

**Audit and Risk Assurance Committee
Minutes of Meeting
Buchanan House, Glasgow 4 September 2019**

Present:

Siobhan White (SW)	SHR ARAC Chair
Bob Gil (BG)	ARAC member
Mike Dailly (MD)	ARAC member (from item 3)
Ewan Fraser (EF)	ARAC member

In attendance:

Amy McNee (AM)	Internal Audit Manager, Scottish Government
Peter Graham (PG)	Internal Auditor, Scottish Government
Michael Cameron (MC)	SHR, Chief Executive
Iain Muirhead (IM)	SHR, Director of Digital and Business Support
Clare Nicholson (CN)	SHR, Business Manager
Roisin Harris (RH)	SHR, Corporate Governance Manager (secretariat)

Agenda item	
1.	<p>Chair's welcome & apologies The Chair welcomed everyone present.</p> <p>Apologies were submitted from Nick Bennet (NB) and Nicola MacKenzie (NM) Scott Moncrieff and Jim Montgomery (JM) Senior Internal Audit Manager.</p>
2.	<p>Declaration of interest There were no new declarations of interest.</p>
3.	<p>Minutes of the previous meeting, matters arising & audit log The Chair reported that, as the previous meeting was not quorate, she had sought and gained approval for the decisions by correspondence following the meeting. Members noted that the auditors had agreed with this approach.</p> <p>The Committee agreed the Chair's recommendation to approve the minutes of the ARAC meeting on 19 June 2019.</p> <p>ARAC reviewed the matters arising and audit log.</p> <p>AM reported that JM has requested Audit Scotland include SHR in list of organisations mentioned in its overview report on internal audit and that he will confirm when this has been amended.</p> <p>MC reported that he attended a round table meeting hosted by Audit Scotland on its ongoing work around housing investment and following the public pound. He confirmed that this was a general and wide discussion testing some of its early findings. MC also explained Ian Brennan, SHR's Director of Regulation, also engaged with Audit Scotland to explain SHR's role.</p> <p>IM reported that work to review and update the data asset register will happen at the next Information Management Group meeting in October.</p>

	<p>AM reported that SHR's follow up work in relation to Notifiable Events guidance for staff and quality assurance is continuing, so the Internal Audit recommendation will remain open until this is completed.</p> <p>IM confirmed completed audit recommendations and matters arising are removed from the report/log once reported to ARAC as completed.</p> <p>ARAC noted the updates.</p>
4.	<p>IT Update MC updated ARAC on IT matters.</p> <p>New Website MC reported SHR's website is now live and feedback from users has been positive. He explained phase two will be around bringing in SHR's directory as this currently sits separately from the website.</p> <p>CivTech MC explained that in June he reported to ARAC that SHR was hoping to launch the digital assistant alongside the range of Charter analysis products SHR publishes at the end of August. He reported that SHR took the decision not to do this as the tool was not ready. He explained the developer is continuing to work on it at no additional cost to SHR and there will be a further decision around December 2019. MC confirmed that although the look and the feel of the assistant had improved, the quality of answers was not consistent. MC reminded ARAC of the inherent risk the CivTech that SHR would not get a viable product, but that even if this is the end result, SHR staff have gained excellent experience and learned from the agile and innovative CivTech approach.</p> <p>MC confirmed the tool was primarily designed for tenants. MD and SW reported on a variety of digital advice services they experienced.</p> <p>MC confirmed he will update the Committee in December. He also confirmed that SHR would have unrestricted and unlimited access to the product and that the only ongoing cost would be is only liable to a small annual hosting fee.</p> <p>Business Intelligence (BI) MC explained work to examine the license arrangements for SHR's BI system. He reported that at five years old, it is now considered mature in IT terms and SHR is focussed on keeping it relevant and current. He set out the need to upgrade over 2-3 years to current releases of Microsoft products to maintain support, which will involve capital costs. MC explained he will include this detail in SHR's spending review submission to Scottish Government.</p> <p>MC also reported that one of the IT companies that supports our BI system was taken over recently and this week it notified SHR that it will not be seek to extent its current contract which ends in April (with extension options). MC explained that the team is working through the implications and that that SHR continues to have a good working relationship with the company.</p> <p>Accessibility ARAC also discussed the use of infographics, noting new accessibility regulations for all public bodies that will impact how SHR communicates and in particular the use of infographics, pdfs and videos. Members noted that this will</p>

