

Audit and Risk Committee Statement of Assurance to the Food Standards Scotland Board 2021-22

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 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. 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 2021-22. 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 a number of matters including risk management and the internal controls assurance framework.
- 2.2 At our meeting on 8 June 2022 we received the overall annual assurance opinion for 2021-22 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 September 2022 we 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 provided a substantial annual assurance opinion, the first time this rating has been achieved by FSS. 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. SGDIAA noted that significant work had been undertaken on risk management processes and the new process is robust and working well.

3.3 SGDIAA provided a reasonable annual assurance opinion regarding the Scottish Government core systems on which FSS depends. As in previous years, they noted areas where systems limitations, coupled with resourcing issues, have impacted performance of intended controls, which required additional manual intervention and / or a risk-based approach to mitigate key risks.

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 concluded that the results of audits indicated a need to continue the strengthening of processes and controls necessary to ensure official controls are carried out in compliance with planned arrangements and the planned arrangements are applied effectively. The planned arrangements appear to be suitable to achieve the objective of official controls. The audit closures achieved required a need to address significant weaknesses in planned arrangements with a focus on guidance review and the implementation in full of Official Control legislation.

5. Annual Report and Accounts

5.1 The ARC held a meeting on 7 September 2022 where it considered the FSS Annual Report and Accounts (ARA) for 2021-22.

5.2 The Committee had undertaken detailed scrutiny of an early draft of the ARA during May and June and suggested some improvements to wording and style to aid clarity and understanding. 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 Audit Scotland.

5.3 Audit Scotland completed their financial accounts audit and presented their draft 2021/22 Annual Audit Report to the ARC at its meeting on 7 September and will present this to the Board on 22 September.

- 5.4 The ARC discussed a number of points with Audit Scotland.
- 5.5 ARC noted that Audit Scotland anticipated an unqualified auditor's report would be issued following the Board meeting on 22 September. There was one minor recommendation within the action plan. This relates to a payment to an incorrect supplier. The payment resulted from human error in an unusual circumstance and has already been corrected. Most recommendations from previous years were either implemented or close to completion.
- 5.6 Audit Scotland commented that FSS has appropriate and effective financial management arrangements in place. They noted that FSS is currently developing its medium and long-term financial plans to respond to the budget challenges associated with the spending review and the additional funding required to support new objectives arising from EU exit not being approved by Scottish Government.
- 5.7 Audit Scotland recognised that FSS has developed a strategic framework to demonstrate its Best Value duty and is on track to align performance indicators with the corporate strategy and three-year corporate plan.
- 5.8 Audit Scotland noted that appropriate arrangements for preventing fraud and corruption are in place and FSS has maintained appropriate levels of governance and transparency during the pandemic and noted that Board arrangements are an example of best practice.
- 5.9 As this was Audit Scotland's final annual audit report because their external auditor role is being passed on to Deloitte's, ARC thanked Audit Scotland for their support and diligence in the period since the setting up of FSS.

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 reasonable annual assurance opinion for 2021-22 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 draft Annual Audit Report from our external auditors, Audit Scotland

- 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 2021-22 and be authorised for issue by the Accountable Officer.

Sue Walker

On behalf of the FSS Audit and Risk Committee

7th September 2022.