**FORESTRY AND LAND SCOTLAND AUDIT AND RISK COMMITTEE**

**11.00am, 17 November 2020, MS Teams Conference**

**Present**

**Members:** Mark Pountain (MP), Chair, Non-Exec

Lisa Tennant (LT), Non-Exec

Pamela **Zielinski** (PZ), Non-Exec

**Apologies**: Mark Taylor (MT), Audit Director Audit Scotland

**Attendees:** Simon Hodgson (SH), Chief Executive FLS

Graeme Hutton (GH), Director Business Services FLS

Michael Hymers (MH), Head of Corporate Support FLS

Rhondda Salmond (RS), Change Manager FLS

Donna Mortimer (DM), Head of Finance & Procurement FLS

Mary Fitzgerald (MF), Deputy Head of Finance & Procurement FLS

Eilidh Beaton (EB), Senior Finance Manager (Accounting & Compliance) FLS

Dave Exeter (DE), Head of Digital Services FLS

Lynne Smith (LS), Head of Records and Data Protection

Helen Russell (HR), Senior Audit Manager Audit Scotland

Emma Keggans (EK), Senior Auditor Audit Scotland

Kate Moffat (KM), Senior Internal Audit Manager SG IAD

Paul Marshall (PM), Internal Audit Manager SG IAD

Amy Grant (AG), Internal Auditor SG IAD

**ACTION POINT SUMMARY:**

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| **ACTION POINT REF** | **DESCRIPTION** | **STATUS** | **OWNER** |
| 1/2020 | Update and New/Emerging Risks Post Covid-19 , including lessons learned in Covid-19 response, lessons learned for Corporate Risk Register. | Open | Michael Hymers |
| 2/2020 | Management information & Financial System Project Update, including impact on timescales as a result of Covid-19 | Closed but Held as recurring action. | Donna Mortimer |
| 3/2020 | Information Assurance training and development to be provided to Non-Execs | Open | Graeme Hutton |
| 7/2020 | Provide ARC with FLS Investment Strategy and Reserves Policy | Open | Donna Mortimer |
| 11/2020 | Incorporate Audit Scotland Interim report recommendations to action point and recommendations tracker. | Open | Michael Hymers |
| 12/2020 | Provide ARC with update on External Audit Timetable 20/21 | Open | Mark Taylor |
| 13/2020 | Update on next steps to embed Risk Appetite Statement into FLS at an operational level | Open | Michael Hymers |
| 14/2020 | Provide ARC with update on progress against recommendations from Internal Audit Review of Health and Safety | Open | Graeme Hutton |
| 15/2020 | Provide ARC with update on Financial Sustainability Risk, with reference to 3rd Party Claims | Open | Michael Hymers |
| 16/2019 | Issue paper to ARC on Ongoing Projects, mapping out the key individuals involved in each | Open | Michael Hymers |
| 17/2019 | Update ARC on further action taken to improve business wide awareness on data handling responsibilities and completion of mandatory training | Open | Graeme Hutton |
| 18/2019 | Present paper to ARC on wider lessons learned on Business Continuity from response to Covid-19 | Open | Graeme Hutton |
| 19/2019 | Update ARC on outcome of ongoing Procurement Investigation | Open | Graeme Hutton |

1. **PRELIMINARIES/INTRODUCTIONS**

MP welcomed everyone to the FLS Audit and Risk Committee (ARC) meeting, outlined the agenda.

There were no declarations of conflict of interests.

1. **MINUTES OF LAST MEETING AND ACTION POINTS**

The ARC members agreed that the minutes were a fair and accurate record of the meeting held on 28 September 2020.

