

ANNUAL REPORT TO THE BOARD FROM THE AUDIT AND RISK COMMITTEE

Report by Sue Walker, Chair of 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 April 2019 to March 2020.
- 1.2 The Board is asked to:
 - **Note** the work that has been undertaken by the ARC during the period April 2019 to March 2020 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 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 1st April 2019 to 31st March 2020.

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, and FSS's internal auditors from Scottish Government and Food Standards Agency. On occasion other FSS staff have attended the meeting as shown, to support the ARC in its work.
- 3.2 The ARC held meetings on 19th June, 14th August, 25th September, 27th November 2019 and 25th March 2020. Due to exceptional circumstances during the coronavirus (COVID-19) outbreak, it was agreed that the 25th March 2020 meeting be held via teleconference and without members of the executive or Internal or External Auditors in attendance. In order to maintain a level of governance, it had been agreed this was a reasonable compromise which ensured that ARC business was conducted without impinging on the operational resources of the executive. Internal and external auditors were not in attendance as it was felt this was inappropriate given the lack of executive perspective in discussions.
- 3.3 Through the year, the ARC Chair had the opportunity for private meetings with internal and external auditors, and also met separately with the Accountable Officer, Interim Director of Policy, Science, Finance and Human Resources and Interim Head of Corporate Services Function and Records Management. The ARC met privately with the internal and external auditors in June 2019. The ARC Chair provided an oral report of each ARC meeting to the following Board meeting.
- 3.4 The current version of the ARC's forward plan is at Annex B, though there may be some changes to dates due to the COVID-19 situation.

Committee effectiveness

- 3.5 The ARC discussed its effectiveness in a private session on 27th November 2019, which the executive and internal and external auditors attended. Attendees had previously completed individual assessment questionnaires based on best practice and focusing on the five principles which underpin the role of an Audit and Risk Committee as described in the Scottish Government's Audit Committee Handbook.
- 3.6 It was noted that responses received were largely positive and no negative comments were made, noting that the induction process provided effective support for the new Committee members. However, several actions were agreed to further improve the workings of ARC. These included encouraging FSS staff to attend ARC meetings at which they were the lead member of staff on audits; inviting the new Senior Civil Service staff to attend an ARC meeting as observer; arranging a seminar on equality and diversity in the context of ARCs and moving the November meeting to December in 2021. It was recognised that changes to ARC membership would be necessary in due course with the turnover of FSS Board members. It was noted that the intent of the FSS Chair was that amongst new Board appointees there would be skills relevant to ARC but there was the mechanism to appoint independent members of ARC if it were necessary.
- 3.7 The ARC reviewed its Terms of Reference and were content that no changes were required.
- 3.8 The overall conclusion was that attendees felt that the ARC was effectively discharging its responsibilities.

External Audit

- 3.9 The Auditor General decided under the Public Finance and Accountability (Scotland) Act 2000 that Audit Scotland would be the appointed auditor for Food Standards Scotland. Audit Scotland has been represented at each ARC meeting and continue to be a source of helpful advice throughout. At the November 2019 meeting, Audit Scotland presented their Annual Audit Plan 2019/20, setting out their planned work for the year.
- 3.10 At the March 2020 meeting, ARC reviewed the Audit Scotland Update Report which included the governance work; audit dimensions work; best value; annual accounts audit process and national performance reports. The ARC noted this report.
- 3.11 At the March 2020 meeting, the timeline for finalising the 2019/20 FSS ARA was not yet determined due to the exceptional circumstances in dealing with COVID-19. It was noted that COVID-19 was impacting significantly on staff time and resources available to complete all the required sections in the ARA. In the interim, the executive were continuing to work on the financial statements to submit these to Audit Scotland to complete the audit work remotely.
- 3.12 Discussions were at that time ongoing with Audit Scotland to discuss and agree a suitable timetable which meets the financial reporting requirements and legislative deadline for laying the audited ARA in the Scottish Parliament (31st December 2020).

