MINUTES OF THE SPS RISK MONITORING AND AUDIT COMMITTEE (RMAC) MEETING WEDNESDAY, 27 MARCH 2024, HMP PERTH, BOARD ROOM. 13:00-14:50

RMAC Members in Attendance in Person (Confirmed):
>   Ian Harley, Non-Executive Director and RMAC Chair (IH)
>   Lynne Clow, Non-Executive Director (LC)
>   Stephen Uphill, Non-Executive Director (SU)

Also in Attendance in Person (Confirmed):
>   Teresa Medhurst, Chief Executive, SPS (TM)
>   Rebecca Murray, Head of Improvement, SPS (RM)
>   Tommy Yule, Audit Scotland (TY)
>   Michael Oliphant, Audit Scotland (MO)

In Attendance Via Teams (Confirmed):
>   Rob Strachan, Head of Strategy and Improvement (RS)
>   Michael Beardmore, Head of Strategy Planning, SPS (MB)
>   William Wilkie, Internal Audit Manager, SG (WW)
>   Nigel Ironside, SPS (NI)

Introduction and Welcome

1.   IH welcomed all to the meeting.

Declarations of Interest

2.   There were no declarations of interest.

Apologies for Absence

3.   Apologies for absence were received from Gerry O'Donnell (SPS Director of Finance) and Dougie Shepherd (SG Senior Internal Audit Manager).

Minutes of the last RMAC Meeting

4.   A change to the final sentence of paragraph 17 was requested as it was felt this confused what the initial intent of the discussion was.

Action Log following last RMAC Meeting

5.   IH and members reviewed the Action Log and agreed the current position/update against each action.

External Audit Annual Audit Plan

6.   TY gave an overview of the paper provided (RMAC (MAR) 01 24), "*Scottish Prison Service: Annual Audit Plan 2023/24 Draft*". The below key points were highlighted from the paper;

- Planning materiality – set to £6.5million.
- Performance materiality – set to £4.55million.
- Reporting threshold – A previous cap of £250,000 has been removed and has been settled at 5% of the planning materiality. This has now been set to £325.000.
- The estimation in the valuation of provisions and ex-gratia payments have been identified as risks that will be focussed on during the audit

- Financial sustainability and IT strategic planning and cyber security have been identified as wider scope areas for audit attention.

7. Following a query by IH, TY clarified that the 'provisions' referred to could relate to a number of things, such as, potential provisions for any legal cases.

8. TY also clarified that when looking at the wider scope areas, Financial Sustainability and Cyber Security were areas that were deemed to be most significant risks. They were also areas where there were projected challenges for the organisation last year. It was acknowledged that there were a number of discussions in the previous year, particularly around cyber needs and the ability to demonstrate that the appropriate arrangements are in place. These risks were identified in the annual report last year with the actions against them still ongoing.

9. MO emphasised the difference between an 'audit risk' and a 'business risk', as several highlighted risks on the risk register will be business risks, but may not necessarily be risks within the context of the audit. The group were made aware that this would be risks were there may be a need to carry out additional work to gain assurances over these wider scope areas. Financial sustainability will cover a number of areas, such as, population management and pressures. It was noted that the audit plan includes 'Other wider scope considerations', which are areas not documented, but will require close attention - such as, the recent return of HMP Kilmarnock to SPS ownership, prison population, SCCPES Contract, which is also covered in the recent Section 22 report and again, capacity with the finance team.

10. MO and TY addressed the reporting timetable in the report, adding that they are aiming for RMAC on the 31 July, with a view to aim for the Scottish Governments deadline for consolidated accounts at the end of August 2024. They added that last year there were very specific challenges faced that they hope will not be replicated again this year. It was stated that the 31 July 2024 will be challenging, however, they are confident at this time it can be achieved. It was queried and confirmed that the Head of Finance has validated these dates in terms of staff capability and capacity.

11. TM requested that, given there has been quite significant turnover in the team, that if there are any issues or concerns that these are escalated to Head of Finance or herself. EA advised that they felt there has been a good level of communication from the team regarding the timetable and timing of work coming in and is sure that any challenges can be identified early on.

Risk Management Progress Report

12. MB advised that the report shows there has been a few movements in terms of individual risks on the corporate risk register, following an EMG review at the end of January 2024. Continued work is ongoing in moving everyone over to a consistent template, noting that Human Resources and Finance had faced challenges with capacity. The group were made aware that the Planning, Performance and Risk Manager has followed up with relevant Heads of Function and Business Managers to progress this and MB noted positive engagement from Business Improvement Managers within establishments.

