**SCOTTISH FORESTRY**

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

**26 March 2024 – Saughton House and Microsoft Teams**

 **Present**

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| **Members** | Phil Taylor (PT), Non-Executive & Chair  |
|  | Eleanor Ryan (ER), Non-Executive  |
|  | Richard Morris (RMo), Non-Executive |
|  | James Stuart (JS), Non-Executive |
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| **Attendees** | Paul Lowe (PL), Chief Executive |
|  | Jonathan Taylor (JT), Head of Executive Office |
|  | 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  |
|  | Julie Maher (JM), Information Governance Manager (minute taker) |
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| **Apologies** | Ross Machardie (RM), Head of Finance & Business Support |

**Action Point Summary:**

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| --- | --- | --- | --- | --- |
| **Action Point Ref** | **Description** | **Status** | **Completion date** | **Owner** |
| 03/23 | LB to continue to work with Internal Audit to continue its scrutiny (annual or as agreed) in this area and to share any changes to the current position (alternative/options) on grant succession, the revised relevant risk controls, and link to corporate risk appetite at future AAC meeting. | **Open**  | Future meeting in 2024 TBC | LB/BC |
| 04/23 | Brendan Callaghan and new Delivery and Improvement Conservator to come to future meeting or SAG with an update on the training and development programme for operational/Conservancy staff.  | **Open**  | Relevant meeting TBC | BC / Matt Young |
| 05/23 | Discussion to be scheduled on Records Management for a future meeting. | **Open**  | August meeting | JT |
| 01/24 | JT to ensure all external audit action points are included on the AAC audit tracker. | **Closed** | April  | JT |
| 02/24 | GH to keep finance visits on the action log, but review and update the position post new finance system implementation. | **Open** | August meeting | GH |
| 03/24 | JT to confirm arrangements with GitHub around any data sharing practices and are line with GDPR and SG cybersecurity policies. | **Open** | May meeting | JT |

**1. Minutes / Matters Arising / Audit Tracker**

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

1.2 PT confirmed everyone happy with the new assessment process (06/22) and agreed actions could now be closed and removed from table. JT noted that some external actions were omitted and would be added to the tracker.

**Action point –** JT to ensure all external audit action points are included on the AAC audit tracker.

**1.3** PT noted the finance visits - discussion had as to whether they should still go ahead, is there value in them considering upcoming changes to finance process. GH explained he would wish them to go ahead, which PL confirmed and to keep them on the action list until decisions are made.

**Action point** – GH to keep finance visits on the action log, but review and update the position post new finance system implementation.

**1.4** GH also explained how the new expenses system will work moving forward, with a improved customer focused system, that Line Managers will have greater engagement and authorisation on claims.

**2. Internal Audit – Progress Report (03/24, 04/24)**

**2.1** AT went through the progress report.

**2.2** PT asked if capacity issues were likely to affect any current or future audits; AT noted at the current time the programme of work was on track and the IA team were looking at recruitment to increase capacity.

**2.3** ER sought clarification on the KPI’s and TT fund audit recommendations and they didn’t feature for follow up. AT explained they have been followed up, and is continually monitored.

**2.4** ER noted whether the Audit were supporting the development of the new finance system, and whether there was planned time to support with this. PT spoke about the plans in place, and welcomed the offer of support of audit; he noted the delayed go live of the new system at the end of July 2024. GH recognised it was a more difficult challenge than anticipated to move finance system, but project plans are in place and on track.

**2.5** PT sought clarity on the finance and data migration and the risks with different approaches to go live systems and with ‘switch on, switch off’. GH explained it is a hard switch at the end of June, and the new system on in July. PT welcomed being kept informed with progress and any change in risk profile.

**2.6** PL updated on the procurement of the new HR system following the agreement to separate the service provision from FLS. The procurement exercise received one bid which was unsuitable; whilst a new exercise is undertaken FLS have agreed they will retain transactional tasks such as staff survey, however casework will move to SF. To support this additional roles within SF HR Team have been approved.

**3. Finance Update (Paper 05/24)**

**3.1** GH gave an update on the financial position, setting out the budget for 24/25; the most significant issue discussed were the 32% decrease overall on budget, and 52% decrease on capital for woodland creation. The committee recognised the challenges of managing the impact of these reductions, both on the organisation and stakeholder relationships. PT noted that advice has been provided to the Cabinet Secretary on how the grant scheme can be profiled to maximise the budget and achieve a balance of types of woodlands; this will include modifying larger more productive schemes to allow them to access carbon funding and reduce the grant uptake. The grant claim period is being extend to May 17 to allow maximum allocation of this year’s budget.

**3.2** PT noted that the Director of Finance job spec had been finalised and is due to be advertised in April. An agency member of staff has been recruited to support on year-end activities, and comfortable that year end processes will be completed in time.