Internal Audit

- 3.13 Internal audit was provided by Scottish Government (SG) Internal Audit (for corporate matters) and by Food Standards Agency (FSA) Internal Audit (for official controls delivery). In August 2019, Crystal Power stood down as the SG Internal Audit Manager for FSS and was replaced by Les Henderson, SG Senior Internal Audit Manager. In December 2020, he was replaced by David Stark. The ARC received, at each meeting, progress updates on both internal audit plans and any completed internal audit reports.
- 3.14 At the June 2019 meeting, the ARC received the remaining 2018/19 reports from SG Internal Audit including the draft audit plan 2019/20 and internal audit reports on the Scottish National Database development and implementation and the FSS Performance systems. Both were given reasonable audit opinions with examples of good practice but as always, opportunities for improvement.
- 3.15 In addition at the June 2019 meeting, the ARC noted the substantial opinion of the audit of the approval system for establishments under FSS veterinary control.
- 3.16 At the September 2019 meeting the ARC received the internal audit report on effectiveness of the Traceability and Product Recall system. This achieved a moderate assurance opinion with a number of recommendations relating to record keeping which were all accepted by management and were in the process of being addressed.
- 3.17 In January 2020, the ARC received an intersessional paper in which the Executive proposed to bring in-house the assurance audit of FSS delivery of Official Controls from FSA from April 2020. ARC supported this proposal which was noted at the March 2020 meeting.
- 3.18 At the March 2020 meeting, the ARC discussed the Stakeholder Management, Governance and Delivery Audit which had received a reasonable audit opinion. Members felt it raised generic issues regarding the scoring of assurance levels and the role of recommendations. Members agreed, given a new Internal Audit Manager in place, it would be timely to discuss these issues with him. ARC received the Information Analysis and Decision Making audit report and whilst members were disappointed to see the limited assurance rating, they were content that the recommendations should be implemented by the autumn.
- 3.19 ARC noted the Minced Meat, Meat Preparations and Ready to Eat Foods at FSS approved establishments audit provided a moderate audit opinion.
- 3.20 ARC noted that both the Culture Review and the Microbiological Criteria Testing audit would not be completed by the end of the financial year. Both were well advanced but their finalisation was delayed by the COVID-19 emergency.
- 3.21 At the March 2020 meeting, the ARC discussed the draft Official Controls audit plan from FSS Audit team for 2020/21 and also the draft SG Internal Audit Plan for 2020/21.

Internal Audit Annual Assurance Reports

- 3.22 At the June 2019 meeting, the ARC received the Annual Assurance Report and opinion from SG Internal Audit. The ARC noted the reasonable assurance provided

on risk management, control and governance arrangements. All recommendations had been actioned and all follow-ups were successfully closed. At the same meeting, the ARC received the Audits of Official Controls Annual Report and Opinion 2019/20 from Food Standards Agency. This report provided a moderate assurance opinion overall in relation to risk management control and governance arrangements for official controls (equivalent to Scottish Government Internal Audit “reasonable”).

Annual Report and Accounts 2019/20 and Annual Statement of Assurance from ARC

- 3.23 Following earlier opportunities taken to comment intersessionally, the ARC at the June 2019 meeting, considered the final draft of the unaudited Annual Report and Accounts (ARA) for the year ended 31st March 2019. The ARC noted a small number of minor drafting changes and provided comments on the content.
- 3.24 At the August 2019 meeting, the ARC approved its annual statement of assurance for issue to the Board at its meeting on 22nd August 2019 in support of the Board’s consideration of the Annual Report and Accounts. The Committee noted it had received appropriate, timely and regular information about FSS’s control environment and the production of the ARA for 2018-19 and, based on the assurances from its own work and those provided by the internal and external auditors, recommended that the Board approve the ARA.

Internal controls

- 3.25 In September 2019, the ARC received a report on the new process of the Independent Scrutiny of FSS’s audits of Local Authorities in accordance with Scottish and European Food Regulations. The report was produced by FSA and highlighted some areas of best practice and some recommendations for improvement. ARC were content with the report and agreed that the independent scrutiny process should be conducted every three years.
- 3.26 At the March 2020 meeting, the ARC received and discussed the annual highlight report from the Executive on the Internal Controls Assurance Framework mapping tool. Annual Branch Head self-assessments, using the Assurance Mapping tool, had been completed towards the end of the 2019/20 financial year. These enable the completion of Directors’ statements of assurance that subsequently underpin and support the Accountable Officer’s Governance Statement which will accompany the Annual Report and Accounts. The ARC welcomed the good Assurance Map and self-assessment scores completed by Branch Heads and discussed ways in which the process could remain energized and further improved.
- 3.27 During the year, ARC received reports from the Audit Implementation Group and was pleased to see the continuing good performance in implementing recommendations from our internal and external auditors.

