

Minutes of Audit & Risk Committee meeting held on 18th of May 2017**Present:**

Colin Ledlie (Chair), Non-Executive Director
Gordon Shipley, Non-Executive Director
Mandy Gallacher, Non-Executive Director

Myra Binnie, Internal Auditor
Dougie Shepherd, Internal Auditor

Asif Haseeb, External Auditor (Audit Scotland)

Tim Ellis, NRS Chief Executive Officer

Anne Slater, Head of Public Services / Portfolio & Corporate Services
Steven Hanlon, NRS, Chief Financial Officer (acting Accountable Officer)
Simon Hazlewood, NRS Head of Business Portfolio
David Smith (NRS), Secretary

Apologies:

Bill Matthews, Non-Executive Director
Jonny Steen, External Auditor (Audit Scotland)

1. Declarations of interest

1.1 There were no declarations of interest, Mr Ledlie noted apologies from Bill Matthews and Jonny Steen.

2. Minutes of the last meeting/Actions

2.1 The minutes of the 16th February 2017 meeting were then approved without amendment.

2.2 The Committee noted progress with outstanding actions and agreed that all could be closed. The Committee noted that ICT risks are scheduled to be discussed at the November ARC meeting.

3. Matters Arising

3.1 There were no matters arising.

4. NRS update report

4.1 Mr Ellis provided a summary of recent activity over the past few months. Points to note were;

- Good progress in the portfolio on big programmes, in particular the Census, although there are resourcing challenges.
- The success of a small exhibition on scribes and royal authorities which was officially opened by the permanent secretary.

- The usual round of statistical releases such as baby names, electoral data, population projections and EU immigration which generated considerable media coverage for NRS and was mentioned at First Minister's Questions.
- NRS is getting better at media monitoring, and we have a greater understanding of who is using our statistics. This means the external reach, impact and branding of NRS has increased in recent months.
- Currently there is an advert out for a new ICT director and this will be a significant step forward if this post is filled.
- New Head of Estates, Poilin Ni Chonghaile is now in post and making good progress.
- The management team have been reviewing the NRS operating model and how we work as an organisation. Will also be reviewing our governance structure.
- Ransomware attacks, broadly NRS are in a good place and is secure as we can be however we understand fully that we are not invulnerable to these types of attacks in the future.
- A recent stocktake had taken place in Records and Archives with a positive outcome.

4.2 Regarding Ransomware, Mr Ledlie asked if incident management procedures were evoked? Mr Ellis advised that progressive steps were taken to ensure the right people at the right time were involved. Having learned lessons from how we responded to events of last year, the feeling was that NRS handled this incident more effectively over the particular weekend to ensure services were made secure.

5. Finance Report

5.1 Mr Hanlon highlighted to the committee the final outturn on the resource Departmental Expenditure Limit (DEL) was an underspend of (£650k). This is a larger underspend than was previously estimated.

5.2 Discussions have already taken place with the Corporate Leadership Group around actions on tightening up forecasting and reporting during 17-18.

5.3 The 17-18 budget is agreed and NRS are running with an over commitment of £1m with an aim to identify spend that's not going to happen and reduce this balance much earlier in the year than previously before.

5.4 Mr Shipley asked where does this £1m over commitment currently sit within the organisation and how much is non-discretionary? Mr Hanlon advised it is evenly spread across the business and acknowledged there are some problems with the forecasting that could be corrected and made more accurate with plans to fully investigate this. Other actions are to get a better understanding of the non-discretionary spending and Mr Hanlon agreed that he would give an update on non-discretionary spend at the next committee meeting.

5.5 Action – Mr Hanlon to provide a view on non-discretionary spend in the next finance report.

6. 2016 -17 Draft Annual Report & Accounts

6.1 Mr Hanlon introduced the report and highlighted some small changes in this year's draft and very much welcomed any feedback or suggestions from committee members. The Committee noted the good progress with the report so far and suggested that consideration be given to improving the drafting of the Foreword section. Committee members agreed to send detailed drafting points to Mr Hanlon.

7. External Audit interim report against 2016-17

7.1 Mr Haseeb provided a short summary highlighting key systems Audit Scotland had looked at around NRS's internal controls environment, these being:

- Payroll
- General ledger
- Trade Payables
- Trade Receivables
- Fixed Assets

7.2 Mr Haseeb advised the overall control environment is adequate and satisfactory. Other ongoing work is around ICT work, risk survey and the role of boards review.

7.3 Ms Gallacher advised she was pleased to see the use of 'Your business @ Risk' staff survey having felt this is a helpful tool.

7.4 Mr Ledlie thanked Audit Scotland for a helpful report and was pleased to see things are progressing well.

8. Governance Statement and Review of Internal Controls

8.1 Mr Hanlon advised he had made some changes to the presentation of the report where rather than an internally focussed review of the year, the report now focusses on how NRS do things and the management around these activities.

9. Governance

Internal Controls Report

9.1 Mr Hazlewood informed the committee that NRS has adopted a new approach to the annual Internal Controls Exercise which simplified the process but still retained the integrity of the assurance process.

