

**Consumer Scotland
Audit and Risk Committee Meeting
06 December 2023**

Minute of Meeting

Present:

Nick Martin – Chair
James Walker – Member
Angela Morgan – Member

In attendance:

David Wilson – Chair, Consumer Scotland Board
Lesley Halliday – Member, Consumer Scotland Board
Sam Ghibaldan – Chief Executive
Sue Bomphray – Director of Operations
Douglas White – Director of Policy and Advocacy
David Eiser – Director of Research and Analysis
Ian Forbes – Finance and Accountancy Adviser
Iain Burns – Senior Internal Audit Manager, Scottish Government
Glen Bissett – Internal Audit Manager, Scottish Government
Hilary Tennant – Governance and Corporate Services Manager
Ifthakhar Eresh – Finance, Governance and Corporate Services Officer (minutes)

Apologies:

None

Agenda Item 1 – Welcome and Declarations of Interest.

1. The Chair welcomed everyone to the meeting and introductions were made. The Chair welcomed Lesley Halliday, new Consumer Scotland Board member, to the meeting.
2. There were no declarations of interest noted.

Agenda Item 2.1 – Minutes of Previous Meeting

3. The minutes of the previous meeting on 3rd October 2023 were approved by the Committee and the Chair noted the following errors to be corrected:
 - a. Item 21(c)- Performance materiality should be £37,000.
 - b. Item 26 – ‘Audit’ rather than ‘Audi’.

Agenda Item 2.2 – Action Tracker

4. The Action Tracker was presented to the Committee, and the updates noted. None were outstanding.
5. The Chair updated the Committee on the letter received from Audit Scotland re the external audit fee, which stated that there would be no reduction in the fee agreed between Audit Scotland and Deloitte. The Committee maintained the conviction that the fee was materially out of line with that paid by other bodies but was not in a position to pursue the matter further. The Chair agreed to acknowledge Audit Scotland's response.

Action – Chair will respond to Audit Scotland.

Agenda Item 3 – Annual Review of ARC Effectiveness

6. The Chair gave verbal report on the review of the effectiveness of the ARC, drawing on previous comments from both Internal and External Audit where the ARC had been noted as performing in an adequate and satisfactory manner. This had been reported to the Board within the ARC's annual report and it was agreed that no further formal assessment was required at this stage. The Chair indicated his intention to speak separately to Committee members about the role of the ARC and convey opinions to a future board meeting.
7. Members noted the report on the effectiveness of the Committee, and the Chair thanked everyone involved.
8. The Chair of the Consumer Scotland Board thanked the Committee for their work and expressed his satisfaction with the operation of the Committee.

Agenda Item 4 – Risk

9. The Director of Operations gave an update on the Strategic Risk Register and the Committee discussed the points raised in the report.
10. Risk scores had been reduced for three items where the impact scores were deemed to be reduced based on the effectiveness of the controls and the supporting narrative from both Internal and External Audit.
11. Two new risks had been added to the Register in respect of the financial and reputational impacts of our investigation function were other parties to challenge the legal basis of an investigation. The Executive Team were working through controls and mitigations, and liaising with other bodies who undertake investigations (for example, Environmental Standards Scotland) to understand potential approaches.

12. A new risk was being considered in relation to Consumer Scotland funding provided to other bodies via Grants. This new risk would need to encompass quality assurance of the work being carried out on our behalf.
13. The finance risk (23-002) score has been increased based on the uncertainty around the Oracle Fusion implementation, particularly on whether we will have the right resources, information and training for the new system, alongside the uncertainty about whether it will go ahead as planned on 1st April 2024. Internal Audit are involved in these discussions, in particular in relation to the provision of bank accounts.
14. It was agreed that the scoring for the other finance risk (23-001) would be reviewed once we receive confirmation of our Grant in Aid budget from Scottish Government for FY2024-25.
15. Beyond this, there have been no substantive changes to the risk environment in which we are operating. There are no items requiring escalation to the Board in relation to risk, however the Board will be kept informed on the Oracle Fusion finance risk as discussions continue.
16. The Scottish Government Risk Guide has been updated and is available on request.
17. The Director of Operations gave a presentation on the review of the Risk Management Policy and Framework, which was last reviewed in December 2022 when Consumer Scotland was relatively new as an organisation. It had been agreed to review the policy and framework again after one year to assess whether any changes were needed to our approach or the assessment of our risk appetite.
18. The Risk Management Policy and Framework had been refreshed to reflect the maturity of the organisation. Some extraneous elements had been removed.
19. Our Risk Management Policy and Framework are aligned with the Scottish Government Risk Guidance manual.
20. The Director of Operations provided an update on the operational risks, and it was agreed that the Operational Risk Register would be provided for information, and comment as necessary, at the next ARC meeting.
21. Members commented on the current risk appetite in the Risk Management Framework, and the Chair noted some changes in wording which he would follow up offline.

