

**Consumer Scotland
Audit and Risk Committee Meeting
03 October 2023**

Minute of Meeting

Present:

Nick Martin – Chair
James Walker – Member

In attendance:

Sam Ghibaldan – Chief Executive
Sue Bomphray – Director of Operations
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
Kirsty Hair – Assistant Manager, Deloitte LLP
Pat Kenny – Associate Partner, Deloitte LLP
Hilary Tennant – Governance and Corporate Services Manager
Ifthakhar Eresh – Finance, Governance and Corporate Services Officer (minutes)

Apologies:

Angela Morgan – Member
David Wilson – Chair, Consumer Scotland Board

Agenda Item 1 – Welcome and Declarations of Interest.

1. The Chair welcomed everyone to the meeting and introductions were made. Apologies from Angela Morgan were noted.
2. There were no declarations of interest noted.

Agenda Item 2.1 – Minutes of Previous Meeting

3. The minutes of the previous meeting on 13 June 2023 were approved by the Committee and the Chair noted the following points:
 - a. Item 17- an additional board member had been added to the Whistleblowing contact list. This action can now be closed.
 - b. Item 25 – the updated ARC Terms of Reference, which had been signed off by the Chair, was included as a paper for information.

- c. Item 27 - the Director of Operations provided an update on the tax treatment of Board members expenses. Further work was underway to understand how other public bodies are approaching this issue.

Action – Change Terms of Reference for the ARC regarding terms of office ends in 2024.

Agenda Item 2.2 – Action Tracker

4. The Action Tracker was presented to the Committee, and the updates noted. None were outstanding.

Agenda Item 3 – Strategic Risk Register

5. The Director of Operations gave an update on the Strategic Risk Register and the Committee discussed the points in the summary report.
6. Since the last ARC and Board review of the Risk Register in June 2023, changes have been made to the Register to reflect ongoing dialogue around controls, actions and scoring. There had been no substantive changes to the risk environment in which we are operating. Public finances are still under significant pressure and all public bodies are being asked to prioritise efficiency and cost saving measures as part of the Public Service Reform programme.
7. The Operations team have been working through the Operational Risk Register and associated internal controls/planned actions to ensure these are robust, relevant and up-to-date. Collaborative working with the SG Finance team had been our priority to allow us to produce our Annual Report and Accounts. This involved a huge amount of manual working for our Accountant and Finance team in collating the required information in the required format.
8. The Strategic Risk Register is reviewed monthly by the Executive Team and consideration given to any items which need to be added/moved from the Operational Risk Register to the Strategic Risk Register and any items which require escalation. There are no items requiring escalation from the Executive Team to the Board in relation to risk.
9. Work continues on the implementation of the new finance system which is currently on track to go live in April 2024.

Agenda Item 4 – Management Accounts 2023-24

10. The Finance, Governance and Corporate Services Manager provided an update on the Financial Report 2023-24.
11. This is the second report in financial year 2023-24 and covers the current year up to the end of August 2023. As the report does not yet include September figures, we would

expect to see a lower variance against predicted spend at this point in the year. An updated report which includes the September figures will be circulated to the Board via email when available.

12. The Report Appendix provided details of the grant levy funded income and expenditure against the budget profile for Q2. Although all levy areas have commenced research work in line with the work programme, invoicing for research contracts is normally incurred later in the financial year.
13. Following a question from the Chair, the Director of Operations noted:
 - a. Corporate Services costs include accommodation, website, communication, procurement and the costs of running the organisation.
 - b. Programme costs are those related to delivering the work programme in the areas of energy, post, water and general markets. This includes research procurement, surveys, subscriptions, conferences and events.
 - c. Delivery costs includes the grant funding to CAS for the Big Energy Savings Week and the Big Energy Savings Network.
 - d. Staff costs are included separately within the staff costs budget.
14. Budgets are in line with the forecast for the year. The Accountancy Advisor is developing a management financial report which will be presented at the next meeting.

Action – Updated six month financial report to be circulated to the board when available.

15. The Finance, Governance and Corporate Services Manager provided an update on Annual Procurement Report. Consumer Scotland has entered into several procurement contracts since vesting in April 2022. These contracts are a mix of corporate contracts, which facilitate the operation of the organisation, and research procurement contracts which support the work programme. The shared service contracts with the Scottish Government will continue until superseded or terminated by Consumer Scotland/Scottish Government.

