

Disclosable in edited form.

Audit and Compliance Committee Meeting Minutes

The 65th meeting of the Audit and Compliance Committee of the Scottish Funding Council (SFC) was held on Thursday, 8 December 2022 at 10am via video conference.

- PRESENT:** David Alexander (Chair)
Caroline Stuart
Sheila Duncan (items 22/52 – 22/61)
Veena O’Halloran
- OFFICERS:** Alan Browne (Internal Audit - Scottish Enterprise)
Cameron Waddell (External Audit – Mazars) (items 22/52 – 22/55)
Ewan Lamont (Internal Audit – Scottish Enterprise) (item 22/61)
Lesley Aitkenhead
Louis Waters (Internal Audit – Scottish Enterprise) (item 22/61)
Lynne Raeside (item 22/63)
Mark Donohoe (Internal Audit – Scottish Enterprise) (item 22/61)
Paula Haynes
Richard Maconachie (Secretary)
Steve McDonald (items 22/52 – 22/61)
Steve Keightley
Sybille Rush (Clerk)
Tiffany Ritchie
Tom Reid (items 22/52 – 22/55)
- OBSERVERS:** Cheryl Loughbrough
- APOLOGIES:** Andy Kerr
Karen Watt
Martin Boyle
Ursula Lodge

22/52 Welcome

The Chair welcomed members and officers to the meeting. The Chair also welcomed Cameron Waddell and Tom Reid of Mazars as SFC's new external auditor.

22/53 Chair's business: 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 members declared an interest:

- Caroline Stuart, in relation to her position as Chair of Dumfries and Galloway College and as member of the Scottish Police Authority Board.
- Veena O'Halloran, in relation to her role as Special Adviser to the Principal of the University of Strathclyde, and her role in supporting the Committee of Scottish Chairs in its review of the Scottish Code of Higher Education Governance.
- David Alexander, in relation to his role as Principal and Chief Executive at Gateshead College where SFC's new external auditor Mazars also covers external audit.

22/54 Minutes of 22 August 2022 meeting (ACC/22/MIN03)

The Committee **agreed** that the minutes of the 22 August 2022 were a true record of the meeting.

22/55 Introduction to new external auditor Mazars

The Committee **received** an introduction to SFC's new external auditor Mazars.

Members were **informed** that Mazars would shortly begin work on the external audit timeline and present this at the next meeting of the Committee. Interim audit work is likely to take place in February/March and final audit in June/July.

Members also **noted** that Tom Reid (TRe) had joined Mazars from Audit Scotland who were previously external auditor to SFC. However, TRe would not be directly involved in the SFC audit.

22/56 Matters arising (ACC/22/42)

The Committee **noted** the actions taken since the previous meeting, in particular:

21/44 – GDPR training

The Committee **considered** the suggestion by officers to close this item and **was assured** by SFC's efforts to provide ongoing training. The Committee **agreed** that periodic updates on GDPR training should be added to the long-term agenda.

Action: SFC to add a periodic update on GDPR training to the long-term agenda.

22/38 (iii) – Compare ACC remit to SG Handbook

The Committee **asked** for detail on how the Committee’s remit maps against the SG Handbook, and in particular the SG Audit Handbook.

The Committee **was informed** that this detail would become clear from SFC’s own Governance Review. As part of the Review, all committee remits were considered, and some points were identified that should be articulated more clearly.

The Committee **noted** that further detail would be provided to members and asked for the action to remain open.

Action: SFC to keep open the action on the ACC remit.

22/42 (v) – Intended outcomes for 5 years

The Committee **considered** whether this action should be closed as suggested in the paper and **concluded** that it should remain open while development of the Operating Plan is ongoing.

Action: SFC to keep open the action on intended outcomes.

22/57 Risk Management Strategy & Framework Update (ACC/22/43)

The Committee **considered** a paper providing an update on the SFC Risk Management Strategy and Framework.

This paper is withheld from publication under the Freedom of Information (Scotland) Act 2002, Section 30: Prejudicial to the effective conduct of public.

The Committee **noted** the paper.

{9x paragraphs}

Actions:

- (i) SFC to incorporate Committee feedback into the executive’s refresh of the Risk Register and risk tolerance.
- (ii) SFC to add Risk Register to Board agenda.
- (iii) SFC to encourage all Board committees to regularly consider the Risk Register.

22/58 Follow-up of Audit Recommendations (ACC/22/44)

The Committee **received** a paper providing a summary and progress update on the internal and external audit recommendations and agreed management actions from internal reviews and self-assessments.

This paper will be published on the Council website in edited format as it includes information which – if disclosed – would inhibit the effective conduct of public affairs in accordance with s.30 of the Freedom of Information (Scotland) Act 2002.

The Committee considered the paper and, in discussion:

- **Noted** that ‘Investors in People’ and ‘Board Development Plan’ were internal assessments and therefore not covered in the paper.
- **Asked** whether SFC officers were confident that the suggested dates would be met.
Members **were informed** that by consolidating all actions into one tracker, there was an increased level of accountability for action owners which facilitated improved accuracy on completion dates.
- **Noted** that the new tracker made obvious the interdependencies and **welcomed** the efforts involved in creating a consolidated and comprehensive tracker.
- **Sought clarity** on the target date for testing business continuity / disaster recovery. The Committee also **asked** for detail on progress against the current actions.