13. The provided paper, (RMAC (MAR) 02 24) sought advice from RMAC members on the reporting of risks related to major projects. It was agreed that including a major projects section in the standard risk management update, and including major projects as deep dives in the RMAC agenda, would be beneficial. The connectivity between major project risks and the corporate risks would also be important to highlight.

Action: Major projects section in subsequent risk update papers

14. During discussion, it was welcomed that EMG would be increasing the frequency of their formal risk register reviews and MB clarified that the HMP Kilmarnock and HMP Highland projects had delayed engagement with the corporate risk template due to time-sensitive pressures and bespoke risk arrangements with Serco being in place. TM confirmed that the work on both HMP Kilmarnock and HMP Highland had increased at the same time, but that the Highland project would now adopt the corporate template.

15. The inclusion of a risk focussed specifically around financial sustainability was welcomed. It was suggested that the scoring of the risk concerning rehabilitative services be reviewed in the context of immediate operational pressures. In response, TM noted that improvements in this area will likely take time to be evidenced.

16. The group noted that the current level of risk exposure being experienced by SPS was considerable. The challenges of ensuring SPS has a staff team with the necessary skills and knowledge was noted as an example, and this was suggested as a 'deep dive' for a future meeting. LP noted that the risk register was being used to inform discussions on the phasing and prioritisation of work within SPS. The challenge of having so many significant risks sat within a single directorate, and with a single owner, was also highlighted. TM noted that more collaborative approaches between directorates and senior managers would assist with this.

17. It was noted that many of the risks SPS is exposed to are externally driven or have factors beyond SPS's control. SPS should therefore focus on delivering all mitigations that can be reasonably expected of it.

Deep Dive suggestion: Knowledge and capability of workforce

"In-Depth" Review of one Corporate Risk – Data and Evidence Risk

18. RS introduced the corporate risk related to data and evidence, noting:

- The Data risk is not a 'red risk', however it impacts a number of areas across the estate and has connections to culture, population and many other risks.
- Data improvement is recognised as a collective challenge that everyone has a stake in responding to in the SPS and the arrangements that have been put in place reflect this collective challenge to the whole organisation.
- The risk itself has been interrogated by the Strategy & Improvement team over the course of the last 18 months.
- They have had executive support for data improvements as part of SPS wider organisational improvement, over the course of the next 3-5 years as part of the corporate planning priorities. It has been recognised as an enabler for all priorities and public body obligations.
- There is a specialist team now in place and improvements have been made in performance reporting, particularly in the Public Information Page.
- SPS has on-going engagement with Justice Analytical Services.

19. RM provided a brief overview of the slides provided (RMAC (MAR) 03 24), covering SPS's risk exposure in relation to data and evidence. Before opening for questions, RM advised they are keen to understand whether RMAC feel this is being framed appropriately and that they are conveying the potential and the nature of the situation as it currently sits.

20. NI added that from a digital perspective, the digital transformation journey SPS are on has changed our capability and expectations. It was added that each time SPS take on a provider or a new service, new data is created and that there is a need to ensure this can be managed and stored in an appropriate way. Time has been invested into understanding the public sector data environment and how we can capitalise on the whole principal of 'Cloud First', which is a Scottish Government strategy, without creating a burden for SPS to follow. It was highlighted that adding systems into the Cloud has provided more accessible opportunities for how the data can be used to inform the organisation better. The data warehouse piece is a good opportunity to demonstrate the power of data and how it can be utilised in effective decision making. NI confirmed that he is leading the work on creating the data warehouse.

21. During discussion, it was noted that SPS carries a risk that the data being used is not of the quality that we would hope, or the data can't be replicated in other areas of the organisation. While this is largely unrealised at this stage, there are many improvement opportunities open to SPS to improve data processes and consistency to prevent duplication of effort. This should increase efficiency, for example for Business Improvement Managers within establishments not using standardised templates.

22. It was questioned whether the risk was over-scored, in relation to operational risks that may be viewed as more critical. TM noted that SPS would need to be able to quantify the cost of services in more sophisticated ways e.g. long-term prisoners vs short-term prisoners. This will need to be built on very strong evidence. The challenge of freeing up resources in the short term in order to achieve long term goals was recognised by the group.

