



Audit and Compliance Committee minutes

The fifty-third meeting of the Audit and Compliance Committee of the Scottish Funding Council (SFC) was held on Thursday 13 June 2019, 10.00am, at 99 Haymarket Terrace, Edinburgh.

Present: David Alexander (Chair)
Caroline Stuart

Officers: Martin Fairbairn (Secretary)
Lorna MacDonald
Sheila Meehan (Clerk)
Callum Morrison (items 19/32 to 19/33)
Fiona O'Neill (items 19/19 to 19/32)
Karen Watt (Chief Executive)

In attendance: Paul Kelly (Scott-Moncrieff) (items 19/19 to 19/32)
Chris Brown (Scott-Moncrieff)
Gordon Smail (Audit Scotland) (items 19/19 to 19/29)
Tom Reid (Audit Scotland) (items 19/19 to 19/29)

Apologies: Paul Little
Dr Keith Nicholson

Prior to the commencement of the meeting, private sessions were held with the Council executive, Internal Auditors and External Auditors.

19/20 Welcome

The Chair welcomed Gordon Smail, Tom Reid of Audit Scotland, Chris Brown and Paul Kelly of Scott-Moncrieff, and members and officers to the meeting.

19/21 Chair's business: Papers for discussion and declarations of interest

The Chair invited members to indicate if they wished to discuss the starred item on the agenda. Paper SFC/19/32 was unstarred for discussion.

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.
- Audit Scotland – Edinburgh College, Dundee and Angus College.
- Scott Moncrieff – Audit clients: Borders College, City of Glasgow College, Dumfries and Galloway College, Dundee University, 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 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.

19/22 Internal audit reports (ACC/19/16)

The Committee received and discussed the following internal audit reports:

- Data security
- Follow up
- Annual report 2018-19
- Progress Report

Internal Audit Annual Report 2018/19

In discussion the Committee noted the internal audit opinion and that the recommendations arising from the Data Security report would now be added to the *Follow up of internal audit recommendations* report.

The Committee commended the Council executive on the progress made in addressing the audit recommendations arising.

19/23 Committee's review of effectiveness of auditors (Oral)

The Chair confirmed the Committee had received assurance that, following earlier discussion with the internal and external auditors, there was good engagement between SFC and auditors and a supportive audit regime. Resource implications on SFC staff of the

overall audit burden were considered and the capacity of SFC in relation to this had been highlighted as a consideration for the Council executive.

19/24 Audit and Compliance Committee draft annual report (ACC/19/17)

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

The Committee advised that:

- Committee feedback in relation to its remit confirmed that the remit was appropriate.
- It would be useful if key performance indicators for external audit were clarified in future reports to assist Committee assessment of auditors' performance.

The Committee **agreed** that:

- External audit key performance indicators would be specified in future external audit reports.
- 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 June Council Board meeting.

19/25 National Fraud Initiative update (ACC/19/18)

The Committee received a paper updating on SFC's participation in the on-going National Fraud Initiative. It was noted the actions arising from this review had been minimal and they had been concluded.

19/26 External Auditor Covering Letter including Letter of Representation (ACC/19/19)

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

The following paragraph is 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 can sign the Letter of Representation as drafted in the paper.

19/27 SFC's Draft 2018-19 Annual Audit Report (ACC/19/20)

The Committee received SFC's draft 2017-18 Annual Audit Report.

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

In discussion the Committee noted that the timeline for completion of the annual accounts had been very tight 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 **agreed** that the:

- Timetable for the accounts, through the Audit and Compliance Committee and Council Board process, would be revised for next year.
- Recommendations within the Annual Audit Report would be incorporated into the Matters Arising paper going forward to allow tracking of progress by the Committee at each meeting.

19/28 Governance Statement 2018-19 (Oral)

The Committee noted that the Governance Statement 2018-19 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 2019 and up to the date of approval of the annual report and accounts.