The following Action points have now been closed:

* ***Action Point 15/2019 – FLS to provide an update on the response to all Internal Audit Report findings in relation to GDPR, including future actions.* Closed**
* ***Action point 17/2019 - Paper to be circulated to ARC on Information Assurance recommendations and requirement decisions for 20/21 Budget.*  Closed**
* ***Action point 19/2019 - Provide ARC with update on Business Continuity, with a specific focus on Business Services (particularly Digital Services).* Closed**
* ***Action point 01/2020 - Update and New/Emerging Risks Post Covid-19 19, including lessons learned in Covid-19 19 response, lessons learned for Corporate Risk Register.* Closed**
* ***Action point 04/2020 - Provide ARC with an update on ‘Deep dive’ on Information Assurance policy and procedures.* Closed**
* ***Action point 05/2020 - Provide ARC with an update on 20/21 Audit Plan and progress***. **Closed.**
* ***Action point 06/2020 - Presentation of new Risk Appetite Statement to ARC.* Closed**
* ***Action point 08/2020 - Share FLS ‘Best Value Report’.* Closed**
* ***Action point 09/2020 - Provide ARC with update on progress of recommendations identified in Corporate Governance Health Check.* Closed**
* ***Action point 10/20 - Provide ARC with update on progress of recommendations identified in 19/20 Review of Controls Report and 19/20 Audit Report.*  Closed**

The ARC welcomed the creation of the action point and recommendations trackers. HR noted that there were additional recommendations from the interim audit report provided in Sept 2020 which were not included. It was agreed these will be added.

***Action 12/2020 – Incorporate Audit Scotland Interim report recommendations to action point and recommendations tracker.***

***Action point owner – MH***

1. **RISK**

**3a. New/Emerging Business and Potential risks**

SH provided a verbal update on new and emerging risks affecting the organisation.

The cumulative impact of Covid-19-19 over the coming months was discussed. SH noted that due to the unknown duration of the pandemic there are some smaller risks which are not actively visible at a moment in time, which could cumulate over time to have more significant impact. There is a risk that as the pandemic continues FLS could feel the effects of these types of risks.

SH went onto outline 3 specific risks, related to Covid-19 19, which have been identified as emerging/new risks;

1. *Economic Slowdown* - continued risk associated with potential wider Economic slowdown as a result of Covid-19 19.

2. *Visitor Economy and Experience* – unknown factors including future lockdowns, travel restrictions etc. have potential to have a significant impact on Visitor economy and experience.

3. *Distanced/Remote working* – expectation the impact of longer term distanced and remote working will be increasingly felt the longer the pandemic goes on, especially with coming into winter and there being no clear end in sight. Staff engagement, team work etc. are a continuing challenge.

SH confirmed work will be carried out over the coming months on how these risks will be addressed.

PZ noted that the introduction of Microsoft Teams was a good step in increasing engagement by being able to see all members of the call.

PZ went onto query whether there was any work ongoing to address Distanced/Remote Working issues such as Health and Safety e.g. desk set up. SH clarified that wellbeing has been a focus and work has gone into encouraging contact and communication across the Business and within teams, however coming into winter and the persistence of home working makes it challenging to foresee external factors. RS also noted that Desk Assessments have been amended following HSE guidelines for home working arrangements and there is active comms and advice on the intranet to take regular screen breaks, exercise etc. as well as signposting to the Employee Assistance Programme. The results of the People Survey are due over the coming weeks which will help gauge how to move forward.

**3b. Review of Risk Appetite Statement - Annual Review**

RS introduced the paper issued to ARC and noted the Risk Appetite Statement will be reviewed annually to review the focus for the organisation will be going forward. The primary change was noted as a move of the risk appetite statement assessment from ‘Open’ to Cautious’, RS requested feedback from ARC Members on the paper.

PZ welcomed the move from Cautious and queried whether there has been scenario planning in response to Brexit and further effects of Covid-19-19. RS confirmed this work is ongoing as well as work on FLS budgets, with input from the Executive Team and planned engagement with the Strategic Board. DM agreed this was a work in progress.

