

## **Audit and Risk Committee Statement of Assurance to the Food Standards Scotland Board**

### **1. Introduction**

1.1 The Audit and Risk Committee (ARC), as a committee of the Food Standards Scotland (FSS) Board, supports the Chief Executive as Accountable Officer and the Board in their responsibilities for issues of risk, control governance and associated assurance. It is also responsible for reviewing the integrity of financial statements and the annual report.

1.2 Within its Terms of Reference, the ARC is required to provide an assurance statement to the Board and the Accountable Officer for use in the Board's consideration of the Annual Report and Accounts. This statement should incorporate the consideration of the assurance reports of the Internal Auditors and the views expressed by Audit Scotland.

1.3 This report complements the report given to the FSS Board following each ARC meeting and the ARC Annual Report to the FSS Board.

### **2.1 Assurance**

2.1.1 The Committee has continued to receive appropriate, timely and regular information about FSS's control environment and the production of the FSS Annual Report and Accounts (ARA) for 2017-18. The ARC on behalf of the Board has received assurance from our internal auditors during the year and from our own scrutiny of the reports presented to us by the executive on a number of matters including risk management and the internal controls assurance framework.

2.1.2 At our meeting on 20<sup>th</sup> June 2018 we received overall annual assurance opinions for 2017-18 from our internal auditors. These are summarised below:

### **2.2 Internal Audit (Scottish Government Internal Audit Directorate (SGIAD))**

2.2.1 In coming to their annual assurance opinion, SGIAD took account of:

- Their direct work, including the main internal audit assignments, their significance to the risk environment and their significance relative to each other; three follow-up reviews to confirm implementation of recommendations from their 2017-18 audits; and the reasonable annual assurance opinion for those Scottish Government Corporate systems on which FSS relies.
- Competency, skill set and general approach of the Audit and Risk Committee in conducting its corporate governance role.
- Attitude towards and engagement of senior management in risk management, control and governance arrangements.
- Corporate governance documents.

- Outcomes from other assurance reviews (self-assessment; 2nd party reviews and 3rd party reviews) and management responses to these.
- Approach to prevention, detection and management of fraud.
- Cumulative knowledge of FSS's control environment.

2.2.2 SGIAD provided a “reasonable” annual assurance opinion on risk management, control and governance arrangements. This indicates that controls are adequate, some improvements can be made, but these are not of a significant nature.

### **2.3 Internal Audit of Official Controls (FSA)**

2.3.1 FSA's Head of Internal Audit gave a “moderate” annual assurance opinion in relation to risk management, control and governance arrangements for Official Controls. Note this is equivalent to a “reasonable” assurance from SGID. He concluded that whilst some areas of improvement were highlighted in the three audits completed during 2017-18, there were no issues of significance identified and management continue to demonstrate a willingness and ability to promptly address issues identified, in line with agreed risk priorities. He also concluded that the level of maturity of risk control and governance arrangements within FSS, as they relate to official controls, continue to improve and reflect the good progress achieved in developing and implementing appropriate control arrangements since FSS was established.

## **3. Annual Report and Accounts**

3.1 The ARC held a meeting on 15<sup>th</sup> August 2018, largely to consider the FSS Annual Report and Accounts (ARA) for 2017-18.

3.2 The Committee had undertaken detailed scrutiny of an early draft of the ARA during May and suggested a small number of improvements. Members further commented on a later draft at its meeting of 20<sup>th</sup> June. The FSS Chair has also had the opportunity to comment at each stage. The version of the ARA considered by the ARC on 20<sup>th</sup> June was also circulated to Board members. The executive had regard to non-executive comments in preparing the final submission of the Annual Report and Accounts for audit by Audit Scotland.

3.3 Audit Scotland completed their financial accounts audit and presented their draft 2017/18 Annual Audit report to the ARC at its meeting on 15<sup>th</sup> August and will present this to the Board on 22<sup>nd</sup> August.

3.4 At the meeting on the 15<sup>th</sup> August, the ARC recommended a number of small drafting changes to the ARA. It discussed several points with Audit Scotland including revisions to the disclosure requirements regarding the salary and pension of the Chief Scientific Adviser. These changes were accepted by the executive and Audit Scotland. ARC was pleased to see that Audit Scotland had given a very positive draft annual audit report in relation to FSS 2017/18 financial statements, financial management and sustainability, governance and transparency and value for money. The detail of this is outlined in their draft

2017/18 Annual Audit Report. In particular, Audit Scotland anticipate issuing an unqualified auditor's report on 22<sup>nd</sup> August 2018. A number of recommendations were made by Audit Scotland, all of which have been accepted by the Executive.

#### 4. Recommendation

##### 4.1 The ARC based on:

- assurance provided through reports presented to it through the year by internal audit and by ARC scrutiny of the reports from the executive on a number of matters including risk management and the internal controls assurance framework
- the reasonable annual assurance opinion for 2017-18 of FSS internal auditors, the Scottish Government Internal Audit Directorate,
- the moderate annual assurance opinion of 2017-18 of the Head of Food Standards Agency Internal Audit (internal auditor of FSS official controls),
- the draft Annual Audit Report from our external auditors, Audit Scotland
- its own scrutiny of the content of the ARA

is content to **recommend** to the Board that it should approve the Annual Report and Accounts for 2017-18 to be signed off by the Accountable Officer.

4.2 Alongside this the ARC suggest the FSS Board should thank both Audit Scotland and FSS staff for their efforts in conducting the preparation and audit of the Annual Report and Accounts.