

**Audit and Risk Committee Meeting Minutes**  
**11 June 10:05 – 11:20**  
**Via Video Conference**



**Committee Members**

Professor David Ulph - Chair  
Catriona McConnell - External Member  
Sarah Pumfrett - External Member

**Attendees**

Professor Graeme Roy - Chair, Scottish Fiscal Commission  
John Ireland - Chief Executive  
Rebecca Smith - Audit Manager, Deloitte LLP  
Louise Carmichael - Scottish Government Directorate for Internal Audit and Assurance  
Susie Warden - Head of Strategy, Governance and Corporate Services  
James White – Governance Manager, secretariat

**Apologies**

Professor Francis Breedon  
Professor Domenico Lombardi  
Stuart Kenny - Associate Partner, Deloitte LLP  
Claire Murdoch - Head of Fiscal Sustainability and Public Funding  
David Stone - Head of Economy and Income Tax  
Michael Davidson - Head of Devolved Taxes and Social Security

**1. Welcome and Introduction**

David Ulph 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 18 February 2025 were agreed as an accurate record, and the action log was noted.

**2. Deloitte LLP**

Rebecca Smith gave a brief update to the Committee, confirming that planning for the forthcoming audit was ongoing, and fieldwork is due to start at the end of June 2025.

**3. Scottish Government Directorate for Internal Audit and Assurance**

Lousie Carmichael highlighted the Resource Capacity and Capability Review which gave a reasonable assurance, identifying one medium priority recommendation (about succession planning), and three low priority recommendations about increasing documentation of Senior Management Team meetings, reviewing documentation of individual staffing matters and reinstating exit interviews. Susie Warden confirmed that a revised approach to recording Senior Management Team meetings including an action log has been in place since February 2025.

It was confirmed that the SGDIAA review of Scottish Government Corporate Systems, had given a reasonable assurance, recognising that it was still early days and that experience and knowledge of the Oracle Cloud system was still being established. John Ireland noted that the service quality the SFC received for HR and finance over the year

had been less reassuring and that other public bodies had been reporting similar concerns. The Commission had had to divert significant staff resource to Oracle transition and had recently experienced delays in recruitment. Louise Carmichael clarified that the scope of this review was limited to the corporate systems used by SG shared services, rather than the overall service, and encompassed all corporate systems, not just Oracle. The Committee discussed the experience of implementing Oracle Cloud, including that the Oracle system was not designed for small organisations like the Commission. There was, as yet, no information about the future costs and that significant staff resource had been required to engage with the transition programme, implement, and learn to use the new system. Susie Warden explained that SG Agencies and non-Ministerial Offices (including the Commission) had self-organised to form a “Red Team” to identify common transition issues, prioritise them and escalate as necessary to the programme team, Programme Director and Chief Executives. This had been effective and had also generated mutual support and learning. It was suggested that such a mechanism ought to have been created as an integral part of the programme architecture. It was also suggested that would have been more helpful if the audit work planned around the transition to Oracle Cloud had separate streams for reviewing the system itself, the SG programme team’s management of the transition, and how well the SFC has managed the transition to the Oracle Cloud system. It was also suggested that small organisations might wish to consider creating their own shared corporate services more appropriate to their size. David Ulph reflected that the corporate team had responded well to the huge changes needed to introduce the new system.

The Committee had been provided for noting with the SGDIAA Annual Performance Report 2024-25, the Internal Audit Charter 2025-26, and Internal Audit Strategy for 2024-27. In relation to the Progress Report, SGDIAA will be engaging with Susie Warden about agreeing the timing and scope for a Financial Management Review in 2025-26.

The Committee welcomed that the Annual Assurance Report for 2024-25 had given the Commission a substantial assurance opinion. David Ulph and Sarah Pumfrett both thanked SGDIAA for that assurance opinion, and the Corporate Services team for achieving this.

#### **4. Risk**

##### ***Risk Cards***

*Risk Appetite* – Susie Warden invited views of the committee on the proposed risk appetites. It was clarified that independence had a lower risk tolerance as any negative impact would take longer to rebuild, which would not be the same as reputation. The Committee had no other comments, and agreed the proposed risk appetites.

*Staffing* – The proposed score had been reduced slightly, recognising recent recruitment, as well as the impact on staff morale from the change to the MTFS timetable changes, with two significant publications being produced in successive months. It was noted that the Staffing budget was now less pressured. The Committee agreed the proposed score as likelihood 3, and impact 3.