Discussion turned to how FLS is doing in this area compared to other SG bodies. A number of members echoed the sentiment that good progress had been made and it was now a good opportunity to look at embedding the Risk Appetite Statement further in business. DM and RS noted that the conversations around ‘Risk’ are happening, however they are not necessarily document and written down. It was agreed a worked example would be useful to help facilitate consistent scoring and bring its use to life at an operational level. It was also agreed an update should be provided on how the Risk Appetite Statement has been further embedded in the business.

***Action 13/2020 – Update on next steps to embed Risk Appetite Statement, completion of worked scenario***

***Action point owner – MH***

**3c. FLS Corporate Risk Register and Update**

RS presented the Risk Register to the committee.

PZ had some queries around the risk register which have been noted below.

*Health and Safety* – PZ noted there was a lack of clarity on whether recommendations from the Internal Audit review had been addressed. KM and PM noted the second part of the Health and Safety review was due to commence over the coming months and full update could be given at a future meeting.

***Action 14/2020 – Provide ARC with update on progress against recommendations from Internal Audit Review of Health and Safety***

***Action point owner – GH***

*Financial sustainability –* PZqueried what the risk to FLS is on the new/emerging risk relating to financial sustainability and potential liabilities to FLS from staff, contractors and the public. DM and SH commented that such matters are virtually impossible to predict. DM noted that such matters and associated financial liabilities were typically on the horizon for a number of years due to the lengthy legal process involved, and that FLS regularly engage with their solicitors in order to gauge any potential financial liabilities as cases progress. Funds are put aside for any ongoing cases which have a reasonable chance of settlement.

SH clarified if any settlement was in the realms of not being possible for FLS to meet support could and would be sought from SG as a last resort.

It was agreed the non-executives would like a more detailed update on the Financial Sustainability risk associated with these types of claims.

***Action point 15/2020 - Provide ARC with update on Financial Sustainability Risk with reference to 3rd Party Claims***

***Action point owner - MH & DM***

**Business Continuity Planning and Organisational Capacity** *–* PZ queried whether there was a capacity issue within FLS, with particular reference to the continually changing operating environment due to Brexit and Covid-19.

SH noted that there were a number of projects ongoing but they were key to building a sustainable business. It was acknowledged that timescales of projects may need to be flexed as they progress and it is important to be cautious of a concentration of pressures in specific areas.

It was agreed it would be beneficial to provide a paper to the committee on ongoing projects in order to identify the pressures and reliance at a people level.

***Acton point 16/2020 Issue paper to ARC on Ongoing Projects mapping out the key individuals involved in each***

***Action point owner – MH***

1. **Information Assurance Update**

LS presented the paper ‘Information Assurance Update’.

PZ queried whether FLS tracks mandatory training under Civil Service learning. LS confirmed mandatory Civil Service learning is tracked and monitored by FLS.

Discussion then turned to the percentage completion across FLS for mandatory training. LS noted that the completion rate of mandatory training is currently 79%, however the reminders for completing this training were turned off during the pandemic and only returned last month. GH confirmed that last year the completion rate was 95%. MP queried what steps will be taken to bring the percentage completion up. LS noted that steps were being taken to follow up with managers and areas of the business where completion was low. MP noted there was a gap that needed to be resolved given the requirement is mandatory.

Discussion the turned to the information breaches referenced in the paper and what the organisation has learned from the breaches. LS explained these were minor breaches and for different reasons, borne from a lack of awareness on data handling responsibilities. There is now more guidance on data handling and a policy has also been created to help bridge this gap. MH also noted that home working as a result of Covid-19-19 is resulting on some people by-passing normal procedures to enable business as usual. Noted that more needs to be done to remind staff of associated risks of handling data. It was agreed by the committee to revisit the further action in this area.

***Action point 17/2020 – Update ARC on further action taken to improve awareness on data handling responsibilities and completion of mandatory training***

***Action point owner - GH***

The progress of the Records Management Plan was then discussed. GH noted the funding has been agreed however Covid-19 had impacted the start date of the project and they are around six months behind where they would have been otherwise. Work is ongoing to fill the Project Manager post. The Management Information Platform (MIP) project was also discussed, GH noted that funding had also been agreed and scoping is ongoing. A project plan is in place for the MIP, with the expected timescale being 2 years from start to finish.

