

ANNUAL REPORT TO THE BOARD FROM THE AUDIT AND RISK COMMITTEE

Report by Aileen Brown, Chair of the Audit and Risk Committee

1. SUMMARY

1.1 To provide the Board with a summary of the work undertaken by the Audit and Risk Committee (ARC) during the period 01 April 2024 to 31 March 2025.

1.2 The Board is asked to:

- **Note** the work that has been undertaken by the ARC during the period April 2024 to March 2025 inclusive.

2. INTRODUCTION

2.1 The ARC Terms of Reference state that the Committee should provide an Annual Report to the Board covering the previous financial year as soon as possible following the end of the previous financial year, and a separate assurance statement at an appropriate time to support the Board's consideration of the FSS Annual Report and Accounts (ARA).

2.2 This report sets out activities of the ARC during the period 1 April 2024 to 31 March 2025.

3. WORK OF THE COMMITTEE

Meetings of the ARC

3.1 Annex A lists the membership of the Committee over the period and the regular attendees from the Executive, Audit Scotland, Deloitte and the internal auditors for corporate systems from Scottish Government Directorate for Internal Audit and Assurance (SGDIAA) and our official control auditors from FSS. On occasions, other staff have attended the meeting, as shown, to support the ARC in its work.

3.2 The ARC held face to face meetings on 05 June, 04 September, 27 November 2024 and 10 March 2025.

3.3 An extraordinary ARC meeting was held via Teams on the 04 November for the sole purpose of discussing and recommending to the Board that the Annual Report and Accounts for 2023-24 be signed off at an open Board session held as part of the Board Seminar on the 13 November 2024.

3.4 The ARC met privately with the internal and external auditors on 04 September 2024.

3.5 The ARC Chair provided an oral report of each ARC meeting to the following Board Meetings: 17 July, 18 September and 11 December 2024 and 26 March 2025.

3.6 The current version of the ARC forward plan is at Annex B.

Committee Effectiveness

3.7 The ARC undertook an annual effectiveness review on 27 November 2024 which was attended by the internal and external auditors, FSS staff, in addition to ARC members. In summary the ARC noted that responses received were largely positive, with the main negative being that the delayed ability to sign off the FSS Annual Report and Accounts (ARA) due to pension information being unavailable, and the delayed final review due to a change of personnel at Deloitte.

External Audit

3.8 At the June meeting ARC received a verbal update on the external audit plan from the Audit & Assurance Manager. ARC heard that timelines for year end and fieldwork had been confirmed and that planning work for the 2024-25 audit approach had concluded.

3.9 At the September meeting Deloitte presented their report and a draft version of the ARA for 2023-24 and advised that the timetable remained on track with pension information expected from Ernst & Young (EY) by the end of that month.

3.10 At the November meeting Deloitte advised that the ARA was still in the process of undergoing a final review. The ARC stressed that no immaterial changes should be made at this late stage. The ARC heard that a lessons learned exercise would take place in December, and a streamlining of process was being looked at. Apologies were passed on for the delay.

3.11 At the March (2025) meeting ARC received Deloitte's audit plan for 2025-26, and the materiality levels, reporting threshold, significant risks and the full wider scope audit work. A 'lessons learned' exercise took place following finalisation of the 2023/24 ARA to identify areas to strengthen the process going forward. A target date has been set to sign off the ARA at an open Board Meeting on 29 October 2025.

Internal Audit – SGDIAA

3.12 Internal audit was provided by Scottish Government (SG) Internal Audit and Assurance Directorate (for corporate matters). At the June meeting the Senior Internal Audit Manager advised that following a change of personnel introductory meetings had taken place. The Director of Internal Audit and Assurance also attended her first FSS ARC meeting. The ARC heard that the Assurance work for 2024-25 had commenced, with fieldwork for Engagement and Communication already underway. They also heard that there were still some recommendations to be followed up from the 2023-24 Audit Plan.

3.13 At the September meeting the ARC received an update that the Annual Audit Plan for 2024-25 was expected to be delivered in full and on time. The Internal Audit Manager advised that SG were to undergo an External Quality Assessment (EQA) to ensure compliance against Public Sector Internal Audit Standards, this would include a gap analysis against new global internal audit standards. The ARC heard that

Jennifer Inglis-Jones had been successful in attaining the role of Director of Internal Audit and Assurance permanently.

