

## ANNUAL REPORT TO THE BOARD FROM THE AUDIT AND RISK COMMITTEE

### Report by Sue Walker, Chair of the Audit and Risk Committee

#### 1. SUMMARY

- 1.1 To provide the Board with a summary of the work undertaken by the Audit and Risk Committee (ARC) during the period April 2020 to March 2021.
- 1.2 The Board is asked to:
- **Note** the work that has been undertaken by the ARC during the period April 2020 to March 2021 inclusive.

#### 2. INTRODUCTION

- 2.1 The ARC Terms of Reference state that the Committee should provide an Annual Report to the Board covering the previous financial year as soon as possible following the end of the previous financial year, and a separate assurance statement at an appropriate time to support the Board's consideration of the FSS Annual Report and Accounts (ARA).
- 2.2 This report sets out activities of the ARC during the period 1 April 2020 to 31 March 2021.

#### 3. WORK OF THE COMMITTEE

##### Meetings of the ARC

- 3.1 Annex A lists the membership of the Committee over the period and the regular attendees from the Executive, Audit Scotland and the internal auditors for corporate systems from Scottish Government Directorate for Internal Audit and Assurance (SGIAAD) and our official control auditors from FSS. On occasions, other staff have attended the meeting, as shown, to support the ARC in its work.
- 3.2 The ARC held meetings on 17 June, 12 August, 28 October 2020 and 10 February 2021. Due to the ongoing Covid-19 pandemic the ARC meetings continued to be held via video conference.
- 3.3 Throughout the year the ARC Chair had the opportunity for private meetings with internal and external auditors, and also met separately each of the Accountable Officer, FSS Head of Audit & Assurance and Head of Corporate Services and Records Management Functions. The ARC met privately with the internal and external auditors on 12 August 2020. The ARC Chair provided an oral report of each ARC meeting to the following Board Meetings: 19 August and 18 November 2020 and 17 February 2021.
- 3.4 The current version of the ARC forward plan is at Annex B, though there may be some changes due to the ongoing Covid-19 pandemic.

## Committee effectiveness

- 3.5 The ARC postponed its annual effectiveness review due to Covid-19 and changes to the Committee and its attendees. The next effectiveness review will take place in Autumn 2021.

## External Audit

- 3.6 The Auditor General decided under the Public Finance and Accountability (Scotland) Act 2000 that Audit Scotland would be the appointed auditor for Food Standards Scotland. Audit Scotland has been represented at each ARC meeting and continue to be a source of helpful advice. Jim Rundell is the Lead Senior Audit Manager but was unavailable in 2020/21 so his role was conducted by Liz Maconachie.
- 3.7 At the June 2020 meeting the ARC received confirmation that the audit of the annual report and accounts would be progressed in September with an audited draft available for agreement at the October 2020 ARC meeting, the ARA would then be tabled at the Board Meeting in November 2020.
- 3.8 At the August 2020 meeting the ARC received the Audit Scotland Management letter which provides the outcome of the review of the systems of internal controls. They found no significant weaknesses in internal controls and substantive testing of financial systems had not identified any significant issues.

## Internal Audit – SGIAAD

- 3.9 Internal audit was provided by Scottish Government (SG) Internal Audit (for corporate matters) David Stark continues in his role as the SG Internal Audit Manager. The ARC received progress updates on both internal audit plans and any completed internal audit reports at each meeting.
- 3.10 At its August meeting, the ARC was presented with the results of the Culture Review of the Operations Delivery branch. Elements of good practice were identified and opportunities for improvement were highlighted with some of these related to planned improvements in connectivity and the OWS system. Other elements related to communications, training and development. ARC was pleased to see that an action plan had been put in place.
- 3.11 Also at the August meeting, ARC received a report on the SGIAAD Internal Audit Review of Shared Services. This was of particular interest, given problems FSS had had with the effectiveness of shared services, notably regarding HR, in recent years. It was clear from the review that whilst core SG was content with the service provided, there was clear dis-satisfaction amongst public bodies. It was disappointing that the review did not provide any recommendations and SGIAAD could give no assurance that the service would improve.

