmed that evidence is still required from NRS on the implementing of recommendations from the People Engagement audit in 2017-18. This was in part due to a staff member leaving NRS but SDH would be picking this up.

8.3 Dougie Shepherd (DS) confirmed that the main change in the recently revised Audit & Assurance Committee handbook was an increased emphasis on organisations developing plans for assurance using an integrated approach.

8.4 CL and SDH will work together in advance of the September meeting to prepare the committee for the annual self-assessment checklist exercise (Annex H of the handbook).

9. Audit Scotland review of internal controls

9.1 Asif Haseeb (AH) confirmed that following testing of key systems in the interim audit (section 3 of the report) that appropriate and effective internal controls were in place with just one minor issue around asset verification which had been reported to NRS. Both recommendations from the previous year's review had been implemented by NRS.

10. Forward Look

10.1 The committee accepted the Forward Look proposals and confirmed they were happy with the format used.

11. Any Other Business

11.1 There was no other business arising. The next meeting is scheduled for 3 September 2018, Room 1/G/8, Ladywell House.