19/29 Scottish Further and Higher Education Funding Council (SFC) draft annual report and accounts, year ended 31 March 2019 (ACC/19/21)

The Committee received the draft Scottish Further and Higher Education Funding Council (SFC) annual report and accounts for the year ended 31 March 2019.

The Committee noted that:

- The Finance Committee had considered the financial aspects of the accounts and would be, through the minute from the Committee's 30 May 2019 meeting, reporting its findings to the 25 June Council meeting.
- Council Board members had been issued with the draft

annual report and accounts for their consideration and comments.

The Committee advised that there was the opportunity to better present the achievements and risks for SFC in the annual report and that a more impactful focus on the achievements over the year and highlighting the upcoming risks would be beneficial.

The Committee **agreed** that:

- The presentation of the Foreword be revisited for this year and that the Annual Report be revised for next year.
- Authority be delegated to the Chair of the Committee to confirm approval of the Scottish Further and Higher Education Funding Council annual report and accounts for the year ended 31 March 2019 following receipt of comments from all Council Board members.

19/30 Minutes of the meeting of the Committee held on 27 March 2019 (ACC/19/Min01)

The Committee **agreed** that the minutes of the 27 March 2019 meeting were approved as a true record of the meeting.

19/31 Matters arising (ACC/19/22)

The Committee noted the actions taken since the previous meeting.

19/32 SFC's Risk Register (ACC/19/23)

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

In discussion the Committee noted:

- The updates to the Risk Register since the last meeting.
- That the Risk Management Strategy would be considered at the September Committee meeting.

19/33 Update on SFC's General Data Protection Regulation and Data Protection Act 2018 Implementation (ACC/19/24)

The Committee considered a paper providing an update on SFC's progress with the General Data Protection Regulation (GDPR) Project.

In discussion on progress on the GDPR Project Plan, the Committee noted:

- That 91% of staff training had taken place.

- The reasons behind the revised deadlines for completion of tasks and the aim of ensuring appropriate embedding of systems thereafter.
- That the majority of actions being progressed were scheduled for completion over the next few months.

19/34 SFC Legislative and Regulatory Schedule (ACC/19/25)

The Committee received and noted a paper providing the latest version of SFC's Information Management Framework and noted the contents. The Committee stated that it found this to be a helpful overview of the landscape within which the SFC required to operate.

19/35 Best Value Implementation Plan annual update (ACC/19/26)

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 showed good practice but could be streamlined further.

19/36 Business continuity annual update (ACC/19/27)

The Committee considered a paper providing an update on SFC's business continuity arrangements and noted that an internal audit of Business Continuity was taking place and would be reported to the September Committee meeting.

19/37 Updates to the Scottish Public Finance Manual (ACC/19/28)

The Committee noted a paper informing of updates to the Scottish Public Finance Manual.

19/38 Audit Scotland National Report: Scotland's Colleges 2019 (ACC/19/29)

The Committee considered a paper informing on Audit Scotland's recent report on the college sector.

In discussion the Committee noted:

- The key messages and recommendations for colleges, SFC and Scottish Government.

- That SFC supported the recommendations and was taking them forward.
- That participation had been low for students completing the college satisfaction survey and that SFC was taking actions to promote the process.
- The actions arising for SFC from this report would be added to the rolling audit action plan going forward for review at each Committee meeting.

19/39 Internal audit plan 2019-20 (ACC/19/30)

The Committee received Scott Moncrieff's draft internal audit plan 2019-20.

In discussion the Committee noted that 7 days remained in contingency and could be used during the year if necessary.

19/40 Annual agenda plan (ACC/19/31)

The Committee received and noted the long-term agenda paper outlining the substantive agenda items proposed for future meetings.

The Committee **agreed** that the schedule of meetings be revised to reduce the burden on the June meeting and spread the work through the year where possible.

19/41 Future Audit and Compliance Committee meeting dates (ACC/19/32)

The Committee received a paper providing the future Audit and Compliance Committee meeting dates and agreed that the meeting schedule would be revisited.

19/42 Next meeting

3 September 2019, 10.00am.