

Committee Members

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

Attendees

Dame Susan Rice - Chair, Scottish Fiscal Commission
John Ireland - Chief Executive
Stephanie Harold - Audit Scotland
Sharon Fairweather, Director of Internal Audit and Assurance
Jim Montgomery - SG Directorate for Internal Audit and Assurance
Susie Warden - Head of Strategy, Governance and Corporate Services
James H White - Governance Manager - secretariat

Apologies

Mark Taylor - Audit Scotland
Rachel Brough - Audit Scotland
Kate Moffat - SG Directorate for Internal Audit and Assurance
Susan Marvell - SG Directorate for Internal Audit and Assurance
Claire Murdoch - Head of Social Security and Public Funding
David Stone - Head of Economy and Tax

1. Welcome and Introduction

Professor David Ulph opened the meeting, noting apologies given and welcomed Sharon Fairweather, Director of Internal Audit and Assurance. There were no declarations of interests or notification of any other business. The minutes of the meeting held on 17 February 2022 were agreed as an accurate record, and the action log was noted.

The Committee noted that the Corporate Plan 2022-25 and Business Plan 2022-23 were published on the Commission's website in April.

2. Risk Management

Staffing – This remained the highest risk with an increased proposed score since the previous meeting. Although B and C1 Band recruitment had been completed (with reserve lists in place) the score had been increased to due to the forthcoming new Chair and Commissioner appointments, and pending departure of two members of SMT on paternity and maternity leave: arrangements are in hand to cover these absences. It was also noted that all members of SMT will have been in post for four years, and therefore there may be movement in that group of staff as opportunities for career development are sought elsewhere. Gillian Carty reflected that recruitment and retention is an issue across all sectors and how this is managed is critical, noting the planned staff away day would be a helpful element in the management of this risk. The Committee agreed a score of likelihood 4, and impact 5.

Reputation - The proposed score was influenced by the appointment of a new Chair and Commissioner. The contribution of Dame Susan Rice as Chair, who has been the face of the Commission since its inception in 2014 and whose appointment ends on 30 June, was also recognised. Differences in timing between Commission and OBR forecasts was on the radar of the Finance and Public Administration Committee which may have an impact on the Commission's reputation. David Ulph commented that the work started on looking at the SG's plans to close the Fiscal Gap could start to impact on our reputation, with the potential for the impact to be either positive or negative. The Committee agreed for the score to increase to likelihood 4, and impact 3.

Corporate Systems - It was noted that the Business and Finance Manager has just left post, which may impact on the capacity of Corporate Services Team to prepare the required information for the annual report and accounts. Work to ensure that the Commission's website is fully accessible may be challenging; it was recognised that a key driver should be meeting the needs of end-users. To date no complaints have been made about the accessibility of the Commission's web-site. The Committee agreed the proposed score of likelihood 3, and impact 4.

Independence - The Finance and Public Administration Committee had used the Commission's report on SG spending to inform its post-Budget report, a positive sign for the Commission's independence and reputation. The Committee agreed for the score to reduce to likelihood 2, and impact 4.

Partners - There was no major changes with a continuing, gradual improvement being seen, noting that there were further new staff within the SG Liaison team. The Committee agreed the proposed score of likelihood 2, and impact 4.

Sharon Fairweather asked if the actions being taken would be enough to reduce the score cards closer to the planned risk tolerance. It was confirmed that over the longer term actions taken had reduced risk scores, which reflect current circumstances and external factors. It was also noted that although staffing risk had a high score the reasons for that had changed over the last two years, for example the implications of COVID-19 in 2020, to increased staff movements as COVID-19 restrictions changed in 2021 as well as a shift or risk from B and C1 Band staff to SMT members of staff in 2022.

It was confirmed that risk appetite would be reviewed as part of the regular review of the Risk Management Framework.

The Committee agreed proposed scores, which were:

	Likelihood	Impact
Staffing	4	5
Reputation	4	3
Corporate Systems	3	4
Independence	2	4
Partners	2	4

Action Point 1 - As part of the regular review of the Risk Management Framework, risk appetite would be considered.

3. Audit Scotland

Stephanie Harold provided an update on the 2021-22 Audit, confirming that interim work completed, noting improvements to journal authorisations and noting that the non-staff reconciliation required to have a secondary review. It was planned that the main Audit work would take place in July 2022 with the aim to conclude for September or October 2022. Changes in Corporate Services Team were noted, however, the main contacts used last year were still in post.

