

Committee Members

Justine Riccomini - Chair
Dr Eleanor Ryan
Catriona McConnell - External Member
Sarah Pumfrett - External Member

Attendees

Professor Graeme Roy - Chair, Scottish Fiscal Commission - observer
Stuart Kenny - Director, Deloitte LLP
Tauseeq Amjad – Assistant Audit Manager, Deloitte LLP
Louise Carmichael - Scottish Government Directorate for Internal Audit and Assurance
Marketa Andrew - Scottish Government Directorate for Internal Audit and Assurance
John Ireland - Chief Executive
Susie Warden - Head of Strategy, Governance and Corporate Services
James White - Governance Manager, secretariat

Apologies

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

Justine Riccomini 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 11 November 2025 were agreed as an accurate record, and the action log was noted.

Eleanor Ryan reported about the Scottish Forestry workshop on the 20 action points for reflection in the report on Recognising and Responding to Early Warning Signs in Public Sector Bodies produced by the Committee on Standards in Public Life. The workshop involved the non-executive directors, the Chief Executive and two members of the Executive Board and was facilitated by Ian Burns from SGDIAA. Although a few points had been identified to consider, there were no major concerns. The value of the 20-point checklist was in the workshop discussions prompted by it. A similar workshop for the Scottish Fiscal Commission could be helpful.

Sarah Pumfrett noted that other Audit Committees undertake an annual review and would share examples of the sort of template used to inform that review including the National Audit Office checklist.

John Ireland commented that the intention had been to follow up last year's Governance Board review with a similar review of the Audit and Risk Committee. It was agreed that a formal proposal would be prepared which would address review of the Committee and addressing the 20 point action plan for consideration by the Committee and approval by the Governance Board.

Action Point 1 - Sarah Pumfrett would share examples of the sort of template used by other bodies when reviewing their Audit and Risk Committee including the National Audit Office ARAC Effectiveness Tool and the Government Internal Audit Agency ARAC Self-Assessment Tool.

Action Point 2 - It was agreed that a formal proposal would be prepared by which would address review of the Committee and addressing the 20 point action plan for consideration by the Committee and approval by the Governance Board. This would also address the management of operational risk (see section 4 below).

2. Deloitte LLP

Stuart Kenny highlighted from the proposed Audit Plan for 2025-26 the following key points. The Materiality level is consistent with both the prior year and other similar sized organisations. This is based on gross expenditure and will be set when the final expenditure is known.

Performance materiality has increased back to the highest level, noting that for last year it had been reduced due to the move to Oracle in October 2024. This has the impact of reducing the amount of testing required during the audit fieldwork. He confirmed that no concerns or weaknesses have been identified in previous audits. Within this heading, fraud at any level would be a significant risk as would anything breaching materiality. In addition, any issue above the trivial threshold would be flagged to the Senior Management Team and Audit and Risk Committee by Deloitte LLP.

The plan includes the standard risks which must always be a consideration, including management override of controls, and operating within expenditure resource limits. This would be assessed by reviewing the controls in place and, ensuring that that transactions in 2025-26 are appropriately recorded.

In relation to the wider scope requirements, no significant risk had been identified but this would be tested. It was clarified that financial sustainability is about ensuring that the right controls are in place to manage the Commission's finances.

For the IFRS 16 issues identified, Stuart Kenny was not aware of any requirement to flag this up as a note to the accounts. He is working with Susie Warden to agree an appropriate approach to the anticipated length of the lease for accounting purposes.

Susie Warden confirmed that Deloitte LLP would raise with the Senior Management Team and the Audit and Risk Committee any concerns be identified during the course of the audit fieldwork.

3. Scottish Government Directorate for Internal Audit and Assurance

Lousie Carmichael reported that work on the annual assurance report was ongoing and that fieldwork was almost complete, noting that no major concerns had been identified. A draft report was to be shared with management next week for feedback before being finalised for consideration by the Audit and Risk Committee at its next meeting, scheduled for 8 May 2026. This will be used to inform the Audit Plan for 2026-27. It was planned to engage with Management on that plan by the end of February and take forward approval of the 2026-27 Plan with the Committee by correspondence.

4. Risk

Risk Cards

Susie Warden noted that the Action Log had included a review of how operational risks are managed. It was confirmed that Corporate risk includes both corporate services as well as wider operational risks. Eleanor Ryan said that the issue was to ensure that there was no gap in the coverage of risk management in the Commission, and not to create further risk registers. Susie Warden noted that there isn't a separate operational risk card, but these risks are considered by SMT at its weekly meetings, informing the risk cards where issues are identified.

John Ireland suggested that operational risk should be considered as part of the review of the Committee, which should also address how to make the most of external audit experience to inform risk discussion. The Committee was content to proceed with this as proposed by John Ireland.

Susie Warden highlighted the following from the risk cards:

Corporate Systems – although the risk has not changed, the reasoning for the score had, including significant challenges in meeting the Public Service Reform Act requirement for a 20% saving. With the forthcoming retirement of the Governance Manager, work was being shifted within the Corporate Services Team to provide resilience.

The ongoing issues with Capita's administration of the Civil Service Pension was noted, though, there was not much to report but staff concerned are aware of the emergency interest free loans being made available.

The Committee agreed an unchanged score with likelihood of 4, and impact of 4.

Reputation – This reflected the positive reception of the correction to the Fiscal Sustainability Report and the SEFF – January 2026. Sarah Pumfrett commended Commission for its handling of the error, reflecting the strength, quality and transparency of the communications around this.

The score for reputation had reduced with likelihood 2, and impact 3.

Independence – the likelihood score had been increased to reflect forthcoming election (with turnover of MSPs and a change of Cabinet Secretary, noting that the current Cabinet Secretary was not standing for re-election), the outcome of the Treasury Select Committee inquiry into the OBR and potentially wider changes to the views about the need for Independent Fiscal Institutions.

The score for independence had increased to likelihood 4, and impact 3.

Partners – this was noted without discussion.

The Committee agreed the recommended score to likelihood 3, and impact 2.

Staffing – this was noted without discussion.

The Committee agreed the proposed score as likelihood 4, and impact 3.

The Committee agreed the risk scores as:

| | Likelihood | Impact |
|-------------------|------------|--------|
| Partners | 3 | 2 |
| Corporate Systems | 4 | 4 |
| Staffing | 4 | 3 |
| Independence | 4 | 3 |
| Reputation | 2 | 3 |

5. Finance

Finance Update Paper

Susie Warden confirmed that with three members of staff leaving and changes to working hours, there had been movement in anticipated outturn for 2025-26. An underspend was now anticipated, the scale of which would be subject to change by the end of the financial year. It was confirmed that the level of underspend was consistent with previous years.

The Committee noted the update paper.

Capital Requirement - IFRS 16 – Susie Warden confirmed that the main issue was the lack of capital cover in 2025-26 for the MoTO agreement covering use of Governor’s House. This was a technical, accounting issue which is being worked through with Deloitte LLP and Scottish Government Accountancy Services.

6. Corporate Policies

Register of Interests – the Governance Manager invited the Committee to note the recently published register reflecting changes made in January 2026. Further changes to the register were to be added today, and again from 16 February 2026.

Terms of Reference – The revised terms of reference were agreed by the Committee, subject to approval of the Governance Board on 11 February 2026.

7. Any other business

There was no other business.

8. Date of Next Meeting

The next Audit and Risk Committee meeting is scheduled for Friday, 8 May 2026.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services
6 February 2026