- 3.12 At the October 2020 meeting the ARC received the Open Data audit report which showed a substantial rating. It was noted that significant progress had been made in this area following the recruitment of a Data Analyst.
- 3.13 At the February meeting, ARC were presented with the Policy Management Framework audit report which had been based on an audit of regulatory policy.. The audit received a reasonable audit opinion with two medium priority recommendations around training needs and policy evaluation.
- 3.14 Also at the February meeting, ARC received the proposed SGIAAD audit plan for 2021/22. ARC agreed this appeared sensible and proportionate.

### **Official Controls Audits**

- 3.15 The FSS audit team provides audits of official controls delivery. The Head of Audit & Assurance is Marion McArthur.
- 3.16 At its June meeting, ARC heard that the transfer of official control audits from FSA to FSS on 1 April 2020 had gone smoothly with transition arrangements in place to continue work outstanding at the end of March 2020. A review of completed audits had been carried out and the FSS Audit team were taking over follow-up of recommendations.
- 3.17 At the February meeting, the ARC received the Post-Mortem OC audit report which had received a limited assurance with 5 recommendations, 4 of which were to be completed by the end of May 2021.
- 3.18 Also at this meeting, the ARC was content with the proposed official controls audit plan for 2021/22.

### **Internal Audit Annual Assurance Reports**

- 3.19 At the June meeting the ARC received the 2019/20 Annual Assurance Report and opinion on official controls from FSA. The ARC noted the moderate opinion (equivalent to SGIAAD reasonable) assurance with no significant issues to report.
- 3.20 At the August meeting the ARC received the 2019/20 Annual Assurance Report and opinion from SG Internal Audit. The ARC noted the reasonable assurance provided with adequate internal controls in place and risk management and governance arrangements being robust.

### **Annual Report and Accounts (2019/20) and Annual Statement of Assurance from ARC**

- 3.21 The Annual Report and Accounts (ARA) auditing process was delayed due to Covid-19, with the final draft ARA and Audit Scotland's draft annual audit report presented to the Board in November instead of August. At the August 2020 meeting the ARC had been made aware of revised arrangements, due

to Covid-19, that the Annual Report and Accounts could be signed off by 31 December 2020 and laid in Parliament by the 30 April 2021.

- 3.22 The Committee had undertaken detailed scrutiny of an early draft of the ARA during June and suggested some improvements to wording and style to aid clarity and understanding.
- 3.23 At the October 2020 meeting, the ARC reviewed, and commented on the draft ARA and the draft Audit Scotland Annual Audit Report. Board Members raised questions and received assurances on performance reporting and KPI's, whistleblowing and fraud, and equality training for Board Members. The ARC suggested some minor drafting changes.
- 3.24 At this meeting, the ARC approved its annual statement of assurance for issue to the Board at its meeting on 18 November to support its consideration of the ARA. The Committee noted it had received appropriate, timely and regular information about FSS's control environment and the production of the 2019/20 ARA and based on assurances from its own work and those provided by the internal and external auditors, recommended that the Board approve the ARA to be signed off by the Accountable Officer.

### **Internal controls**

- 3.25 Through the year, the ARC continued to receive reports on internal controls and have been pleased to see the high assessment scores in the Internal Controls Assurance Framework completed by branch Heads. The ARC noted that as part of the review of governance to be undertaken in 2021 to ensure governance within FSS remains proportionate and effective, internal controls reporting will be reviewed.
- 3.26 During the year ARC, noted the good performance in implementing audit and review recommendations as reported by our internal and external auditors and the Audit Implementation Group. At the February meeting, the Executive reported that a revised system of assurance regarding recommendation implementation has been put in place to replace the Audit Implementation Group.

### **Risk Management**

- 3.27 Corporate Risk and associated Risk Registers are subject to regular discussion by both the Board and ARC. The ARC discussed the risk ratings and mitigations of the Strategic Risk Register and the Brexit Risk Register at its June, August and October 2020 and February 2021 meetings, noting that Brexit risks remained challenging, given the uncertainties and proximity. It was noted that the Brexit risk register would become obsolete in April 2021 when the Brexit programme was being wound up. During the year, a new strategic risk was recommended to the Board associated with UK internal markets.

