

Committee Members

Professor David Ulph - Chair
Professor Domenico Lombardi
Professor Francis Breedon
Catriona McConnell - External Member
Sarah Pumfrett - External Member

Attendees

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

Apologies

Pat Kenny - Associate Partner, Deloitte LLP
Louise Carmichael - Scottish Government Directorate for Internal Audit and Assurance
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 welcoming Rebecca Smith, who would be replacing Muhammad Fadhil as the Audit Manager, Deloitte LLP.

Apologies as given above were noted. There were no declarations of any interest in the agenda items, nor was there notification of any other items of business.

The minutes of the meeting held on 28 February 2024 were agreed as an accurate record, and the action log was noted.

2. Deloitte LLP

Muhammad Fadhil reported that the Audit Plan for 2023-24 had been finalised, and that the audit work would be taking place in late June, with Rebecca Smith managing that work.

3. Scottish Government Directorate for Internal Audit and Assurance

Susan Marvell confirmed that the Annual Assurance opinion for 2023-24 remained as a Substantial Assurance, reflecting the approach of the Commission to risk management and its proactive management, improved documentation of processes, and planning for the new shared service programme. David Ulph welcomed the assessment of

Substantial Assurance, particularly the recognition it gave to our staff for their hard work inculcating and embedding good practice.

In response to a question about the potential for over control, Susan Marvell confirmed that SGDIAA had assessed there was a proportionate approach to control. Iain Burns confirmed that looking at the level of control within a body was active part of the annual assurance review and assessment. He suggested that the Scottish Fiscal Commission had matured and was in a good steady state. Sarah Pumfrett agreed with that assessment, noting that the Commission team should be congratulated for this.

Susan Marvell highlighted from the update report, the work on the review of Resource Capability and Capacity. Iain Burns confirmed that work on a shared service review across a number of public bodies would be undertaken with a view to sharing any lessons learned.

Finally, Susan Marvell noted the Internal Audit Charter sets out how SGDIAA works.

4. Risk

John Ireland highlighted that the recent Senior Management Team review of risk had concluded with scores remaining the same although the underlying rationale had changed.

Corporate Systems - John Ireland said that the start date for the new shared service programme had now been confirmed as 1 October 2024. There had been an improvement in the quality of communications about the programme, though there was still a lack of clarity about the detail of the new system. The cut over period of up to 8 weeks for data migration to the Oracle Cloud based system would mean that systems would not be available from 16 August. There was a strong incentive in ensuring that the planned go-live date would be achieved, partly because of the reduction in working hours, which the current HR system would not manage. Although not ideal, a mitigation for any further delay in the go live date would be continued use of the existing HR and Finance systems. The Committee was content with proposed score of likelihood 4, impact 4.

Partners - This was driven by the uncertainty around the MTFS date following the resignation of the former First Minister, and because the date for the December forecast was impacted on by other UK fiscal and political events. The Committee was content with proposed score of likelihood 4, impact 3.

Staffing - John Ireland confirmed that offers for both permanent and Fixed Term Appointments had been made, and that they had been accepted. Accordingly, the implications of the cut over period for the new HR system had been assessed as lower risk. Concerns about the reduction to the working week to 35 hours remained. The Staff Survey 2023 had not identified any concerns, though it was recognised that delayed decision making by Scottish Government could have an impact on staff morale, particularly if that impacted on staff leave plans. The Committee was content with proposed score of likelihood 3, impact 3.

Reputation - There had been a positive response to Fiscal Sustainability Perspectives: Climate Change report, and a high level of attendance at the subsequent webinar. The Committee was content to continue the previous score of likelihood 2, impact 2.

Independence - The Stakeholder survey was positive and initial feedback from the OECD review was positive. The Committee was content to continue the previous score of likelihood 1, impact 3.

Iain Burns asked whether there were target risk scores, and what discussions took place regarding new risks and adjusting risk appetites. David Ulph confirmed that the Risk Management Framework sets out the risk appetite for each risk, which acts effectively as a target score. For example, risk scores in the red zone have to be reported to Governance Board. He also noted that the Framework is subject to regular review by the Committee.

In response to a question from Sarah Pumfrett about the Risk Impact Description on page 3 of the Risk Cards, in particular the differentiation between lines 2 and 3, it was agreed that these would be reviewed for discussion at the next Committee meeting.

Action Point 1 - it was agreed that the Risk Impact Description on page 3 of the Risk Cards, in particular the differentiation between lines 2 and 3, would be reviewed for discussion at the next Committee meeting.

David Ulph noted that the risk commentary reflected a number of cross-cutting factors and asked that the Committee keep this in mind.

The Committee agreed the risk scores as:

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

5. Finance

Susie Warden highlighted that the paper set out the spend for the first period of 2024-25. It also used a difference approach to setting out the budget. In the past a more conservative approach had been followed taken to ensure that we don't overspend. This raised the risk that staffing underspend would be identified too late in the day to allow it to be used on non-staffing costs. The approach now being used was to overbudget on staffing costs, rather than non-staffing costs. As a result, two further junior analyst appointments have been made.

In the section on uncertainty and pressures section, unlike previous years, the current two year pay deal gives more certainty. It was also noted that risk had reduced as a result of Scottish Government agreeing to pay for a replacement boiler for the heating system, which would support decarbonisation of their estate to be progressed. There was provision made for the installation costs for the fire, and intruder detection systems.

Finally, the costs of the statutory review costs (which unlike other costs require Ministerial approval) were lower than anticipated.

John Ireland reported that Scottish Government had taken on board recent discussions about the need for better forward planning in relation to maintenance and replacement of building systems within Governor's House.

The Committee noted the Finance Update paper.

6. Corporate Policies

Audit and Risk Committee self-assessment checklist - the Governance Manager explained the approach taken in reviewing the checklist against the model checklist set out in Annex H of the Scottish Public Finance Manual. It was clarified that the annual reflection of the assessment of the Committee's effectiveness would be undertaken at the Committee meeting scheduled for 18 February 2025. The Committee was broadly content, though it agreed that the in the Self Assessment Checklist about Internal and External Audit and the monitoring of performance measures would be reviewed by Susie Warden, Susan Marvell, Rebecca Smith, and the Governance Manager. The revised text would be shared for approval by the Committee.

Action Point 2 - The Sections in the Self Assessment Checklist about Internal and External Audit and the monitoring of performance measures should be reviewed by Susie Warden, Susan Marvell, Rebecca Smith, and the Governance Manager. The revised text would be shared for approval by the Committee.

Corporate Policy and Statutory Reporting - Summary - the Governance Manager explained that this had been tabled for information, inviting the Committee to note it, and be assured that there was a process to manage regular reviews. The Committee agreed that the summary would be checked for accuracy of dates by the Governance Manager and shared with the Committee for information.

Action Point 3 - The Committee agreed that the summary would be checked for accuracy of dates by the Governance Manager and shared with the Committee for information.

7. Any other business

Sarah Pumfrett asked for discussion at a future Committee meeting to what extent is Artificial Intelligence used and if there was a policy about how it should be used.

Action Point 4 - the agenda for the meeting scheduled for 20 August should include a discussion about Artificial Intelligence.

8. Date of Next Meeting

The next Audit and Risk Committee meeting is scheduled for Tuesday, 20 August 2024.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services
14 May 2024