Risk management

- 3.28 Corporate Risk and associated Risk Registers are subject to regular discussion by both the Board and ARC, with the ARC also supporting the annual discussion of risk by the Board at its November meeting. These discussions have resulted in the evolution of how risks are managed and reported within FSS. The ARC discussed the Strategic Risk Register and the Brexit Risk Register at its June 2019, September 2019, November 2019 meetings. The high Brexit risk scores within both the Brexit and Strategic risk registers was a consistent theme throughout the year with both

risks scores and proximity increasing. The ARC recognised that the majority of Brexit risks were outside the control of the Executive but ARC was content that, as far as they might, the Executive had taken appropriate steps to mitigate the risks, given the continuing political and resourcing uncertainties around Brexit.

- 3.29 At the March 2020 meeting, ARC was advised that COVID-19 was being managed within the organisation as an incident which had many facets of risk affecting the organisation, its activities and its stakeholders. ARC noted the governance arrangements which had been put in place including the weekly discussions between the Chair and Deputy Chair and Chief Executive and Deputy Chief Executive.

Cases of Fraud and Significant Losses

- 3.30 At the March 2020 ARC meeting, members noted there had been no cases of fraud or significant losses to report and that bad debt had reduced during the year.

Health, Safety and Environment Annual Summary

- 3.31 At the March 2020 meeting, the ARC received an annual summary on Health, Safety and Environment (HSE) which included HSE Objectives, Targets and Key Performance Indicators and a comparison with previous years. The ARC noted the continuing good work on health and safety matters within FSS and recognised that it was important to solve long term health and safety issues in the high risk areas at Food Business Operators. ARC asked that in future years the report should consider environment and climate change reporting in more depth.

Other matters

- 3.32 At the September 2019 meeting, ARC received a report on Public Body Reporting Requirements, the purpose of which was to provide assurance to the Board that FSS is meeting its reporting requirements. The ARC noted this report and it was later shared with the Board.
- 3.33 In February 2020, Audit Scotland issued the “Your Business at Risk” survey to FSS staff, to provide assurance and establish the level of Information Security Awareness information in FSS. The report on the analysis was to be shared with the ARC in due course.
- 3.34 From time to time the ARC receives reports on FSS activity in relation to the Public Sector Action plan on Cyber Resilience. Whilst FSS relies largely on SG activity in this area as most FSS systems are provided by SG IT infrastructure, there are some independent FSS IT systems. FSS has prepared a draft Cyber Incident Response Plan and attained the Cyber Essentials certification in September 2019. The Cyber Incident Response Plan was due for completion in March 2020, and has been delayed due to the COVID-19 situation.

Adequacy of Internal Audit arrangements

- 3.35 The ARC keeps under review the resources available for audit assurance purposes, and is satisfied that adequate and proportionate internal audit resources were provided throughout the period reported to ensure continued effectiveness of Internal Audit.

4 RESOURCE IMPLICATIONS & SUSTAINABILITY ISSUES FOR THE ARC

- 4.1 Anne Maree Wallace stood down at the March 2020 meeting at the end of her ARC term, meaning ARC is back at its complement following the recent succession process.
- 4.2 The ARC expects to meet five times in the financial year 2020/21, with one meeting largely devoted to the consideration of the Annual Report and Accounts. No material increase in resource requirements is anticipated.

5 CONCLUSION AND RECOMMENDATION

- 5.1 The ARC continues to fulfill its role of scrutiny and providing assurance to the Board and the Accountable Officer.
- 5.2 Thanks go to SG and FSA Internal Audit colleagues and representatives of Audit Scotland who have attended the meetings throughout the period reported to present reports and provide advice which have provided 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 ARC is asked to:
- **Note** the work undertaken by the Audit and Risk Committee during the course of the period April 2019 to March 2020 inclusive.

