

Committee Members

Professor David Ulph - Chair
Professor Francis Breedon
Professor Alasdair Smith
Gillian Carty - External Member

Attendees

Dame Susan Rice - Chair, Scottish Fiscal Commission
John Ireland - Chief Executive
Susie Warden - Head of Strategy, Governance and Corporate Services
Mark Taylor - Audit Scotland
Stephanie Harold - Audit Scotland
Head of Internal Audit - SG Directorate for Internal Audit and Assurance
Internal Auditor - SG Directorate for Internal Audit and Assurance
James H White - Governance Manager - secretariat

Apologies

Martin Nolan - Audit Scotland

1. Welcome and Introduction

Professor David Ulph opened the meeting, noting apologies given, and welcoming Stephanie Harold, Audit Scotland, who was taking over from Helen Russell. David Ulph and Mark Taylor both formally recorded their thanks to Helen Russell for her work with the Scottish Fiscal Commission.

There were no declarations of interests nor notification of any other business. The minutes of the meeting held on 4 November 2020 were agreed as an accurate record. The action log was noted.

2. Risk Management

Risk Framework

Susie Warden set out the revised risk management framework. She highlighted that the Governance Board has overall responsibility for risk, Senior Management Team responsibility for its management, and the Audit Risk Committee's role was to advise the Governance Board as to whether risk management was adequate. Senior Management Team would escalate the most serious risks for further in-depth discussion by Commissioners and these would have red flags. The purpose of escalation was to make sure Governance Board was fully aware of the most serious risks, and because Commissioner action may be needed for mitigation.

David Ulph commented that the framework was excellent, setting out roles and responsibilities very clearly. It was confirmed that the intention was to reflect day to day management, be proportionate and to increase involvement of staff in risk management.

It was agreed that Susie Warden would refine Annex 1 of the Framework (Risk Impact Descriptors) to better reflect the Commission's circumstances and share with Committee members in track change format for agreement.

After discussion, the Committee agreed that the proposed risk tolerances were appropriate, recognising that it was important not to overthink the proposed tolerances, and that risk scoring was also a key factor in ensuring that risks were being managed and escalated to Governance Board appropriately.

Staffing – the staff survey reported that a number of staff were considering leaving the Commission during the year, though it was recognised that in itself staff turnover was not a bad reflection on the Commission, given many staff's length of service, but that it needed to be managed. The staff survey also showed a level of dissatisfaction with the remuneration package offered to staff. The Committee discussed the staff survey results on line management, learning and development and mental health. It was reflected that the staff survey results were not unique to the Commission, and that compared with some organisations, these results were quite positive.

The Committee expressed concern about how various factors were impacting staff morale and wellbeing: COVID-19 restrictions, remote working, relentless high pressure work, lack of clear timetable for fiscal events meaning long periods without leave, the Commission's growing remit and workload and more highly paid opportunities in the private sector. As COVID-19 restrictions change, a move to a hybrid form of working may also present challenges for individuals and the Commission as a whole.

Scores were agreed as likelihood 4 and impact 4. This risk would be escalated to the Governance Board.

Independence - the Committee agreed that the risk definition should be revised to clarify that it referred to both the need for an independent fiscal forecaster, and political impartiality.

The increased score reflected a heightened political climate driven by the forthcoming Scottish Parliament election and public debate about a Scottish independence referendum. Other factors included a new Finance Committee, the forthcoming review of the fiscal framework and change of Chair in mid-2022. Succession planning of Commissioner and Chief Executive appointments was discussed.

Scores were agreed as likelihood 4 and impact 4. The risk definition and narrative should be revised. This risk would be escalated to the Governance Board.

Partners - relationships with most partner organisations had improved but there were concerns about the relationships with two organisations.

In addition to revised text, scores were agreed as likelihood 4 and impact 4. This risk would be escalated to the Governance Board.

Reputation - As a result of positive feedback on the publication recently of Scotland's Economic and Fiscal Forecasts - January 2021, the good feedback on the Commission's forecasting processes, and online working making it easier to engage with some stakeholders, a lower score was proposed.

In addition to revised text, reflecting use of online, virtual events which had been well received, scores were agreed as likelihood 3 and impact 3.

Corporate Systems - The lower score reflected improvements in IT systems and that MS Teams was rolled out and working well. In addition to revised text, about being the Commission being engaged with the SG shared service improvement programme, scores were agreed as likelihood 2 and impact 2.

The agreed risk scores were:

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

Action 1 – Susie Warden would refine Annex 1 of the Framework (Risk Impact Descriptors) to better reflect the Commission’s circumstances and share with Committee members in track change format for agreement.

3. Refurbishment of Governor’s House

John Ireland commented that the paper of 27 November 2020 had been shared with Commissioners, who had agreed for the refurbishment work to proceed.

The Governance Manager gave a resume of the key points from the progress paper, noting that adding back into the programme improved lighting and acoustic tiles in the Board Room was being considered. Initial feedback from the contractors indicated the Board Room ceiling was more substantial than previously thought. It was confirmed that new carpet tiles would improve the acoustics in the Board Room, and that an induction loop is to be fitted to the Board Room. The expectation remained that refurbishment work should be completed by early to mid March 2021.

4. Finance Update

Susie Warden noted that although the projected underspend had remained the same since the previous meeting, the factors underlying it had changed, reflecting that a number of cost uncertainties had only been resolved since the last meeting (eg the date of the Scottish Budget and the amount of overtime working that was required). The Committee noted the paper and projected underspend.

5. Audit Scotland

Stephanie Harold highlighted from the Audit Plan 2020-21 that the audit timetable was still to be agreed, recognising the impact of COVID-19 on Audit Scotland’s staff and other audits and the need for flexibility over timing. Exhibit 1 identified the standard audit risk relating to management override of controls, together with the planned audit work. As with the previous year, the small and less complicated provisions of the Code of Audit Practice would be applied. Exhibit 3 sets out the levels of materiality which had increased slightly since the previous year. Finally, the minor increase to the cost of the audit work was highlighted.

There were no comments on the Audit Plan 2020-21 which was agreed by the Committee and which will be published on Audit Scotland's website in due course.

6. SG Directorate of Internal Audit and Assurance Update

It was reported that field work for this year's audit was ongoing and that the review was almost complete and that they were on schedule to report by 31 March 2021.

A new Audit Manager had been appointed who would work with the existing Head of Internal Audit and Internal Auditor. The Memorandum of Understanding, for the period up to March 2023 had been signed and published on the Commission's website.

The Annual Plan for 2021-22 had been circulated to member of the Committee; subject to a minor correction (in several places in Annex B, 29/10/10 should read 29/10/19) the plan would be finalised and circulated to Committee members.

Action Point 2 – a corrected version of the Annual Plan for 2021-22 would be circulated to Committee members.

7. Corporate Policies

Internal Control Checklist – the Governance Manager explained that the internal control checklist was intended to ensure the requirements of the Scottish Public Finance Manual were being addressed, and that it would form part of the evidence to be presented to Audit Scotland as part of their work auditing the Commission. This was the first time that the checklist had been presented to the Audit and Risk Committee; it was felt that it would be helpful to provide assurance to the Committee about the Commission's activities.

The Committee noted the checklist, commenting that it was a very clear and helpful piece of work.

8. Any Other Business

There were no other items of business.

9. Date of Next Meeting

The next meeting was scheduled for Tuesday, 25 May 2021.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services
17 February 2021