



Minutes

Meeting: Audit and Risk Committee

Date: 14 December 2023

Time: 10.30 am

Venue: Room 1.12, Compass House

Committee Members Present: Bill Maxwell (Convener)
Rona Fraser
Paul Gray
Ronnie Johnson
Maria McGill

In Attendance: Jackie Irvine, Chief Executive (CE)
Jackie Mackenzie, Executive Director of Corporate and Customer Services (EDCCS)
Gordon Mackie, Executive Director of IT, Transformation & Digital (EDITTD)
Kevin Mitchell, Executive Director of Scrutiny and Assurance (EDSA) (*by Teams*)
Kenny Dick, Head of Finance and Corporate Governance (HoFCG)
Fiona McKeand, Executive and Committee, and Corporate Support Manager (ECCSM)
David Archibald, Internal Auditors, Henderson Loggie (IA)

Apologies: Edith MacIntosh, Executive Director of Strategy and Improvement (EDSI)

Item	Action
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1.0 WELCOME

The Convener welcomed everyone to the meeting.

2.0 APOLOGIES FOR ABSENCE

Apologies, as listed above were noted.

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3.0 DECLARATIONS OF INTEREST

There were no declarations of interest.

4.0 MINUTES OF PREVIOUS MEETING

The Committee reviewed the minutes of the meeting held on 28 September 2023 and **approved** these as an accurate record.

5.0 ACTION RECORD OF MEETING HELD 28 SEPTEMBER 2023

The Committee reviewed the action record and noted that all actions had been completed, with the exception of:

Item 11 of the meeting held on 25 May – discussions were ongoing with the Executive Team on wider change management and an update would be provided for the next meeting. **CE**

Item 13 of the meeting held on 28 September 2023 – the Executive Director of IT, Transformation and Digital agreed to review this action and follow up. **EDITTD**

6.0 MATTERS ARISING

At the previous meeting, the matter of RAAC concrete in public buildings had been raised, at which point the Executive Director of Corporate and Customer Services had confirmed that the Care Inspectorate had requested all landlords of premises occupied by the organisation provide confirmation, and that no issues had as yet been identified. The Committee asked if there had been any change and was advised that the Scottish Government was in the process of confirming the overall position.

The Chief Executive stated that an email would be sent to the chief inspectors to ensure that conversations were taking place between inspection teams and providers around building safety and any associated risks. The Committee was keen to have feedback on this point and it was agreed to provide an update to the March 2024 meeting. **EDSA (Chief Inspectors)**

7.0 INTERNAL AUDIT REPORT: FOLLOW UP REVIEWS – REPORT NO: ARC-22-2023/24

The internal auditors presented the report which set out the status of all internal audit recommendations that had not been formally evaluated as fully implemented. The Committee was invited to accept the report and approve any further revisions to implementation dates put forward by management. The rationale for extending the completion dates were clearly set out in the report.

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With regards to the recommendation for refresher training, under risk management, the Head of Finance and Corporate Governance confirmed that he would be taking this action forward as a priority.

Members noted that progress had been made on the development of new resource models, as recommended under the internal audit review of Scrutiny and Assurance, to the extent that they had been used to inform budget discussions with the Scottish Government. Further detailed work was ongoing in respect of the expansion of early learning and childcare and the chief inspectors were currently considering models for all other services. Members were advised that good progress was being made in developing a full suite of resource models and a revised completion date was noted as 31 March 2024. The Committee **agreed** to this revised date.

With regard to the recommendation to procure alternative systems, arising from the internal audit of business continuity, the Executive Director of IT and Digital Transformation advised that invitations to tender had been issued and received back. Discussions were being held with the Chief Executive around a preferred organisation, expected to be concluded by February. The Committee **agreed** to a revised implementation date of 31 March 2024.

The report noted that the recommendation under the review of change management, which referred to the establishment of a business change steering group, was subject to an update from management on revised timescales. The Committee noted this, and that there had been a lot of work already done over the previous six months in defining change management and testing this through a collaborative conversation with senior leaders.

As noted above, the Committee **agreed** to the revised implementation dates for the outstanding internal audit recommendations.

8.0 INTERNAL AUDIT REPORT: FINANCIAL SUSTAINABILITY – REPORT NO: ARC-23-2023/24

The internal auditors presented the report of the review of financial sustainability. The scope of the review had considered the long-term financial planning arrangements of the Care Inspectorate to ensure financial sustainability, and support effective planning and business decision making in the medium to long term.

The Committee was pleased to note that all five of the internal audit objectives had provided an overall assurance of “good”, with no weaknesses identified from the fieldwork undertaken and no recommendations arising from the review. Members were assured by the report about the validity and competence of the processes being used in relation to the organisation’s financial stability.

