

Meeting	Audit and Risk Committee
Date	21/12/2023
Time	10:30-13:00

Minute

Members	
John Fyffe	Non-Executive Board Member (Chair)
David Gemmell	Non-Executive Board Member
Aileen Ponton	Non-Executive Board Member
James Wallace	Independent Audit and Risk Committee Member
Attendees	
Gillian Hamilton	Chief Executive and Accountable Officer
Maureen Hamilton	Strategic Director, ES
Jim Montgomery	Internal Audit, SG
Gary Gibb	Internal Audit, SG
Gillian Howells	Head of Finance, ES
Roz McCracken	Head of Governance and Financial Management, ES
Avril Hamilton	Assurance Manager, ES
Erin Middlemass	Secretariat, ES
Apologies	
David Meechan	Audit Scotland
Mark Laird	Audit Scotland

1. Welcome and apologies

1.1 The Chair welcomed Members and attendees to the meeting and reminded the committee that the meeting would proceed on the understanding that all papers have been read in advance of the meeting.

1.2 Apologies were noted from David Meechan and Mark Laird. It was noted that no paper had been provided from External Audit.

2. Previous meeting

2.1 The minutes of the previous meeting were finalised and approved.

2.2 The Action log was reviewed, and the following changes were confirmed.

2.3 ARC 06/23-24 – closed
ARC 07/23-24 – Closed
ARC 09/23-24 – Closed

3. Declarations or conflicts of interest

3.1 No declarations or conflicts of interest were noted.

4. Internal Audit

4.1 Internal Auditors gave an overview of their Progress Report, highlighting key messages from the report, noting the positive information security report tabled. It was also confirmed that the next audit would focus on health and safety.

4.2 The Board were advised of pricing changes from 2025 onwards. The CE confirmed she was aware of price increases from both Internal and External Audit and recognised that this reflects the current financial climate.

4.3 Internal Auditors opened for questions on the Information Security report.

4.4 Board members asked for assurance on delivery of recommendation one, relating to recruitment. Members were advised that recruitment had already taken place and was awaiting appointment.

4.5 A discussion was had around cyber security roles and the need for contracts to go out to tender. It was agreed that new ways of thinking around this could be beneficial. It was noted that the key priority was ensuring we have the level of support required within budget constraints. It was suggested that looking at collaboration across the public sector could be of interest.

4.6 Gillian Hamilton agreed to raise this at CE forums as did John Fyffe and Maureen Hamilton at additional forums.

4.7 When discussing the Information Security Audit, it was noted that dates for January were to be reviewed considering capacity issues.

5. Outstanding Audit Recommendations

5.1 Roz McCracken presented the Audit recommendations, noting that they are all in a good place and that the organisation is taking a very proactive approach to recommendations.

6. Finance Update

6.1 The Finance Report was presented to the Committee. Gillian Howells gave an overview of changes from the paper since the last LT meeting. Gillian highlighted the work that has been done to bring the budget pressure down significantly.

6.2 Following a letter of expectations from the Permanent Secretary, it was agreed that with limited resources and no margin for increase in resources, priorities needed to be identified and other non-priority work stopped. As a result, the Chief Executive had written to all budget holders to ensure that only essential spending should take place in the 4th quarter and that monthly updates on expenditure, both approved and rejected, would need to be sent to the DG.

6.3 It was noted that a significant amount of ES budget goes on staffing, and this was where the focus would lie. The Committee raised questions around a plan for managing vacant posts and it was advised that while there currently was no recruitment freeze, it was noted that any posts being submitted for approval required a very strong business case.

6.4 The Chair commended the significant amount of work that had gone in to managing down the budget pressure.

6.5 It was noted that path to budget work had not yet started but would be brought to ARC as soon as ES received their budget. The difficulty in achieving any potential further savings was noted.

6.6 The Chair highlighted the need to look at opportunities as well as challenges. He highlighted the risk around the budget for reform, noting that the SG could question the need to spend when we don't have an agreed destination.

6.7 Members advised that ES should be very cautious of freezing recruitment on permanent staff as temporary appointments would increase costs.

6.8 It was also highlighted that the term 'interim' would be dropped from LT roles as this does not convey the stability and appointment of these roles.

ACTION ARC 11 – the letter from Permanent Secretary to be circulated to members - Secretary

7. Risk Update

7.1 An overview was given of the risk papers, noting the increased risks around finance, and the focus on continuous improvement with Avril Hamilton noting the use of Power BI could make a more meaningful impact than heatmaps etc.

7.2 Members raised concerns around the risk of autonomy. Members offered support from non-execs expertise on this and advised that they would discuss further at Advisory Board around a potential follow up letter to the Cabinet Secretary.

7.3 Ollie Bray gave further context around risk ES-10, advising that some staff members had received abuse online and that a significant amount of work was being done internally to support staff as well as receiving legal advice and contacting Police Scotland.

8. Information Security

8.1 Michael Moynihan joined the meeting to provide an update on Information Security.

8.2 The Committee agreed that there was no longer a need to include a report on the Russian attack risk and would take advice if anything changes. This was to be replaced with a wider picture of relevant international cyber information.

ACTION ARC 12 – Michael Moynihan to provide a separate paper to the next Committee meeting on Cyber recovery.

9. Reform

9.1 Maureen Hamilton gave an update on reform, noting that the delivery boards had been stood down and that a ministerial board had been put in place which would be supported by several additional boards. A trade union engagement strategy had also been implemented.

10. Health Safety and Wellbeing

10.1 Aileen Ponton advised that she would be attending the next meeting of the Health, Safety and Wellbeing Committee and would report back to the ARC.

10.2 Maureen Hamilton flagged that there was an issue with some staff going to trade unions rather than line managers about travel and accommodation problems. A new process had therefore been created to have complaints around travel or accommodation formally logged and reported on by the travel team and ES had asked Internal audit to audit the Agency's health and safety processes for travelling officers to identify if there is anything more we could be doing.

11. AOB and key messages

11.1 The Chief Executive reflected on her first nine months in post, thanking ARC members for their support, advice and challenge this year. She and the wider organisation really appreciate the value that having a robust and honest ARC brings to the Agency.

11.2 Attendees left the call and members stayed to discuss ARC arrangements for the year ahead. This included a discussion about the potential overlap between ARC and AB especially when AB only members are unable to attend an AB meeting.

11.3 Members recommended that AB delegate responsibility to approve the Annual Report and Accounts at ARC, with the documents shared with AB members prior to ARC to provide comments.

11.4 James Wallace offered Roz McCracken and John Fyffe to observe the Social Security ARC meetings.

Date of next meeting:

March 21st, 2024

Name	Erin Middlemass
Role	Secretariat
Date	17/01/2024