3.14 At the November meeting the ARC heard that the audit of the Performance Indicator Creation and Monitoring audit planned in Q4 may be substituted due to changes to the structure and strategy. The ARC noted the reasonable assurance opinion given for the recent SG Corporate Systems audit and highlighted that the report, once again, fails to take into consideration a customer service perspective and requested that this be included next year.

3.15 At the March meeting SGIAAD presented the progress report. The Human Resources, Workforce Planning and People Strategy follow up review resulted in one medium recommendation, which was partially implemented. Due to a low response rate to a staff survey further analysis will be taken forward by FSS HR and L&D early in 2025-26.

3.16 The ARC received the Internal Audit Plan for 2025-26, comprising three assignments: Review of Learning and Development; Health and Safety for Field Staff, and Data Protection. A review of the Audit Assurance Branch will also be considered for the 2025-26 plan should resource become available.

Official Controls Audits

3.17 The FSS audit and assurance team provides audits of official controls delivery. The Head of Audit & Assurance discussed the official controls audit programme for 2024-25 at the March 2024 meeting and the 2025-26 programme at the March 2025 meeting.

3.18 At the June meeting the ARC noted that the Allergen Control audit had completed with a limited assurance opinion given and an action plan in place to address recommendations. The Egg Hygiene official controls audit was also completed, with an insufficient assurance rating assigned. The ARC noted that recommendations had been agreed but due to resourcing capability the action plan was outstanding and would be tabled at a future ARC. The ARC noted that the Internal Monitoring audit had completed with a Substantial level of assurance assigned.

3.19 The ARC noted that the initial request for information had been issued for the Specified Risk Material (SRM) Controls and Verification Audit.

3.20 The ARC noted that two files remained open pre 2023-24: the Delivery of Feed Official Controls and Shellfish Official Controls, recent evidence provided should lead to closure of some recommendations in the Delivery of Feed Official Controls.

3.21 At the September meeting ARC received an update on the Official Controls Audit Programme. There were no audit reports to consider, the ARC noted that the SRM Controls and Verification audit had completed with a reasonable assurance given and would be presented along with the action plan at the next meeting.

3.22 At the September meeting the ARC noted that implementation of recommendations for the Allergens Control and Verifications audit was progressing, and there were four recommendations still outstanding. Delivery of Feed Official Controls and Shellfish Official Controls files were also progressing well, and ARC would be provided with an update at the next meeting.

3.23 ARC received the action plan for the Egg Hygiene official controls audit at the September meeting and were told that a new member of staff has been appointed to address it. The ARC asked that the final report complete with action plan be brought in its entirety for sign off at the next ARC meeting.

3.24 At the September meeting ARC received the findings of the Operational Delivery Division on internal monitoring which received a substantial audit rating. The ARC heard that the Head Veterinarian had reviewed the considerations and planned a review of the process in December 2024.

3.25 At the November meeting ARC heard that the Hazard Analysis and Critical Control Point (HACCP) audit was almost complete, and that the Scottish Food Enforcement Liaison Committee audit would commence shortly. A total of four audit remain open from 2023-24 and 2024-25.

3.26 At the November meeting ARC noted that the Specified Risk Material (SRM) audit had been assigned a reasonable assurance outcome, there were two main areas of concern related to the implementation and adherence to the established planned arrangements for SRM, and the need to strengthen enforcement action.

3.27 At the March (2025) meeting ARC noted that the Scottish Food Enforcement Liaison Committee (SFELC) audit was almost complete, and the Hazard Analysis and Critical Control Point (HACCP) audit was completed and assigned a reasonable assurance, with an action plan in place to address recommendations. ARC noted that the high priority recommendation relating to the SRM audit had been closed and the remaining recommendations are being progressed.

3.28 At the March meeting ARC received the audit plan for 2025-26, following review of the Official Control Map and a risk-based planning exercise held last year this will look at OC delivery: Meat Hygiene.

Annual Assurance Reports

3.29 At the June meeting the ARC received the SGDIAA Annual Assurance Report for 2023-24 and noted the substantial overall assurance opinion.

3.30 At the June meeting the ARC received the Annual Assurance Statement for 2024-25 from the Head of FSS Audit and Assurance. This 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, with Operational Delivery management continuing to demonstrate an ability and willingness to address any issues identified promptly.

