

**Audit and Risk Assurance Committee
Minutes of Meeting
Buchanan House, Glasgow 19 June 2019**

Present:

Siobhan White (SW) SHR ARAC Chair

In attendance:

Jim Montgomery (JM) Senior Internal Audit Manager
 Amy McNee (AM) Internal Audit Manager, Scottish Government
 Nick Bennet (NB) Scott-Moncrieff
 Michael Cameron (MC) SHR, Chief Executive
 Iain Muirhead (IM) SHR, Director of Digital and Business Support
 Roisin Harris (RH) SHR, Corporate Governance Manager (secretariat)
 Nigel Gregory (NG) SHR, Regulation Manager (Finance)

Agenda item	
1	<p>Chair's welcome The Chair welcomed everyone present.</p>
2	<p>Apologies Apologies were submitted from ARAC members Bob Gil, Ewan Fraser and Mike Dailly and Nicola MacKenzie - Scott Moncrieff.</p> <p>The Chair reported that the meeting was not quorate, so any decisions would be ratified by correspondence following the meeting. She also explained that BG and EF provided some feedback on the meeting papers, which she would take into account.</p>
3	<p>Declaration of interest There were no new declarations of interest.</p>
4	<p>Minutes of the previous meeting, matters arising and audit log The Chair agreed to recommend the draft minutes of the ARAC meeting on 20 March 2019 for approval to the Committee subject to some minor corrections.</p> <p>The Chair reviewed the matters arising and audit log, noting that:</p> <ul style="list-style-type: none"> • the new Business Manager starts on 1 July 2019 and will lead on best value. The Chair agreed to propose some flexibility around reporting on best value to ARAC in September or December depending on progress; • actions in relation to the audit of notifiable events are expected to be completed by August, AM confirmed she would amend her related follow up discussions with IM to September; and • IM will extend the audit log to capture both internal and external audit recommendations. <p>MC confirmed that there is no current gateway review work; in the past reporting had been to SHR's Board, but if SHR does any future gateways, it would consider reporting to ARAC when establishing governance arrangements.</p>

	<p>The Chair reported that SHR Board member Ewan Fraser has been appointed to ARAC and she will meet with him prior to the next ARAC meeting to discuss induction.</p> <p>The Chair noted the updates.</p> <p>Actions:</p> <ul style="list-style-type: none"> • SW to seek ratification on minute approval and flexibility on best value reporting. • AM to meeting with IM for follow up discussions in September.
5	<p>IT update</p> <p>MC provided an update on Civtech. He reported that development of the digital assistance is progressing well and is expected to launch in August. MC explained the risks around the Civtech approach, and that a decision on launching will be made later in July. He confirmed that the developer is solely focussed on the SHR's digital assistant and that there is potential for him to use the assistance model for future commercial projects.</p> <p>MC also provided an update on SHR's Business Intelligence work. He explained the activity required to launch the new Regulatory Framework including publishing new engagement plans for all landlords on 1 April 2019. MC reported that Management Team will consider possible future investment in the systems when it next meets and it is mindful in particular to further develop its approach to open data.</p> <p>IM provided an update on SHR's new website. He reported that work is progressing well and a beta version of the new site was live for around six weeks to gather feedback and facilitate user testing. This included specific sessions with members of SHR's national panel of tenants and service users, SHR staff and some landlords. IM explained these sessions involved 1:1 time with the developer to gauge how user friendly the new site is. He reported that in addition 60 people who responded to the BETA based survey were overwhelmingly positive about ease of use and navigation.</p> <p>IM explained that the developers and SHR are now working through some follow up actions from the BETA testing and that penetration testing is being planned. He reported the new site is expected to be live in July and the old one will be archived with links available to the previous content.</p> <p>IM reported that some issues have emerged around the integration of the new website with SHR's existing directory in terms of look and feel and that is leading to a further phase of work.</p> <p>IM also explained that new website accessibility standards for the visually impaired will challenge SHR's approach to using pdfs and infographics. He reported the Communications Team will be taking forward work to shift SHR's approach for new products. The Chair noted the challenge for SHR, especially given the very positive feedback it has received to date on its use of infographics.</p> <p>MC confirmed that the standards are applicable to public bodies and will be regulated by EHRC.</p>