23. The following points were clarified, in response to questions:

- Regarding chosen cloud platforms, NI advised that due to the 365 platform, it makes sense to utilise AWS. Currently the team are looking at Scottish Government options available around hyper scaling and compartmentalisation. At this time, however, our data sets are comparatively small however as they develop it may be considered.
- Regarding capacity within SPS, RM advised that the Data Analysis team are limited in what they can support beyond key areas. However, work it being undertaken to identify required additional resources.
- Regarding specialists on this within SPS, NI advised that they are growing the expertise, however, understands they are stepping into new areas. NI noted that he feels the team have gotten to know the environment relatively well over the last 2-3 years during the 365 migration, which is why it makes sense to utilise it in the short term. Going forward they are looking at tapping into a joint business case for a data architect or an enterprise architect for advice, particularly as the data expands.
- LP advised that EMG have recognised the support we have in house however highlighted that they have indicated they would approve a business case to buy in support for advice should it be required. NI advised that they are keen to utilise the information available to them, noting similar projects carried out by other government agencies.

SPS Internal Audit Progress Report and Annual Assurance Plan

24. WW provided a brief summary of the Progress Report, highlighting the below points;

- Good progress is being made against the 2023-24 Annual Plan.

- Draft report on the Business Continuity and Service Resilience has been issued and draft reports on the Business Planning and Organisational Learning and Development reviews are being prepared for issue.

25. WW noted that the data analytics follow-up was scheduled for Q1 2024-25 and a scheduling error in their system included it in the progress report for this year. It was questioned whether the timing of follow-up was right. WW advised that the timing has been coincidental however highlighted that following an internal audit there is normally a follow up within a 12-month period of the final report and that following discussions at reporting stages it was indicated that some of the recommendations might not meet the timeframe, as such, it was agreed to be carried out in Q1 2024-25. RM advised that some of the recommendations were progressing well.

26. WW drew attention to resourcing and charging arrangements staying the same for 2024-25 but that during 2024-25 a fee and charging review will take place in consultation with clients, with a view to implementation of new arrangements from 2025-26.

27. It was noted that in the review of organisational culture, some recommendations were partially accepted. WW summarised the findings of the culture audit, which was then discussed:

- The audit had been a challenging and complex one.
- The audit could have maybe benefited from further specialist input, but provided information to built from.
- SPS is keen to understand more about its culture, and a further, more in depth study, using a variety of data collection methods, is being planned.

- IH highlighted that, following Advisory Board discussions, RMAC has been committed to carry out a Deep Dive into the culture review.

Deep Dive Suggestion: Organisational Culture Report

28. IH recommended that where, following an audit, recommendations were either not accepted, or partially accepted, the owner should formally accept the risk of not taking action.

Action: Formal Risk Acceptance - WW

29. WW provided and overview of the 'Internal Audit - Annual Planning - 2024-2025 Report'. The plan has been developed in consultation with the Chief Executive, Deputy Chief Executive, and chair of RMAC, and is underpinned by extensive review of the available corporate information and knowledge, as well as, strategic horizon exercise that was carried out internally by the senior internal audit managers.

30. The planned audit of ex-gratia was discussed. WW noted that it may not be possible to visit all establishments. There was agreement that it would be beneficial for External and Internal Audit to share test data and information as their work around ex-gratia develops. Audit work undertaken by Operational Audit was also noted, with WW advising that Internal Audit will, in addition to local processes, be looking at the ex-gratia framework.

31. It was suggested, with agreement, that at future RMAC meetings, the 'new' audit reports form part of the Internal Audit Update section, rather than being for information only.

Action: Include Internal Audit report in the Internal Audit Update section - RB

AOCB

32. IH introduced a revised Terms of Reference for the group. The review has focussed on removing duplication, updating information and clarifying what is now seen by the Advisory Board. MB brought attention to Paragraph 18 "Approved minutes will be published on the SPS public website.", he advised this was following a recommendation from Audit Scotland to bring RMAC into line with the Advisory Board. The RMAC ToR was reviewed collaboratively with AB ToR to ensure full coverage and minimal repetition between the groups.

33. IH invited comments from the group and sought the groups approval. TM noted it would be beneficial to ensure the approval of minutes are in line with AB.

The group approved the updated ToR.

Office of the Chief Executive
27 March 2024