Sue Walker
Chair, Audit and Risk Committee
24th April 2020
Final Version

Annex A**Membership of the FSS Audit and Risk Committee April 2019 to March 2020****Members:**

Dr Susan Walker (Chair)
 George Brechin
 Heather Kelman
 Dr Carrie Ruxton
 Dr Anne Maree Wallace

Attendance:

Member	Number of Meetings 2019-20	Attendance
Dr Susan Walker (Chair)	5	5
George Brechin		4
Heather Kelman		5
Dr Carrie Ruxton		5
Dr Anne Maree Wallace		5

Regular Attendees:Executive

Geoff Ogle – Chief Executive and Accountable Officer

Garry Mournian – Interim Director of Policy, Science Finance and Human Resources (until November 2019)

Caroline Thomson – Interim Head of Corporate Services Functions and Records Management (from November 2019)

Karen McCallum-Smith – Head of Private Office (until November 2019)

Hazel Stead, Board Secretary

Audit Scotland

James Rundell, Lead Senior Auditor

Parminder Singh, Senior Auditor (until September 2019)

Ross Reid, Senior Auditor

Scottish Government Internal Audit

Crystal Power, Internal Audit Manager (until August 2019)

Les Henderson, Senior Internal Audit Manager (until November 2019)

David Stark, Senior Internal Audit Manager (from December 2019)

Food Standards Agency Internal Audit

Freedom Mpande, Deputy Head of Internal Audit

Occasional Attendees:Executive

Ruth Dewar, Business Reporting Officer

Mike Houston, Facilities Manager and Health and Safety Advisor

Osa Udoh, Financial Accountant

External

John Furley, Head of Internal Audit, Food Standards Agency

Annex B**Audit and Risk Committee Forward Plan (subject to change due to COVID-19).**

	ARC FORWARD PROGRAMME AGENDA ITEMS	25 MAR 2020	17 JUN 2020	12 AUG 2020	23 SEPT 2020	25 NOV 2020	25 MAR 2021
1	Private Meetings						
1.1	Private meeting between ARC Members & SG Internal Audit						
1.2	Private meeting between ARC Members & Audit Scotland						
1.3	Private meeting between ARC Members & Food Standards Agency						
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	Audit Implementation Group Report – (six monthly Nov & Jun)						
2.4	Cases of fraud and significant losses (including National Fraud Initiative) (Annual Report - March)						
2.5	Health, Safety and Environment Report: any significant non-compliance (Annual - March)						
2.6	Review ARC forward programme						
2.7	Any Other Business						
2.8	Meeting Review						
2.9	Executive and ARC closed session						
2.10	ARC members closed session						
3	Risk						
3.1	Risk Management (Risk Register) report (including, Strategic, Brexit, Operations, Risk Registers - Deep Dives)						
3.2	Prepare for Board's annual discussion on risk (oral)						
4	Other Matters						
4.1	Internal Controls Assurance Framework reporting (Annual – March - Assurance Map)						
4.2	Governance Report (Accountable Officer)						
4.3	Review ARC Effectiveness & ARC Terms of Reference (Annual - Nov)						
4.4	Review of draft unaudited Annual Report and Accounts 2019/20						
4.5	Review of Audited Annual Report and Accounts 2019/20						
4.6	Preparation of Annual Report from Chair of ARC						
4.7	ARC Statement of Assurance						

5	Internal Audit						
5.1	Corporate Internal Audit Progress Report (SGIAD)						
5.2	Official Controls Audit Progress Report (FSA/FSS)						
5.3	Internal Audit reports (as available)						
5.4	Official Controls Audit reports (as available)						
5.5	Corporate Internal Audit Plan for following year discussion						
5.6	Official Controls Audit Plan for following year for discussion						
5.7	Annual Assurance Report (SGIAD)						
5.8	Annual Assurance Report (FSA)						
6	External Audit						
6.1	External Audit Plan (Audit Scotland)						
6.2	External Audit Progress/Management Report - (June only)						
6.3	External audit report & opinion for financial year just finished.						
6.4	FSS Annual Report and Accounts – 2019/20						
6.5	If required, consider the External Audit management letter for the previous financial year and the response, including implementation of any recommendations						