Audit and Risk Committee Meeting Minutes
5 November 2024 10:05 – 11:25
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
Louise Carmichael - Scottish Government Directorate for Internal Audit and Assurance
Scottish Government - iTECS Deputy Chief Technical Architect
Scottish Government - Deputy Chief Information Security Officer
Scottish Government - iTECS Customer Relationship Manager
James White – Governance Manager, secretariat

Apologies
Stuart Kenny - Associate Partner, Deloitte LLP
Rebecca Smith - 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
Susie Warden - Head of Strategy, Governance and Corporate Services

1. Welcome and Introduction

David Ulph opened the meeting and welcomed the members of the Scottish Government who were attending for item 2 on the agenda. Apologies as given above were noted. There were no declarations of any interest in the agenda items.

The minutes of the meeting held on 20 August and 25 September 2024 were agreed as an accurate record. The action log was noted.

2. iTECS and Cybersecurity

The Scottish Government's Information and Technology Services Deputy Chief Technical Architect introduced the attendees from Scottish Government. They would address any concerns about Cyber Essentials, and the Deputy Chief Information Security Officer, from Scottish Government's Cyber Security Unit, would discuss cyber security arrangements. The Committee was reassured to hear from colleagues about:

- The accreditations that the Scots Network has, and the plan to reapply for Cyber Essentials in late 2024.

- How the risks of using personal device are managed including the protections built into the Scottish Government's approved document sharing platform, which is used to share Audit and Risk Committee papers.

- The structure of iTECS and Cyber Security Units, with teams responsible for managing servers and SCOTS devices, managing day to day Cyber Security, the vulnerability management team (which scans the network and devices to identify potential vulnerabilities and remediate or mitigate against those risks), and the Cybersecurity Investigation Team responsible for developing and improving Cyber incident response capability.

- The role played by the Cyber Security Training team which undertakes ongoing staff training as well as phishing exercises (to raise awareness about the risk from phishing emails and support users in the correct response to phishing emails). The underlying approach is to encourage a positive approach to cybersecurity issues across all staff.

David Ulph thanked Scottish Government attendees, reflecting that he and the Committee had been suitably assured by what they had heard about the arrangements for Cybersecurity.

3. Deloitte LLP

The Governance Manager reported that Stuart Kenny had provided the following update for today's meeting.

2023-24 Audit - The Annual Report and Accounts for 2023-24 were signed on 25 September and, after being cleared by the Auditor General, laid in Parliament and published on the Commission's website on 15 October 2024.

2024-25 Audit - Since the last Audit and Risk Committee meeting, Pat Kenny has retired from Deloitte LLP and has been replaced by Stuart Kenny. Stuart is an experienced Public Sector auditor, who works with Central Government, Local Government, NHS, and Higher Education bodies across the UK. He also acts as the national public sector technical lead for Deloitte LLP.

The audit team is booked to perform its planning procedures in early December 2024, with the aim of presenting the audit plan to the next Audit and Risk Committee meeting on 18 February 2025. The year end audit is currently scheduled to take place towards the end of June 2025, but the dates need to be formally agreed.

4. Scottish Government Directorate for Internal Audit and Assurance

Lousie Carmichael reported that the fieldwork had been completed for the Resource and Capability Review and that they would be engaging about the recommendations with management for their formal response for inclusion in the finalised report. It was clarified that there were no matters to be followed up from the previous year, and planning would be starting shortly for 2025-26.

It was confirmed that the main finding of the review was the implications of the size of the organisation, and its capacity to manage resilience. Sarah Pumfrett reflected that this was more challenging for the Scottish Fiscal Commission to address capacity concerns given limited scope for partnering. She highlighted that working with the Office for Budget Responsibility in staff loaning might be helpful. Catriona McConnell asked how agile the Commission was in prioritising work and matching staffing resources.

John Ireland suggested that a full discussion on the audit report should be held at the Internal Audit agenda item at the next Audit and Risk Committee by which time the Resource and Capability Review report will have been finalised.

5. Risk

John Ireland noted that the scores have remained stable as most of the risk was focussed on the forthcoming SEFF, and confirmation of the funding for 2025-26. Discussion was about the Corporate Systems and Staffing risks cards, as other risk score remained the same.

Corporate Systems – As Oracle Cloud was now in place, it was felt that the risk score could be reduced, reflecting that the system was operational albeit still bedding in. The As a result of its size and limited requirements, the Commission was in a better position than other public bodies. It was confirmed that any charges for Oracle Cloud would not be implemented until 2026-27. It was agreed that the scores should be reversed, with a likelihood of 3, and impact of 4.

Staffing – There was a discussion about increasing the likelihood to 4, given risks about funding for 2025-26, potential staff turnover, and implementation of the 35 hour working week. It was agreed to leave the score as likelihood 3, and impact 3.

The Committee agreed the risk scores as:

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

6. Finance

John Ireland introduced the finance update paper, which was shorter than usual, providing actual spend to the end of September. It was highlighted that we need to monitor the underspend, noting any delays to staff recruitment would increase the underspend.

The Governance Board had discussed how the Scottish Fiscal Act 2016 and the Framework Agreement with Scottish Government protect our operational independence. Concerns about the controls being implemented by the Scottish Government had been raised, and recognised as valid. It had been agreed that the Commission was directly responsible for its spending decisions, and that we steer a responsible course and actively consider how much of the 2024-25 budget could be returned to the Consolidated Fund.

7. Corporate Policies

The Governance Manager invited the Committee to review the latest version of the Register of Interests, which had been updated to include Sarah Pumfrett's new roles with the UK Space Agency. Catriona McConnell confirmed that there had been a change to her details, which she would share with the Governance Manager. The

Commissioners confirmed they were content that the Register was an accurate reflection of their interests.

Action Point 1 - Governance Manager would update the Register of Interests with Catriona McConnel's updated information and publish it on the Commission's website.

8. Opportunities and Risks from Artificial Intelligence (AI)

John Ireland noted that the paper was intended as a framework for discussion following the presentation given and discussions at the Staff Day in October at which the Committee external members were present.

The Committee recognised that the risks might arise from staff using AI to sense check material, which could result in accidental disclosure of sensitive information. The use of personal 'listening' devices could also pose a similar risk, as could lack of experience of using AI appropriately.

John Ireland reflected that a key issue is the need to make staff aware of the risks of using AI inappropriately, and that this was something that needs to be monitored.

It was also recognised that AI could present opportunities in targeting staff recruitment , or making published information about technical forecasting more accessible to as wider audience.

It was agreed that the Governance Board should be asked for a view in the use of AI by the Commission. It was also agreed to engage with staff about how AI could be used appropriately and raise awareness of the associated risks.

Action Point 2 – It was agreed that the Governance Board should be asked for a view on the use of AI by the Commission as part of the Audit and Risk Committee's report to the next Governance Board.

9.   Any other business

There was no other business.

8. Date of Next Meeting

The next Audit and Risk Committee meeting is scheduled for Tuesday, 18 February 2025.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services
5 November 2024