

Minutes of Audit & Risk Committee meeting held on 19th February 2018

Present:

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

Jonny Steen, External Auditor (Audit Scotland)
Wojciech Kuzma, External Auditor (Audit Scotland)
Myra Binnie, Internal Auditor
Dougie Shepherd, Internal Auditor

Tim Ellis, NRS Chief Executive Officer
Anne Slater, NRS, Head of Public Services / Portfolio & Corporate Services
Steven Hanlon, NRS, Chief Financial Officer (acting Accountable Officer)
Christina McLaren, NRS, Head of Strategy & Communications
Poilin Ni Chonghaile, NRS, Head of Estates (for Estates update item only)
Simon Hazlewood, NRS, Head of Business Portfolio

Apologies:

Asif Haseeb, External Auditor (Audit Scotland)
David Smith, NRS, Secretary

1. Declarations of interest

1.1 There were no new declarations of interest.

2. Estates update

2.1 Anne Slater (AS) provided a summary of the changes implemented in the last year which included separating the estates and procurement functions into distinct areas and appointing a qualified professional, Poilin Ni Chonghaile (PNC) to lead the estates function.

2.2 PNC presented a summary of where things currently stand in relation to the structure, size and remit of the estates team, key challenges, buildings, accommodation services, health & safety, physical security, managing the environment, and NRS estates strategy. The main issues were around a reactive rather than pro-active approach to management of infrastructure, lack of clarity in the management of FM contract, gaps in protocols and processes, insufficient staff to manage complex estate, and insufficient technical software and support.

2.3 In discussion AS confirmed that the position was constantly shifting on NRS long-term archive storage requirements and that it was difficult at this point to pin down exactly what they will be. There were a number of reasons for this which include internal NRS issues around the systems and processes we use to determine our requirements but also external influences such as Scottish Government led drives to increase digital records in favour of paper and conversely the Public

Records Scotland Act, the precise position on both external elements remains unclear at this point.

2.4 NRS is part of the National Collections Collaborative Storage Project aimed at securing shared storage capacity for us and other public body partners although this may not produce a viable working solution until around 2021/2022. The key thing was for NRS to have contingency plans for the interim should we exceed our storage capacity and TE confirmed that use of commercial space (such as Iron Mountain), sharing space with another national public body or taking on additional estate space ourselves were among the contingency option. PNC confirmed that NRS's preferred accommodation solution is to remain at Ladywell House until 2023 which would cover NRS through the delivery of the 2021 Census programme – a business case for this will go to Scottish Government in March.

2.5 It was recognised that the NRS team was quite small with a large and complex estate to manage and PNC confirmed the intention to expand the team with a focus on expanding NRS professional capacity. NRS has started to move on this and is recruiting a professional building surveyor/project manager to help identify and implement a plan for current and future work across the estate. While there may be challenges with recruitment of professional roles, it was also recognised that NRS has a unique and interesting estate which may help to attract applicants.

2.6 In summary, the committee identified that the three main risks were lack of storage capacity, accommodation for NRS staff, and physical security/health & safety. The first two risks were considered Amber but the third risk was considered to be Red at this time although the trend on all three was positive. It was agreed that a follow up deep dive on these risks should be brought to the committee meeting in November 2018.

Action – Secretary to add follow up on Estates deep dive to the agenda for November 2018. Post-meeting edit – The review will be moved to Feb 2019 to avoid a clash with a People risk review in November 2018.

3. Minutes and Actions

3.1 The minutes were accepted as an accurate record.

3.2 With regard to the action on committee training requirements, Colin Ledlie (CL) requested that a one hour slot be included in the September 2018 agenda for committee training with the ARC Handbook and NRS Whistleblowing policy as topics to cover. There is also a Public Body Board Members Finance Workshop event in Glasgow in April 2018 which committee members have been asked to confirm interest in.

Action - Secretary to add a one hour slot to the September 2018 meeting for committee training on ARC Handbook and NRS Whistleblowing policy.

4. Matters Arising

4.1 There were no matters arising.

5. NRS Update Report

5.1 Tim Ellis (TE) provided a summary of key activity since the last committee meeting in November which included:

- NRS annual baby names publication, release of cabinet papers and the Robert Burns: Radical Exciseman exhibition.
- First two census contracts for Online Collection Instrument and the Data Collections Operations Management System awarded to CACI.
- Good progress to implement the internal governance re-structure, C3 Directors in place for 4 of the 5 business areas and recruitment underway for the 5th (Director of Strategy & Business Services).

