RISK MANAGEMENT AUTHORITY

AUDIT & ASSURANCE COMMITTEE MEETING

19 October 2020, Video Conference

MINUTES

Present
Mr Stephen Swan, Chair
Mr Terry Powell, Board Member
Mr Chris Hawkes, Board Member
Mr Stephen McAllister, Board Member

In Attendance
Mr Paul Keoghan, Director Corporate Services
Mr Mark McSherry, Chief Executive
Mr Denis Songoro, Finance Administrator
Ms Lucy Jackman, Governance Officer
Ms Julie Taylor, Internal Auditor, Scottish Government Internal Audit
Mr Jim Montgomery, Internal Audit Manager, Scottish Government Internal Audit
Mr David Meechan, External Audit, Audit Scotland

Welcome

1.   The Chair called the meeting to order and welcomed all present.

Apologies

2.   The Chair noted no apologies were submitted.

Declarations of Interest

3.   There were no declarations of interest.

Approval of Previous Minutes

4.   The Committee reviewed and approved the minutes of the meeting held on the 17th August 2020

Matters Arising

5.   The Committee reviewed an outstanding action under section 16 of the minutes from 17 February. The item related to Internal Audit scheduling a private meeting with the Audit Committee. It was noted this had not occurred and it was agreed that Internal Audit would arrange this meeting as required.

6. **Internal Audit – Internal Audit Memorandum of Understanding – Audit Committee Paper 383**

   6.1. The Director Corporate Services introduced the paper and informed the Committee the MoU outlined the responsibilities between the RMA and Scottish Government Internal Audit Directorate.

   6.2. Mr. Montgomery advised the Committee the agreement in the MoU sets out the basis on which Scottish Government Internal Audit will partner with RMA in relation to internal audit services. The committee was informed that no changes had been made on the current MoU.

   6.3. The Committee noted the internal audit memorandum of understanding presented by Internal Audit

7. **Internal Audit – Internal Audit Recommendations Progress Report – Audit Committee Paper 384**

   7.1. Ms Taylor introduced the paper and updated the Committee on the progress of the main assignment for 2020-21 internal audit programme. This assignment will be Stakeholder Engagement and Communications and is scheduled to commence in the 3rd quarter of the year and the final report will be presented to the committee in February 2021.

   7.2. The Committee noted the internal audit recommendations progress report.

8. **Internal Audit – Covid-19 Internal Control and Risk Assessment Checklist - Audit Committee Paper 385**

   8.1. The Director Corporate Services introduced the paper and advised the Committee the report contains responses to how the RMA is dealing with risks in key business areas and the internal controls that are in place to mitigate risks posed by Covid.

   8.2. The Committee was informed that the pandemic had brought significant challenges across the public sector and a high priority has been placed on business continuity which requires rapid response.

   8.3. The Committee was advised that the RMA has put a lot of emphasis on staff wellbeing to ensure that staff are well-supported during this difficult and challenging time. Staff surveys have been circulated which will help inform the management of the ongoing impact and risks posed by Covid to staff. The responses will be used to inform and shape the RMA's approach to the new normal when restrictions start to ease.

   8.4. The Committee noted the Covid-19 internal control and risk assessment checklist report.

9.   **External Audit – External Audit Recommendations – Progress Report - Audit Committee Paper 386**

9.1.   The Director Corporate Services introduced the paper and updated the Committee on the recommendation that was contained in the external auditor's annual report for 2019-20.

9.2.   The Committee was informed the RMA's 5 year financial model has been revised in light of new funding and staffing arrangements. Financial models based upon several funding assumptions will be produced and are expected to be presented to the Board in December 2020.

9.3.   The Committee noted the external audit recommendations progress report.

10.   **Internal Audit – Internal Audit Recommendations – Progress Report - Audit Committee Paper 387**

10.1.   Ms Taylor introduced the paper and updated the Committee on the implementation of recommendations resulting from fieldwork conducted by internal audit.

10.2.   The 2019-20 plan comprised of one main assignment, General Data Protection Regulation, which has been delivered in full. The review identified two medium and three low recommendations.