*Corporate Systems* – Taking into account recruitment delays, ongoing familiarisation with Oracle Cloud, the forthcoming external audit, review of the Framework Document, and taking forward proposals on how finance would be managed in the future, it was agreed that the scores should remain with a likelihood of 4, and impact of 4.

*Independence* - The likelihood had increased score, referring to the delay with the timetable for the MTFS, the delay in formal provision of our indicative budgets for 2026-27 and 2027-28, and the increased interest from the Scottish Government in our operational plan. Work on strengthening the framework agreement, and highlighting efficiencies within the forthcoming annual report will support management of this risk. The Committee agreed a likelihood of 2, and impact of 3.

*Partners* – The score reflected good external relationships but noted forthcoming changes as the Scottish Government DG Scottish Exchequer's forthcoming retirement. The Committee agreed the score should remain likelihood 4, and impact 3.

The score for reputation had remained unchanged with likelihood 2, and impact 1.

The Committee agreed the risk scores as:

	Likelihood	Impact
Staffing	3	3
Partners	4	3
Reputation	1	2
Corporate Systems	4	4
Independence	2	3

## 5. Finance

### *Finance Update Paper*

Susie Warden highlighted that there was nothing major to report for the 2024-25 outturn, with the underspend similar to the previous projection, noting that the annual and flexi leave accrual was lower than the previous year's amount.

Looking to the projections for 2025-26, uncertainties remain about the level of the staff pay award from 1 April 2025, and the cost of shared services. It was highlighted that staff costs were not evenly distributed across the year due to two secondees, whose costs are repaid to their employer quarterly. The Committee noted the update paper.

### *Outsourcing Finance Function*

Susie Warden highlighted the key points from the paper, which included concerns about the relative high cost of managing our finances, maintaining resilience with a very small corporate team, the impact of Oracle Cloud implementation, the future capability needed to implement Electronic Performance Management (a financial reporting and forecasting integrated into Oracle Cloud), the possible need for future cash management expertise and that the Finance Manager post had now ended. The recommendation was to outsource finance function whilst retaining control over expenditure. This had been discussed with both external and internal auditors, as well as Food Standards Scotland.

David Ulph noted that this is a major piece of work. Catriona McConnell and Sarah Pumfrett asked how we would be assured about the quality of the outsourced service to be provided and the controls that would be in place by the provider. Having in place appropriate contractual arrangements is key to receiving the level of service we need and the right level of reporting, whilst ensuring our independence.

It was recognised that there may be an opportunity in future to work with other public bodies in creating a centralised, collective service for a shared approach to managing finances.

OSCR has outsourced some of its finance functions to another public body under the terms of a Service Level Agreement. The Commission should ensure that the contractual arrangements of any service level agreement meet the needs of the Commission. It was agreed that the most appropriate means of doing so would be to seek legal advice on the proposed agreement.

The Committee confirmed that it was content with the recommended option in the paper and for its discussions about the right contractual arrangements being in place to inform the Governance Board's decision at its next meeting on 24 June 2025.

## **6. Board Effectiveness Review**

Committee was asked to note the report which was to be discussed by the Governance Board's at its next meeting on 24 June 2025

## **7. Audit and Risk Committee Self Assessment Checklist**

The Governance Manager confirmed that the checklist had been updated using the current template in the Scottish Public Finance Manual, and that the draft had been shared for comment with all members and attendees of the Audit and Risk Committee. The Committee confirmed that it was content to approve the checklist.

## **8. Corporate Policies**

*Corporate Policy and Statutory Reporting – Summary May 2025* – the summary had been tabled for the information of the Committee.

*Internal Control Checklist* – The Governance Manager confirmed that this checklist had been updated using the current template in the Scottish Public Finance Manual. The Committee confirmed that it was content to approve the checklist.

*Business Continuity Plan* – There was a discussion about the risk arising from a complete breakdown of electronic communication, though it was recognised that this would be beyond the scope of the SFC's plan. Nonetheless, there should be an awareness of the larger perspective. It was clarified that the use of What's App would not include sharing sensitive or forecasting information. It was restricted to sharing information about remote IT access, or building access issues, consistent with how the staff What's App group was currently used. The Committee confirmed that it was content to approve the plan.

*Out of Hours Working* – The Governance Manager highlighted that the main change had been to update the contact telephone numbers for the Control Room. The Committee confirmed that it was content with the updated paper and for it be reviewed every three years rather than every two.

#### **9. Any other business**

There was no other business.

#### **10. Date of Next Meeting**

The next Audit and Risk Committee meeting is scheduled for Tuesday, 19 August 2025.

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