

Audit and Risk Committee Statement of Assurance to the Food Standards Scotland Board 2022-23

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, the Annual Assurance Statement of the FSS Head of Audit Assurance and the views expressed by the external auditors.
- 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. Assurance

- 2.1 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 2022-23. The ARC on behalf of the Board has received assurance from our internal auditors and from the Head of Audit Assurance during the year and from our own scrutiny of the reports presented to us by the executive on several matters including risk management and the internal controls assurance framework.
- 2.2 At our meeting on 06 June 2023, ARC received the overall annual assurance opinion for 2022-23 from Scottish Government Directorate of Internal Audit and Assurance (SGDIAA) and the annual assurance statement from the FSS Head of Audit Assurance regarding Official Control delivery. On 7 June 2023 ARC also received the annual assurance opinion from SGDIAA regarding Scottish Government core systems used by FSS.

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

- 3.1 In relation to FSS corporate systems, SGDIAA again provided a substantial annual assurance opinion. This opinion indicates that controls are robust and well managed. Risk, governance, and control procedures are effective and any exposure to potential weakness is low with the materiality of any consequent risk negligible.

3.2 In coming to their annual assurance opinion, the auditors took account of their assurance and advisory work, the response to and implementation of audit recommendations and the overall engagement of FSS as an organisation with internal audit.

3.3 SGDIAA provided a reasonable annual assurance opinion regarding the Scottish Government core systems on which FSS depends.

4. Official Control Delivery Audits (FSS)

4.1 The FSS Head of Audit Assurance has provided an overarching assurance statement in relation to audits required under Article 6 of Regulation (EU) 2017/625 and the fundamental overarching objectives of Article 3(30) of Regulation (EU) 2017/625 which are: verification that official controls are carried out in compliance with planned arrangements, planned arrangements are applied effectively and that they are suitable to achieve the objectives of official controls.

4.2 The Head of Audit Assurance advised ARC that the audits completed during 2022/23, which incorporated three operational aspects of FSS delivery: Operational Delivery; Scottish Food Crime and Incident Unit (SFCIU and Feed Official Controls (Previously within Enforcement Delivery). Audits of Operational Delivery (Enforcement Action and Export Health Certification-Seafood Hubs) indicated a continued strengthening of the processes and controls necessary to ensure that official controls are carried out in compliance with planned arrangements and that the planned arrangements are applied effectively. This was particularly evident in the collaborative and engaged audit response taken by Operational Delivery management which has clearly shown a commitment to seeing audit as a continuous improvement tool. The Withdrawals/Recalls Audit of SFCIU was given a Substantial Assurance outcome indicating that robust and well managed controls are in place covering this area of work. Of major concern, however, was the Insufficient Assurance rating given to the Feed Official Controls Audit. In particular, there was concern that the ability of FSS to fulfil the delivery of objectives was at risk. Auditors considered that immediate action was required as there are potentially serious implications for FSS in respect of public health, finance, FSS reputation and trade as a result. The primary issue was resource and capacity.

5. Annual Report and Accounts

5.1 The ARC held a meeting on 06 September 2023 where it considered the draft FSS Annual Report and Accounts (ARA) for 2022-23. The committee had undertaken detailed scrutiny of an early draft of the ARA, the wider Board and FSS Chair were also given the opportunity to comment. The executive had regard to these non-executive comments in preparing the final submission of

the ARA for audit by Deloitte. A later draft was considered by the full Board at its meeting on 20 September 2023.

- 5.2 The external audit work is now complete including the conclusion of pension testing, assurance from pension fund auditors and consideration of assumptions from Deloitte pension specialists. The legal confirmations, final quality control reviews and clearances have now resulted in the final audit opinion.
- 5.3 The ARC discussed a number of points with Deloitte. ARC noted that Deloitte has provided an unmodified auditors report. One corrected misstatement in excess of Deloitte's reporting threshold of £27,000 was identified up to the date of their report. Deloitte commented that FSS has effective budget setting and monitoring arrangements in place, however made several recommendations in respect of financial management and sustainability and stated that reporting to the Board could be enhanced by providing more details and direction on key areas where input and challenge is required. Deloitte also followed up recommendations from the previous auditors and noted that two are fully implemented, two are ongoing and one is partially implemented.

6. Recommendation

6.1 The ARC based on:

- assurance provided through reports presented to it through the year by internal audit and by ARC scrutiny of reports from the executive on a number of matters including risk management and the internal controls assurance framework;
- the substantial annual assurance opinion for 2022-23 of FSS internal auditors, the Scottish Government Directorate of Internal Audit and Assurance in regard of FSS audits and their reasonable assurance opinion regarding the SG shared services on which FSS depends;
- the overarching assurance statement in relation to audits required under Article 6 of Regulation (EU) 2017/625 provided by the FSS Head of Audit and Assurance;
- the Annual Audit Report from our external auditors, and
- its own and the Board's scrutiny of the content of the draft ARA

is content to recommend to the Board that it should approve the Annual Report and Accounts for 2022-23 as presented.

Aileen Brown

On behalf of the FSS Audit and Risk Committee
22 November 2023