MP requested an update on the project at future ARC meetings, this is a recurring ***action point 2/2020***

1. **GOVERNANCE**

**5. Business Continuity Update**

DE presented paper on Business Continuity within FLS, with focus on Business Services and Digital Services.

The Non-executive members noted they were delighted to see FLS has attained Cyber Essentials plus certificate and ISA27001, and noted the good disaster recovery processes in place.

The discussion turned to lessons learned from the Covid-19 response. It was noted that lessons learned from the response had not been shared wider at this stage, and had primarily focused on the initial response phase but not the ongoing restart and recovery phase . MH noted that the Covid-19 pandemic forced review of a lot of continuity planning which much of remained embedded in historic Forestry Commission processes. The non-executives felt it would be beneficial to re-visit the response to Covid-19 and carry out a wider lessons learned exercise on key areas including governance, communication, accountability etc.

***Action point 18/2020 – Present paper to ARC on wider lessons learned on Business Continuity from response to Covid-19***

***Action point owner - GH***

1. **AUDIT**

**6a. GDPR – Progress against audit recommendations**

LS presented the paper on progress of the recommendations from the 2018 GDPR audit. Three recommendations were made, one of which is fully implemented and the remaining two are partially implemented, including training and development.

PZ queried whether training plans for Non-executive members are now available. GH noted that they are working on how to make the training available to ‘Non SCOTS’ users, including the non-execs. This remains as ***action point 3/2020.***

**6b. GDPR – EU Exit**

LS presented the paper outlining the actions to prepare for the potential of a ‘no adequacy’ status for Data protection at the end of the EU Exit transition period. The initial reviews of the data held suggests the risk to FLS would be low but actions are being put in place to mitigate any risk. DE noted that some backups from Microsoft are currently held in the Netherlands but that it can be moved.

MP thanked LS and GH for the update.

**6c. Internal audit – Progress Report**

KM noted that planning for 21/22 was ongoing and would welcome comments from Non executive members on the plan.

KM provided an overview of the 20/21 progress, much of which had been covered earlier in the meeting.

**6d. External audit – Progress report**

HR introduced the progress report and confirmed the 19/20 accounts have been signed off in October and laid before Parliament earlier in November. HR confirmed no work has started on the 20/21 audit as the team were still working on completing outstanding 19/20 audits for other audited bodies which have been delayed by Covid-19. It is hoped planning work will start before the end of the year and an audit plan will be issued for the next committee meeting in March 2021. HR also noted the interim report was unlikely to be ready for the March 2021, however a report would be brought to the ARC outlining progress on the audit. .

Discussion turned to potential disclosure required in the 20/21 accounts on Covid-19. SH queried what this would look like in the accounts. HR clarified that the governance statement would include such disclosures and it would be anticipated that it would refer to changes in governance arrangements and their effectiveness and it should have a focus on ensuring adequate controls were maintained and had not been impacted as a result of the pandemic. This will be incorporated in the planned audit work for 2020/21. In addition, points included in the 2019/20 annual audit report would be followed up during 2020/21. DM concluded by noting the FLS Finance Team are meeting this week to review lessons learned from 19/20 and there is a meeting with AS colleagues, with the same purpose, scheduled for December.

MF provided an overview of the progress by FLS Finance against the recommendations from Audit including in the 19/20 Audit Report.

PZ queried whether there was anything to report on a potential fraud which was reported to the non-executives in November. GH and DM noted that work was ongoing to establish whether there is anything to report on the matter and expect to be able to conclude next month. It was agreed an update should be provided on the outcome of the ongoing investigation.

***Action point 19/2020 – Update ARC on outcome of ongoing Procurement Investigation***

***Action point owner – GH***

1. **AOB**

There were no additional items raised under AOB.