

### **Committee Members**

Professor David Ulph - Chair  
Professor Francis Breedon  
Dr Domenico Lombardi  
Gillian Carty - External Member

### **Attendees**

Professor Graeme Roy - Chair, Scottish Fiscal Commission  
John Ireland - Chief Executive  
Mark Taylor - Audit Scotland  
Stephanie Harold - Audit Scotland  
Rachel Brough - Audit Scotland  
Jim Montgomery - SG Directorate for Internal Audit and Assurance  
Susan Marvell - SG Directorate for Internal Audit and Assurance  
Susie Warden - Head of Strategy, Governance and Corporate Services  
James H White - Governance Manager - secretariat

## **1. Welcome and Introduction**

Professor David Ulph opened the meeting, introducing Domenico Lombardi as a new member of the Committee and Graeme Roy, new Chair of the Commission, as a new attendee. He also welcomed Gillian Carty, thanking her for agreeing to continue as external member of the Committee until the end of 2022 to allow for recruitment of a replacement to be taken forward. No apologies had been given, and there were no declarations of interests or notification of any other business.

The minutes of the meeting held on 16 May 2022 were agreed as an accurate record by those who had attended it, and the action log was noted. It was confirmed that arrangements were in hand to obtain advice from an external source about the tax treatment of the cost of Commissioner travel and accommodation paid by the Commission. It was also noted that the Governance Board had decided SGDIAA colleagues should contribute to the risk framework review through their participation at meetings of the Audit and Risk Committee.

## **2. Annual Report and Accounts**

John Ireland thanked the Audit Scotland team for their work on the annual audit and for the support they have give the Commission, particularly in its earlier years when the governance arrangements were being developed and implemented. Domenico Lombardi highlighted that he would like to see in next year's Annual Report and Accounts more about diversity beyond gender in a wider context (such as professional and academic background) which would further enrich the report, and better reflect the level of diversity already present in the staff.

Gillian Carty reflected that the report read very well, commending in particular the graphic used to show the timeline of publications. David Ulph agreed, commenting that he found information about Twitter activity very helpful.

Mark Taylor confirmed that the audit work is substantially complete and that, subject to the outcome of this and the Governance Board meetings, he and John Ireland were ready to sign the accounts. The overall conclusion (as with last year's report) was an unqualified and unmodified opinion of the annual report and accounts, and there were no unadjusted misstatements in the accounts. The letter of representation (which didn't include any non-standard text or items) formally records assurance from the accountable officer to Audit Scotland to allow the annual report and accounts to be signed.

In relation to the Annual Audit Report, Mark Taylor noted that it was a good news story throughout; only minor issues were identified but none of which were found to be systematic. He assured the Committee that 'management override of controls' is a standard risk considered in every audit. Mark Taylor formally expressed his thanks to Stephanie Harold and Rachel Brough for their work on the Commission's audit.

David Ulph commented that he found the Annual Audit Report very reassuring and helpful. Mark Taylor confirmed that report, which is now in final draft, summarise all the work undertaken by Audit Scotland's work throughout the year; as a small body the focus for the Commission was on financial sustainability and governance.

Mark Taylor highlighted that the two recommendations were both minor, in the category of improving housekeeping about updating the internal control checklist and review of the Commission's financial tracker, for which management responses had been provided confirming the actions taken. Reflecting on the previous year's report, the audit fieldwork had found there to be a big improvement in process for journals which confirmed that controls had been implemented effectively.

Mark Taylor reported that this was his final year as Audit Director for the Commission, explaining that regular rotation at Director level ensures a fresh perspective and avoids too close a relationship developing. Reflecting on his time working with the Commission, he commented that it was good to see how the Commission had matured as an organisation, formally recoding his thanks to his team and to colleagues on the Committee and Commission staff.

Gillian Carty asked about the transition from Audit Scotland to an external private sector auditor and how that would be managed. Mark Taylor reflected that some things would feel the same, such as the fieldwork, and other things such as timetabling of work would feel different. However, Audit Scotland would support the transition as best as they could.

