**SCOTTISH FORESTRY**

**MINUTES OF THE AUDIT & ASSURANCE COMMITTEE MEETING**

**05 September 2023 – Saughton House and Microsoft Teams**

 **Present**

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| **Members** | Phil Taylor (PT), Non-Executive |
|  | Eleanor Ryan (ER), Non-Executive  |
|  | Richard Morris (RMo), Non-Executive |
|  | James Stuart (JS), Non-Executive |
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| **Attendees** | Paul Lowe (PL), Interim Chief Executive |
|  | Jonathan Taylor (JT), Head of Executive Office |
|  | Gary Henderson (GH), Senior Finance Manager |
|  | Louise Maclean (LM), Information Governance Manager (Minute) |
|  | Kate Moffatt (KM), Internal Audit, Scottish Government |
|  | Alison Thomson (AT), Internal Audit, Scottish Government |
|  | Angela Pieri (AP), Grant Thornton |
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| **Apologies** | Ross Machardie (RM), Head of Finance & Business Support |
|  | Hannah McKellar (HM), Grant Thornton |

**Action Point Summary:**

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| **Action Point Ref** | **Description** | **Status** | **Completion date** | **Owner** |
| 30/20 | That PL, JT 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** | December  | PL, JT & RM |
| 06/22a | A needs analysis to be done by the chair, PT and PL to discuss | Closed | September -23 | PT & PL |
| 06/22b | Assessing performance and attendance of non-Executives | Closed | September-23 | PT & PL |
| 06/22e | Agenda programme to be developed with Fraud as an annual item | Closed  | September - 23 | RM, LM |
| 06/22g | Modify self-assessment  | **Open** |  | PT |
| 02/23 | Amend risk report to make commentary the main part of the document | **Open** | December (or after Risk Workshop) | JT’s Team |
| 07/23a | PT to seek views on his performance as Chair | Closed | September-23 | PT |
| 07/23b | ER to circulate Annex to the SG Audit and Assurance Committee Handbook for consideration for AAC self-assessment.  | Closed | September-23 | ER |
| 07/23c | JS to share risk appetite statement example with JT.  | Closed | September-23 | JS |
| 08/23 | Review and update audit tracker MI Summary Table for next meeting.  | **Open** | December -23 | JT’s team |
| 12/23a | AP to send updated External Audit Annual Audit report 2022-2023 to GH, GH to circulate to AAC. | Closed | September-23 | GH |
| 12/23b | PL to electronically sign off the SF Annual Report and Accounts 2022-23 | Closed | September-23 | PL |
| 13/23 | RMo to meet with SF staff to look at what data SF produce, process and manage and its’ value.  | Closed | September-23 | LM / RMo |

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

**1.1** PT welcomed everyone to the Audit and Assurance Committee (AAC). PT welcomed LM to her first meeting since assuming secretariat duties. It was noted that with Paul’s appointment as Accountable Office Brendan Callaghan would step down from routinely attending AAC meetings but would be available for future topics relating to his responsibilities. It was confirmed that the ET Office were assuming a key role in coordinating the work of AAC and as a result he would be attending meetings going forward. PT asked if there were any conflicts of interest, there were none.

**2. Minutes (07/23) / Matters Arising / Audit Tracker (08/23)**

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

**2.2** PT went through the Matters Arising stating that all actions assigned to DS should transfer to PL. PT stated that the paper relating to 30/20 was passed to PL to comment and that JT, LM, GH and RM would work on it and bring it to the next meeting in December.

**2.3** 06/22a - PT conducted a needs analysis and there were no gaps, this was signed off by PL. It was agreed that this action could be **closed**.

**2.4** 06/22b – Performance and attendance of Non-Executive Directors has been assessed by PT and shared with PL. It was agreed that this action should be **closed**.

**2.5** 06/22e – This is related to the actions agreed for action 30/20.

**2.6** 06/22g – It was agreed that there is limited scope to edit the SG AAC self-assessment template. ER suggested using the lines of enquiry questions in Annex F of the SG audit and assurance committee handbook as a less process-oriented approach to assessing committee performance. It was agreed that the annex would be circulated to inform a decision on this.

**2.7 Action Point:** PT to seek views on his performance as Chair (07/23a)

**2.8 Action Point:** ER to circulate Annex to the SG Audit and Assurance Committee Handbook for consideration for AAC self-assessment. (07/23b)

**2.9** 02/23 – It was agreed that risk will be the main topic for one meeting each year. JT informed the AAC that Scottish Forestry (SF) is working with Scottish Government (SG) to update SF’s risk appetite statement. This may involve moving SF risks to the new SG software that produces dashboards and facilitates interrogation.

**2.10 Action Point:** JS to share risk appetite examples with JT (07/23c).

**Audit Tracker (08/23)**

**2.11** PL stated that JT’s team would now have more input into the audit tracker and with additional resource in the finance team, it was anticipated that the actions contained within the Outstanding Audit Recommendation Action Plan prepared by GH could be actioned.

