



FORESTRY AND LAND SCOTLAND AUDIT AND RISK COMMITTEE

13:30, 27 September 2021, MS Teams Conference

Present

Members: Mark Pountain (MP), Chair, Non-Exec
Lisa Tennant (LT), Non-Exec
Pamela Zielinski (PZ), Non-Exec

Attendees: Simon Hodgson (SH), Chief Executive FLS
Graeme Hutton (GH), Director Business Services FLS
Michael Hymers (MH), Head of Corporate Support FLS
Donna Mortimer (DM), Head of Finance & Procurement FLS
Mary Fitzgerald (MF), Deputy Head of Finance & Procurement FLS
Eilidh Beaton (EB), Senior Finance Manager (Accounting & Compliance) FLS
Lynne Smith (LS), Head of Records and Data Protection FLS
Vince Donaldson (VD), Head of Service Delivery FLS
Mark Taylor (MT), Audit Director Audit Scotland
Stephanie Harold (SHa), Senior Manager Audit Scotland
Ian Burns (IB), Senior Internal Audit Manager SG IAD
Alison Thomson (AT), Internal Audit Manager SG IAD
Amy Grant (AG), Internal Auditor SG IAD

Apologies: Rhondda Salmond (RS), Change Manager FLS
Jason Liggins (JL), Head of Health, Safety and Wellbeing FLS
Emma Keggans (EK), Audit Scotland
Kate Moffat (KM), Head of Internal Audit, SGIAD

ACTION POINT SUMMARY:

ACTION POINT REF	DESCRIPTION	STATUS	OWNER
1/2020	Update and New/Emerging Risks Post Covid-19, including lessons learned in Covid-19 response, lessons learned for Corporate Risk Register.	Closed	Michael Hymers
2/2020	Management Information & Financial System Project Update, including impact on timescales as a result of Covid-19	Closed but Held as recurring action.	Donna Mortimer
3/2020	Information Assurance training and development to be provided to Non-Execs	Open	Graeme Hutton
16/2020	Issue paper to ARC on Ongoing Projects, mapping out the key individuals involved in each	Closed	Michael Hymers

17/2020	Update ARC on further action taken to improve business wide awareness on data handling responsibilities and completion of mandatory training	Open	Graeme Hutton
18/2020	Present paper to ARC on wider lessons learned on Business Continuity from response to Covid-19	Closed	Graeme Hutton
19/2020	Update ARC on outcome of ongoing Procurement Investigation	Closed	Graeme Hutton
1/2021	Review response to risk FLS7 on Climate change	Open	Michael Hymers
2/2021	Provide detailed update on Risks; FLS5 and FLS17 (early 2022)	Open	Michael Hymers
3/2021	Update Action Point Tracker on outcome of review of FLS Employee leavers policy and processes	Open	Graeme Hutton
4/2021	Update Action Point Tracker to include column for Closing Statement	Closed	Michael Hymers
5/2021	2021/22 Internal Audit Programme to be circulated to wider business	Closed	Michael Hymers
6/2021	Issue final report on Health and Safety to ARC before July meeting	Closed	Graeme Hutton
7/2021	JL to update ARC on Health and Safety Responses to Internal Audit Report	Open	Graeme Hutton
8/2021	Provide update on 20/21 Audit Progress and how Business Sustainability is assessed	Closed	Mark Taylor
9/2021	Reflect agreed Accounting Policy change in the 20/21 Accounts	Closed	Donna Mortimer
10/2021	Open Action Points from 2019 to be addressed as a priority	Closed	Rhondda Salmond
11/2021	RS to agree Tracker format with MP	Closed	Rhondda Salmond
12/2021	Carry out a review of 21/22 Response to New Risks and Lessons Learned	Open	Michael Hymers
13/2021	LT to share example organisational capacity model to FLS	Open	Lisa Tennant
14/2021	Develop organisational capacity decision making tool	Open	Michael Hymers
15/2021	Provide ARC an update on Disaster Recovery Testing	Open	Graeme Hutton

1. PRELIMINARIES/INTRODUCTIONS

MP welcomed everyone to the FLS Audit and Risk Committee (ARC) meeting, outlined the agenda.

There were no declarations of conflict of interests.

2. MINUTES OF LAST MEETING AND ACTION POINTS

The ARC members agreed that the minutes were a fair and accurate record of the meeting held on 23 March 2021.

