

### **Committee Members**

Professor David Ulph - Chair  
Professor Francis Breedon  
Professor Alasdair Smith  
Gillian Carty - External Member

### **Attendees**

Dame Susan Rice - Chair, Scottish Fiscal Commission  
John Ireland - Chief Executive  
Martin Nolan - Audit Scotland  
Stephanie Harold - Audit Scotland  
Internal Audit Manager - SG Directorate for Internal Audit and Assurance  
Internal Auditor - SG Directorate for Internal Audit and Assurance  
James H White - Governance Manager - secretariat

### **Apologies**

Mark Taylor – Audit Scotland  
Susie Warden - Head of Strategy, Governance and Corporate Services  
Head of Internal Audit - SG Directorate for Internal Audit and Assurance

## **1. Welcome and Introduction**

Professor David Ulph opened the meeting, noting apologies given. He welcomed the Internal Audit Manager who was attending the Audit and Risk Committee for the first time. There were no declarations of interests nor notification of any other business. The minutes of the meeting held on 17 February 2021 were agreed as an accurate record. The action log was noted.

## **2. Risk Management**

### *Risk Management Framework*

The updated annex to the Risk Framework was noted. John Ireland clarified that the working days meant was across the Commission as a whole. The Committee confirmed that it was content with the revised annex and approved the Risk Management Framework.

### *Risk Cards*

*Staffing* – It was reported that concerns about staffing remained high; a number of staff had indicated in the staff survey that they would be looking to move over the next year. One C1 member of staff had already left and a B2 member of was due to leave in early June, though both were leaving on promotion. There had been a good number of applicants for the C1 post and the B2 post was being advertised.

In moving to hybrid ways of working, it was recognised that there needs to be efforts made to ensure that arrangements would be equitable, and that good people management skills would be required to ensure a good outcome for all staff. David Ulph reflected that the challenges of managing hybrid working were greater for a

small organisation like the Commission, with greater specialisation in specific roles. It was reported that management training had been offered to all staff in March which had been received positively.

John Ireland confirmed that in relation to returning to the office, planning was on the basis of three phases. In phase 1, post June or depending on the latest guidance, attendance would be voluntary aimed at staff who don't find home working easy, or practicable or have wellbeing issues. Phase 2 would likely start in October when we'd start to expect staff to be in the office for at least part of the week and would last potentially for 6-12 months, and phase 3 would be a more fully developed form of hybrid working. This largely reflected Scottish Government planning, albeit with the addition of the voluntary phase 1.

Senior Management Team were reassured by the outcomes of the regular pulse surveys which indicated an overall positive attitude of staff how planning for a return to Governor's House and hybrid working was being taken forward. Scores were agreed as likelihood 4 and impact 4. This risk would be escalated to the Governance Board.

*Independence* - The discussion focussed on the impact for the Commission of the political landscape and the need for the Commission to remain impartial and neutral in undertaking its work. Dame Susan Rice noted that in these circumstances it was impossible for the perception of the Commission's independence not to change and that the potential risks around this would need to be planned for. It was agreed that the risk description should be revised to ensure that it makes clear that independence is about both the need for an independent fiscal forecaster and political neutrality. Scores were agreed as likelihood 4 and impact 4. This risk would be escalated to the Governance Board.

*Partners* – It was agreed that as relationships continue to improve and with confirmation that the Cabinet Secretary was remaining in post albeit with an enhanced role, that the likelihood of this risk could be reduced. Scores were agreed as likelihood 3 and impact 4.

*Corporate Systems* – It was noted that the corporate systems were on the whole coping well with improved reliability. Where issues had arisen they were usually dealt with quickly and effectively, with staff having access to online and telephone support for both hardware and software issues. It was agreed that the telephone number would be shared with Commissioners to improve the support they are able to access. Scores were agreed as likelihood 2 and impact 2.

*Reputation* – The score for this risk had been reduced as, despite COVID-19 and home working, the Commission had been able to produce forecasts and a number of supplementary costs, with a number of occasional papers due to be published on 26 May. It was clarified that reputation was backward looking, and reputation forward looking. Scores were agreed as likelihood 2 and impact 2.

