

Audit and Risk Committee Meeting Minutes
11 November 12:00 – 13:00
Via Video Conference



Committee Members

Justine Riccomini - Chair
Dr Eleanor Ryan
Catriona McConnell - External Member

Attendees

Professor Graeme Roy - Chair, Scottish Fiscal Commission - observer
Rebecca Smith - Audit Manager, Deloitte LLP
Louise Carmichael - Scottish Government Directorate for Internal Audit and Assurance
Claire Murdoch - Head of Fiscal Sustainability and Public Funding
Susie Warden - Head of Strategy, Governance and Corporate Services
James White - Governance Manager, secretariat

Apologies

Professor Domenico Lombardi
Sarah Pumfrett - External Member
John Ireland - Chief Executive
Stuart Kenny - Associate Partner, Deloitte LLP
David Stone - Head of Economy and Income Tax
Michael Davidson - Head of Devolved Taxes and Social Security

1. Welcome and Introduction

Justine Riccomini opened the meeting. Apologies as given above were noted. There were no declarations of any interest in the agenda items.

The minutes of the meeting held on 7 October 2025 had been agreed by correspondence as an accurate record, and the action log was noted.

2. Deloitte LLP

Rebecca Smith confirmed the only item to update the Committee was that planning was due to start shortly for the 2025-26 audit and the fieldwork planned between January and March 2026.

3. Scottish Government Directorate for Internal Audit and Assurance

Lousie Carmichael confirmed that Marketa Andrew has joined the team as the Internal Audit Manager for the Scottish Fiscal Commission.

Louise Carmichael confirmed that SGDIAA had met with the Head of Strategy, Governance and Corporate Services to initiate planning for the assurance review of Financial Management arrangements within the Scottish Fiscal Commission. Initial discussions had focussed on the current status of plans for outsourcing financial management activities, along with discussions on areas of concern and where and how Internal Audit can add the most value. SGDIAA will engage with management to agree timings and ensure the 2025-26 plan remains fit for purpose and focussed on relevant key risks.

Work is being taken forward on the annual plan for 2026-27 and SGDIAA will work with the Committee on finalising that plan.

It was confirmed that SGDIAA is currently undergoing an External Quality Assessment, in line with the requirements of the Global Internal Audit Standards. The assessment will provide independent assurance that our internal audit activity conforms with the required standards. It provides a good opportunity to identify and recognise strengths and areas of good practice, as well as areas for further improvement. The review, which should be completed by the end of 2025, is particularly timely as SGDIAA is still early in the post implementation phase of the Global Internal Audit Standards which came into force in April 2025. This will provide assurance to the Committee about the work undertaken by SGDIAA. With implementation of the new standards, SGDIAA is looking at updating the Audit Committee Handbook, as well as Data Protection and Fraud Management guidance.

SGDIAA core team has reviewed Workforce Planning within core Scottish Government. Core Internal Audit Team looked at workforce planning, the outcome of which will provide helpful learning for the Scottish Fiscal Commission.

Louise Carmichael noted that two supporting papers had been shared with the Committee for information. The first was about the report on Recognising and Responding to Early Warning-Signs in Public Sector Bodies, where systems of governance and controls failed, resulting in significant financial and reputational impacts. The annual review of effectiveness as well as the Internal Control Checklist will address many of the 20 challenge points for public bodies. The Committee may, however, wish to consider a detailed review of the action plan. However, no major concerns have been identified to date by SGDIAA in its work with the Commission. Eleanor Ryan noted that the Audit and Risk Committee for Scottish Forestry will be holding a workshop to review the 20 challenge points and would share with the Committee any learning from that experience.

Action Point 1 – The Committee would review the 20 challenge points in the report Recognising and Responding to Early Warning-Signs in Public Sector Bodies for consideration at the next Committee meeting.

4. Risk

Risk Cards

Susie Warden gave a brief overview of the Commission's risk management approach which uses five themes to capture risk, which better meets the risk management needs of the Commission.

Partners – the score reflected changes within Scottish Government staffing, including a change of Director General, however, the impact score had been reduced reflecting the positive relationship in day to day working with Scottish Government staff, and continued positive relationships with other partners.

In discussion about what other actions could be taken, it was agreed that Commissioners should give a presentation to the Scottish Government Executive Team

to highlight the Commission's role and status. It was agreed that this would be taken forward within the Governance Board discussions on the Commission's Engagement Strategy.

The Committee agreed the recommended score to likelihood 4, and impact 4.

Corporate Systems – Susie Warden noted that the plan to outsource finance function to another public body could not proceed as Scottish Government confirmed that the Oracle System could not be changed to support that. Susie Warden is working on a permanent plan, which could see the finance function taken on by either secondments or additional finance resource. It was confirmed that this is a quieter period of time in terms of finances reducing the pressure for immediate resolution.

It was confirmed that position was unlikely to change, and other options are to be considered, noting that other bodies have opted to take on accountants to meet their financial management needs. It was noted that we were not keen to move from HR service given both recruitment and the movement of staff to and from Scottish Government Main.

The Committee agreed an increased score with a likelihood of 4, and impact of 4.

Staffing – Susie Warden reported that the staffing score had reduced, reflecting that new Commissioners were in post, and a new FTA appointed, though a B Band member of staff has recently resigned.

The Committee agreed the proposed score as likelihood 3, and impact 3.

Independence – the score for this was raised slightly due to changes in OBR forecasts which are used by the Commission. The publication of the fact sheet about median income tax income, a number of Freedom of Information requests being responded to today, as well as concerns about the multi-year funding ask also contributed to the revised score.

Graeme Roy highlighted that after post Budget publication evidence session with the Finance and Public Administration Committee, there would be a session with the Committee about. That would provide an opportunity to raise concerns about the Commission's budget, but how best to do this would need to be considered.

The score for independence had increased to likelihood 3, and impact 3.

Reputation - Publishing in December 2025 a correction to the last Fiscal Sustainability Report in December and publication today a fact sheet about median income tax income has the potential to impact on the reputation of the Commission. Claire Murdoch explained the cause for the error and the steps taken to address this.

The score for reputation had increased with likelihood 3, and impact 3.

The Committee agreed that how operational risk is considered in the risk cards should be reviewed over the next few months, recognising that it was an underlying factor in the five themes identified for risk management, and that the Commission has established a methodology for managing operational risk.

The Committee agreed the risk scores as:

	Likelihood	Impact
Partners	4	4
Corporate Systems	4	4
Staffing	3	3
Independence	3	3
Reputation	3	3

Action Point 2 – In taking forward within the Governance Board discussions on the Commission’s Engagement Strategy, consideration should be given to other actions which could be taken to engage with stakeholders, such as giving a presentation to the Scottish Government Executive Team to highlight the Commission’s role and status.

Action Point 3 – The Committee would consider how operational risk should be reflected in the Risk Cards.

5. Finance

Finance Update Paper

Currently projecting a small overspend, taking into account the higher than expected pay settlement. This is enough room within uncommitted spend to manage to remain within the Commission’s overall budget. The Committee noted the update paper.

6. Corporate Policies

Register of Interests – the Governance Manager invited the Committee to note the recently published register, reminding Commissioners and External Members of the Committee to notify any changes to the Register as and when they occur.

7. Any other business

There was no other business.

8. Date of Next Meeting

The next Audit and Risk Committee meeting is to be rescheduled for another date in the first quarter of 2026.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services
11 November 2025