10.3.   One low recommendation is still ongoing. This relates to the RMA should populate the gaps and develop a data flow map to enable identification of interdependencies and ensure documents are aligned. This project is scheduled for completion in Q4/Q1 2021.

10.4.   The Committee noted the internal audit recommendations progress report.

11.   **External Audit – Covid-19 Emerging Fraud Risks - Audit Committee Paper 388**

11.1.   Mr. Meechan introduced the paper and informed the Committee that since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched and controls and governance are changing.

11.2.   The Committee was advised that this report sets out a range of fraud risks emerging from the Covid-19 crisis and what public bodies might do to help reduce these risks. The report aims to raise awareness of these new fraud risks within public bodies and support them in identifying and managing these risks to ensure sound governance and controls are in place.

11.3.   The Director Corporate Services informed the Committee the RMA translated the report to develop a monitoring framework for Covid-19 fraud related risks.

The Director informed the Committee the Framework was attached as an appendix and review this with the Committee.

11.4. The Committee noted the Covid-19 emerging fraud risks report and the RMA's report on mitigating these risks.

12. **Corporate Risk Management Strategy - Audit Committee Paper 389**

12.1. The Director Corporate Services introduced the paper and advised the Committee that no changes are recommended for the current risk management strategy.

12.2. The Committee was advised the strategy is structured across eight sections and sets out the RMA's policy statement, approach, responsibilities, risk management process, risk response, risk mitigation, the risk register format and reporting arrangements.

12.3. The Committee noted the report.

13. **Corporate Risk Register – Audit Committee Paper 390**

13.1. The Director Corporate Services introduced the paper and updated the Committee on the current status of the corporate risk register. The Committee was informed that one risk item has increased over the period, this relates to the risk of litigation claims being made against the RMA. The Committee were advised the increase in risk is on the back of recent judicial reviews involving the RMA.

13.2. The Director informed the Committee of four risk items that reduced since the last period of review and provided an update on reasons for the movements.

13.3. The Committee was advised that from the previous review the following risks have been assessed to have increased as a result of Covid-19 pandemic;

      i. The risk of Business interruption has moved from a risk score of 8(medium) to 20(very high)
      ii. The risk of insufficient funding to the RMA to enable the organisation to fulfil its statutory functions has moved from a score of 12(high) to 16(very high)
      iii. The risk of delivery of training courses has moved from a risk score of 4(medium) to 15(very high)
      iv. The risk of major incident resulting in harm to staff has moved from a risk score of 6(medium) to 9(high)
      v. The risk of staff not functioning to effective capacity has moved from a score of 6(medium) to 9(high)

13.4. The Committee noted the corporate risk register report.

14.   **Fraud Policy - Audit Committee Paper 391**

14.1. The Director Corporate Services introduced the paper and informed the Committee that the RMA has developed a fraud policy whose key elements include

   i.   Statement of zero tolerance of fraud
   ii.   Fraud definition
   iii.   Reducing opportunities for fraud
   iv.   Reporting fraud
   v.   Responsibilities for the prevention of Fraud.

14.2. The Committee was advised to review the report and to note that no changes have been recommended to the fraud policy since it was last reviewed on 21 October 2019.

14.3. The Committee noted the fraud policy report.

15.   **Internal Audit – Internal Audit Follow Up Review – Audit Committee Paper 392**

15.1. Ms Taylor introduced the paper and updated the Committee on the follow up on recommendations Internal Audit made on audits conducted in 2019-20 on the GDPR.

15.2. The Committee was advised that there were five recommendations that were made, four have been successfully implemented with one low recommendation yet to be implemented.

15.3. The low recommendation yet to be implemented is that RMA is required to populate the gaps in the information audit spreadsheet and develop a data flow map to enable identification of interdependencies and ensure documents are aligned. The RMA has now successfully recruited a Governance Officer who will pick up on this project.

15.4. The Committee was content with the internal audit follow up review report.

Date of Next Meeting

16.   The Committee noted the date for the next meeting 15 February 2021.

Date of Next Meeting

17.   The Chair asked if there was any other competent business.

18.   There being no other business the Chair thanked all in attendance for their contributions and called the meeting to a close.