

Audit and Risk Committee Meeting Minutes
10 May 2023 10:05 – 11:35
Via Video Conference



Committee Members

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

Attendees

Professor Graeme Roy - Chair, Scottish Fiscal Commission
John Ireland - Chief Executive
Gregory Oduor - Audit Manager, Deloitte LLP
Jim Montgomery - SG Directorate for Internal Audit and Assurance
Susan Marvell - SG Directorate for Internal Audit and Assurance
James H White - Governance Manager – secretariat

Apologies

Pat Kenny - Associate Partner, Deloitte LLP
Susie Warden - Head of Strategy, Governance and Corporate Services

1. Welcome and Introduction

David Ulph opened the meeting, welcoming the recently appointed external members of the Committee, Catriona McConnell, and Sarah Pumfrett, and to Gregory Oduor, Deloitte LLP who was attending for the first time. 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 15 February 2023 were agreed as an accurate record by those who had attended it, and the action log was noted.

2. External Audit - Deloitte LLP

Gregory Oduor reported on work undertaken to do for the forthcoming audit, including the Audit Plan for 2022-23, which includes the materiality levels and key dates, though the date of fieldwork was still to be agreed.

The only significant risks identified in planning were the standard risks about management override of controls and the ability of the Commission to manage within the budget. There would also be a focus on how IFRS16 (relating to the accounting treatment of leases) would be managed, though this it was not expected to be a significant issue for the Commission.

The audit would also consider medium term planning, and affordability as well as environmental impact. There were no issues identified about independence or fraud, nor were there any related party concerns. It was confirmed that the audit fee (a notional cost) for 2022-23 would be £28,860.

David Ulph commented Audit Plan was very well set out and comprehensive.

Gregory Oduor clarified that 'tone at the top' on page 13 of the Audit Plan referred the attitude of Commissioners and Senior Management to management of the Commission and its controls. It was also clarified that that work was ongoing on finding a replacement Assistant Manager to

replace the previous manager. It was felt that this could be achieved without delaying the audit timetable. Gregory Odour also confirmed that there would be engagement with SGDIAA, and that their reports would be reviewed as part of the Deloitte LLP audit work.

David Ulph asked about what the climate change and sustainability impacts might be for the Commission. Sarah Pumfrett commented that there could be both risks and opportunities. Recognising the role and function of the Commission, and a move to hybrid working longer term, the potential impact on accommodation costs was highlighted (including the cost of home working), and the opportunity to downsize to smaller, higher energy performance premises. The potential impact of this and opportunities would be considered by Deloitte LLP.

The Committee confirmed its approval of Deloitte LLP's Audit Plan for 2022-23.

3. SGDIAA Update

Susan Marvell confirmed that the work plan for 2022-23 had been completed with production of the Annual Review and Annual Assurance Report for 2022-23. The Annual Review highlighted good risk management across the Commission and positive engagement by Commission staff with implementation of the new Finance and HR systems.

Although good documentation was in place, further improvements have been identified by SGDIAA and Commission staff which were being implemented. This was also reflected in the Annual Assurance work, highlighting that the Commission's approach was proportionate. Jim Montgomery reflected on the strong and positive engagement at all levels within the Commission which reflected a strong 'tone at the top'. The report concluded that a substantial assurance for 2022-23 was appropriate.

It was reported that work on the SG shared service programme was ongoing and would be reported to the Scottish Government Audit and Risk Committee in early to mid June for sharing thereafter with public bodies within the programme, including the Commission.

Catriona McConnell asked to what extent was organisational culture being addressed by SGDIAA. Susan Marvell commented that informally, a positive culture was evident in all engagement with the Commission but evidence for this could be identified more formally. John Ireland commented that the annual staff survey provides evidence on this through the section on staff relations. Graeme Roy recognised the strong culture within the Commission and the need to make it more formally recognised in induction and elsewhere, reflecting the level of good practice by taking a more systematic approach.

In addition, three papers were tabled for information, the Internal Audit Charter, Internal Audit Strategy, and SGDIAA Quarterly Bulletin which confirms the appointment of Jennifer Inglis-Jones as the new Director of SGDIAA (having been the previous Deputy Director).

In light of the positive reports from SGDIAA, the Committee also confirmed it was content for David Ulph to provide the Committee's annual assurance statement to the Governance Board. As part of that, the Committee agreed that there was a good understanding of the risks faced by the Commission, and that the risk scoring and mitigating actions were appropriate.

4. Risk Cards

David Ulph outlined the approach to risk management. Both new external members commented that the overall score card approach was helpful. It was clarified that data was addressed in both the corporate system and partnership risks, though it was recognised that it could be made more

distinct and that risk are discussed regularly by SMT, and by analytical colleagues in relation to data provision from stakeholder organisations.