Agenda Item 5 – Governance Key Performance Indicators (KPI's)

16. The Director of Operations gave a verbal update on the Governance KPIs. Consumer Scotland is developing a set of organisation indicators which will be split into KPIs, which we can easily measure, and an impact framework looking at our effectiveness through our impact on outcomes which may take several years to manifest.

Agenda Item 6 – Annual Report and Accounts

17. The Director of Operations and the Accountancy Advisor presented the Annual Report and Accounts. Consumer Scotland had prepared its first Annual Report and Accounts for the financial year 2022-2023. The accounts have been audited by Deloitte LLP on behalf

of Audit Scotland and amendments made to the final version based on their recommendations.

18. Members were asked to review the enclosed annual report and accounts along with the draft management letter of representation. Whilst we do not have much latitude for making changes at this stage (unless there are clear errors), we can make recommendations for next year's report.
19. Once approved, the Annual Report and Accounts will then be signed by the Accountable Officer and Deloitte before being submitted to Audit Scotland. Consumer Scotland will then lay the Annual Report and Accounts before the Parliament and publish.

Agenda Item 7 – External Audit – Final report

20. Pat Kenny from Deloitte LLP gave an overview of their report. Deloitte LLP has provided a clean, unmodified audit opinion which is a positive outcome for an organisation in its first year. He thanked everyone in Consumer Scotland for their help and support in completing this work, and noted that it had been a positive process with a very satisfactory outcome.
21. Kirsty Hair, Assistant Manager from Deloitte LLP presented the findings and key messages from the report:
 - a. The quality indicators have all been rated as mature which was positive result considering the added complications with Consumer Scotland's financial setup.
 - b. All submissions were of a good quality and submitted timeously.
 - c. On materiality, minor adjustments have been made since March meaning the final materiality threshold was £58,000 with a performance materiality of £37000 and a reporting threshold of £2,900.
 - d. There were two recommendations around controls - completing a thorough review of trade payables and accruals, and a review of holiday pay and flexi accrual processes.
 - e. The findings from the wider scope section of the audit were very positive with two medium priority recommendations included in the action plan.
 - f. Deloitte concluded that Consumer Scotland has strong financial management processes in place and a good foundation to build upon going forward.
 - g. In terms of vision, leadership, and governance, the auditors recommend that Consumer Scotland considers publishing Board Papers alongside minutes online, to help enhance transparency.
22. The Chair asked that the audit recommendations be tracked through the ARC action tracker.

23. The Committee agreed that the Annual Report and Accounts be recommended to Board for approval.

Agenda Item 8 – Internal Audit – CS Internal Audit Progress Report and Financial Management and Control Report.

24. The Senior Internal Audit Manager provided an update on the Internal Audit Progress Report. The final report from the Financial Management and Control audit had been shared with the Committee. A reasonable assurance rating had been achieved, with two high and four medium rated recommendations. These recommendations were mainly related to the financial set up of Consumer Scotland with Scottish Government and should be resolved with the introduction of the Oracle Fusion finance system due in April 2024.

25. The Terms of Reference in relation to the next audit on key performance indicators reporting has been issued and fieldwork has started.

26. The Chair requested that the Committee see the agreed terms of reference that were agreed between Consumer Scotland management and Internal Audit, before the audit begins. The Senior Internal Audit Manager agreed that even, although this is not standard practice, it was something he was happy to accommodate.

27. The Committee noted the Internal Audit report and recommendations.

Action – Internal Audit to circulate to Committee the draft agreed Terms of Reference by email following the meeting.

Agenda Item 9 – Draft ARC Annual Report 2022-23

28. The Chair presented Draft ARC Annual Report for 2022-23. Once approved the Chair will submit the Report to the Board.

29. The Report was approved by the Committee.

Agenda Item 10 - AOB

30. No other business was raised.

31. The Chair thanked everyone for their participation and expressed his thanks for all the progress that has been made, then closed the meeting.

32. The date of the next meeting is Tuesday 6 December at 1000hrs online via Teams.