

Audit and Compliance Committee minutes

The fifty-seventh meeting of the Audit and Compliance Committee of the Scottish Funding Council (SFC) was held on Friday 7 August 2020, 11.30am, virtually

Present: David Alexander (Chair)
Caroline Stuart
Andy Kerr
Sheila Duncan

Officers: Martin Fairbairn (Secretary)
Karen Watt (Chief Executive)
Lorna MacDonald
Fiona O'Neill
Angela Seymour (Clerk)

In attendance: Elizabeth Young (Scott-Moncrieff)
Andrew Diffin (Scott-Moncrieff)
Gordon Smail (Audit Scotland)
Tom Reid (Audit Scotland)
Pamela Morrison (Audit Scotland)
Alan Browne (Internal Audit - Scottish Enterprise)

20/20 Welcome

The Chair welcomed Gordon Smail, Tom Reid and Pamela Morrison of Audit Scotland, Elizabeth Young and Andrew Diffin of Scott-Moncrieff, Alan Browne of Scottish Enterprise, and members and officers to the meeting.

20/21 Chair's business: Papers for discussion and declarations of interest

The Chair reminded members, and those in attendance, of their responsibility to indicate if they have, or may be perceived to have, a conflict of interest under any item.

The following declarations of interest were made:

- David Alexander –West College Scotland.

- Andy Kerr - South Lanarkshire College and New College Lanarkshire
- Caroline Stuart – Dumfries and Galloway College
- Audit Scotland – Edinburgh College, Dundee and Angus College.
- Scott Moncrieff – Audit clients: Borders College, City of Glasgow College, Dumfries and Galloway College, University of Dundee, Fife College, Forth Valley College, Glasgow Clyde College, Glasgow Colleges’ Regional Board, Glasgow Kelvin College, Queen Margaret University, Royal Conservatoire of Scotland, South Lanarkshire College, University of the West of Scotland, West College Scotland and West Lothian College.

The Committee noted that it was each attendee’s personal responsibility to inform the Committee of any conflict at any point during the meeting and, if appropriate, to absent themselves for that part of the meeting.

20/22 Minutes of the meeting of the Committee held on 5 March 2020 (ACC/20/Min01)

The Committee **agreed** that the minutes of the 5 March 2020 meeting were approved as a true record of the meeting.

20/23 Matters arising (ACC/20/15)

In discussion the Committee:

- Noted the actions taken since the previous meeting.
- Confirmed Audit Scotland would provide a performance report in early autumn.
- Noted that the items on committee risk consideration and board training on GDPR would be completed by the end of 2020.

20/24 Internal audit reports 2019-20

The Committee received and discussed the following 2019-20 internal audit reports:

- Strategic Project Funding (**ACC/20/16**)
- Follow up (**ACC/20/17**)
- Annual report 2019–20 (**ACC20/18**)

In discussion the Committee:

- Noted the benefits from the Strategic Project Funding Review and advised that robustness had to be maintained in the planned streamlining of the internal processes.
- Was reassured by the responses to the implementation of the actions in the Follow up paper
- Noted the Council's executive's view that the implementation deadlines were reasonable at present, but that the fast-changing environment could require them to be revisited

The Committee commended the Council executive on the hard work that had gone into responding to audit recommendations and receiving a positive 2019-20 internal audit annual report.

The Chair thanked Scott Moncrief on behalf of the Committee and the Council executive for its service over the previous eight years.

20/25 Audit and Compliance Committee draft annual report (including Committee review of effectiveness of auditors) (ACC/20/19)

The Committee received the draft Audit and Compliance Committee Annual Report.

The Committee advised that although its remit is still appropriate, it should be kept under review.

The Committee **agreed** that:

- Terminology in the remit referring to the 'executive' should be changed to refer to the organisation (which could be addressed without formal review of the whole remit).
- Members' experience should refer to the third sector.
- Following update of the remaining sections and amendments as discussed at the meeting, authority was delegated to the Chair to finalise the report.
- The finalised Audit and Compliance Committee annual report would be presented to the August Council Board meeting.

20/26 External Auditor Covering Letter including Letter of Representation (ACC/20/20)

The Committee received Audit Scotland's covering letter including the Letter of Representation.

The following two paragraphs are withheld from publication on the Council website under the Freedom of Information (Scotland) Act 2002, Section 27: Information intended for future publication

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Following detailed consideration of these matters the Committee **agreed** to recommend to the Board that the Chief Executive could sign the Letter of Representation as drafted in the paper.