John Ireland reflected that concern, in particular the lack of contact from the new auditors but was grateful for the assurance given about support during the transition. He took the opportunity to thank Mark Taylor and his colleagues in Audit Scotland for the positive support given to the Commission over the years.

David Ulph expressed thanks to Audit Scotland for their work with the Commission over the last few years, noting with gratitude the positive response to actions taken by the Commission to implement Audit Scotland's recommendations.

Jim Montgomery commented that there was consistency between the work of internal audit and that of Audit Scotland which was reassuring reflecting that the

Annual Report and Accounts were comprehensive and concise, giving a good sense of what the Commission's role and what it achieved in 2021-22.

The Audit and Risk Committee:

- noted Audit Scotland's Annual Audit Report (and covering letter) including the management responses; and
- agreed to recommend that the Governance Board should approve the Annual Report and Accounts.

### **SGDIAA Update**

Susan Marvell highlighted that currently the main focus is to build relationships with the audit team and the Commission to identify where support would be of most help, and any areas of particular concern for audit support. As part of this they plan to meet with David Ulph and Graeme Roy, and members of the Senior Management Team. SGDIAA would like to obtain their views and input about topical issues for the Commission and areas where SGDIAA could best support the work of the Commission. This would also be used to inform the annual assurance report. David Ulph and Graeme Roy confirmed they would be happy to meet with SGDIAA.

### **3. Risk Management**

David Ulph noted the expectation that Deloitte LLP (the Commission's new external auditors) would attend the next meeting scheduled for 23 November and the Risk Framework would be reviewed at the meeting scheduled for 15 February 2023. Accordingly, David Ulph proposed a light touch approach to the risk card review at this meeting.

For the benefit of the new Committee member and new attendee, David Ulph outlined how the risk cards work, the risks identified and the agreed level of risk appetite. They provide a rolling narrative of risks as they were evolving and being managed. While it was recognised that this was not an exact science, in previous discussions the Committee had concluded that these cards were a useful tool for managing risk.

David Ulph proposed that discussion should focus on the proposed risk scores, recognising an overall reduction in relative risk, though staffing remains in the red zone but balanced by improvements in other risk scores. In his view, risk was being managed well.

Graeme Roy commented that he found risk cards were very useful, noting that the context in which the Commission operates is more complicated and may impact on its perceived independence. Gillian Carty asked about what impact recent political events might have on partner relationships. David Ulph responded that there had been improvements in relationships with partner organisations. He also noted that recent political developments involving OBR may have increased the perception of the value of independent forecasts and so reduced potential threats to our independence.

John Ireland agreed that the political context is more complicated and the operational environment could become more challenging, however, the recently announced timing of UK budget was helpful from the Commission's perspective. However, the Staffing Risk, including the Corporate Team, was of concern. A mitigation for replacing staff leaving was the use of reserve lists from previous recruitment rounds. At present recruitment was in some cases being delayed until there was more certainty about the 2023-24 budget. It was highlighted that the Corporate Team was under pressure, caused partly by sick leave and staff turnover, and that to recognise that the Governance Manager had been given Temporary Responsibility Supplement.

The Committee was content to accept risk recommendations and have a fuller discussion at the next meeting on 23 November 2022, agreeing the scores as:

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

#### **4. Finance**

John Ireland commented that a couple of issues had been identified with the Finance Update paper which would be revised and recirculated to Committee members for discussion in more detail at the next Audit and Risk Committee on 23 November. It was confirmed that these changes don't affect the Annual Report and Accounts.

**Action 1 - Finance update paper to be amended and circulated to Audit and Risk Committee members.**

#### **5. Corporate Policies**

Register of Interests – the updated Register of Interests, reflecting the updated Code of Conduct, and new Chair and Commissioner, was noted. Colleagues were reminded to update the Governance Manager as and when updates occurred.

Code of Conduct – The Committee agreed that the code should be reviewed as and when the model Code of Conduct (published by Scottish Government) was updated rather than every two years. It was clarified the Register of Interests was formally reviewed annually which provided an opportunity to raise awareness of the Code of Conduct.

#### **6. 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, 23 November 2022.