### **Environmental Reporting**

- 3.28 At the October 2020 meeting, the ARC received a report on FSS's performance on its environmental targets. ARC noted that good progress was being made but some emissions were going up because of increases in staff numbers. Reporting for 2020/21 would be anomalous because of home working and reduced travel. The new 3 year Carbon Management Plan is expected in spring 2021.

### **Other matters**

- 3.29 In June 2020, the Committee received the results of the Your Business at Risk Survey conducted by Audit Scotland. The purpose was to consider the organisational, procedural and compliance risks that could occur through cyber related risks. ARC was pleased to see a good response rate from staff and the positive results, learning points and action plan.
- 3.30 At the August 2020 meeting, ARC received two reports from Audit Scotland relating to Covid-19. The first describing how public audit was responding and the second to alert us to emerging fraud risks associated with different ways of working and living under the emergency. ARC was reassured in discussion of no apparent systemic changes in levels of attempted fraud affecting FSS and its work but the document was a useful aide memoire when fraud opportunities might increase with the end of the EU-Exit transition period.
- 3.31 At its October meeting, ARC received two national reports from Audit Scotland, one a Covid- 19 checklist for Audit Committees and the other a checklist regarding the National Fraud Initiative.

### **Adequacy of Internal Audit arrangements**

- 3.32 The ARC keeps under review the resources available for audit assurance purposes, and is satisfied that adequate and proportionate internal audit resources were provided throughout the period reported to ensure continued effectiveness of Internal Audit.
- 3.33 At its February meeting, the ARC discussed the service provided by SGIAAD as the MoU between them and FSS was scheduled for renewal at the end of March 2021. The ARC agreed that, given the improvement in the service provided by SGIAAD over 2020/21 and the better continuity of staff working on FSS audits, it supported the Executive's decision to extend the MoU with SGIAAD.

## **4. MEMBERSHIP, RESOURCE IMPLICATIONS & SUSTAINABILITY ISSUES FOR THE ARC**

- 4.1 It was with great sadness that the ARC acknowledged the death in the autumn of one of its members, George Brechin, who passed away after a short illness.
- 4.2 Marieke Dwarshuis re-joined the Committee at its February meeting to increase the Committee's resilience. It is anticipated that further additions to

Committee membership will be made in summer 2021 following new Board appointments.

- 4.3 The ARC expects to meet 4 times in 2021/22. No material increase in resource requirements is anticipated.

## 5. CONCLUSION AND RECOMMENDATIONS

- 5.1 The ARC continues to fulfil its role of scrutiny and providing assurance to the Board and the Accountable Officer.

- 5.2 Thanks go to SGIAAD and representatives of Audit Scotland who have attended the meetings throughout the period, presented reports, and have also provided advice which is the basis for much of the ARC's work. Their contribution is especially valued, given the difficult logistical conditions presented by Covid-19.

- 5.3 ARC also thanks FSS staff for their contribution in supporting the Committee and its work.

- 5.4 The ARC is asked to:

- **Note** the work undertaken by the Audit and Risk Committee during the course of the period April 2020 to March 2021 inclusive.

**Sue Walker**  
**Chair, Audit and Risk Committee**  
**10 May 2021**  
Final Version

**Annex A****Membership of the FSS Audit and Risk Committee April 2020 to March 2021****Members:**

Dr Susan Walker (Chair)

George Brechin deceased – attended meetings held 17 June 2020 and 12 August 2020

Heather Kelman

Dr Carrie Ruxton

Marieke Dwarshuis – from February 2021

**Attendance:**

Member	Attendance	Number of Meetings 2020-21
Dr Susan Walker (Chair)	4	4
George Brechin	2	
Heather Kelman	4	
Dr Carrie Ruxton	4	
Marieke Dwarshuis	1	

