

**Consumer Scotland
Audit and Risk Committee Meeting
14 March 2023**

Minute of Meeting

Present:

Nick Martin – Chair
Angela Morgan – Member

In attendance:

David Wilson – Chair, Consumer Scotland Board
Sam Ghibaldan – Chief Executive
Sue Bompfray – 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
Pat Kenny – Audit Associate Partner, Deloitte LLP
Kirsty Hair – Assistant Manager, Deloitte LLP
Hilary Tennant – Governance and Corporate Services Manager
Iftthakhar Eresh – Finance, Governance and Corporate Services Officer (minutes)

Apologies:

James Walker – Member

Agenda Item 1 – Welcome and Declarations of Interest.

1. The Chair welcomed everyone to the meeting and introductions were made. Apologies from James Walker were noted.
2. The Chair welcomed Ian Forbes, Finance and Accountancy Adviser to the committee members for the first time and asked him to give brief introduction.
 - Ian has expertise in accounting and finance, particularly in the private sector of life insurance and investments. He also has experience in the public sector, including being a member of a governance audit committee and management advisory board for the Scottish Public Pensions Agency.
3. There were no declarations of interest noted.

Agenda Item 2.1 – Minutes of Previous Meeting

4. The minutes of the previous meeting on 13 December 2022 were approved by the Committee.

Agenda Item 2.2 – Action Tracker

5. The Action Tracker was presented to the Committee, and the updates noted as all complete and nothing outstanding.
 - It was noted that the outturn was to be added to the 2023/24 finance tracker not the 2022/23 version.

Agenda Item 3 – Updated Risk Register

6. The Director of Operations gave an update to the Committee on the CS Risk Register and emphasised the below points:
 - Following the ARC/Board workshop session on 2nd February, the risk register has been updated to focus on the key strategic risks facing the organisation. The current impact and likelihood scores have been added along with a draft view of the controls and actions needed.
 - Next stage is to work through these in more details and make a further assessment on effectiveness in due course which will provide a residual risk score.
 - It is expected that over time risks may drop off or be added as our control framework matures and the wider landscape shifts.
 - We will also develop a lower-level operational risk register which will be used to internally to manage risk.
 - Internal Audit confirmed they are comfortable with where we are on the risk cycle.
7. It was noted that of the seven risks on the risk Register three are currently scored in the “escalate” bracket. The finance set-up risk has already been escalated via the Board to our Scottish Government sponsor team.
8. Internal Audit confirmed that they are comfortable with how the register is developing. External Audit advised that when agreeing risks, we should consider outcomes and ensure that we are able to demonstrate value added and prudent use of the budget.
9. It was suggested that the key risk is the reputational risk which is long term and will require focus at a strategic level.
10. The register will be reviewed monthly at the executive team meeting to ensure that it becomes part of day-to-day consideration and thinking.
11. It was agreed that the text of the reputational risk be expanded to include specific reference to delivery of the strategic plan and the work programme. The Chief Executive confirmed that the development and implementation our strategic plan alongside the work programme over the next year should help mitigate risk.

12. It was agreed to rename the register as “Strategic Risk Register” to avoid confusion with the operational risk register.

Agenda Item 4 – Annual Accounts Submission/update)

13. The Chair invited Ian Forbes to provide a brief update and key points are noted below:

- The first year for any organisation brings a greater risk. There will be challenges getting through the process for the first time.
- In future years we will have learned from going through the process this year and it should be more straightforward.
- IF is confident that the Committee will receive draft accounts in June.
- Data gathering has started to ensure we have everything needed to deal with the audit requirements and for our own record.
- IF confirmed that we have a good tracking processes for financial entries which are accurate and complete.
- Following the escalated risk outlined earlier, we are now actively engaged with the Scottish Government finance team and we have also met with the external auditors.

14. The Chair asked that he be included in regular review meetings through the year-end activity.

15. The Chair invited the External Auditors to provide brief verbal update. The key points noted were:

- Deloitte are very experienced in public sector reporting, and have taken a number of organisations through audit for the first time, and are willing to offer help and advice to Consumer Scotland.
- Pat Kenny explained to the Committee that due to the tight audit timetable the External Audit Draft Report would be available towards the end of March.
- Deloitte will reflect on the challenges that CS have faced as a new organisation and factor that into wider scope work. They will consider the set-up of the governance arrangements, control arrangements, financial management.

16. Kirsty Hair gave a brief update on the audit process:

- The initial plan and work are complete and Deloitte are now in the business processes phase which should be complete within the next two weeks.
- The next key stage will be wider scope, looking at financial management, sustainability and governance arrangements.
- Year-end field work is scheduled for August and final reporting will be in September.

17. The Chair noted his concern regarding the scale of the audit fee. which he believed was higher than for other comparable bodies. He asked that the Director of Operations contact Audit Scotland to highlight our concerns.

Action – Raise level of External Audit fee with Audit Scotland.

Action – Regular review meetings to be put in place with Chair.

