# Minutes

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| **Meeting:** | Audit and Risk Committee |
| **Date:** | 3 October 2024 |
| **Time:** | 10.30 am |
| **Venue:** | Room 1.03, Compass House |
| **Committee Members Present:** | Ronnie Johnson (Acting Convener)<br>Rona Fraser<br>Maria McGill (on Teams)<br>Paul Gray (on Teams) |
| **In Attendance:** | Jackie Irvine, Chief Executive (CE)<br>Edith MacIntosh, Executive Director of Strategy and Improvement/Deputy Chief Executive (EDSI/DCE)<br>Jackie Mackenzie, Executive Director of Corporate and Customer Services (EDCCS)<br>Gordon Mackie, Executive Director of IT, Transformation and Digital (EDITTD)<br>Kevin Mitchell, Executive Director of Scrutiny and Assurance (EDSA)<br>Kenny Dick, Head of Finance and Corporate Governance (HoFCG)<br>David Archibald, Internal Auditors, Henderson Loggie (IA)<br>Gillian Berry, Finance and Procurement Manager (FPM)<br>Martha Dalton, Senior Transformation Business Owner (STBO) (joined for item 16.2 only by Teams)<br>Graeme Ferguson, Head of IT Service Delivery (HoISD) (joined for item 16.3 and 18 only)<br>Marie Paterson, Chief Inspector Adults (CIA) (joined for item 17 only by Teams)<br>Sandy Denholm, External Auditors, Deloitte (EA) (joined for items 1-14 only by Teams)<br>Claire Brown, Executive Support Officer (ESO) |
| **Apologies:** | Bill Maxwell (Convener) |

| **Item** | **Action** |
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## 1.0 WELCOME

The Acting Convener welcomed everyone to the meeting.

| Version: 1_0 | Status: ***APPROVED*** | Date: 19/12/2024 |
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**2.0 APOLOGIES FOR ABSENCE**

Apologies, as listed above, were noted.

**3.0 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**4.0 MINUTES OF MEETING HELD ON 30 MAY 2024**

The Committee reviewed and **approved** the minutes of the meeting held on 30 May 2024.

**5.0 MINUTES OF MEETING HELD ON 15 AUGUST 2024**

The Committee reviewed and **approved** the minutes of the meeting held on 15 August 2024.

**6.0 ACTION RECORD OF MEETING HELD 30 MAY 2024 AND 15 AUGUST 2024**

An update was provided on the following items:

9.0 – Internal Audit noted that this item would be discussed with HoFCG and an update would be provided for the action record.                    **IA/HoFCG**

21.0 – Completion dates for the items under item 21.0 were discussed by the Committee. It was agreed that the Acting Convener would confirm with the Convener the completion dates and an update would be communicated to members.                    **DC/C**

The Committee reviewed and **approved** the Action Record.

**7.0 MATTERS ARISING**

There were no items raised.

**8.0 INTERNAL AUDIT REPORT:   FOLLOW UP REVIEWS – REPORT NO:  ARC-15-2024/25**

The Internal Auditor presented the report which set out the progress made since the previous Follow Up Review reported to the Audit and Risk Committee in May 2024.

A review had taken place of all the recommendations which had passed their agreed implementation date and had not been completed, and a number of these would be finalised prior to the next meeting to be held on 19 December 2024.

| Version:  1_0 | Status:  *APPROVED* | Date:  19/12/2024 |
|---|---|---|

The Committee queried the risk associated with R1 for Business Continuity, noting that a revised implementation date had been suggested for March 2025.   Referring to the current progress outlined in the report, the Head of Finance and Corporate Governance assured the Committee that this was a manageable risk. A further update would be provided to the Committee for the 19 December meeting.

**HOFCG**

The Committee noted that the Change Management R1 was 11 months over completion date and queried whether this was still required in light of structural changes.  The Executive Director of IT, Transformation and Digital explained that a paper was being prepared for presentation to the Strategic Management Group on this issue.

The Committee noted the report, accepted the Internal Audit follow-up review, and **approved** the revisions to implementation dates put forward by management.

**9.0     DRAFT INTERNAL AUDIT ANNUAL PLAN –
         REPORT NO:  ARC-16-2024/25**

The Internal Auditor presented the draft Internal Audit Annual Plan for 2024/25.

The draft Annual Audit Plan submitted to the May meeting of the Committee had required further work on the outline scope and objectives for Workforce and Operational Planning assignment. This had now been finalised and included in the revised Annual Plan and tabled for completeness.

The Committee asked whether the Care Inspectorate's hybrid working arrangements were operating satisfactorily and how this could be measured.  The Chief Executive explained that questions had been asked as part of the Staff Survey recently and the results were awaited on how staff were finding it and that this would be reviewed with the Executive Team and the Trade Unions. The Executive Director of Corporate and Customer Services noted that the Internal Audit was framed to capture the information on processes, but it might be of interest in the future to capture the "soft side" which would include wellness and equality impact on staff with the hybrid working model.