Actions:

- (i) SFC to provide clarity on the target date for testing business continuity / disaster recovery.

22/59 Update on Operating Plan (ACC/22/45)

The Committee **received** a paper providing an update on the current position and proposed approach to developing an Operational Plan for 18 months, from 1 April 2022 to 30 September 2023.

This paper is withheld from publication under the Freedom of Information (Scotland) Act 2002, Section 30: Prejudicial to the effective conduct of public.

The Committee **considered** the paper and **agreed** that a further update on the Operating Plan should be provided at the next meeting.

{5x paragraphs}

Action: SFC to provide update on Operating Plan at next committee meeting.

22/60 Procurement Report including IT Overview (ACC/22/46)

The Committee **noted** a paper providing details of the procurement spend for the SFC during the Financial Year 2021-22 and assurance that SFC’s procurement activity is conducted in accordance with the requirements of the Procurement Section of the Scottish Public Finance Manual.

This paper will be published on the SFC website, except for Annex 3 which is withheld from publication on the Council's website under the Freedom of Information (Scotland) Act 2002, Section 30: prejudicial to the effective conduct of public affairs.

The Committee **considered** the report and, in discussion:

- **Noted** that the paper mentions an 'intent' around digital transformation, which was higher than the amount committed.
- **Welcomed** the investment SFC was making in its IT infrastructure.
- **Asked** whether there was a single-source justification process in place at present. The Committee **was informed** that there currently was a process to justify single-source suppliers but in light of upcoming procurements, SFC would review its sign-off process.

22/61 Internal Audit Reports (ACC/22/47-51)

The Committee **noted** internal audit reports.

These papers will be withheld from publication on SFC's website under the Freedom of Information (Scotland) Act 2002, Section 30: Prejudicial to the effective conduct of public affairs.

Internal Audit Progress Report (ACC/22/47)

The Committee **noted** progress on internal audit actions.

Cyber Security (ACC/22/48)

The Committee **noted** a paper with the internal auditor's report on Cyber Security.

{2x paragraphs}

IT Risk Assessment (ACC/22/49)

The Committee **noted** a paper with the internal auditor's report on the IT Risk Assessment and **welcomed** the high quality of the reports.

{15x paragraphs}

Distribution of Grant Funding (ACC/22/50)

The Committee **noted** a paper with the internal auditor's report on the Distribution of Grant Funding.

{1x paragraph}

Financial Controls (ACC/22/51)

The Committee **noted** a paper with the internal auditor's report on Financial Controls.

{2x paragraphs}

22/62 *Review of non-core process and investment – progress update (ACC/22/52)*

The Committee **considered** a paper providing an update on the position for Non-Core Funds.

These papers will be withheld from publication on SFC's website under the Freedom of Information (Scotland) Act 2002, Section 30: Prejudicial to the effective conduct of public affairs.

The Committee **considered** the report.

{4x paragraphs}

22/63 *Board Development Plan (ACC/22/53)*

The Committee **received** a paper with an update on the Board Development Plan.

The Committee **considered** the paper and, in discussion:

- **Noted** that in early 2022, Board members were invited to take part in a Board self-evaluation of effectiveness exercise. The next external evaluation is scheduled for 2024.
- **Felt** that Board meetings at institutions followed by a tour do not replace the previous Strategic Dialogue meetings. The Committee felt strongly that Strategic Dialogue meetings should be reinstated.
- **Expressed concerns** around the current process to ensure diversity on the Boards of SFC and institutions.
Members **were informed** that SFC would look to work with EHRC to make use of informal channels.
- **Expressed an interest** in an opportunity to have informal conversations with Board members to consider some issues collectively outside of the formal meetings.
- **Considered** whether the paper could be set out as an action plan in a grid, and whether the Committee should consider this on an ongoing basis.
- **Considered** SFC's role in the sector's relationship with employers.

- **Highlighted** the need for Committee Chairs to be consulted on Board agenda items.
- **Asked** what training Board members had received since the last Board self-evaluation.
- **Expressed a desire** for authentic engagement with staff rather than a tour.

Action:

SFC to consider committee feedback to augment the Board Development Plan.

22/64 Long-term agenda (ACC/22/54)

The Committee **received** a paper informing members of substantive agenda items proposed for future meetings and **agreed** the long-term agenda.

The Committee **considered** whether an additional meeting was needed in April 2023 or whether some items should be taken by correspondence.

The Committee also **noted** that the external audit Letter of Representation was going to come to the Committee's September meeting.

Actions:

- (i) SFC to consider the need for an additional meeting or the potential for items via correspondence and advise the Committee.
- (ii) SFC to mark 'in-person' meetings on long-term agenda.
- (iii) SFC to liaise with Sheila Duncan regarding availability for February meeting.

22/65 Date of next meeting

Members **noted** that the next meeting of the Committee would take place on Friday, 17 February 2023 in person at Haymarket Terrace, Edinburgh.