Agenda Item 5 – Financial Report 2022-23

18. The finance report was presented to the Committee. The key areas of note were:

- The financial report presented in appendix 1 provides actual expenditure to February 2023, along with anticipated spend for the remainder of the financial year, and provides a projected over/underspend position at the year end.
- From this budget forecast we anticipate an overall underspend of £553,762 for the financial year 22/23, largely due to a lower Staffing and Board costs as a result of the staggered staff recruitment over the year.
- The anticipated budget reclaim from Scottish Government to cover set up costs incurred on our behalf was lower than anticipated. The final re-charge was £277,000 in quarter 4 against a forecast of £500,000
- The Board have agreed to support the Trading Standards Scotland ‘Shut Out Scammers’ programme, at a costs of £79,900.
- Provision has been made to purchase additional IT and office equipment for the anticipated move to Thistle House.
- Our External Auditor fee is larger than budgeted for resulting in an overspend in this category.
- The Director of Operations outlined the split of underspend across core and levy funding. There are no concerns from Scottish Government or BEIS about our expected year-end position.
- We will work with the central finance team to understand what action may be needed in relation to any unspent levy income.
- Our projected outturn is in line with expectations for our first year of operation.

19. The Chair requested that future reports show the cost of delivering the levy funded activity to correlate this to outcomes.

Action – Future reports show the cost of delivering the levy funded activity

Agenda Item 5 – Financial Report 2023-24

20. The Director of Operations advised the Committee that we had received indicative confirmation of our budget for FY2023-24 from the Scottish Government on 15th December 2022 and this budget was approved in Parliament on 21st February 2023.

21. Further points to note were:

- The water levy funding submission for 2023/24 was agreed.
- The post and energy levy funding submission to BEIS will be confirmed by April.
- Procurement costs associated with levy work programme projects have been charged to the levy budgets.
- The finance budget includes £60k which is the expected set-up cost for Oracle Cloud (the replacement for the SG finance system – SEAS).
- Additional costs have been included in the Accommodation line to support the reconfiguration of Thistle House. There is an additional amount which could be drawn from the contingency line if required.

22. The Committee discussed the proposed move to Thistle House. A paper had been submitted paper to Scottish Government highlighting anticipated cost savings that could be achieved through sharing accommodation, corporate services and potentially staff with another NMO.

23. The Scottish Government property team are reviewing all public sector accommodation to achieve best value and based on their guidance, we have submitted a business case to the Chief Surveyor. Once approved, the Board will receive details for endorsement ahead of seeking ministerial approval.

24. The Chair requested that the business case be shared with Committee members.

Action – Accommodation business case to be shared with Board members.

Agenda Item 7 – Internal Audit Advisory Report, Annual Plan 2023-24, Progress Report

25. The Internal Audit Manager provided an update on the progress report. Key points mentioned were:

- The Director of Internal Audit and Assurance will be leaving the Directorate at the end of March. The Deputy Director of Internal Audit and Assurance, will take over the Director role in the interim.
- Internal Audit keep a watching brief on Scottish Government corporate systems including the Shared Services transformation program.
- Internal Audit are consulting on revising and updating global internal audit standards. ARC members and CS staff who would like to participate in this consultation can find details in the links provided.

26. An update on the General Advisory Review was provided, and key highlights were:

- This was an initial piece of assurance work for Consumer Scotland. Internal Audit have primarily been working in an advisory capacity allowing them to be more solutions focused rather than just compliance focused.
- Had a formal audit been carried out, Internal Audit confirmed that they would be offering reasonable assurance, indicating satisfaction that the organisation is where they would expect it to be.

- The Quarter 4 assurance work has started and is being conducted by another Internal Audit Manager to ensure independence.

27. The Committee discussed the skills needed as a member of the Committee and agreed that a good mix of complementary skills was within the membership. The option of recruiting additional members to the ARC was available in future if it was felt there was a skills gap.

28. The Director of Operations advised that there were additional courses which members could attend e.g. Finance for Non-financial Managers.

29. Iain Burns provided an update on Annual Plan 2023-24 for internal audit. Key points were:

- At the next meeting, Internal Audit will present the annual assurance opinion, which will feed into the governance statement for the annual report and accounts.
- The 2023-24 plan was a relatively small plan based on the number of days available and included further assurance around governance and risk management, focusing on maturity, and may also consider some of the financial control and monitoring arrangements.
- The plan included a contingency allowance and time to attend ARC meetings. The plan was flexible enough to accommodate new risks which may emerge.
- The charter strategy sets out the Internal Audit position and independence. They are presented to the Scottish Government Audit and Assurance Committee and cover the charter strategy for all clients.

30. The Committee recommended the Annual Audit Plan 2023/24 to the Accountable Officer for approval.

Agenda Item 8 – Review of Terms of Reference for the Committee

31. It had been agreed that at the end of the first year of operation, it would be good governance to review the Terms of Reference set out at inception of the organisation.

32. During the discussion some suggestions were made to improve the terms of reference:

- Include management accounts and budgets within financial report.
- Refresh the formatting in line with Consumer Scotland templates.
- Update appointment dates for current members.

33. Following these changes the Committee recommended the updated Terms of Reference go to the Board for approval.

Action – Update TOR as per committee recommendations and send to board for approval

Agenda Item 9 – External Audit Draft Report

34. It was noted that External Audit Draft Report would be circulated to the Committee electronically w/c 27 March, for approval.

Agenda Item 8 - AOB (Chair)

35. The Director of Operation updated the Committee on the comments received via email prior to the meeting not already covered:

- A business continuity plan was in development.
- A whistleblowing policy was in place and we will be providing a whistleblowing report as part of the annual accounts.
- The draft Net Zero report was presented to the Board in December; the final version was due for submission by November this year.

36. The Chair of the Board formally thanked everyone for their hard work in making the audit and risk function of the organisation work, and to both internal and external advisors.

37. There being no further business, the meeting closed.

38. The date of the next meeting is Tuesday 13th June at 10:00am online via Teams.