5.2 Looking ahead TE also confirmed:

- A meeting with Fiona Hyslop next week to discuss progress in general but likely to cover equality and language. Opportunity to have early discussions on the processes of parliamentary engagement and census legislation.
- Attendance at an SG director level discussion on Scotland's changing demographics – good to see NRS data being used to inform these types of discussions reflecting the reach and impact of the information we produce.

6. Finance Report

6.1 Steven Hanlon (SH) highlighted a forecast underspend of **£465k** for the current year, the main factors being:

- a reduction in ESS requirements particularly on the 2021 Census and DPP
- increased income from ScotlandsPeople
- re-prioritisation of ICT spend
- a reduction in forecast staff costs.

6.2 Work is ongoing to manage this underspend but opportunities are fairly limited at this late stage.

7. Governance Report

7.1 Simon Hazlewood (SDH) confirmed that business planning for 2018-19 was underway with the aim of confirming NRS annual plan commitments early in March followed by business area plans at end of March and individuals objectives by end April.

7.2 NRS Risk exposure was largely unchanged with People still the biggest risk (Red) but with an improving picture on West Register House and Thomas Thomson House issues reducing the risk exposure of the estates risk to Amber. CL asked that a deep dive into the People Risk should be added to the agenda for November 2018.

Action – Secretary to add deep dive on NRS people risk to the agenda for November 2018.

7.3 NRS has reviewed its approach to managing the portfolio and has set out how this will be improved in the context of the new corporate governance structure taking account of lessons learned from the last 2 or 3 years.

7.4 Work is continuing towards GDPR compliance across a number of factors and TE confirmed that he is reasonably confident that NRS would meet these requirements by the May deadline.

7.5 CL confirmed it was good to see physical security incidents being identified and reported and encouraged NRS to ensure that other elements of risk (such as health and safety, HR, financial risks) are identified and recorded in the same way, including near misses.

8. Audit Recommendations

8.1 SDH presented the paper to the committee and provided a brief overview of the current audit recommendations. The committee were pleased to see the historic recommendations had now been actioned and encouraged NRS to avoid unnecessary slippage in implementing recommendations from recent audits.

9. Internal Audit Update Paper

9.1 2017-18 reviews

Myra Binnie (MB) confirmed that work is underway on the review into risk management arrangements for the 2021 Census and SG IAD are in contact with both OCIO and SG Gateway to ensure there is no duplication across various reviews of the programme.

Follow-up is in progress for both the People Engagement and Assurance Mapping reviews and evidence of recommendations being implemented was being gathered from NRS for both.

9.2 2018-19 plan

MB confirmed that the audit plan for 2018-19 was in draft and would be shared with the committee via correspondence in the near future. Discussions had taken place with NRS on possible areas to look at which included Estate Management, People Management (workforce and succession planning) and a further review into aspects of the 2021 Census.

In discussion it was noted that Scottish Government HR were also planning a review of people management and it would be helpful to understand how that and what SG IAD had in mind might dovetail. TE and SH made the point that it may be more beneficial to have a review into estates management in a future year given what had been covered under the Estates update at agenda item 3 and the planned committee deep dive follow up in November 2018.

Committee also suggested that the 2018-19 audit plan might include a review of NRS new governance arrangements in terms of achieving desired benefits.

Action – Myra Binnie to issue a draft 2018-19 audit plan for committee to agree in correspondence.

10. Audit Scotland

10.1 Jonny Steen (JS) provided a summary of the annual audit plan 2017-18 drawing the committee's attention to the main risks that would be assessed, the planned audit work around these risks and the associated delivery milestones. The main risks are:

- Risk of management override of controls (financial statement)
- Risk of fraud over income and expenditure (financial statement)
- Estimation and judgements (financial statement)
- Governance re-structure (wider dimension)
- Cyber essentials compliance by October 2018

10.2 In discussion TE confirmed that he was comfortable that NRS should delay having a 'Your Business @ Risk' staff survey this year given the ongoing re-structure in the ICT department and prioritisation to improve the organisations ICT infrastructure.

11. Forward Look

11.1 SDH confirmed the forward look includes an ICT deep dive update in May 2018 and a census deep dive in September 2018, both requested at the November 2017 meeting.

11.2 From today's meeting agreement was reached to add:

- a one hour slot for committee training in September 2018
- a deep dive on NRS people risk in November 2018
- a follow up on the estates deep dive in November 2018.

Post-meeting edit – The estates review has been moved to Feb 2019 to avoid a clash with a People risk review.

12. Any Other Business

12.1 There was no other business.

12.2 CL thanked everyone for their attendance and closed the meeting.

12.3 The next meeting is scheduled for 22 May 2018, Room 1/G/8, Ladywell House.