3.31 Of the three audits carried out in 2023-24, one received a limited assurance, one received an insufficient assurance, and one received a substantial assurance. The ARC noted the insufficient assurance rating given to the Egg Hygiene audit, with the key issues identified as lack of monitoring, delegation and management of function by FSS. Management highlighted that the operational element delivered by the SG Poultry Unit is carried out effectively with appropriate monitoring in place, and therefore there was no risk to public health.

Annual Report and Accounts (2023/24) and Annual Statement of Assurance from ARC

3.32 During the summer, ARC gave scrutiny to early drafts of the ARA and at the September meeting, members had the opportunity to discuss the draft ARA. In June the draft ARC Annual Report to the Board for 2023/24 was discussed.

3.33 The ARC agreed the draft annual Statement of Assurance at the extraordinary ARC meeting on 04 November for issue to the Board at the 13 November meeting to support the Board's consideration of the ARA. The Committee noted it had received appropriate, timely and regular information about FSS's control environment and the production of the 2023-24 ARA and based on assurances from its own work and those provided by the internal and external auditors, recommended that, following a final review by Deloitte, the Board approve the ARA to be signed off by the Accountable Officer.

Risk Management

3.34 Corporate Risk and associated Risk Registers are subject to regular discussion, both the Board and ARC discuss strategic risks, their ratings, controls and mitigations on a quarterly basis. Risks that have materialised are reported to ARC and the Board via a Strategic Issues Register, alongside the Strategic Risk Register until the issue is managed, and can, when appropriate, be reconsidered in terms of risk management. This addresses the situation when the proximity of strategic risk changes it from a risk to an issue that has materialised. The monitoring includes the priority and severity of the issue, controls in place, their status and intended completion date.

3.35 At the November meeting, the ARC noted that the annual discussion on risk appetite would take place at the December Board meeting, where it would be showcased how risk would be aligned with the new strategy due to commence in 2026.

Environmental Reporting

3.36 At the November 2024 meeting, the ARC received the Annual Environmental Report. ARC noted the increased year on year carbon output figures per person which is influenced by the different emission values used this year related to air travel, they also heard that a better understanding of home emission factors is required due to a wide range of property types and energy sources used in them. The ARC heard from management that FSS carbon emissions are relatively small, and that SG interventions would be required to reduce these further. The ARC asked

if a specific climate change risk should be added and the committee was advised that our environmental impact, food security etc, is being considered as part of our new strategy.

Health and Safety Reporting

3.37 At the June meeting, the ARC received the annual report on the organisation's performance with regards to how FSS measures, monitors and manages its obligations in relation to health, safety and the environment (HSE). The ARC noted the results of a Safety Climate Survey had helped shape the H&S programs for 2023-24 and the positive safety culture and awareness across the organisation was noted.

Other Matters

3.38 At the June meeting, ARC received the Annual Report on Cases of Fraud and Significant Losses (including National Fraud Initiative) which provided an annual update on any cases of fraud and significant losses within FSS. ARC noted that there had been one case of fraud reported during the period where a fraudulent payment of just over £5k was made by FSS after a suppliers email account was hacked. The funds were subsequently recovered by the bank and standard procedures for updating supplier details amended to avoid reoccurrence. The finance team also attended a webinar delivered by Police Scotland.

3.39 At the June meeting, ARC also received the annual report on non-competitive actions (NCA) and were generally content.

3.40 At the November meeting the ARC proposed, and agreed, to a minor amendment, removing 'corporate systems', to its Terms of Reference (ToR). This was simply to aid clarity.

Adequacy of Internal Audit arrangements

3.41 The ARC keeps under review the resources available for audit assurance purposes and although there was a reduction from four to three assignments for both SGDIAA and OFFC audits, ARC is satisfied that adequate and proportionate internal audit resources were provided throughout the period reported to ensure continued effectiveness of Internal Audit.

4. MEMBERSHIP, RESOURCE IMPLICATIONS & SUSTAINABILITY ISSUES FOR THE ARC

4.1 The ARC expects to meet four times in 25/26. No change to resource requirements is anticipated.

5. CONCLUSION AND RECOMMENDATIONS

5.1 The ARC continues to fulfil its role of scrutiny and providing assurance to the Board and the Accountable Officer.

5.2 Thanks go to SGDIAA, representatives of Audit Scotland and Deloitte who have attended the meetings throughout the period, presented reports, and have also provided advice which is the basis for much of the ARC's work.

5.3 ARC also thanks FSS staff for their contribution in supporting the Committee and its work.

5.4 The Board is asked to:

- **Note** the work undertaken by the Audit and Risk Committee during the course of the period 01 April 2024 to 31 March 2025 inclusive.

