**SCOTTISH FORESTRY**

**AUDIT & ASSURANCE COMMITTEE MEETING**

**13 June 2023 – Teams Meeting**

**Present**

**Members** Phil Taylor (PT), Non-Executive

Eleanor Ryan (ER), Non-Executive

Richard Morris (RMo), Non-Executive

 James Stuart (JS), Non-Executive

**Attendees** Brendan Callaghan (BC), Head of Operational Delivery

 Ross MacHardie (RM), Head of Finance & Business Support

 Gary Henderson (GH), Senior Finance Manager

 Kate Moffatt (KM), Internal Audit, Scottish Government

 Alison Thomson (AT), Internal Audit, Scottish Government Angela Pieri (AP), Grant Thornton

 Hannah McKellar (HM), Grant Thornton

**Apologies** None

Action Point Summary

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| Action Point Ref | Description | Status | Completion date | Owner |
| 30/20 | That DS and RM discuss themes/topics for future AAC’s as a starting point for a possible phasing of key topic conversations with the non-executives. | Open |  | Non-Execs |
| 06/22a | A needs analysis to be done by the chair, PT and DS to discuss | Open |  | PT & DS |
| 06/22b | Assessing performance and attendance of non-Executives | Open |  | PT & DS |
| 06/22c | Draft governance statement should be brought to the Committee at the meeting before the accounts are signed | Closed | June 2023 meeting | DS, RM & GH |
| 06/22e | Agenda programme to be developed with Fraud as a periodic interval | Open |  | RM |
| 06/22g | Modify self-assessment  | Open |  | PT, RM & GH |
| 14/22 | Totals from the previous months audit tracker should be included for comparison | Closed | June 23 | GH |
| 02-23 | Amend risk report to make commentary the main part of the document | Open |  | Jonathan Taylor’s Team |

**1. Preliminaries/Introductions/Conflicts of interest**

PT welcomed everyone to the Audit and Assurance Committee (AAC) and asked if there were any conflicts of interest. There were none.

**2. Minutes / Matters Arising (01-23)**

The minutes were accepted as a true recording of the meeting.

PT went through the Matters Arising stating that the paper regarding 06/22b and 06/22g would be passed to the other non-executives along with DS comments and it was agreed that the following were now closed 06/22c and 14/22

**3. Audit Recommendations Tracker and Risk update (02-23)**

RM spoke about the tracker and highlighting the Finance Support Visits and Procurement recommendations. Stating that as a result of the discussions at the previous AAC the discussion with Internal Audit hasn’t taken place due to the annual report and accounts work so the support visits has been pushed back. For the procurement, the intention is to bring in a permanent resource which will delay two of the recommendations. (Note: ER made the point through a post-meeting communication that recruiting a dedicated procurement officer has the potential to create another single point of failure in the organisation. She suggested that the Accountable Officer for SF should be confident that a dedicated procurement officer would offer a better combination of cost, quality and resilience than the current shared service.)

RM went on to speak about the risks including Woodland Creation, Cyber Security and Climate Change. JS asked if the commentary be the main part of the document, which was seconded by ER, who went on to say that the risk appetite may differ from the Minister’s which may result in a change. RMo Both JS and RMo offered Jonathan Taylor’s team to contact them in developing the risks.

**Action Point – Amend risk report to make commentary the main part of the document.**

**4. Finance Update (03-23)**

RM introduced the paper and spoke of the draft 22-23 figures against budget. They went on to speak about the 23-24 budget including the Scottish Government requests for savings and scrutiny of the budget saying that we have had to give up £3m of our resource budget already.

ER stated that the budget will be a challenge for the interim Chief Executive and not to readily give up too much budget at this stage until the requirements for woodland creation and associated measures are fully understood.

JS stated as a result of the large difference between the budget monitoring and final outturn regarding woodland creation, is there anything that we have missed due to the large reduction of hectares not planted. Can we look how we calculate the grants figure taking into risks based on previous trends. A general discussion took place around this including that we fed back to Scottish Government both a 10% and 20% of hectares not planted but the figure exceeded these.

ER asked about the Scottish Government creditor and bank balance, GH informed the committee of what has happened during the year and the year-end position and confirmed that the measures introduced during the year had avoided the problem of unnecessarily high cash draw down which had been picked up in previous audits.

**5. Internal Audit - Progress Report and Annual Assurance (04-23)**

AT introduced the Progress Report and spoke of the highlights, which included the audit on KPI’s which only a limited assurance with three high and one low recommendations. It was also mentioned that the audit plan had been revised due to the availability of Scottish Forestry staff.

ER asked about para 3.2.1 and why KPI’s should be in the framework document. AT spoke further about it and stated that this was only for consideration if there were any stable KPI’s.

AT went on to discuss the Annual Assurance stating that it was a Reasonable Assurance.

**6. External Audit (Verbal)**

AP mentioned that there were no additional risks that had been identified. She commented that the Financial Statements had been received on time and spoke of the differences from the previous year, particularly the bank balance and the impact of IFRS 16.

HM spoke about the initial work and their planned work.

**7. Losses (05-23)**

GH presented the paper talking about the different losses that occurred during the year. JS asked about the background of two of these which GH explained further. The paper was approved.

**8. Draft Governance Statement (06-23)**

GH presented the paper laying out what was in the draft governance statement in the Annual Report and Accounts.

ER asked that the Acting Accountable Officer (BC) review the text to ensure that it properly reflects risks and issues which had been considered by the AAC. The other non-Executives agreed with this proposal and BC agreed to draft and include new commentary on this.

The paper was noted and Action Point 06/22c was agreed as closed.

**9. AOB**

The next meeting will take place on 5 September 2023.

Self-Evaluation - ER proposed that as the AAC members had corresponded in advance of the meeting about the timing of the next AAC self-assessment exercise. These are usually annual. The previous self-assessment was carried out in April/May 2022 and some of the improvement areas identified are still being followed up. Given the pressures on the organisation at this time, and particularly the pressures on the very small Finance team, the members agreed that it would be appropriate to defer the next self-assessment until 2024.

**10. Discussion between Non-Executives and Auditors**

The Non-Executives had a private discussion with the Internal Auditors.