	<p>IM reported on the much welcomed support from Scottish Government to develop the website.</p> <p>IM also confirmed that SHR's existing and new website set out information on how to complain about it or a social landlord.</p> <p>The Chair welcomed the progress and thanked MC for the updates.</p>
6	<p>Annual report on Fraud and Security</p> <p>IM presented the Committee with an update on incidents of fraud and security breaches during 2018/19. IM highlighted that SHR has had no reported cases of fraud. He set out the focus on GDPR, including preparation and embedding and reported that a small number of minor breaches have been investigated and actions taken to minimise the risks. He also highlighted the scrutiny work by internal audit in this area and the support provided by the shared Data Protection Officer. He also set out work around cyber security and reported on forthcoming e-learning staff training sessions. He explained SHR is also amending all staff email signatures to include links to its privacy statement.</p> <p>JM reported this is the first fraud and security report he has observed that has covered GDPR compliance and welcomed the work SHR is doing.</p> <p>The Chair noted the update.</p>
7	<p>Internal Audit</p> <p>SHR Annual Assurance Report</p> <p>AM reported on a substantial assurance audit opinion due to SHR's robust and well managed controls and progress against recommendations.</p> <p>The Chair welcomed the findings and highlighted SHR's performance in the context of other organisations as reported in Internal Audit's quarterly bulletin, which was presented to the previous ARAC meeting.</p> <p>Scottish Government Key Corporate Systems</p> <p>JM reported on the reasonable assurance opinion given for Scottish Government corporate systems. The Chair noted SHR is a recipient of these services. JM explained the work that has been carried out and is planned for 2019/20 to address issues. He reported that he has suggested SHR is involved in a review of shared services. IM and MC welcomed the suggestion and agreed that this would be helpful.</p> <p>The Chair noted the single points of failure highlighted. JM explained that Internal Audit use the full range of audit opinions and that this opinion will feed into the overall Scottish Government reasonable assurance opinion. IM welcomed the detail provided in the report and reported that the audit opinion reflects the direction of travel around this area in SHR's risk register.</p> <p>External Quality Assessment Report</p> <p>JM presented an external quality assessment of the Scottish Government's Internal Audit Directorate carried out every five years and provided this time by the Chartered Institute of Internal Auditors. He highlighted that the Directorate conforms with professional standards and reported this has provided assurance to the staff team and reflects the improvement work that has taken place.</p>

	<p>JM confirmed that Director of Internal Audit is content with the findings and that it reflects the work done to boost the staff resources and the refreshed internal audit manual.</p> <p>Audit Scotland Overview of Internal Audit 2018/19</p> <p>JM presented a late paper and highlighted that Audit Scotland found clear improvements and no areas of significant non-compliance. JM confirmed the overview is annual and that Internal Audit also does a self-assessment. He explained that this report looks at some of the professional standards, compared to the external quality assessment report which considers all standards. He explained that appendix three sets out the sampled reports, none of which were related to SHR.</p> <p>JM noted SHR was not listed in appendix two and agreed to correct this omission. JM confirmed that the report will go to the Scottish Government's Audit and Assurance Committee.</p> <p>The Chair thanked AM and JM for their work and noted the updates and audit opinion.</p> <p>Action: JM to add SHR to appendix two of the Audit Scotland overview report.</p>
8	<p>External Audit Update</p> <p>NB presented the External Audit draft annual report 2018/19 and highlighted an unqualified opinion. He explained this will be reported to Auditor General and published. NB thanked SHR staff for their assistance with the audit work.</p> <p>He highlighted:</p> <ul style="list-style-type: none"> • that Scott Moncrieff is compliant with standards and is seeking feedback on audit; • the audit scope; • that there were no material adjustments or unadjusted differences to the unaudited annual accounts; • SHR's performance report was prepared in accordance with direction from Scottish Ministers and is consistent with the financial statements; • the annual governance statement is consistent with financial statements and in accordance with guidance; and • the disclosures in the governance statements are consistent with the audit and Internal Audit's conclusions for 2018/19. <p>NB also highlighted two recommendations around:</p> <ul style="list-style-type: none"> • asset management practices around software licenses; and • revoking of access rights on departure. <p>NB set out the wider scope conclusions. He reported that SHR:</p> <ul style="list-style-type: none"> • is well prepared for the impact of EU withdrawal; • responded well to the changing landscape of financial management; • has a number of different contracts and suppliers, which mitigates the risks to SHR; • has demonstrated good practice in terms of openness and transparency.