Action – Director of Operations to share Operational Risk Register at the next meeting.

Action – The Chair and Director of Operations to discuss the Risk Management Policy and Framework offline.

Agenda Item 5 – Management Accounts 2023-24

22. The Director of Operations thanked the Chair for feedback received in advance of the meeting and advised that all points raised had been duly noted and would be taken into consideration for the next iteration of the reports. The two papers being presented to the Committee have different purposes. The first report provided an annual accounts viewpoint, with comparable forecast of the expected annual expenditure outturn. The second paper is the regular update on actual spend versus budget which the Committee are familiar with.
23. The Finance, Governance and Corporate Services Manager provided an update on the Financial Report FY2023-24 and highlighted:
- a. The increasing staff cost run-rate is consistent with budget. The forecast reflects a full staff complement, additional senior hires for part year, and the backdated 2023 pay rise. An additional £29k of budget had been transferred from the research budget to the salary budget to cover the costs of the new B3 Analysis Manager.
 - b. Claims from the Big Energy campaign related grants have not yet started; however the forecast anticipates a seasonal reversion to budgeted spend when they do.
 - c. Research spend is currently running significantly down compared to the prior year total at half year, but based upon agreed commitments is expected to trend back to budgeted spending levels by year end.
 - d. Actual accommodation costs remain at prior year levels in line with the existing MOTU. However, increased spending in line with budget is expected towards the end of the financial year due to the planned office move.
 - e. A number of these costs may be capitalised and depreciated over time. In addition, the notional present value of the building capital element of the rent charges will be capitalised and depreciated in line with IFRS 16. This is now expected to impact FY2024-25 accounts rather than this year, based on the expected lease commencement date.
24. The Committee discussed the re-allocation of budget between categories and the Director of Operations advised that this was being done under the Chief Executive's delegated authority in line with Standing Orders. The Committee requested a regular update on reallocation of budget between categories.

Action – Director of Operations to update the Board on a quarterly basis on the reallocation of funds between budget categories.

Agenda Item 6 – Draft Budget – FY2024-25

25. The Director of Operations gave a verbal update on the Draft Budget for financial year FY2024-25. There were no changes noted since the last report, and a session for staff regarding budget scenario and contingency planning was held. The Scottish Government's draft budget is due to be published on 19th December 2023 and confirmation of levy funded budgets was not expected until April or May 2024.
26. The Chief Executive advised the Committee that he had received an indication that we may receive a flat budget in FY2024/25. We are in communication with Scottish Government regarding the implications of this.
27. The Chief Executive and the Committee discussed the potential implication of this budget freeze and its impact on recruitment and the work programme, particularly in relation to the Investigations and Partnerships functions.

Agenda Item 7 – Internal Audit – Audit Progress report

28. The Internal Audit Manager provided an update on the Internal Audit Progress Report.
29. The final assurance report in relation to Financial Monitoring and Control arrangements had been issued in September 2023 and rated as "Reasonable Assurance".
30. The next assurance work will be a review of Governance and Risk Arrangements and the draft Terms of Reference have been provided to the Executive Team for approval. Further details of assurance work are provided in Table 1 in Annex A.
31. Advisory work in relation to Stakeholder Engagement and Key Performance Indicator Reporting had been completed and the report had been circulated ahead of the meeting. The Internal Audit Manager emphasised that the recommendations from the advisory work were for the Executive Team to take into consideration, and the report was provided to the Committee for information only.
32. Outline planning has begun at a Directorate level for the FY2024-25 audit programme, which is expected to be performed against the backdrop of an extremely challenging financial environment.

Agenda Item 8 – External Audit update

33. The Director of Operations gave a verbal update on External Audit arrangements for FY2023-24. The External Audit plan is in process, and we have received the first list of planning actions.
34. The audit field work will be carried out between 5th - 19th August 2024, with a target for completion and sign off from the Audit and Risk Committee, and recommendation to Board, at the meeting in September 2024.

Agenda Item 9 – Review of combined audit action tracker.

35. The Director of Operations provided an update on the combined audit action tracker which includes actions received from both Internal and External Audit.
36. Another tab will be created in the tracker to monitor suggestions from the audit advisory work.
37. All actions on the tracker are in progress, and no concerns were raised for any items.

Agenda Item 10 - AOB

38. No other business was raised.
39. The Chair thanked everyone for their participation and expressed his thanks for all the progress that had been made, then closed the meeting.
40. The date of the next meeting is Tuesday 12 March 2024 at 10:00 hrs online via Teams.