Aileen Brown
Chair, Audit and Risk Committee
June 2025

Annex A – Membership of the FSS Audit and Risk Committee April 2024 to March 2025

Members:

Aileen Brown (Chair)
 Carol Evans
 Phillip Couser
 Kate Richards

Attendance:

Member	Attendance	Number of Meetings 2024-25
Aileen Brown (Chair)	5	5 (extraordinary ARC held 04 November)
Carol Evans	5	
Phillip Couser	5	
Kate Richards	5	

Regular Attendees:

Executive

Geoff Ogle, Chief Executive and Accountable Officer
 Ian McWatt, Deputy Chief Executive
 Marion McArthur, Head of Audit Assurance
 Garry McEwan, Head of Governance & Infrastructure
 Emma Scott, Head of Private Office – until August 2024
 Christine Hill, Head of Private Office – from August 2024
 Joanne Smith, Board Secretary

Scottish Government Internal Audit and Assurance Directorate

Dougie Shepherd, Senior Internal Audit Manager
 Gary Gibb, Internal Audit Manager
 Iain Burns, Lead Senior Internal Audit Manager – attended March 2025 meeting due to absences

Deloitte – from September ARC meeting

Sandy Denholm, Manager

Occasional Attendees:

Executive

Natalie Greenland, Head of Corporate Support
 Elaine McLaughlin, Head of Finance & HR – retired August 2024
 Anna Skowron, Head of Finance & HR – took up post August 2024
 Stephen O'Neill, Health & Safety Advisor

Annex B – Audit and Risk Committee Forward Plan

Agenda Format – Headings as per below Titles of papers in full on Agenda								
	ARC Forward Programme – Agenda Items	05/06/2024	04/09/2024	27/11/2024	10/03/2025	28/05/2025	03/09/2025	26/11/2025
1	Private Meetings							
1.1	Private meeting between ARC Members & SG DIAA		11:30 – 11:50					
1.2	Private meeting between ARC Members & Deloitte		11:50 – 12:10					
1.3	Private meeting between ARC Members & FSS Head of Audit and Assurance		12:10 – 12:30					
2	Miscellaneous Standing Agenda Items							
2.1	Minutes and Action log tracker							
2.2	Executive oral update or report by exception (topical issues)							
2.3	Review ARC forward programme							
2.4	Any Other Business							
2.5	Meeting Review							
2.6	Executive and ARC closed session							
2.7	ARC members closed session							
3	Risk							
3.1	Risk Management (Risk Register) report (including, Strategic, ELT, Risk Registers and Deep Dives)							
3.2	Prepare for Board’s annual discussion on risk (oral)							
4	Other Matters							
4.1	Audit Implementation Management Report – <i>this item has now been incorporated into another report</i>							
4.2	Health and Safety Report: any significant non-compliance (Annual – May)							
4.3	Environment Report – (Annual November)							
4.4	Annual Cyber Security Brief and accompanying report							
4.5	Cases of Fraud and Significant Losses (incl NFI) and Single Tender Actions Paper							
4.6	Governance Report (Accountable Officer) (this is part of the ARA and not a standalone item)							
4.7	Review ARC Effectiveness & ARC Terms of Reference (Annual)							
4.8	Review of draft audited Annual Report and Accounts							
4.9	Preparation of Annual Report from Chair of ARC							
4.10	ARC Statement of Assurance							
5	Internal Audit							
5.1	Internal Audit Progress Report (SGDIAA)							
5.2	Official Controls Audit Programme – Progress Update (for current year) (FSS)							
5.3	Internal Audit reports (as available) (SGDIAA)							
5.4	Official Controls Audit reports (as available) (FSS)							
5.5	Internal Audit Plan for following year discussion (SGDIAA)							
5.6	Official Controls Audit Plan for following year for discussion (FSS)							
5.7	Annual Assurance Report (SGDIAA)							
5.8	Annual Report and Statement (FSS)							
5.9	Annual Assurance Mapping Report (FSS) <i>(this may be incorporated as part of the Risk Register Report)</i>							
5.10	Official Controls Map							
6	External Audit – Deloitte							
6.1	External Audit Plan (Deloitte)							
6.2	External Audit Progress / Management Report							
6.3	Annual Audit Report and audit opinion for financial year just finished							
6.4	If required, consider the External Audit Management letter for the previous financial year and the response, including implementation of any recommendations							