

Audit and Risk Committee Meeting Minutes
28 February 2024 10:05 – 11:15
Via Video Conference



Committee Members

Professor David Ulph - Chair
Professor Domenico Lombardi
Professor Francis Breedon
Catriona McConnell - External Member
Sarah Pumfrett - External Member (from 10:25)

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
Louise Carmichael - Scottish Government Directorate for Internal Audit and Assurance
Susan Marvell - Scottish Government Directorate for Internal Audit and Assurance
David Stone - Head of Economy and Income Tax
Susie Warden - Head of Strategy, Governance and Corporate Services
James H White - Governance Manager - secretariat

Apologies

Muhammad Fadhil - Audit Manager, Deloitte LLP
Claire Murdoch - Head of Fiscal Sustainability and Public Funding
Michael Davidson - Head of Devolved Taxes and Social Security

1. Welcome and Introduction

David Ulph opened the meeting noting that this would be Jim Montgomery's last Committee attendance as he would be retiring in April. David Ulph thanked him for his contribution to the work of the Committee, and wished him all the best for the future. He welcomed Louise Carmichael who will be taking over as SGDIAA Senior Internal Audit Manager.

Congratulations were given to Domenico Lombardi on his recent appointment as Professor of Practice in Public Policy in the School of Government at the Libera Università Internazionale degli Studi Sociali Guido Carli (LUISS University), Rome.

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 22 November 2023 were agreed as an accurate record, and the action log was noted.

2. Deloitte LLP

Pat Kenny introduced the Deloitte LLP Audit Plan for 2023-24, noting that it was the second year of Deloitte's five year term of appointment. The plan was not materially different from the Audit Plan for 2022-23. It reflects public sector audit requirements, which cover both the audit of financial statements and wider scope, including financial management, and sustainability, and governance.

Significant risks which need to be included within the scope of the audit were management override of controls (a standard statutory requirement) and adherence to expenditure limits.

John Ireland commented that the Commission was funded by Scottish Government rather than the Scottish Parliament. In relation to the reporting of hot topics, which focussed on macro-economic uncertainty, a bigger risk for the Commission was the implications of the public sector pay policy. It was noted that the climate change issues were more limited for the Commission than larger bodies. Pat Kenny agreed to adjust the draft in light of those comments, noting that climate change was relevant (to a greater or lesser extent) to all organisations, but recognising the limited scope for the Commission.

3. Scottish Government Directorate for Internal Audit and Assurance

Susan Marvell noted that the work planned for 2023-24 year had been completed. A draft updated Memorandum of Understanding had been shared with John Ireland and Susie Warden for consideration and agreement.

The Committee had been provided papers on risk management for information, though this was less relevant for the Commission.

Core Business and Governance Processes Review: Susan Marvell noted that the review had been positive, with good overall progress being made on the identification and documentation of key processes, though ensuring that all processes have been identified is important.

The review had identified the use of checklists to manage data accuracy within the forecasting models, though no detailed work was undertaken.

Maintaining momentum on this would be helpful, particularly as a tool to manage the transition to new the new Oracle based systems later in 2024. The overall rating for the review was reasonable assurance, but the Commission was still on track to achieve a substantial assurance rating.

Audit Plan 2024-25: Susan Marvel reported that there had been good discussions with John Ireland about the priorities for 2024-25. Key risks identified were staffing and system changes, with the main focus for further work looking at how these risks would be managed. Catriona McConnell offered to discuss with Susan Marvell recent experience with change management.

4. Risk

John Ireland highlighted the two main risks of concern.

Corporate Systems – in particular concerns about implementation of the Oracle systems for HR and Finance against the backdrop of forthcoming changes to the Corporate Services team. There was a lack of clarity on the requirements and operation of the new systems. There was also a concern about both the current implementation timescales and a risk of further delay with implementation.

Susan Marvell commented that other delivery bodies were becoming more focussed on the new systems and were keen to see progress with implementation. SGDIAA was about to start work on implementation readiness, and Jim Montgomery noted the key role of the Public Body Delivery Group in giving feedback on the shared service programme. Louise Carmichael also highlighted a range of assurance activity to be started on the shared service programme. Assurance activity to date has identified that risks are more about stakeholder engagement rather than system issues. Pat Kenny echoed that, commenting that experience elsewhere with a similar programme was the result of changing the Oracle system rather than process redesign, a riskier approach. The Committee was content with proposed score of likelihood 4, impact 4.

Partners - the concern comes from the recent Budget process and the delay in provision of tax and other policies by the Scottish Government to allow the analysis needed for Scotland's Economic and Fiscal Forecasts - December 2023 to be completed. To mitigate for this work has been taken forward to build resilience by having staff provide cover for each other and a more flexible approach to working across teams. The concern was that the next Budget process might be as difficult, but we were working with partners to better manage this. The Committee was content with proposed score of likelihood 4, impact 3.

Staffing - the score for this had improved slightly, however, it was recognised that this could be more volatile. The Committee was content with proposed score of likelihood 3, impact 3.

Reputation - David Ulph commented about the implications of the partners for the reputation risk score and proposed that the score should be maintained rather than reduced. Francis Breedon commented that steps have been taken to improve how the Commission works to manage the Partners and Reputation risk, however, it was important not to lose sight of this risk. The Committee was content to hold the previous score of likelihood 2, impact 2.

Independence – this remained unchanged and was agreed without comment with a score of likelihood 1, impact 3.

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 apologised for late delivery of the Finance Update. There was a decrease in projected underspend, partly as a result of the need for the Fire and Intruder Detection systems to be replaced. Arrangements have been made for the equipment to be delivered and paid within this financial year, with installation and associated costs being paid in 2024-25, after obtaining listed building consent.

Work would be taken forward with Scottish Government to improve the planning for maintenance and replacement of systems in Governor's House, so that costs could be factored into the Commission's financial planning and its multi-year funding ask. For example, the central heating boiler may require replacement in the next few years.

In addition, there were delays in the starting dates for new employees and overtime costs associated with Scotland's Economic and Fiscal Forecasts - December 2023 were lower than anticipated. The Committee noted the report.

6. Staff Survey 2023

John Ireland noted that this paper was for information only. Senior Management Team had not yet fully discussed the outcome of the survey, and that the Governance Board would consider it in due course. Overall, the results of the survey were positive with improvements in areas targeted following previous surveys, though there were also some areas which were less positive.

7. Stakeholder Engagement

John Ireland stated that this was for information only, intended to make Committee aware of work on stakeholder engagement and the range of activity to support that.

8. Corporate Policies

Terms of Reference – the Governance manager highlighted that the terms had been amended to include Chair of the Commission as an attendee but not a member of the Committee, and to provide clarity on decision and recommendation making by the Committee. The Committee confirmed that it was content with the updated Terms of Reference.

9. Any other business

There were no other items of business.

10. Date of Next Meeting

The next Audit and Risk Committee meeting is scheduled for Tuesday, 14 May 2024.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services
28 February 2024