

Audit and Risk Committee Statement of Assurance to the Food Standards Scotland Board 2016-17

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 reports given to the FSS Board at each meeting by the Chair, ARC and the Annual Report on its activities from the ARC to the FSS Board.

2.1 Assurance

2.1.1 The Committee has continued to receive appropriate, timely and regular information about the FSS control environment and the production of the FSS Annual Report and Account for 2016-17. 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 14th June 2017, we received overall annual assurance opinions for 2016-17 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 2015-16 audits; and the results of relevant reviews of 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

2.2.2 SGIAD provided an overall “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. They noted on-going improvement surrounding FSS approach to Governance and Control over the 2016-17 year, including the advancement of the FSS Assurance Map. The executive accepted 100% of recommendations made by SGID and 100% of all the 2015-16 recommendations had been implemented, a very positive result.

2.3 Internal Audit of Official Controls Food Standards Agency (FSA)

2.3.1 FSA's Head of Internal Audit gave an overall “moderate” assurance opinion in relation to risk management control and governance arrangements for the official controls audited. Note this is equivalent to a “reasonable” assurance from SGIAD. He concluded that whilst there were areas identified in which improvements could be made, there were no systematic control issues identified from the audits completed and management continued to demonstrate willingness and ability to address issues identified in the audit reports promptly, 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 have continued 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 9th August 2017, largely to consider the 2016-17 draft FSS Annual Report and Accounts.

3.2 The Committee had undertaken detailed scrutiny of an early draft of the Annual Report and Accounts during May and suggested a small number of improvements. The ARC asked for clarification of a number of points and made further comment on a later draft at its meeting of 14th June 2017. The FSS Chair also had the opportunity to comment on the early draft. The executive had regard to these comments in preparing the final submission of the Annual Report and Accounts for audit by Audit Scotland.

3.3 The version of the draft Annual Report and Accounts submitted to Audit Scotland was circulated for information to Board members on 21st June 2017. The revised draft version considered by the ARC at its meeting on the 9th August 2017 was also circulated for information to Board members on 2nd August 2017.

3.4 Audit Scotland completed their financial accounts audit and presented their draft 2016/17 Annual Audit Report to the ARC at its meeting on 9th August 2017 and will present this to the Board on 16th August 2017.

3.5 The ARC discussed a number of points with Audit Scotland and were pleased to see that Audit Scotland gave a very positive draft annual audit report in relation to FSS 2016/17 financial statements, financial management and sustainability, governance and transparency and value for money. The detail of which was outlined in their draft 2016/17 Annual Audit Report. In particular, they anticipate issuing an unqualified auditor's report on 16th August 2017.

4. Recommendation

4.1 The Audit and Risk Committee (ARC) on the basis of:

- 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 2016-17 of FSS internal auditors, the Scottish Government Internal Audit Directorate,
- the moderate annual assurance opinion of 2016-17 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 draft annual report and accounts

are content to **recommend** to the Board that it should approve the FSS Annual Report and Accounts 2016/17 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. The process was substantially smoother than last year, with the lessons learned from last year implemented for this year's process.

Sue Walker
On behalf of the FSS Audit and Risk Committee
10th August 2017