	<p>NB reported on financial sustainability and the work that SHR had done to mitigate risks in this area. He also explained that although significant work has been done around resourcing SHR to deliver the new Framework, a workforce strategy is still to be developed.</p> <p>The Chair note the audit opinion and thanked the audit team. MC confirmed the action plan grading system is consistent with that used in 2017/18. The Chair reported that she has discussed the recommendations with IM and noted that the new Business Manager will lead on work force planning. The Chair also noted progress against current and previous audit recommendations.</p> <p>MC as accountable officer confirmed he was content with the audit conclusions and he welcomed the reporting format. He also expressed his gratitude to all the SHR staff involved in the audit and noted this had included covering for a colleague absent due to ill health.</p>
9	<p>Draft Annual Report and Accounts 2018/19</p> <p>MC presented the draft annual report and accounts to ARAC. He thanked the team involved in producing the report and accounts and confirmed that this is the final design version.</p> <p>RH reported that she had responded to BG on a number of queries, but none resulted in any changes to the report or accounts. NG reported that some page number references will be amended to align with the insertion of Scott Moncrieff's statement. He also explained that IFS16 note 1 will be developed over the course of the year and adopted by the public sector in the following year and that revenue recognition does not apply to SHR.</p> <p>The Chair noted the updates. She agreed to seek agreement from ARAC to recommend that MC as the accountable officer sign the annual report and accounts at the SHR Board meeting on 6 August 2019.</p> <p>Action: Chair to recommend to SHR Board on behalf of ARAC to recommend that the accountable officer sign the annual report and accounts at SHR Board meeting on 6 August 2019.</p>
10	<p>2018/19 Statement of Assurance from ARAC to SHR Board & Accountable Officer</p> <p>IM presented a summary of ARAC work during 2018/19 to provide assurance to SHR Board and Accountable Officer.</p> <p>The Chair noted the statement and agreed to seek approval from ARAC to sign the statement and present it to SHR's Board and accountable officer in August.</p> <p>Action: Chair to seek approval from ARAC to sign the statement of assurance and present it to SHR's Board and accountable officer in August 2019.</p>
11	<p>Risk</p> <p>IM presented SHR's risk register. He highlighted that Management Team had agreed to reduce the likelihood of risk 1 as the services from Scottish Government HR has been improving. The Chair observed the short and strategic nature of the new register compared to others.</p>

	<p>MC reported that it is working well for the Management Team has led to a more meaningful connections to the operating plan.</p> <p>MC confirmed that SHR lays its annual report and accounts directly before parliament and there is no public inspection period in advance.</p> <p>The Chair noted the risk register and recent Management Team discussion.</p>
11	<p>Audit Scotland National Reports</p> <p>IM presented an update on national reports published by Audit Scotland. MC confirmed that this agenda items was introduced several years ago to bring any relevant reports to ARAC's attention. The Chair noted that it is for awareness and the Committee in general note the reports presented. MC confirmed that any reports that impact local authorities are picked up by SHR via the Shared Risk Assessment process.</p> <p>The Chair agreed that IM should present on any reports to the September ARAC and seek discussion on whether this remains a useful standing agenda item.</p> <p>The Chair thanked IM and noted reports by Audit Scotland covering:</p> <ul style="list-style-type: none"> • safeguarding public money: are you getting it right; • local government in Scotland: challenges and performance 2019; and • mainstreaming equality and equality outcomes. <p>Action: IM to seek feedback from ARAC in September on the relevance of Audit Scotland National Reports as a standing agenda item for SHR ARAC.</p>
12	<p>AOB - Agenda Planner</p> <p>The Chair considered the agenda planner and agreed to propose to the Committee that Best Value is considered in December 2019, unless the work is completed by September 2019.</p> <p>NB reported on Audit Scotland's reievw of housing. MC confirmed that in the past consideration of review findings, often accompanied by a presentation from Audit Scotland have been provided to the entire SHR Board. MC reported SHR is involved with the group developing the scope of the review and he expects it will report in 2020. He also confirmed that this report is expected to complement SHR's regulatory activity.</p> <p>NB also reported that Audit Scotland is expected to move to graded rather than qualified audit opinion and any change will be reflected in technical guidance.</p>
13	<p>Effectiveness of meeting and papers and</p> <p>The Chair discussed the meeting with those in attendance and agreed it had been effective, despite being inquorate. The Chair also thanked all the staff and audit teams for their work on SHR's annual report and accounts.</p>
14	<p>DONM – 4 September 2019</p>
15	<p>Private meeting – The Chair held a private meeting with the auditors.</p>

16	<p>25 June 2019 - Post meeting note</p> <p>The Chair gained ARAC approval by correspondence to:</p> <ul style="list-style-type: none">• approve the draft minutes of 21 March 2019 subject to minor corrections for publication;• report to SHR Board and accountable officer that ARAC is satisfied that it has received the necessary assurances to confirm that effective risk management, governance and internal control arrangements were in place during 2018/19 and that ARAC recommends that the Board approve, and the accountable officer signs the annual report and accounts for the year ending 31 March 2019 at the Board meeting in August;• be flexible about the timing of Best Value reporting to ARAC so this can be either the September or December ARAC depending on progress; and• sign the statement of assurance from ARAC to the Board and Accountable officer and allow the accounts process to progress.
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