

Audit and Risk Committee Meeting Minutes
22 November 2023 10:05 – 11:05
Via Video Conference



Committee Members

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

Attendees

Professor Graeme Roy - Chair, Scottish Fiscal Commission
John Ireland - Chief Executive
Pat Kenny - Associate Partner, Deloitte LLP
Jim Montgomery - Scottish Government Directorate for Internal Audit and Assurance
Susan Marvell - Scottish Government Directorate for Internal Audit and Assurance
Susie Warden - Head of Strategy, Governance and Corporate Services
Ian Forbes - Accountancy Adviser
James H White - Governance Manager - secretariat

Apologies

Professor Francis Breedon
Muhammad Fadhil - Audit Manager, 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, introducing Ian Forbes, recently appointed interim Accountancy Adviser. 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 11 October 2023 were agreed as an accurate record, and the action log was noted.

2. Deloitte LLP

Pat Kenny confirmed that there was nothing significant to highlight. Last year's accounts had been approved by the Auditor General, and laid in Parliament and published on 8 November 2023.

It was confirmed that planning for the 2023-24 audit had started. The 2023-24 audit plan would be prepared for approval by the Audit and Risk Committee on 28 February 2024.

3. Scottish Government Directorate for Internal Audit and Assurance

Susan Marvell summarised the Internal Audit Progress Report, noting that audit work is progressing according to the plan. Work is ongoing regarding the review of Core Business and Governance Processes. Planning for the 2024-25 audit plan will commence shortly.

Jim Montgomery highlighted the Internal Audit Quarterly Bulletin which focuses on Assurance Mapping, noting that the organisations profiled in the document had reported a greater sense of confidence in their assurance ratings from the first and second lines of assurance.

Catriona McConnell reflected that Assurance Mapping was of great interest and asked Susan Marvell how useful it could be for an organisation such as the Commission. In the course of a wider discussion it was noted that Assurance Mapping might be of more benefit to larger organisations with multiple levels of assurance. However, in smaller organisations, such as the Commission, Assurance Mapping could be a useful tool to identify any assurance gaps. This could be used to better target internal audit resources.

David Ulph said he found the item on Cyber Security of interest, and that he felt he did not have a full understanding of the potential types of risks to which an organisation such as the Commission was exposed to and would welcome further briefing. The Governance Manager reminded the Committee about the information provided to the Committee around two years ago, and the training that was to be made available to Board Members. It was noted that iTECS undertake regular 'secret shopper' exercises to highlight the risks associated with phishing attacks, and that there is a Cyber Champion to raise awareness of this issue amongst staff. In relation it was also noted cybersecurity standards would be changing which would provide further assurance to bodies through higher standards.

It was clarified, that where staff wish to take their SCOTS laptop abroad there is an approval process which includes a risk assessment. As with home working, staff are responsible for managing their own broadband provision to allow access to the secure SCOTS network. It was recognised that protection of data was also important and the Committee agreed it would be useful to have briefing covering general cyber security and board specific risks at a future meeting.

Action Point 1 – Susie Warden and Jim Montgomery to discuss Assurance Mapping and Cyber Security and how they could be addressed at a future Audit and Risk Committee meeting.

4. Risk

David Ulph suggested that, since their scores were low and either remaining constant or improving, the Committee accept the proposed scores for Partners, Reputation, and Independence and focus discussion on the Corporate Systems, and Staffing risks.

Corporate Systems - Susie Warden highlighted the drivers for the score were the forthcoming change to Oracle Systems for HR and Finance in April 2024. There was a level of assurance from the number of organisations impacted by this and that Scottish Government have made clear implementation would be delayed if the system wasn't ready. The score also reflects the lack of detail about the new systems and their requirements, and the forthcoming retirement of the Communication Manager, and the fixed term appoint in Corporate Services Team is due to end in June 2024. There is mitigation in the form of Ian Forbes (temporary Accountancy and Finance Adviser) who would provide additional resource in the current financial year during the transition to the new Finance System. Ian Forbes noted that the new system has the potential for improved reporting. The Committee agreed the score as likelihood 4 and impact 4.

Staffing - although the score remains the same it reflects recent staff turnover and the number of vacancies during the current forecast period. At present there are 3 analytical vacancies: two new staff members (B3 and B2 respectively) are due to start on 8 January 2024, and recruitment for the third post (B2) due to start in early 2024. The Committee agreed the score as likelihood 4 and impact 3.

There was very positive feedback on the Commission’s approach to risk management, and in particular the risk cards. Susie Warden would share the risk cards with Sarah Pumfrett for use by other public bodies as a helpful template.

Domenico Lombardi commented for the next iteration of the risk cards that the forthcoming independent review (due to take place in in 2024) could help to support the independence score, and that Scottish Fiscal Commission increasing engagement with other Independent Fiscal Institutions would supporting the reputation and independence scores.

The Committee agreed the proposed scores as:

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

Action Point 2 - Susie Warden would share the risk cards with Sarah Pumfrett for use by other public bodies as a helpful template.

5. Finance

Susie Warden noted that the paper projected a high level of underspend, caused by delays in recruitment, replacement staff starting at a lower point in the pay scale, and the length of time that posts are vacant, all of which reduce the projected outturn vacancy. IN addition non-staff cost projects had been revisited, and shared service costs such as IT being lower than expected. Although some of the contingency had not materialised, the cost of potential overtime remained uncertain.

It was noted that Scottish Government had made a mistake with managing the capital charge for the Memorandum of Terms of Occupation. It had been removed from resource account but not added to the deprecation account. This was being resolved.

The main risk for the budget is staffing costs and the need to ensure that those costs can be fully met over the year. If turnover is lower than anticipated, that would lead to an underspend. Susie Warden reported that she would be working with other public bodies to pool resource to manage better maternity and paternity leave.

The Committee noted the report.

6. Corporate Policies

Register of Interests – subject to recent changes identified during the meeting, the Committee noted that the updated Register of Interests, which would be shared with the Committee before publication.

Action Point 3 – Updates to the Register of Interests confirmed in the meeting would be confirmed to the Governance Manager, for an updated register to be produced and shared with the Committee before publication on the Commission’s website.

7. Any other business

There were no other items of business.

8. Date of Next Meeting

The next Audit and Risk Committee meeting is scheduled for Wednesday, 28 February 2024.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services
22 November 2023