3. RISK

3a. New/Emerging Business and Potential risks

SH provided a verbal update on new and emerging risks affecting FLS.

3b. FLS Risk Register and Update

The discussion turned to the accumulation of risks and how FLS spots outlying business risks. MH outlined that the complex nature of FLS means there can be a danger of having too many 'top risks'. This presents a challenge of how they are managed and if this is done at the right level. The Corporate risk register should focus on the top risks and it was noted it was important the register reflected these top risks.

PZ queried the Health and Safety risk and whether the action to revise the Health and Safety Strategy had been progressed. JL due to give an update at today's meeting and a written update would also be provided.

SH outlined it would be useful to do an analysis on risks and how FLS reacts to these, as well as lessons learned and success stories. Request to bring a paper to the ARC for FY 21/22 at the end of the FY i.e. March 2022

Action Point 12/2021 – Review of 21/22 Response to New Risks and Lessons Learned

Action Point Owner - MH

3c. Organisational Capacity

MH presented paper on Organisational Capacity. The paper looked at the various projects ongoing within FLS in order to quantify what FLS are trying to achieve and if FLS have the appropriate resources. The exercise highlighted that overall Governance is lacking and that it is important we ensure change is being managed appropriately and the resource is also managed.

MP thanked MH for the paper and noted it was a good tool to understand the current climate.

PZ noted the paper was a good starting point and now needed to be developed into a decision making tool.

LT also outlined it was a good first step, but also noted that work was needed to develop into a tool that would help with prioritisation and viewing these at strategic level. LH offered assistance in further development as has had involvement in developing a more dynamic models.

Action Point 13/2021 – LT to send example Organisational Capacity Decision making model

Action Point Owner - LT

Action Point 14/2021 – Develop Organisational Capacity work into Decision Making Tool

Action Point Owner – MH

Discussion then turned to whether Internal Audit could assist with developing the tool, MH noted a review as part of the 21/22 work programme is already scheduled.

4. Information Assurance Update

LS introduced the paper circulated to the board, noting the Framework is beginning to embed.

There were 5 minor breaches in Q1 & Q2, however nothing that was reportable.

Records Management Plan

LS outlined there are 2 areas to be developed further;

- Destruction arrangements
- Audit trail on external storage provider

Responses have been provided. LS noted that it is hoped approval will be provided on an improvement model basis.

Records Management Project

LS noted that recruitment for the project team is currently being considered.

MP thanked LS for her update. Queried when the Non Executives were going to receive training. LS confirmed she would be running an awareness session as there are issues accessing the FLS training due to it being run on SCOTS.

5. Business Continuity

VD presented paper on Business Continuity. The key messages from the paper included

- FLS now have a national business continuity plan
- Critical processes have been identified
- Work on accrediting FLS in ISO22301 (Business Continuity) is under way
- Scenario testing is being developed
- There is a planned lessons learned exercise with ET, which will be developed into the continuity plan

MP, LT and PZ thanked VD for the paper and presentation to the board.

LT queries how it links with the other strategies and risks. VD outlined that it is included as part of the Operation Resilience Group (ORG), which reports into ET.

GH went on to explain how a huge amount of useful information was gathered over the shut down and re-opening of the business, as a result of the pandemic. There will be an ongoing focus on scenario planning testing so FLS are prepared for various scenarios in the future.

Discussion then turned to the disaster recovery exercise planned for the end of the year. MP queried that the testing regime looks like. VD explained there was annual testing of plans and a move to a more formal testing timetable will be developed. An update will be provided to the board on the disaster recovery testing

Action Point 15/2021 – Report to ARC on disaster recovery testing
Action Point Owner – GH

6. Audit

The Chair welcomed colleagues from DIAA, IB gave a brief introduction and introduced AT who was to take the committee through the papers.

a) Internal Audit – Annual Assurance 2020/21

AT introduced the papers and explained the overall assurance rating for the year being Reasonable. This is to be expected in a young organisation and improvements are expected as the organisation matures. AT drew attention to paragraph 1.3 of the report stating that FLS's operations had not been adversely affected by the pandemic suppression measures and section 3 stating that the audit plan (the original not amended plan) for the year had been fully implemented and completed.

Pause for any questions by the ARC. There were none.

b) Internal Audit - Progress report

AT updated on the status of the audit work. Two were completed, given Reasonable assurance and circulated in advance of the meeting. Since the time of writing the report two were now at field work stage and DIAA had undertaken two pieces of advisory work.