	<p>challenge SHR's well-received approach that includes infographics. ARAC noted that SHR is working through the implications and will update the Board in October.</p> <p>ARAC noted the updates.</p>
<p>5.</p>	<p>Internal Audit progress Report</p> <p>AM updated ARAC, she reported that:</p> <ul style="list-style-type: none"> • Ernest and Young has been appointed as a co-source partner for internal audit; • that work on the review of the SHR's Regulatory Framework is on track; and • on the Internal Audit Bulletin encouraging members to subscribe. <p>AM also reported on Internal Audit's recent considerations around Brexit. She set out the potential risks that may materialise in connection with social housing, SHR and the organisations it regulates. AM also explained that Internal Audit may adjust how it works to react to the impact of Brexit and this could include more agile audit work, shorter plans and more supportive work.</p> <p>MC reported that he participates in regular briefing sessions with Scottish Government on Brexit. He explained that risk levels are heightened and that possible reactions that could include reassignment of resources including staff.</p> <p>ARAC discussed the Bulletin interview with Linda MacKay a non-executive on the Scottish Government Audit and Assurance Committee, noting her focus on resilience and audit planning. It welcomed that this as similar to its own approach. It noted that SHR will commence a workforce planning exercise later this year.</p> <p>ARAC thanked AM and noted the updates.</p>
<p>6.</p>	<p>Risk Report</p> <p>CN presented SHR's risk register. She reported that there have been no changes since the Board last saw the register. ARAC considered the register and discussed:</p> <ul style="list-style-type: none"> • Risk R4 and if the scoring incorporated considerations around the age of the BI system, noting that SHR has recently experienced some issues with the system and highlighting how central it is to SHR's work; • business continuity planning, noting SHR successfully activated its plan when it was evacuated from Buchanan House and that a fundamental review is underway. IM also highlighted the continuity support that SHR receives in being part of the Scottish Government family; • the direction of travel for Risk R1, noting that Management Team will be considering the impact of Brexit on SHR and the bodies it regulates further at its meeting later in September; • risks R5 and R6, noting the changes in the housing market, rapid re-housing plans, potential risk of increased landlord failure and the possible increased demands on SHR; • that the full impact of Brexit may take some time to filter through to social housing and SHR; and • the impact on social landlords and how this will impact regulation.

	<p>ARAC asked Management Team to consider its feedback when it next considers the risk register later in September. ARAC considered version control and sequencing with meetings. It agreed it would be most useful for it to see the most up to date risk register, as reviewed by the Management Team, at future meetings. It also asked CN to include a bit more explanatory narrative in the cover report as background to any Management Team decisions.</p> <p>AM reported that internal audit welcomed the new risk register structure.</p> <p>Actions:</p> <ul style="list-style-type: none"> • Management Team to consider ARAC feedback when it considers updating the risk register. • CM to provide more commentary around any Management Team decisions and discussions in the cover paper for ARAC. • CN to provide ARAC with the most up to date version of the risk register for future meetings.
7.	<p>Audit Scotland National Reports</p> <p>CN presented an update on national reports published by Audit Scotland. She highlighted three recent publications with some relevance to SHR:</p> <ul style="list-style-type: none"> • Enabling digital government; • Fraud and irregularities update; and • Correspondence and whistleblowing update. <p>ARAC considered how it receives updates on annual reports and the work involved in summarising. CN confirmed that she had selected these three from ten recent reports published by Audit Scotland. To streamline the process, ARAC agreed to receive future updates in the form of an email with links to all new reports and, if further discussion is required, to raise this under AOB at the following ARAC.</p> <p>ARAC noted the highlighted reports.</p> <p>Actions:</p> <ul style="list-style-type: none"> • CN to provide future updates on Audit Scotland’s national reports by email.
8.	<p>ARAC Self-Assessment Approach</p> <p>ARAC considered options for carrying out its annual self-assessment. It noted the background to previous approaches and considered the benefits and challenges of surveys and discussions. ARAC agreed to take a discussion-based approach to its next self-assessment. It asked CN to work up with SW to provide ARAC with discussion themes based on the previous survey questions. It noted that CN may be able to draw on previous discussions.</p> <p>IM confirmed that formal feedback on external audit was sought earlier this year but that clarity was not been provided by the research company on whether should be submitted by the ARAC Chair or staff team.</p> <p>Action: CN to provide ARAC with discussion themes for its self-assessment based on the survey questions used previously.</p>

9.	<p>AOB Agenda Planner</p> <p>ARAC noted that best value and an update on assurance mapping have been added to the December agenda. It asked IM to consider if a review of the risk management strategy should also be considered in December. ARAC noted that the implications of Brexit may be clearer by December and agreed it should remain agile in terms of agenda planning.</p> <p>ARAC agreed there were no new matters for consideration for audit activity and it did not require any external speakers at this time.</p> <p>Action: IM to consider if the risk management strategy should be considered by ARAC in December.</p>
10.	<p>Effectiveness of meeting and papers and</p> <p>ARAC agreed the meeting was effective.</p>
11.	<p>DONM – 11 December 2019</p> <p>ARAC considered future dates for 2020. It agreed to update RH on any diary clashes and noted that the Board is seeking to agree all the 2020 meeting dates by 29 October 2019.</p>