**SCOTTISH FORESTRY**

**AUDIT & ASSURANCE COMMITTEE MEETING**

**9 March 2021 – Teams Meeting**

**Present**

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

James Stuart (JS), Non-Executive

Eleanor Ryan (ER), Non-Executive

**Attendees** David Signorini (DS), Chief Executive Officer

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

 Brendan Callaghan (BC), Head of Operational Delivery

 Gary Henderson (GH), Senior Finance Manager

 Jim Dewar (JD), Head of Tree Health, for paper 4

 Mark Taylor (MT), Audit Scotland

 Stephanie Harold (SH), Audit Scotland

 Alison Thomson (AT), Internal Audit, Scottish Government

 Amy Grant (AG), Internal Audit, Scottish Government

**Apologies** Kate Moffatt (KM), Internal Audit, Scottish Government

 Kerry Nelson (KN), Audit Scotland

Action Point Summary

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| Action Point Ref | Description | Status | Completion date | Owner |
| 24/20 (a) | RM to bring the results of the risk review and outcome of SET recommendations to the committee | Open |  | RM |
| 24/20 (b) | BC to look into feasibility of tidying up (removing/closing/updating) prior years data/claims on casebook | Open |  | BC |
| 26/20 | RM to produce paper on revised FSV’s for SET | Open |  | RM |
| 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 |

**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. ER stated that she was to about to carry work for Scottish Government on Revision of Public Body sponsorship. It was felt that as SF does not fall within this category that there was no obvious conflict of interest.

**2. Minutes / Matters Arising**

ER asked that the wording in the last word of the second paragraph of item 4 be amended to more accurately reflect her input.

AT asked that the third paragraph of item 6 be changed to ‘imbedded audit report’.

JS asked for the words after update be deleted in the second paragraph of item 9.

With these amendments, the minutes were accepted as a true and accurate record.

**3. Governance & Risk Management Process**

RM introduced the paper, highlighting two new risks since the last meeting. Cybersecurity, as a result of an increase in phishing emails, this new risk has been included. This is partly mitigated through being part of the Scottish Government system.

The other new risk revolves around record management, which was being addressed in a paper to Senior Executive Team (SET) seeking an audit on this matter.

RM stated that a review of risk management has been undertaken which should be completed in the next few months and that the findings will be shared with SET and reported at a future meeting.

A general discussion took place around the risks with AT pleased to see cybersecurity clearly included as one of the current top ten risks.

RM noted that a new risk has been identified in the last few weeks through better reporting from casebook of a potential underspend within the grants. A paper is being prepared for SET to identify the potential value of underspend and how much is attributable to variations, supplier issues including Covid-19, exit from the EU and other factors, such the weather.

PT asked if previous years approved grants had a defined time span. BC replied where grants are carried over the grants team will look to vary the grant into the current year if there is sufficient budget. BC also stated that his team over commit to take into account of an element of slippage into the next year.

PT noted the decision to temporarily stop taking new applications for tree planting and asked if this would have an effect on planting for 2021-22 and future years. BC stated that if we had approved more applications then a bottleneck further down the chain would have occurred, as the industry does not have the capacity currently to cope.

SH asked if casebook had the capability to handle the variations in large numbers. BC said that until the latest release it had not had the functionality.

**Action Point 24/20 (a)** – RM to bring the results of the risk review and outcome of SET recommendations to the committee

**Action Point 24/20 (b)** – BC to look into feasibility of tidying up (removing/closing/updating) prior years data/claims on casebook

**4. Tree Health**

JD introduced the paper on tree health showing how they were working proactively on stopping new diseases coming into the country whilst dealing with the current diseases.

New technologies including drone footage, satellite imagery along with the existing aerial photography have improved our surveillance and identification of disease in the field. Through close working with research institutions including Forest Research we are developing our knowledge and understanding on tree pests and diseases, including threats to Sitka spruce.

JS thanked JD for the paper and insight and asked about the other risks not on the risk register. JD stated that there was a list of seventy pests that can come into Great Britain on the tree health’s own risk register, including the three pests that have come in, in the last two years. One of these pests was the bark beetle; through collaborative work throughout Great Britain, the initial problem was dealt with.

ER asked if there were a scenario where a pest or disease can spread in months. JD stated that there was one that comes in on lavender plants, and due to the wide spread of these plants throughout Great Britain it had the opportunity to spread very quickly which would affect Oaks and other trees. Through inspection at ports and legislation for growing these in the UK, the risk was being mitigated.