The agreed risk scores were:

|                   | Likelihood | Impact |
|-------------------|------------|--------|
| Staffing          | 4          | 4      |
| Independence      | 4          | 4      |
| Partners          | 3          | 4      |
| Corporate Systems | 2          | 2      |
| Reputation        | 2          | 2      |

## *Annual Assurance to the Governance Board*

David Ulph proposed that he would report to the Governance Board that the Audit and Risk Committee was content that there was a good understanding of the risks faced by the Commission, and that the risk scoring and mitigating actions were appropriate. Gillian Carty commented that in her view risk was being managed dynamically by the Commission's Senior Management Team.

David Ulph commented that he felt that the risk cards were in a very good shape, enabling the Committee and Senior Management Team to manage risks appropriately. He expressed gratitude for the work in getting risk cards to this level. The Committee confirmed it was content with the terms of the proposed report to the Governance Board.

**Action 1 – The Governance Manager would ensure that the narrative about the Independence Risk would make clear that it is about both the need for an independent fiscal forecaster, and political neutrality.**

**Action 2 – The Governance Manager would share with Commissioners the telephone number for both hardware and software support, which staff already have access to.**

### **3. Refurbishment of Governor's House**

The Committee noted that the refurbishment had been completed by the end of March, though there was minor snagging still to be completed. It was agreed that investment in the building would help staff perceptions about returning to Governor's House. As noted in the discussion about the staffing risk, Senior Management Team were planning for the return to Governor's House based on a three phase approach, which would take into account physical distancing requirements and the reduced capacity of the building.

### **4. Finance Update**

The Committee noted the Finance paper, which outlined an underspend of around £56,900 in 2020-21. The projections paper was noted without comment.

### **5. Audit Scotland**

Stephanie Harold report that Audit Scotland's work had focused on systems and controls with a walk through the systems and evidence gathering in February and March. A number of improvements in the monitoring of staff payroll had been noted though a number of further improvements had been identified.

It was intended that the annual audit work would start on 26 July, though that date had yet to be formally agreed, and that it would be done remotely as was the case last year. It was reported that improvements would be made to Audit Scotland's Annual Audit Report in relation to formatting to improve online accessibility.

## **6. SG Directorate of Internal Audit and Assurance Update**

The Audit Manager noted that there was nothing further to add to the written update report and related appendices. The final version of the Corporate Review and Annual Assurance Report were also tabled, with the latter giving the Commission a 'substantial assurance'. The Assurance Report includes an explanation of the various levels of assurance and the rationale the level awarded.

David Ulph commented that he was very pleased at the level of assurance which the Commission had achieved. In relation to the question in the self-assessment checklist about the Committee monitoring internal audit's performance measures, the Audit Manager would consider how this could be taken forward and report to the next Committee meeting.

**Action Point 3 – SGDIAA Audit Manager to consider how the Committee would monitor internal audit's performance measures for discussion at the next meeting.**

## **7. Corporate Policies**

*Self-Assessment Checklist* - Apart from the action noted above, the Committee confirmed that it was content to approve the list, which would be reviewed at least annually.

*Internal Control Checklist* – The Committee noted that changes had been made to the Scottish Public Finance Manual which required a further review of the internal control checklist. The updated checklist, which would be used with the forthcoming audit of the Commission, was approved by the Committee.

*Business Continuity Plan* - The Committee noted and approved the updated plan without comment.

*COVID-19 Business Continuity Plan* – Subject to minor corrections, which would be shared with the Governance Manager, the Committee noted and approved the updated COVID-19 plan without comment.

*Lone Working Q&A Guidance* - The Committee agreed that this made sense as a stand-alone document, noting and approving it.

## **8. Any Other Business**

There were no other items of business.

## **9. Date of Next Meeting**

The next meeting was scheduled for Wednesday, 22 September 2021.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services  
25 May 2021