**3.3** ER sought information whether the extended claim year will impact on the financial year end

GH explained this is accounted for and it’s more around extending the Conservancy processing time.

**3.4** RM asked for a run through of the Timber Transport Fund and budget. JT noted the scheme supports public roads and in-forest infrastructure, bridges and loading areas, which reduce the impact of timber haulage on fragile rural roads. The fund also supports the shipment by sea of the TimberLink Service and innovation, such as the electric lorry trials. The budget for 2024/25 is £2m; a significantly reduced amount from previous years following the withdrawal of the co-funding by Transport Scotland. Following discussion with Ministers, they are keen that the fund continues this year and will keep it under review. This year’s successful projects will be announced in May.

**3.5** ER queried if the organisation’s running costs had been considered for reduction in light of the woodland creation budget reduction? PL recognised that whilst we projecting a lower outturn of hectares next year, this work is only part of the operational teams overall work loads and we are seeing some very complex cases come through, which require significant staff resource to see to fruition.

**4. Risk Assessment (06/24)**

**4.1** GH noted the paper submitted by Grant Thornton. No substantive comments made.

**5. External Audit (07/24)**

**5.1** AP and HM spoke to the External Audit Plan for the year ending 31 March 2024. They have completed audit planning with good support from staff on this. Highlighted the significant risks on which will be focused on, including (non-payroll) programme costs (e.g. FGS and timber transport), and shared service costs. Noted the audit fee, and they will be charging the Audit Scotland recommended fee.

**5.2** JS queried whether they were confident on delivering the programme and timings outlined. AP noted they were adjusting their work programmes to ensure the Scottish Forestry work would be completed.

**5.3** The chair thanked them for all the work outlined in the Audit Plan. No other substantive points were raised.

**6. Corporate Appetite Risk Statement (08/24, 09/24)**

**6.1** JT spoke to the risk appetite statement paper. The revision had been framed by the SG Risk team, who led a workshop to map the agency’s appetite statement. This approach brings the organisation in line with SG processes and practices.

**6.2** ER welcomed the progress made on the revision and the greater alignment with SG practices. She queried how the relationship between Accountable Officer and the Portfolio Accountable Officer (i.e. DG NZET), and how if there different levels of risk appetite these are managed.

**6.3** PL recognised there naturally a level of interpretation between the agency and the portfolio. The SG Risk Management team were alive to this in our discussions developing the statement and agreed in the outcomes. As AO there is a underlying responsibility to alert ministers to risks and good connection to the portfolio risk assessments.

**6.4** JS explained that he was pleased with the work so far on risk appetite, agreeing with the medium/cautious level considering the organisations objectives. RM also supported the overall position, but queried how or if were might monitor and influence behaviours from stakeholders; is there a way evidence could be captured to reflect back in to future appetite statements. Furthermore what was the rationale for the stakeholder appetite being marked so high?

**6.5** PT noted position the financial risk, considering the scrutiny if the budget is not spent this year. if we don’t spend our budget this coming FY. Also consider rewording the appetite for breaches to regulations/legislation.

**6.6** JT thanked everyone for their feedback, and noted the intention to review the appetite annually, and the risk register quarterly; a wider approach to monitoring, such as stakeholder views, was a good suggestion and we’d look reflect that. Stakeholder appetite rating was challenging, however recent experiences with the December Forestry Summit and the budget reduction, gave clear feedback on Ministers appetite for changes to policy positions and support for Scottish Forestry in the face of challenging stakeholder relations.

**6.7** AT supported the work and noted that there was a future audit planned, but encouraged setting a timeline for reviewing framework, policies and practices. JT noted that it should be done annually.

**6.8** ER – You are in a good place, had good conversations with ministers. Be aware that minsters, political environment could change. There may come a time when you have to do this differently.

**7.** **Information Governance Group** **Quarterly Update (10/24)**

**7.1** JT spoke to IGG update and noted some particular highlights. Having additional support has enabled good progress to be made, across a number of areas in records management, FOIs and complaints.

Acknowledged the support from across teams who have participated in data protection sessions and Data Protection Impact Assessments, which are helping improve processes and culture, with a particularly good one with Woodland Carbon Code team.

* PT noted the push on FOI performance and increase in requests, and whether this was linked to increased awareness of woodland creation schemes. Credit to the team for this year’s performance. There is a link and scrutiny is increasing, as is workloads in the area; system improvements, such as the new public register, will eventually make handling the requests easier.
* Noted the introduction of the Data Protection enquiry log which is helping us record a much wider scope of issues, advice/support than just data breaches, which in turn will help shape improvements and support future audits.

**7.2** RM noted the potential work and data sharing with GitHub, and sought clarity on data sharing arrangements. JT would seek an update on the practices in place.

**Action point –** JT to confirm arrangements with GitHub around any data sharing practices and are line with GDPR and SG cybersecurity policies.