

Audit and Risk Committee Meeting Minutes
23 August 2023 10:05 – 11:00
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
Muhammad Fadhil, Audit Manager, Deloitte LLP
Susan Marvell – Scottish Government Directorate for Internal Audit and Assurance
Susie Warden - Head of Strategy, Governance and Corporate Services
James H White - Governance Manager – secretariat

Apologies

Pat Kenny - Associate Partner, Deloitte LLP
Jim Montgomery - Scottish Government Directorate for Internal Audit and Assurance

1. Welcome and Introduction

David Ulph opened the meeting, welcoming Muhammad Fadhil, 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 10 May 2023 were agreed as an accurate record, and the action log was noted.

2. External Audit – Deloitte LLP

Muhammad Fadhil updated the Committee on progress with the audit work for the 2022-23 Annual Report and Accounts, confirming that Deloitte LLP was getting towards the end of it, and focussing on outstanding matters with the assistance of Commission staff: The aim was to issue comments on the annual statements next week. It was confirmed that they were on track to finalise the Annual Report and Accounts as scheduled. At this stage, it was not anticipated that any major issues or concerns would be identified.

3. Scottish Government Directorate for Internal Audit and Assurance (SGDIAA) Update

Susan Marvell confirmed that things are going to plan for 2023-24, with the main being a review of corporate systems with work due to start within this quarter after the annual audit has been completed.

In relation to the Assurance report on SG corporate systems, SGDIAA had given a reasonable assurance about progress on the new systems. There was a discussion about the quality of HR shared service received and the progress being made on the transformation programme.

Susan Marvell confirmed that had been reflected in the overall assurance opinion, noting that no evidence had been found of major errors. It was recognised that the risks from continuing to operate the existing systems for a longer period would increase over time, until the transformation programme was operational. It was not felt that the Commission's smaller size was a factor in the quality of service provided. Susan Marvell commented that the service is fairly

uniform across all sectors but the impact might be more keenly felt by smaller organisations where there may be less scope for mitigation.

It was confirmed that the transformation programme is subject to Gateway Review, and that the next review was currently underway to assess progress on the transformation programme. Susan Marvell clarified that the assurance opinion took into account information from a range of sources, including SGDIAA colleagues who are part of the Gateway Review.

In relation to business readiness, Susan Marvell confirmed that this is part of the assurance process and that there is a separate piece of work looking at it from the users perspective.

Although the shared service agreement with People Directorate did not include a service level agreement, Susie Warden confirmed that there is a good level of engagement. The Governance Manager commented that information being shared on corporate transformation was still at a high level, but more detail would be provided on how the new systems would look, which had or were about to start user acceptance testing.

Commenting on page 11 of the Annual Report, which noted a 'critically low level of investment' Susan Marvell commented that this was more of a concern for Core Scottish Government rather than public bodies like the Commission, who pay for a set number of audit days per year.

The SGDIAA Quarterly Bulletin provided details of the rationale behind assurance ratings, Susan Marvell highlighted that 9 bodies out of 36, including the Commission, had achieved a substantial assurance.

4. Risk Cards

Risk Cards - Susie Warden highlighted the changes to the risk scores since the previous meeting on 10 May 2023. Although one had increase, some had reduced, and there were none highlighted as red risks.

Partners - the score had reduced, recognising good working relationships with Ministerial Team, that the MTFs washup sessions had gone well, and that there were good relations with data providers.

Staffing - the score had increased noting a higher level of staff turnover. This has a particular impact on the Fiscal Sustainability team, where progress has been slowed down. There were also concerns about cost of the two year pay deal, including the reduction in working week from 1 October 2024, and the implications of a potential flat funding future budget provision. There was some discussion of the risk around SMT members and the possibility of departures as several members had been with the Scottish Fiscal Commission for a while.

Reputation - the score was unchanged, but the underlying rationale had, including good reception of the Fiscal Sustainability Report, and the wide level of engagement undertaken.

Corporate Services - the score had reduced, recognising that the new auditors settled in, and that timescale for new corporate systems evolving, reflecting the need for appropriate user acceptance testing.

Independence risk score - the score was unchanged recognising the positive outcome from the framework and reception from recent forecast publications.

The Committee agreed the proposed scores as:

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

5. Finance

Susie Warden confirmed that the SG Main had announced the pay deal for 2023-25. The Commission could set its own terms and conditions but had opted to be part of SG Main to encourage interchange of staff between Scottish Fiscal Commission and Scottish Government and other parts of SG Main. The two year pay deal provides more certainty for the 2024-25 projections.

The Committee noted the paper without comment.

6. Corporate Policies

There were none to be considered at the meeting. The Governance reported that an update to the Register of Interests had been published recently on the website.

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, 11 October 2023, when the only matter of business will be consideration of the Annual Report and Accounts. The next standard Audit and Risk Committee meeting is scheduled for Wednesday, 22 November 2023.

Scottish Fiscal Commission: Strategy, Governance and Corporate Services
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