**2.12** RMo highlighted the importance of agreeing realistic timescales for audit actions. AT informed the AAC that standard procedure was for one follow up meeting per audit and then SF management have responsibility to monitor progress on actions. However in this instance internal audit would be willing to input further to assist with closing outstanding actions. PL informed the AAC that further activity on assurance for all members of SF Senior Executive Team (SET) was planned.

**2.13** ER noted that the totals in the management information table do not add up, and asked that this be corrected.

**2.14 Action point:** JT and team to review audit tracker ahead of next meeting (08/23)

**3. Audit and Assurance Update (09/23)**

**3.1** The members noted the contents of the paper.

**4. Internal Audit – Progress Report (10-23)**

**4.1** AT drew the committee’s attention to the key messages and the reasonable assurance opinion for the Learning and Development and Performance Management reports. ER stated that a lot of good practice was identified in the L and D report and that the AAC would like to acknowledge that. AT stated that the planned advisory work for the new finance system may need to be revised.

**4.2** The committee noted that the audit on the Forestry Grant Scheme was nearing a conclusion and that they would welcome sight of the report once available.

**5. Scottish Forestry Annual Report and Accounts 2022/2023 (11-23)**

**5.1** GH introduced the paper. He noted that the format of the Annual Report and Accounts and the level of disclosures are fully in accordance with the Government Financial Reporting Manual (FReM). This is the first year that SF had to incorporate [IFRS16 Standard on Leases](https://www.ifrs.org/issued-standards/list-of-standards/ifrs-16-leases/) within the annual report, meaning that £2,254k worth of assets had now been included in the accounts.

**5.2** GH stated that a lessons learnt meeting with the External Auditors had been arranged for later this year to ensure that the next audit runs smoothly. AP asked if next year's corresponding AAC could be brought forward to August, so that they could meet the Audit Scotland deadline, after discussion this was agreed. It was noted that JT’s team were currently looking to fix the dates for the AAC for the next 12 months.

**5.3** All of the Non-Executive Directors agreed that despite the challenges that SF has faced over the last twelve months, the report reflected the hard work of staff and wanted to convey their thanks for all of the achievements made.

**6. External Audit Annual Audit report 2022-2023 (12-23)**

**6.1** AP introduced the paper and drew attention to the sure and fair opinion on finance and that most outstanding actions had been cleared. Grant Thornton had issued an unqualified opinion. AP stated that as most actions had been closed since the papers were circulated, she would update the report and re-issue it to reflect the situation as at 5 September 2023.

**6.2 Action Point:** AP to send updated report to GH, GH to circulate to AAC. (12/23a)

**6.3** AP drew attention to the only potential significant risk within the wider scope section of the report and that this was financial sustainability. She explained that with annual budgeting and current SG financial challenges this was a common finding across multiple SG auit clients, including Executive Agencies and Non-Departmental Public Bodies. She noted that comprehensive management responses had been received for the financial statements audit and that most actions within the follow up of previous year recommendations had been closed or superseded.

**6.4** AP welcomed the co-operation of RM, GH and team in the production of the SF annual report 2022-23 and that Grant Thornton recommend that PL sign off the annual report and accounts.

**6.5** PL thanked AP and congratulated all involved in the production of the SF Annual Report and Accounts 2022-23.

**6.6** The annual report and accounts were **approved** by the AAC.

**6.7 Action Point:** PL to electronically sign the Accounts and other documents after the meeting concludes. (12/23b)

**7. Information Governance Group Highlight Report (13-23)**

**7.1** LM presented the paper and provided the AAC with updates on data breaches, all of which did not meet the standard required to report the matters to the ICO. It was confirmed that appropriate follow up action had been take in these cases. LM also updated AAC on upcoming work on developing information asset registers for each business area within SF. It was noted that this work was vital to progress the implementation of SF’s records management plan.

**7.2** JS commented that the Kana Earth situation poses a reputational risk. PL noted that with artificial intelligence, the issue of copyright and data ownership poses a new risk for SF and others, and he emphasised the importance of ensuring that data protection impact assessments were carried out for all new and legacy systems.

**7.3** ER highlighted the need to ensure that teams were adequately resourced, and PL stated that this was being looked at.

**7.4 Action:** RMo to meet with SF staff to look at what data we produce, process and manage and its’ value. (13/23)

**8. AOB**

**8.1** PL informed the committee that the move from Silvan House to Saughton House had been successful. AAC members noted their congratulations that this move had gone well. He stated that SF had recently published the news that we have already approved 10,800 hectares of woodland creation and that a further 2,000ha of live applications were being considered. He highlighted that this is a shared target, relying on a pipeline of applications from landowners and then planting activity by the landowners once the grant was authorised. He updated the committee on the 2 workshops that have been held internally and that outputs will be mapped into a multi-year plan.

**8.2** PL noted the Future Grant Support for Forestry consultation had closed in May, an analyses of consultation responses had now been received and was being considered. He mentioned that SF are working with the sector and that he has met with the Confederation of Forest Industries to discuss aligning systems to achieve the target. Progress with the new UK Forestry standard was also discussed.

**8.3** The next meeting will take place on 5 December 2023 13:00-16:00.

**8.4 Discussion between Non-Executives and Auditors**

**8.5** The Non-Executives had a private discussion with the auditors.