

Audit and Risk Committee Statement of Assurance to the Food Standards Scotland Board 2019-20

1. Introduction

1.1 The Audit and Risk Committee (ARC), as a subcommittee 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 2019-20. 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.

At our meeting on 17th June 2020 we received the overall annual assurance opinion for 2019-20 from our internal auditor, FSA and on 12th August from Scottish Government Directorate of Internal Audit and Assurance (SGDIAA). These are summarised below:

2.2 Internal Audit of Official Controls (FSA)

2.2.1 FSA's Head of Internal Audit gave a "moderate" annual assurance opinion in relation to risk management, control and governance arrangements for Official Controls delivery. Note this is equivalent to a "reasonable" assurance from SGDIAA. He noted that there has been a continuation of the strengthening of processes and controls necessary to enhance the level of maturity of FSS risk management, control and governance arrangements. There were no systemic significant control weaknesses found and FSS management have continued to demonstrate ability and willingness to address issues identified through internal audits promptly, indicating satisfactory risk control and governance arrangements in relation to the activities audited.

2.3 Internal Audit (Scottish Government Internal Audit and Assurance Directorate (SGDIAA))

2.3.1 In coming to their annual assurance opinion, SGDIAA 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; two follow-up

reviews to confirm implementation of recommendations from previous audits; 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.
- Certificates of assurance.
- Outcomes from other assurance reviews and management responses to these.
- Approach to prevention, detection and management of fraud.
- Robust approach to the complexity and challenges of Brexit.
- Their cumulative knowledge of FSS's control environment.

2.3.2 SGDIAA 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.

3. Annual Report and Accounts

3.1 The ARC held a meeting on 28th October 2020 largely to consider the FSS Annual Report and Accounts (ARA) for 2019-20. This was somewhat later than the usual ARA timeline due to COVID-19 affecting the timing of the annual audit process.

3.2 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. The ARC further discussed and commented on a later draft at its meeting of 12th August having also had the benefit of comments from the wider Board and the FSS Chair. The executive had regard to non-executive comments in preparing the final submission of the ARA for audit by Audit Scotland.

3.3 Audit Scotland completed the financial accounts audit and presented its draft 2019/20 Annual Audit Report to the ARC at its meeting on 28th October and will present this to the Board on 18th November.

3.4 The ARC noted that Audit Scotland recognised that FSS's ARA had been prepared in accordance with full FReM requirements rather than the shortened version allowable under a 2019/20 addendum to FReM due to COVID-19. The annual audit timeline had been challenging, not helped by the change to Audit Scotland staff mid-audit due to unforeseen circumstances and the need to conduct the audit remotely. Nonetheless, the audit ran smoothly and thanks are due to both FSS and Audit Scotland staff in making this happen.

3.5 The ARC discussed a number of points with Audit Scotland and was pleased to note that Audit Scotland's draft Annual Audit Report was very positive in relation to the FSS 2019/20 financial statements, financial management and sustainability, governance and transparency and value for money, and that an unqualified auditor's report was anticipated for issue following the Board meeting on 18th November.

3.6 The Committee heard that Audit Scotland had found FSS fully engaged in dealing with the impacts of EU Withdrawal. ARC was pleased to note that Audit Scotland felt that the FSS changes to governance arrangements in response to COVID-19 were reasonable and appropriate and that monitoring of the additional cost and savings as a consequence of the pandemic were being appropriately monitored and shared with Scottish Government.

3.7 The ARC also noted the recommendations made by Audit Scotland – regarding considering in future ARAs the benefits of streamlining the Performance Report; the need to review on a regular basis anti-fraud and corruption policies; the need to update FSS’s medium and long term financial plans and set targets for key performance indicators (KPIs), and the need to consider Board training on equalities issues and to consider appropriate equalities targets. The executive has already put in place management actions to address several of these recommendations. Those regarding financial planning and targets for KPIs will be aligned with the revised FSS Strategy.

3.8 In terms of outstanding items in the 2018-19 recommendations, ARC noted that work on best value was in progress but delayed due to COVID-19, and noted Audit Scotland’s recommendation that the continuing difficulties with Scottish Government Shared Services might be addressed through development of a Service Level Agreement.

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 2019-20 of FSS internal auditors, the Scottish Government Directorate of Internal Audit and Assurance,
- the moderate annual assurance opinion of 2019-20 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 and the Board’s scrutiny of the content of the ARA

is content to recommend to the Board that it should approve the Annual Report and Accounts for 2019-20 and be authorised for issue by the Accountable Officer.

For queries contact:
Sue Walker, ARC Chair
On behalf of the FSS Audit and Risk Committee
board@fss.scot

29th October 2020