Sarah Pumfrett commented about the need to address risk velocity: some risks such as parental leave, might have a longer lead in, whereas other risks (such as COVID-19) would have the potential to impact a number of staff more rapidly at the same time.

Risk Cards - John Ireland highlighted the changes to the risk scores since the previous meeting on 15 February 2023. A number of risk scores had reduced, and there were none currently highlighted as red risks.

Partners - reflected the position we are in now and that new First Minister and Cabinet had been appointed, some of whom may not appreciate the role played by the Commission given their previous experience was in spending portfolios. By way of mitigation, Graeme Roy commented that we were working very hard at building on relations at Director level and improvements were being seen. There had been some clear direct feedback on forecast round meetings in particular that had helped move things forward.

Staffing - SMT recommended keeping the score at the same level: staff experience is developing, and the recent B2 post recruitment has been successfully completed, with the move of FTA to a permanent appointment, and recruitment of an experienced analyst from Scottish Government. Concerns about staff turnover now moved to changes at B3 level. HR services, especially in relation to recruitment and onboarding new staff remains a concern. John Ireland confirmed that his secondment has been extended by a further 2 years, but other SMT members have been here for five years increasing the risk that they may wish to seek a career development opportunity elsewhere. Sarah Pumfrett commented that hybrid working should be seen as a positive factor in opening up recruitment opportunities. In relation to staff turnover, John Ireland confirmed that exit interviews area are undertaken by a non-analytical colleague, the outcome from which being used to inform the Commission's approach to recruitment and manage applicant expectations.

Reputation - SMT recommended a reduction to a green score, reflecting the positive reception to the Fiscal Sustainability Report in March and the associated future work programme. Graeme Roy highlighted the ongoing work on communications and engagement to improve our prioritisation of relations with key stakeholders.

Corporate Services - SMT proposed to keep this at the level reflecting the shared services programme and Public Services Review, the outcome of which was still unknown.

Independence risk score - the proposed score reflected that previous concerns hadn't materialised. Susan Marvell reported positive message being given by DG Scottish Exchequer at Scottish Government staff sessions. Which may provide an opportunity to promote the Commission This can be seen as a reflection of the maturity of the Commission and its positive track record, positively impacting on the staff risk, in particular recruitment of high quality analytical staff.

The Committee agreed the proposed scores as:

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

5. Finance

Due to staff absence, it was agreed that this item would be dealt with by correspondence, and that it would cover the 2022-23 outturn, and 2023-24 projected spend.

Action Point 1 - the Finance Update paper would be dealt with by correspondence.

6. Corporate Policies

Register of Interests - the Governance Manager reported that the Register of Interests had been updated, including information for the two new External Members of the Committee, and that it would be published on the Commission's website. The opportunity was taken to remind everyone the Register updated regularly as and when changes happen.

Self-assessment Checklist - this had been compared with the model checklist within the Scottish Public Finance Manual, reviewed and updated by the Governance Manager. The Committee confirmed its approval of the checklist.

Internal Control Checklist - this had been compared with the model checklist within the Scottish Public Finance Manual, and reviewed and updated by John Ireland and the Governance Manager. In relation to point 1.8 it was clarified that in the event of a major system outage, the implications would be broader than the ability of the Commission to produce a forecast and may likely impact on the Scottish Government's ability to function, which may lead to any planned fiscal events being rescheduled. In the event of a lesser system outage, or the inability of partner organisations to provide up to date information, it would still be possible to produce a forecast using the latest data available albeit subject to appropriate caveats. The checklist would be revised to include the above. The Governance Manager also highlighted the level of resilience within the network which had been improved considerably over the last few years. Subject to that change, the Committee confirmed its approval of the internal control checklist.

Business Continuity Plan - The Governance Manager confirmed that the plan had been subject to a light touch review, clarifying that there were links to it in the staff handbook. However, to raise awareness of it, a link would be sent to all staff, together with advice about ensuring its accessibility in the event of a network failure. The Committee confirmed its approval of the plan.

Out of Hours Working: Lone working Q and A Guidance – The Committee noted the light touch update of the guidance, which would also be shared with staff. Given the level of hybrid working it was more likely that any out of hours working would take place outwith Governor's House.

Action Point 2 - The updated Register of Interests would be published on the Commission's website.

Action Point 3 - Governance Manager to share link to of the Business Continuity Plan, and Out of Hours Working: Lone working Q and A Guidance, to all staff with advice about ensuring their accessibility in the event of a network failure.

7. Any other business

There were no other items of business.

7. Date of Next Meeting

The date of the next meeting is scheduled for Wednesday, 16 August 2023.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services
10 May 2023