

**Audit and Risk Committee Meeting Minutes**  
**18 February 10:05 – 11:05**  
**Via Video Conference**



**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  
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**

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 5 November 2024 were agreed as an accurate record, and the action log was noted.

**2. Deloitte LLP**

Rebecca Smith highlighted the key points from the draft planning report for the 2024-25 audit, noting that materiality was set at £50,000 (based on 2% of forecast gross expenditure) and performance materiality was £35,000. As with the 2023-24 audit, Deloitte LLP would report any misstatements over £2,000.

It was explained that no other significant risks had been identified beyond the usual risks of management override of controls, and operating within expenditure resource limits.

In light of the move to Oracle Cloud, the plan also identified a further area of audit focus on key financial controls, business processes, and migration of data to Oracle Cloud.

Susie Warden highlighted that the Commission's Excel based tracker provides a level of assurance on the migration of data. It was also noted that the full reporting package (EPM) had not yet been delivered, but that has a lesser impact on the Commission compared with other users of Oracle Cloud. Sarah Pumfrett commented that she was keen to see benefits of EPM, in particular the reporting suite of data analytics, as if implemented correctly it should provide a stronger framework for audit, thereby enabling a reduction in audit fees.

In response to questioning about the cost of additional work to be taken forward by Deloitte LLP on Oracle Cloud, Rebecca Smith confirmed that was still being considered.

It was clarified that SGDIAA would ensure any work that they take forward on financial controls does not overlap work being taken forward by Deloitte LLP. In addition, the core team within SGDIAA was taking forward work on the implementation of Oracle Cloud which would be used to provide assurance with users of the system such as the Commission. No timeline was available for this work and it would be unlikely that it would be useful to the financial statement audit work for 2024-25.

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

Lousie Carmichael highlighted the progress report on the 2024-25 audit plan. The progress report gave an update on the new Global Internal Standards which were implemented from January 2025. The new Public Sector Application Note, which come into effect from 1 April 2025, for the 2025-26 audit, sets out how the Global Internal Standards are applied in the UK Public Sector. The progress report also noted work being taken forward on Oracle Cloud.

It was confirmed that the draft of the Resource Capability and Capacity Review was being finalised. When the Commission management had provided its response to the draft recommendations, the report would be shared with Audit and Risk Committee members for approval by correspondence. The Committee confirmed that it was content to deal with the report in that way.

In relation to the audit plan for 2025-26, discussions were ongoing with the Commission's management about reviewing key financial controls and future proofing them. Susie Warden noted the work to identify opportunities for shared service support from other public bodies which would inform the 2025-26 audit plan by increasing resilience and capacity. For example, the Office for the Scottish Charity Regulator has been supported by Care Commission for a number of years.

**Action Point 1 – The Committee agreed that the finalised report for the Resource Capability and Capacity Review would be shared and approved by correspondence.**

### **4. Risk**

**Risk Management Framework** – Susie Warden noted the framework had been reviewed and that no major changes had been proposed. Additional text had been added to clarify the risk impact descriptors, described in four distinct categories. The Committee confirmed that it was content to approve the reviewed Risk Management Framework.

#### **Risk Cards**

Risk Appetite – it was agreed that this would be considered as a separate agenda item at the next meeting on 29 April 2025.

Staffing – There are a number of staffing pressures and contingency plans are in place to manage these, as well as staffing budget pressures. The use of a vacancy

assumption of 4% (based on previous experience), and planned overcommitment on staffing costs would help to manage any underspend in 2025-26, however, the staffing budget would be under pressure for the first few months of the year. SMT agreed to move this risk to red, and the Committee agreed the proposed score as likelihood 4, and impact 4. This risk would be brought to the attention of the Governance Board.

Corporate Systems – The risk score had not changed but the factors for the score had. There was experience of invoices being paid and pay roll information being provided, though the full reporting package (EPM) had not yet been delivered. However, as exploration of shared services across public bodies was ongoing suggested that the overall risk remained unchanged. It was agreed that the scores should remain with a likelihood of 4, and impact of 4.

Partners – experience from the recent SEFF (with late notification of policies resulting in extension of deadlines, and a further late policy change which could not be costed until 7 January 2025) was noted, as was the Commission's ability to adapt and respond appropriately. The increased score reflected the need to be prepared. The Committee agreed the proposed score of likelihood 4, and impact 3.

The score for reputation had improved and the independence score remained unchanged. Domenico Lombardi noted that the Commission had strengthened its standing with other Independent Fiscal Institutions which provides useful evidence for the independence of the SFC.

The Committee agreed the risk scores as:

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

**Action Point 2 – The Committee agreed to discuss Risk Appetite as an agenda item at the next Committee meeting on 29 April 2025.**

## **5. Finance**

Susie Warden highlighted that as end of the financial year approaches there was greater certainty about the projected spend. It was clarified that payment for overtime required advance approval and was usually restricted to the more intensive periods in the run up to the major forecasting reports.

The impact of the 35 hour week was still being assessed, including the level of flexi-balances accumulated by staff. To help manage that SMT was reviewing workloads to spread them more evenly across the year. It was also noted that the recruitment of a C1 and B2 had taken longer than anticipated, which has reduced the projected staff costs for 2024-25.

The Committee noted the update paper.

## **6. Corporate Policies**

Terms of Reference – The Governance Manager reported that a light touch review of the Terms of Reference had been undertaken which confirmed that they were still fit for purpose. The Committee agreed with that assessment, noting that the Terms of Reference would be considered for approval by the Governance Board at its meeting on 25 February.

## **7. Staff Survey 2024**

John Ireland reflected that he had been apprehensive that we might experience poorer staff survey results than previous years, given the impact of timetabling uncertainty on staff leave in 2024, and the delays to the replacement of the central heating boiler. However, the overall staff survey results were positive, and compare positively with SG scores. The Senior Management Team would be considering the outcome of the survey in detail to identify and prioritise follow up actions.

## **8. Any other business**

There was no other business.

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

The next Audit and Risk Committee meeting is scheduled for Tuesday, 29 April 2025.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services  
18 February 2025