**Regular Attendees:**Executive

Geoff Ogle, Chief Executive and Accountable Officer

Marion McArthur, Head of Audit Assurance

Elaine McLaughlin, Head of Finance & HR

Caroline Thomson, Head of Corporate Services Functions & Records Management

Ruth Dewar, Business Reporting Officer

Diane Strachan, Head of Private Office

Hazel Stead, Board Secretary – until 28 October 2020

Joanne Smith, Board Secretary – from 10 February 2021

Audit Scotland

Jim Rundell, Lead Senior Audit Manager

Scottish Government Internal Audit

David Stark, Senior Internal Audit Manager

Amy McNee, Internal Audit Manager

Peter Graham, Internal Auditor

**Occasional Attendees:**Executive

Mike Houston, Facilities Manager and Health & Safety Advisor

Garry Mournian, Head of Food Safety & Standards Policy

Food Standards Agency Internal Audit

Freedom Mpande, Deputy Head of Internal Audit

Audit Scotland

Liz Maconachie, Lead Senior Audit Manager

Gerry O'Neill, Auditor

Ross Reid, Senior Auditor

Aimee Macdonald, Auditor

Scottish Government Internal Audit

Louise Spencer, Internal Audit Manager



## Annex B

### Audit and Risk Committee Forward Plan

Agenda Format - Headings as per below Titles of papers in full on Agenda										
	ARC Forward Programme - Agenda Items	10/02/2021	05/05/2021	04/08/2021	29/09/2021 Date to be held in reserve if ARA process delayed	10/11/2021	TBC Feb 22	TBC May 22	TBC Aug 22	TBC Nov 22
<b>1</b>	<b>Private Meetings</b>									
1.1	Private meeting between ARC Members & SG DIAA									
1.2	Private meeting between ARC Members & Audit Scotland									
1.3	Private meeting between ARC Members & FSS Internal Audit and Assurance									
<b>2</b>	<b>Miscellaneous Standing Agenda Items</b>									
2.1	Minutes and Action log tracker									
2.2	Executive oral update or report by exception (topical issues)									
2.3	Audit Implementation Management Report – (six monthly Feb & Aug)									
2.4	Audit Implementation Management Report – (5 minute verbal update alternate meetings)									
2.5	Cases of fraud and significant losses (including National Fraud Initiative) (Annual Report)									
2.6	Health, Safety and Environment Report: any significant non-compliance (Annual – May)									
2.7	Review ARC forward programme									
2.8	Any Other Business									
2.9	Meeting Review									
2.10	Executive and ARC closed session									
2.11	ARC members closed session									
<b>3</b>	<b>Risk</b>									
3.1	Risk Management (Risk Register) report (including, Strategic, SMT, Risk Registers and Deep Dives)									
3.2	Prepare for Board's annual discussion on risk (oral)									
<b>4</b>	<b>Other Matters</b>									
4.1	Internal Controls Assurance Framework reporting (Annual Assurance Map)									

4.2	Governance Report (Accountable Officer)								
4.3	Review ARC Effectiveness & ARC Terms of Reference (Annual)								
4.4	Review of draft unaudited Annual Report and Accounts								
4.6	Preparation of Annual Report from Chair of ARC								
4.7	ARC Statement of Assurance								
<b>5</b>	<b>Internal Audit</b>								
5.1	Corporate Internal Audit Progress Report (SGDIAA)								
5.2	Official Controls Audit Progress Report (FSS)								
5.3	Internal Audit reports (as available) (SGDIAA)								
5.4	Official Controls Audit reports (as available) (FSS)								
5.5	Corporate Internal Audit Plan for following year discussion (SGDIAA)								
5.6	Official Controls Audit Plan for following year for discussion (FSS)								
5.7	Annual Assurance Report (SGDIAA)								
5.8	Annual Assurance Report (FSS)								
<b>6</b>	<b>External Audit - Audit Scotland</b>								
6.1	External Audit Plan (Audit Scotland)								
6.2	External Audit Progress / Management Report								
6.3	Annual Audit Report and audit opinion for financial year just finished								
6.5	If required, consider the External Audit Management letter for the previous financial year and the response, including implementation of any recommendations								