PT asked how confident JD was about border controls on plant stuffs coming into the UK. JD stated that there was always the potential that something coming in particularly with increased internet sales to non-UK companies. Through the border controls that are in place and suppliers reputation, the chances are minimal.

The paper was noted by the members.

**5. Audit Recommendations Tracker**

RM talked through the tracker, stating that for the Finance Support Visits one to one meetings had taken place with conservators to ascertain their views on what a future support visit would take. Taking into account their views and Internal Audit’s recommendations a paper will be drafted and brought to SET. PT noted that the range of options should include dispensing with them altogether if there was no identifiable benefit and, if they went ahead, making sure that they were focused and really added value.

DS noted that the visits could also include an element of virtual meetings in the light of recent experience. RM said that with the move to more documents being online then the visits would be a mixture of remote working and virtual meetings.

For the corporate governance health check these recommendations have now been discharged with work being carried out by the lead business analyst implementing KPI’s some of which will be included in the Annual Report and Accounts. Internal Audit’s review stated that sufficient progress had been undertaken that the previous recommendations had been achieved.

For the recommendations relating to grants, the implementation of the recent casebook update addresses the first point through new functionality. The second grants recommendation relating to recoveries; has now been delayed due to other priorities taking precedence on the time of the casebook team. The last recommendation is still due to be completed on time.

JS commented on the Finance Support visits and queried why as they were high risks were they still outstanding. ER echoed JS’s views but accepted that due to the nature of the visits, Covid-19, and other priorities this had taken longer than anticipated. AT stated that given the nature of the risk and the other more pressing challenges, they were not overly concerned about the amount of time being taken to address the risk. PT also noted that, given the scale of other challenges, the priority of this work might merit reconsideration.

The paper was approved

**Action Point 26/20** – RM to produce paper on revised FSV’s for SET

**6. Internal Audit Plan & Progress Report**

AT introduced the progress report and stated that the final review has been issued to management for discussion.

AT drew to the attention of the committee paragraph 7.2 that internal audit will only carry out follow up reviews for implementation of high and medium recommendations given the overall pressures resulting from the current pandemic.

RM said that nevertheless, all of the recommendations including low ones would still be on the audit tracker, so that all of them would still be actioned.

AT stated that the annual plan for 2021-22 had been discussed with senior management from a list of possible audits, to agree the list in the plan finally agreed. This would be achieved at the same cost as this year.

The paper was noted.

**7. External Audit Plan & Progress Report**

MT introduced SH, and explained that Helen Russell had moved on to the Scottish Government audit. MT thanked Helen Russell for her efforts over the years, and this was seconded by PT.

SH introduced the plan and highlighted that Audit Scotland had published an update on Covid-19 and how this will have an impact on the audit. SH went on to say the timescales for the audit may be later than last year as they were still working on some 2019-20 audits.

It was drawn to the committee’s attention on page seven the fee and on page ten the materiality levels.

SH went on to talk about the progress report stating that as last year was the first year a detailed systems review was undertaken, this year it will only be a walk through to confirm their understanding. SH stated that if any significant concerns are identified during the audit these will be brought to the committee.

The paper was noted.

**8. Audit & Assurance Committee Performance**

PT briefly explained that he and the other non-executives would like to get some feedback from those around the table of the performance of the committee, and in particular anything that should be included or excluded.

A general discussion took place and it was generally agreed that the committee was working well and at the right level of details. It was suggested that the Committee consider a finance report at meetings (AT), other areas of SF to get a more rounded view (BC). PT commented that if such a report were to be produced it should be at a high level and drawn from other existing work to give a overview of the financial position.

**Action Point** **30/20** –That DS and RM discuss phasing of themes/topics for future AAC’s as a starting point for a conversation with the non-executives and also to ensure that the distinctions between the SET and the AAC are clear.

**9. National Fraud Initiative Exercise 2020-21**

RM informed the meeting that this was the first time that SF had undertaken the NFI exercise; previously this had been done in conjunction with Forest Enterprise Scotland when we were part of the Forestry Commission. GH explained that the initial data had been received back from the NFI and that whilst this had shown some potential issues that after investigating these, no fraud had been detected. Further data checks will be released from NFI and these will be checked and fed back to this meeting.

**10. AOB**

JS asked that as several senior people were leaving the directorate were SF aware of an extensive handover. DS stated that the handover was extensive including meetings with all bodies including ourselves.

The next meeting has been provisionally set for August 2021

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

It was agreed that no meeting between the non-Executives and the Auditors at this time.