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There was some discussion on the Care Inspectorate's financial position and this being considered as part of the work on resource modelling. The report noted the clear communication that had been made to the Board and the sponsor department about the impact of the funding gap on the future delivery of the statutory functions of the organisation.

There was some discussion on the Committee's concerns about the challenges of achieving financial stability due to factors outwith the control of the Care Inspectorate. Scenario planning, which was already underway, was agreed to be vitally important to inform presentations to the Scottish Government and that these be framed within the organisation's overall risk management. The Committee also considered it important that these be transparent and communicated to staff to demonstrate the constructive dialogue between the organisation and Scottish Government.

The Committee agreed that the work being undertaken on resource modelling and scenario planning provided the Committee with good assurance that the Care Inspectorate was doing all it could to ensure financial sustainability and this was reflected in the internal audit report.

9.0 INTERNAL AUDIT REVIEW: ENFORCEMENT ACTION REPORT NO: ARC-24-2023/24

The Committee received the report of the audit review on enforcement action, the scope of which had covered the Care Inspectorate's Enforcement Policy and Procedures, and to examine how they were being applied by the Scrutiny and Assurance Directorate and support staff.

The report concluded an overall assurance level of satisfactory, and highlighted a good number of strengths. Where there were weaknesses identified, these had recommendations made against them.

The Committee was advised of work that was already underway in addressing some of the recommendations made in the report. In respect of recommendation 3, this included working with SSSC colleagues about secondary registration of some staff, which would be reported on at a future meeting of the Strategic Management Group.

With reference to recommendation 1, members were advised that a Board Development session was planned for February 2024 on the legislative and regulatory framework within which the Care Inspectorate operated, and would include an update on enforcement activity.

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Referring to recommendation 2, the Committee was advised that enforcement activity would be fed into the capacity management tool. It was noted, however, that this activity was demand-driven but the resource model did take into account the provision of resources for unplanned activity. The level of this activity, however, had scope to impact on overall capacity. The Executive Director of Scrutiny and Assurance assured the committee that inspectors did record time, which was fed into the CMT, and that this requirement would be reinforced to inspection teams, and guidance would be strengthened.

It was proposed that a summary report on enforcement activity should be prepared routinely and that this be submitted on an annual basis to the Audit and Risk Committee. This was welcomed and agreed by the Committee and the first report would be brought to the meeting being held on 30 May 2024, and added to the Committee Schedule of Business.

EDSA

ECSM

10.0 INTERNAL AUDIT REVIEW: DEBTORS/INCOME – REPORT NO: ARC-25-2023/24

The internal auditors presented the report of the review of the systems of internal control in place for the raising of invoices and credit notes. Debt management and recovery procedures had also been considered as part of the audit.

The Committee noted another very positive report, with the overall level of assurance being good, and that there was one recommendation, with a planned completion date of the end of February 2024.

11.0 ESTABLISHMENT OF A DIGITAL ASSURANCE SUB-COMMITTEE – REPORT NO: ARC-26-2023/24

The Executive Director of IT, Transformation and Digital introduced the report which presented draft terms of reference for the Committee’s approval. These applied to the establishment of a new digital assurance group which was considered necessary in order to provide assurance to the Audit and Risk Committee and to the Board in support of the delivery of Stage 2 of the Digital Transformation Project.

The Committee noted that this would be a working group, and not a sub-committee as outlined on the agenda, and the terms of reference had been drafted in consultation with the Stage 2 Digital Team and the Executive Director of Corporate and Customer Services. The Committee’s agreement was sought on the submission of the draft terms of reference to the Board Chair for approval, and for the working group to be set up for the duration of the project, since ordinarily a member/officer working group would be established for a period of up to six months.

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The Committee requested the following modifications to the terms of reference:

- Reference to the first bullet point under **Roles and Responsibilities of the Group**, the committee pointed out that there was no mention of how and to where any risks would be elevated. This should be made clear.
- Referring to the third bullet under the same section, the Committee recommended this be re-worded by adding the word “appropriately” as follows:
 - “there are appropriate arrangements in place in respect of stakeholder engagement, and that decisions made have, wherever possible, **appropriately** considered stakeholder’s views;”
- The Committee requested that this Group should include the word “Advisory” in its title. This was agreed.

EDITTD

It was noted that, subject to the Board Chair’s approval, it was planned to hold the first meeting of the group in January on an informal basis, and thereafter to meet formally in alignment with the cycle of Audit and Risk Committee meetings. A report would be prepared for submission to each Committee meeting, the content of which would come from the Project Board, with the Senior Transformation Business Owner being invited to attend each meeting of the Committee as part of Stage 2 reporting.