AT talked through the MIP health review where amber confidence rating was given. No further reviews were planned. PS asked if it would be prudent to review again at a later stage and it was generally agreed that it would be.

Annex A of the report was presented pointing out that advisory work was being undertaken on a Procurement issue and there were two follow ups pieces of work, the first H&S work was completed and a part 2 was to be carried out in April next year.

The revised plan was explained, the number of days and costs remain unchanged. Procurement Review has been deferred. It was agreed that as Finance and Procurement were already undergoing an internal review that there was little value to be added at this stage with a DIAA review, therefore a deferral was appropriate.

There are 10 days left for the plan. The Fire Arms Policy being high risk would take precedent; impact of C19 and Brexit in respect of FLS's people, process and governance remained low and would be deferred but the OD & capacity review and Self Billing audits would continue.

AT invited questions from the committee. None were needed. MP thanked DIAA for the two reports and update, noting that although there is progress to be made the improvements were positive. GH asked if there was any capacity for additional advisory work within the budget, AT said that there was and they would discuss away from the ARC.

The AO did not have further questions. IB and MP recognised the effective working relationship between FLS and DIAA describing it as productive and inclusive.

c) Health & Safety Audit – Progress Update

JL was unable to attend due to an urgent case being dealt with at the same time. It was agreed that this would be discussed later if JL was able to come into the meeting or taken offline and rolled to the next meeting.

d) External Audit – 2020/21 Management Report

MP welcomed MT. MT introduced SHa, the new Senior Auditor for FLS who replaced Helen Russell this year. ST talked through the two audit reports drawing attention to the interim audit report at pg 2, 3 on key controls tested across the sub-compartment database (SCDB), payroll, SRP, supplier detail amendments. Points reported included a long standing and known item re journal authorisations, a fraud suffered through supplier amendment emails being intercepted, lack of segregation of duties and evidence in payroll controls and timber contract evidence. ST noted that progress in respect of points 8-10 on timber contracts was limited at this time, all points were discussed with Management and responses in the report were supplied and agreed by FLS.

e) External Audit – Audit Scotland update

ST moved on to talk about the statutory audit. The work had gone well, we were close to clearance and the expectation to finalise in November was on track. ST provided the ARC with a general update on Audit Scotland's work and priorities pointing to a blog on the impact of Climate Change mentioned in their second paper, six key risks identified, summary of technical guidance issued and a new code of practice for Audit due for implementation on or after April 2022.

The AO and Chair asked AS what and how would the impact of climate change on organisations be audited, noting that the impact for FLS could be significant. Some discussion around the uncertainty and complexity took place with MT advising that interest from an audit perspective was mostly around capacity to deliver against new legislation or reporting requirements. MT explained that there are a number of tools available with some good exemplars with whom FLS may be able to share information.

No further questions of the topic were raised. MP asked how FLS became aware of new technical guidance and changes and whether it was sufficient to merely flag a change. MT explained that where there was a significant change AS would engage; additionally, MF and DM reassured that finance team receive updates directly and attend technical updates regularly.

7. 2020/21 Annual Report and Accounts Update

DM verbally updated the committee on the financial statement preparation and audit focusing on the resilience that the FLS and AS teams had shown. Despite some workforce issues and the added time it takes to prepare such a document remotely the teams had delivered well. DM also spoke about the impact on all team members wellbeing being a consideration in the timetable for completion and is why the submission is later than usual.

DM passed to MF. MF thanked the outgoing HR for her support in the first few years of FLS and SHa for her seamless take over. The ARC were updated on the approach to the financial statement preparation taking into account improving quality rather than speed of production and how that

is delivering better control and a report that FLS can be proud of. MF confirmed that the findings in the AS papers had all been discussed and reviewed and it was heartening to have no surprises.

No questions from the ARC. MP and SH noted their thanks to those involved for a good piece of work to date and that the working relationships were evidently working well. Thanks was extended again to all and the DIAA and AS.

8. AOB

AT let the ARC know that there is an Audit Committee Chair network group, which the Chair or other members may be interested in.

No other AOB.

Meeting Between Non-Executive Advisors and Audit Scotland / Internal Audit

Date of next meeting confirmed as Tuesday 23rd November at 13:00.

Close