The Committee **approved** the final version of the Internal Audit Plan 2024/25.

| Version:  1_0 | Status:  *APPROVED* | Date:  19/12/2024 |
|---|---|---|

**10.0    INTERNAL AUDIT REVIEW – HOMEWORKING: IMPACT ON POLICIES - REPORT NO:  ARC-17-2024/25**

The Internal Auditor presented a report on the adequacy and effectiveness of policies and procedures for employee home working which also considered the impact that working from home / hybrid working has had on wider strategies, policies, and plans.
This audit had been carried over from last year's schedule.

The Internal Auditor highlighted to the Committee that there were seven Internal Audit objectives and assurance of "good" was provided against five, an assurance of "satisfactory" for one objective and an assurance of "requires improvement" for the one remaining objective. The overall assurance provided was "satisfactory."

There was one priority 2 recommendation which management had accepted and agreed a management response.

The Executive Director of Corporate and Customer Services requested that the recommendation under objective 2, be re-allocated to objective 5 as this would seem the most appropriate and logical place for it to be with regards to Display Screen Equipment (DSE) training.  The Committee acknowledged this, and the Internal Auditor agreed to update the report accordingly.                                                        **IA**

The Committee also asked if the November 2024 timescale for this recommendation was achievable.  In response, the Internal Auditor advised members that the timescale had taken into consideration the link between the DSE assessment training and the Learning Management System (LMS) and its effectiveness.

The Executive Director of Corporate and Customer Services noted that the Partnership Forum were involved with the development of the new leadership and management framework defining the core skills, knowledge and behaviours for all leaders and managers and further work would be completed past the November deadline as this was a large project.  Timescales would be confirmed in due course.

It was agreed that the paragraphs would be separated to clarify the differing deadlines for each project.                                                        **IA**

The Committee noted the report and recognised credit to the staff and management for the work completed on this report.  Thanks were also conveyed to the Internal Auditor and his team for covering the scope of the report admirably.

| Version:  1_0 | Status:  *APPROVED* | Date:  19/12/2024 |

**11.0 COMBINED ISA260 REPORT TO THOSE CHARGED WITH GOVERNANCE AND AUDIT ANNUAL REPORT ON THE AUDIT**

The External Auditor briefed the Committee that the lead Auditor for the Care Inspectorate had retired. Members were advised that a new engagement lead had been assigned as of 2 October 2024 and would review the audit papers in due course. An introductory meeting would be set up for the finance team and the Convener of the Audit and Risk Committee. The Committee received confirmation that the new engagement lead was aware of timescales and that the Audit would be finalised to enable the Board to formally approve the Annual Report and Accounts on 14 November 2024 as scheduled.

The External Auditor then outlined the key outstanding points and status of progress with the annual report.

The External Auditor advised the Committee that all information requested had been received by the agreed deadlines and that they had good access to the finance team.

The Auditors also noted the significant financial sustainability challenge in the medium to long term for the Care Inspectorate and the public sector in general.

The Committee expressed thanks to the external Auditors for a very clear and comprehensive report. Special thanks were also extended to Gillian Berry, the Care Inspectorate's Accounting and Procurement Manager, and her team for their excellent work in the preparation of the annual report and accounts.

**12.0 DRAFT ANNUAL REPORT AND ACCOUNTS AND EXTERNAL AUDIT REPORT**

The Committee completed a final review of the draft annual report and accounts and external audit report and agreed to make a recommendation to the Board for their approval at the Board meeting on 14 November 2024.

**13. DRAFT AUDIT AND RISK COMMITTEE ANNUAL REPORT TO THE BOARD – REPORT NO: ARC-18-2024/25**

The Committee reviewed the final version and agreed and **approved** it.

**14.0 LETTER OF REPRESENTATION**

The Committee approved and agreed the Letter of Representation.

| Version: 1_0 | Status: *APPROVED* | Date: 19/12/2024 |

**15.0 STRATEGIC RISK REGISTER AND ASSURANCE MAPPING**

**15.1 STRATEGIC RISK MONITORING**

The Head of Finance and Corporate Governance briefed the meeting on the Risk Register and that there were no suggested changes to the overall risks.

The Committee asked if there had been an outcome from the meeting with Sponsor on 23 September. The Chief Executive noted that the meeting had given a level of assurance for the current year's deficit and noted that the budget gap had been narrowed. There continued to be financial pressures for future years and discussions were ongoing.

It was agreed to add a further paragraph underneath Financial Sustainability with regards the risks of the lack of sufficient resources to deliver assurance on the number and frequency of inspections.                    **HOFCG**

**15.2 ASSURANCE MAPPING**

The Head of Finance and Corporate Governance provided a verbal update to the Committee on how to access and navigate the assurance mapping information on the Board SharePoint.