20/27 SFC's Draft Annual Audit Report 2019-20 (ACC/20/21)

The Committee received SFC's draft 2019 -20 Annual Audit Report.

The Committee noted the: key messages; audit opinions; and significant findings from the audit.

In discussion the Committee noted that completion of the annual accounts had been very challenging, but also remarkably successful given the COVID emergency and had necessitated a huge effort from all involved. The Committee acknowledged the work undertaken by auditors and the Council executive in meeting the challenging deadlines for completion.

The Committee discussed the need for SFC to be mindful of the capacity generally, and in particular to perform statutory tasks. The Committee also noted the recent steps taken to strengthen the capacity of SFC but felt this was an aspect that still required to be kept under review.

20/28 Governance Statement (Oral)

The Committee noted that the Governance Statement 2019-20 was provided in SFC's annual report and accounts and included a statement from the Chief Executive confirming that, on the basis of the assurances provided, SFC had sound systems of governance, risk management and internal control, consistent with the requirements of the Scottish Public Finance Manual, for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

20/29 Scottish Further and Higher Education Funding Council (SFC) draft annual report and accounts, year ended 31 March 2020 (ACC/20/22)

The Committee received the draft Scottish Further and Higher Education Funding Council (SFC) annual report and accounts for the year ended 31 March 2020.

The Committee noted that:

- The Finance Committee had considered the financial aspects of the accounts and would be, through the minute from the Finance Committee's 28 May 2020 meeting, reporting its findings to the 20 August 2020 Council meeting.
- The Chair of the Finance Committee had confirmed to the Chair of the Audit & Compliance Committee that there were no areas of concern from the perspective of the Finance Committee.
- The reports received by the Committee had not identified any issues of internal control relevant to approval of the annual report and accounts as drafted.
- Council Board members had been issued with the draft annual report and accounts for their consideration and comments.

The Committee welcomed the revised layout, noting that it made the annual report and accounts easier to read.

The Committee **agreed** to recommend approval of the annual report and accounts to the Council board.

20/30 Risk Register (ACC/20/23)

The Committee received the latest version of SFC's Risk Register. In discussion the Committee:

- Noted the new format for the Risk Register and suggested

that it could be enhanced by adding cross-references to the Strategic Framework and re-introducing reference to risk appetite, trend in risk assessment and summary of risks.

- Noted the updates to the Risk Register since the last meeting.
- Considered where the mitigations in relation to high priority risks were sufficient to reduce the overall risk rating.
- Suggested that Risk 9 (Infrastructure investment in the college sector) should possibly be split into two risks: one relating to building infrastructure and the other focussed on IT.

20/31 Annual report on Legal and Regulatory compliance (including information governance) (ACC/20/24)

The Committee received a comprehensive paper providing an update of the SFC Legislative and Regulatory Schedule and noted the contents. The Committee stated that it found this to be a helpful overview of the landscape within which the SFC is required to operate.

20/32 Best Value Implementation Plan annual update (ACC20/25)

The Committee considered a paper reporting on implementation of the actions in the SFC's Best Value Improvement Plan.

The Committee welcomed the report and noted the internal auditor's comments that SFC's process for demonstrating best value represented good practice.

20/33 Business continuity annual update (ACC/20/26)

The Committee noted a paper providing an update on SFC's business continuity arrangements.

20/34 Internal audit reports 2020-21

The Committee received and discussed the following 2020-21 internal audit reports:

- Internal Audit Progress Report 2020-21 (ACC/20/27)
- Risk Management (ACC/20/28)
- Updated Annual Internal Audit Plan 2020-21 (ACC20/29)

The Committee noted the suggestion that its name be changed to 'Audit and Risk Committee' and that if this was agreed it would also encompass a change in remit. The Committee **agreed** that the matter would be considered at its next meeting.

The Committee approved the internal audit plan 2020-21.

20/35 Annual agenda plan (ACC/20/30)

The Committee received and noted the long-term agenda paper outlining the substantive agenda items proposed for future meetings. The Committee also noted that Audit Scotland would now produce the annual external audit plan for the March 2021 meeting .

The Committee **agreed** that the scheduled September meeting would be cancelled and that the items scheduled for that meeting be re-scheduled to the December meeting.

20/36 Future Audit and Compliance Committee meeting dates (ACC/20/31)

The Committee received a paper providing the future Audit and Compliance Committee meeting dates.

20/37 Next meeting

15 December 2020