Deloitte LLP had been confirmed as the Commission's auditors for 2022-23 onwards: they would start to work with the Commission after the audit for 2021-22 had been completed by Audit Scotland. It was expected that would be around September 2022 and that there would be a full handover from Audit Scotland to Deloitte.

4. SG Directorate for Internal Audit and Assurance

Sharon Fairweather noted that the Charter and Strategy documents are provided to all bodies served by SGDIAA and that they were for information only.

It was acknowledged that there were concerns about the service provided by SGDIAA. Lessons have been learned and there was constructive dialogue ongoing about making more progress. Sharon Fairweather stressed that the 'reasonable assurance' included in both the Annual Assurance Report Annual Corporate Review Report provided a strong level of assurance and that risk management arrangements were perfectly reasonable, given the size of the Commission.

David Ulph expressed disappointment at the Annual Assurance Report which seemed discontinuous from previous reports. It was agreed that earlier, and better engagement between SGDIAA and the Commission would help to improve understanding of the Commission and lead to an improved quality of Internal Audit.

Gillian Carty commented on the concerns expressed by Management about the factual base for the recommendations within the Annual Assurance and Annual Corporate Review reports and how the difference of views could be addressed. Jim Montgomery confirmed that, as part of the engagement with the Commission, SGDIAA could potentially revisit areas of concern and assess whether or not they should still be assessed as risks. In relation to Corporate Systems, he highlighted the work being taken forward by SGDIAA on the shared services improvement programme, the biggest programme of its type undertaken by SG, and undertook to keep the Commission updated on progress.

Dame Susan Rice commented that she agreed with SGDIAA's commitment to better engagement but reflected on the overall assurance assessment that "being in good company" was not good enough and the Commission needs to aim to be the best it can be, particularly given the nature of the its role and functions.

John Ireland reported that there had been a good conversation with Sharon Fairweather last week, acknowledging that there were useful suggestions in the reports and that he looked forward to continuing to engage with SGDIAA. He

reminded SGDIAA that the work on the arrangements for paying taxable expenses work needed to be completed.

Gillian Carty commented that in her experience the Commission manages risk well. The quality of papers provided to the Committee was of a high standard and there was always an opportunity for discussion. There was clear evidence from the papers provided to the Committee that risk is discussed regularly by the Senior Management Team and therefore embedded into the operation of the Commission and not seen as a standalone activity. Risk management process has evolved considerably as the organisation and management has matured which was reflected in the risk cards.

In summary, the Commission would like to be the best it can be, working closely with SGDIAA to help improve understanding of the risks managed by the Commission, including management of financial risk. The view of the Governance Board would be sought about how best to SGDIAA could contribute to the review of the Risk Framework.

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. This was agreed by the Committee as was the self-assessment checklist, as updated by the Governance Manager.

Action Point 2 – SGDIAA to complete work on the arrangements for payment of taxable expenses.

Action Point 3 – Governance Board to be asked for its views on how best SGDIAA could provide input into the review of the Risk Framework.

5. Accommodation

John Ireland confirmed that decoration and carpeting of offices in Governor's House had been completed, with final costs under budget. It was not anticipated that there would be major work in Governor's House beyond minor maintenance and upgrading including improving Wi-Fi provision.

6. Finance

Susie Warden highlighted the key points from the paper, which confirmed an anticipated underspend in 2021-22 of £78,500. The paper provided a monthly profile of projected spend in 2022-23, which included a number of changes to staff costs reflecting changes in staff working patterns, and an allowance for the anticipated 2022-23 pay award, still being negotiated. A number of the shared costs for shared services had been estimate pending provision of the actual costs.

Based on experience elsewhere, Gillian Carty highlighted potential tax implications arising from equipment bought to enable homeworking. The Governance Manager confirmed that it was made clear that equipment bought for that purpose remained the property of the Scottish Fiscal Commission. Where there had been moves of

staff from or into the Commission, it had been possible for some staff for arrangements to be made to transfer the cost of homeworking equipment.

The Committee noted the finance update paper.

7. Corporate Policies

Self-Assessment Checklist – It was noted that there ought to be a qualitative review of how the Committee operates in addition to the more regular confirmation of process. The checklist was, however, agreed.

Internal Control Checklist – the internal control checklist was noted without comment.

Code of Conduct – The updated Code of Conduct had been reviewed and commented on by Public Bodies Unit and was currently with the Ethical Standards Commission for approval. Thereafter an updated Register of Interests would be produced for review and approval.

8. Any other business

There were no other items of business

9. Date of Next Meeting

The date of the next meeting is to be arranged.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services
16 May 2022