The Committee **agreed** that the terms of reference for a new Digital Assurance and Advisory Group should be submitted to the Board Chair for approval and to the duration of the working group being for a period of 36 months.

12. STRATEGIC RISK REGISTER MONITORING AND ASSURANCE MAPPING

12.1 Strategic Risk Register – Report No: ARC-27-2023/24

The Head of Finance and Corporate Governance presented the report under the Committee’s quarterly review of the Care Inspectorate’s strategic risk register monitoring position. The Committee was also invited to agree the addition to the strategic risk register of two new risks, namely a risk around Capacity Diverted to Inquiries and Operation Koper and a risk around Modern Day Slavery. Full details of each of the proposed new risks were outlined in the Risk Monitoring Statement.

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The Committee recommended additional wording to the description of the risk Capacity Diverted to Inquiries and Operation Koper – *“as a result of the demands of this and about our commitment to respond effectively,”* The Committee noted the impact on staff, including the need for support in some cases.

HFCG

Regarding the risk around Modern Day Slavery, the Committee asked if there was any statement contained within the organisation's sustainability policy, and this was confirmed by the Executive Director of Corporate and Customer Services.

The Committee **agreed** that both of the proposed new risks be added to the Strategic Risk Register.

12.2 Assurance Mapping (verbal update)

The Head of Finance and Corporate Governance advised members that work was underway to update the assurance mapping model, with meetings set up in January. This would be an ongoing piece of work with continuous review and updating as required. The assurance mapping link would remain embedded within the Committee meetings agenda for members to access.

13. DIGITAL PROGRAMME UPDATES

13.1 DIGITAL STAGE 1 UPDATE – REPORT NO: ARC-28-2023/24

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

It was noted that, going forward, management of Stage 1 would be undertaken through a steering group, co-chaired by the digital team and operational colleagues.

The Committee noted the details on project developments that had progressed during the previous quarter and were reassured by the information provided in the report.

13.2 DIGITAL STAGE 2 UPDATE – REPORT NO: ARC-29-2023/24

The Executive Director of IT, Transformation and Digital presented the first quarterly report on Stage 2 of the Digital programme, which would deliver a fully integrated digital platform to replace legacy systems and underpin a risk-led scrutiny model. Accompanying the report was the project governance structure and the Committee was advised that procurement of third party delivery partners was underway.

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The Committee noted the update and **agreed** to the Senior Transformation Business Owner attending future meetings to present the report and take questions.

14. HORIZON SCANNING

The Committee considered that modern slavery fell into this category and was reassured therefore that it was being monitored at strategic risk level.

15. AUDIT AND RISK COMMITTEE HIGHLIGHTS FOR THE BOARD

The Committee agreed that the following should be included in the update to the Board on 8 February 2024:

- The Committee's agreement to revised implementation dates of the outstanding internal audit recommendations.
- The three positive internal audit reports and the work already underway to address the recommendations in respect of the Enforcement Action Procedures audit.
- The Committee's agreement that a report on Enforcement Activity be presented to the Committee on an annual basis, with the first one being submitted to the meeting on 30 May 2024.
- The Committee's agreement to the terms of reference and duration of a new Digital Assurance and Advisory Group for Stage 2 of the digital project, and that the terms of reference be submitted to the Board Chair for approval.
- The Committee's agreement to add two new risks to the Strategic Risk Register
- The Committee's receipt of the first quarterly update on the Stage 2 digital project

16. SCHEDULE OF COMMITTEE BUSINESS 2023/24

The Committee reviewed the schedule of business and agreed to the internal audit review of digital transformation being carried over to the March 2024 meeting. The Convener also requested a copy of the new schedule for 2024/25 in advance of the March meeting.

ECSM

17. ANY OTHER BUSINESS

There were two matters raised under Any Other Business.

1. The Head of Finance and Corporate Governance updated the Committee on an ongoing fraud investigation, which had been referred to the NHS Counter Fraud Services. The outcome was an internal disciplinary route and the Committee would receive a full report in due course.

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2. Committee member Paul Gray drew the Committee's attention to various ongoing investigations and related research, which members and officers might find of interest and relevance, particularly regarding the impact of risk aversion on decision making on a national basis. A link would be circulated to members following the meeting.

P Gray

**18. CLOSE OF BUSINESS AND DATE OF NEXT MEETING:
7 March 2024 at 10.30 am in Compass House, Dundee**

Signed:



Bill Maxwell, Convener