**16. DIGITAL PROGRAMME UPDATES**

**16.1 DIGITAL STAGE 1 UPDATE – REPORT NO: ARC-20-2024/25**

The Executive Director of IT, Transformation and Digital provided the Committee with a quarterly update on the progress of the Stage 1 delivery which covered Complaints, Registrations and the Register.

The Committee noted that anonymous complaints app functionality had been released which would enable improved decision making and better inform complaints teams operational resource planning.

Also noted that safe staffing functionality had been introduced to the complaints application to meet new regulations introduced this year and that work was continuing on the provider functionality with additional enhancements.

The Committee noted the report.

**16.2 DIGITAL STAGE 2 UPDATE – REPORT NO: ARC-21-2024/25**

The Senior Transformation Business Owner presented the update report and briefed the Committee that the Stage 2 transformation project continued to deliver on the aim of providing a fully integrated digital platform to replace legacy systems.

| Version:  1_0 | Status:  **APPROVED** | Date:  19/12/2024 |
|---|---|---|

The Committee was assured that governance remained robust, with the Digital Advisory and Assurance Group (DAAG) and the Project Board meeting regularly. Risk continued to be monitored in line with the organisation's Risk and Issues Strategy.

A recent Technical Assurance Framework (TAF) Health Check confirmed strong governance and readiness to continue with the next phase of the project. There was continuing engagement with the Scottish Government on project assurance and a Pre-Procurement TAF Gate (PPG) had recently been completed.

The Committee noted all points for consideration and congratulated the Team on the progress that had been made to date.

### 16.3 ARTIFICIAL INTELLIGENCE POSITIONING PAPER – REPORT NO: ARC-22-2024/25

The Head of IT Service Delivery joined the meeting and briefed the Committee on the positioning paper, to explore the potential impacts, opportunities and considerations of Artificial Intelligence (AI) in support of developing a position of readiness for the Stage 2 Transformation project.

The Committee discussed the potential challenges and limitations of AI and explored the risks and considerations and **agreed** that an update should come to the Audit and Risk Committee on a quarterly basis as this technology moves quickly.

**ESO/ HoISD**

The Committee also noted the output of an AI Proof of Concept, designed to explore the capabilities of AI using the Microsoft Co-Pilot technology.

Item 18.0 was also taken at this point.

### 17.0 ANNUAL REPORT ON ENFORCEMENT ACTIVITY – REPORT NO:ARC-23-2024/25

The Chief Inspector of Adults Services joined the meeting and briefed the Committee on the first annual enforcement report undertaken by the Care Inspectorate in 2023/24. It provided an update on the actions taken as a result of recommendations from the Internal Audit undertaken in 2024 to strengthen the approach to enforcement.

The Committee noted the report and added that additional narrative and trends would be of benefit going forward. It was also suggested that case studies could be included in the report.

**CIA**

As a result of the Report, the Committee agreed that the recommendation contained in Agenda Item 8. Internal Audit Report:

| Version: 1_0 | Status: *APPROVED* | Date: 19/12/2024 |

Follow Up Reviews under R5 Enforcement Action Process can now be accepted as complete.

**18.0  CYBER SECURITY ASSESSMENT UPDATE QUARTER 2 2024/25 – REPORT NO: ARC-24-2024/25**

The Head of IT Service Delivery provided an interim progress update on the Cyber Security Improvement Plan and also an update on the planned objectives to develop the security maturity further towards a Managed state through 2025.

The Committee **noted** the comprehensive report.

**19.0  HORIZON SCANNING**

No items were raised.

**20.0  AUDIT AND RISK COMMITTEE HIGHLIGHTS FOR THE BOARD**

The Committee agreed that the following should be included in the update to the Board on 14 November 2024:

- Approval of the Draft Internal Audit Plan
- Internal Audit report on Hybrid and Homeworking processes
- External report from Deloitte
- Recommendation of approval for the Annual Report and Accounts
- Recommendation of approval for the Letter of Representation
- Artificial Intelligence Positioning Paper
- Annual Report of Enforcement Activity
- Stage 2 Update on Digital Transformation

**21.0  SCHEDULE OF COMMITTEE BUSINESS 2023/24**

The Committee reviewed and agreed the schedule of business.

**22.0  ANY OTHER COMPETENT BUSINESS**

Members asked for clarification on whether Committee meetings going forward were to be virtual only.  The Acting Convener explained that he was awaiting clarification from the Chair of the Board and members would be notified in due course.

**23.0  PRIVATE MEETING WITH THE EXTERNAL AUDITOR**

This meeting was postponed and would now be held on 19 December 2024 with the new engagement lead from the External Auditors.

**24.0   CLOSE OF BUSINESS AND DATE OF NEXT MEETING:**

19 December 2024 at 10.30 am.

Signed:

Rognvald Johnson, Acting Convener

| Version:  1_0 | Status:  *APPROVED* | Date:  19/12/2024 |
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