9.2 This year's exercise is currently live but early feedback is that there is reasonable confidence across the organisation in most areas of internal control. Mr Hazlewood confirmed he would be looking at responses where business leads had 'limited confidence' and would work with the relevant business areas to develop and implement a remedial action plan. For these scenarios, an additional self-assessment will be carried out in autumn 2017 to capture if the action plan has had the desired effect.

9.3 Mr Shipley asked if there has been any dip in the numbers of fire marshals as the paper proposed there would be a recruitment drive for new marshals over the next few months. Mr Ellis acknowledged there may well be a small shortfall in the numbers NRS would like to have in this area.

Action – Mr Hazlewood to clarify the position on fire marshal numbers.

9.4 With regards to procurement activity Mr Ledlie asked how exposed NRS were as the Census is now at a key stage. Ms Slater confirmed successful recruitment of another two procurement staff and confirmed she was happy with the quality of the candidates.

Risk Management Report

9.5 Mr Hazlewood introduced the fresh approach within NRS which will be a more cohesive and common approach to managing risk across the business.

9.6 Mr Ledlie suggested it would be good to see a process implemented and working well so NRS could reap the rewards of a robust risk management process. Mr Ellis agreed and commented that he was happy with list of key risks provided so far and acknowledged that there was still work to do around actively managing these risks and the escalation process.

9.7 Mrs Binnie asked how the scoring on the people risk didn't appear to change despite controls being in place. Mr Hazlewood confirmed that this reflected that despite best efforts our current mitigations had not had the impact we would have hoped for. The People Plan will start to roll out this year so will hopefully reap some benefit in terms of bringing the risk more under control but it will take some time for the benefits to be fully realised.

9.8 The committee recognised this is a key risk across public service and Mr Ellis confirmed there is an item on the next management board on the people risk.

9.9 With regards to the risk on managing customer expectations, Ms Gallacher asked if NRS understands these expectations sufficiently. Mr Ellis acknowledged that at present NRS does not but a key part of the work looking at the NRS operational model will address this.

Programmes and projects

9.10 Mr Hazlewood highlighted the two key risks to our portfolio programmes and projects lie in resourcing and funding and that these were most obvious in the 2021 Census programme and the Digital Preservation Programme, the latter having moved from an Amber status on People to Red since the last report.

9.11 On the flip side the ScotlandsPeople project had enjoyed significant success since launch of the new website in September and had improved to an overall Green rating.

9.12 Mr Ellis confirmed that the ministerial position on the NHSCR Identity Assurance was now emerging and that an outline approach is under development although no clear path yet exists.

Audit Recommendations

9.13 Mr Hazlewood highlighted that since the last meeting a further 11 recommendations have been closed across a number of subjects. Ms Gallacher advised it was very reassuring to see such huge progress in this area.

9.14 Mr Shipley asked what action had been taken to move from the limited assurance rating Internal Audit had applied against IT Asset management to a position of increased assurance. Mr Hazlewood advised that while the recommendations from Internal Audit had been implemented (such as new ICT Hardware Asset Management procedures), it would take time before these started to have the desired effect. A small sample exercise using the new procedures revealed that some assets could not be located in the place where they were recorded on the system to be, but the system itself was dealing with perhaps older legacy information that would take time to work through. NRS and Internal Audit are engaged on this. Mr Shipley requested a short paper for the next committee meeting to show that there is sufficient assurance around progress in this area.

Action – Mr Hazlewood to produce a paper on the progress of the recommendations implemented around IT asset management.

10. Internal Audit

10.1 Mrs Binnie introduced the final progress paper for 16-17 and confirmed that fieldwork has been completed on the people engagement and assurance mapping reviews. Reports are at draft stage but will reflect reasonable assurance in these areas. The intention for the next committee meeting is to formally present the annual assurance opinion. Mrs Binnie then provided an update on a recent internal audit recruitment campaign.

10.2 The committee noted the report.

11. Draft Audit Committee Annual Report.

11.1 Mr Ledlie presented the draft report and advised the intention for the next committee meeting is to present a completed version when key pieces of information are available to fill the current gaps. Mr Ledlie asked for any comments on the draft to be forwarded to himself and the secretary.

12. Forward Look

12.1 Mr Ledlie suggested two new items:

- Partnerships with external suppliers
- Training requirements for committee members

12.2 Mr Ledlie also advised he and the secretary would be working to make changes to the committee's annual self-assessment checklist process.

12.3 With regard to training requirements, Mr Shipley asked if there were any specific organisations that could offer such training courses for committee members. Mr Ellis advised the institute of risk management could be an avenue to explore.

13. Any Other Business

13.1 Mr Ledlie highlighted a Scottish Government initiative working with the private sector for mutual benefit by bringing people who are early into their career into government sector boards. This is something NRS is engaged with and have a potential candidate who Mr Ledlie will meet over the coming months.

13.2 Mr Ledlie thanked everyone for their attendance and closed the meeting.

13.3 The next meeting is scheduled for 31st August 2017, Room 1/G/8, Ladywell House.