

Audit and Compliance Committee minutes

The fiftieth meeting of the Audit and Compliance Committee of the Scottish Funding Council was held on Thursday 7 June 2018, 10.00am, at Apex 1, 99 Haymarket Terrace, Edinburgh.

Present: David Alexander (Chair)
Paul Little
Caroline Stuart

Officers: Martin Fairbairn (Secretary)
John Kemp (items 18/29 to 18/33)
Lorna MacDonald
Sheila Meehan (Clerk)
Callum Morrison (items 18/17 to 18/25)
Fiona O'Neill
Kevin Nicholls
Graeme Scotland

In attendance: Chris Brown (Scott Moncrieff)
Elizabeth Young (Scott Moncrieff)
Gordon Smail (Audit Scotland)
Tom Reid (Audit Scotland)
Pamela Morrison (Audit Scotland)

Apologies: Keith Nicholson

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

18/17 Welcome

The Chair welcomed Gordon Smail, Tom Reid and Pamela Morrison of Audit Scotland, Chris Brown and Elizabeth Young of Scott Moncrieff, and members and officers to the meeting.

18/18 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:

- Audit Scotland – Edinburgh College, Dundee and Angus College.
- Scott Moncrieff – Audit clients: Ayrshire College, Borders College, City of Glasgow College, Dumfries and Galloway College, Dundee University, Edinburgh College, Forth Valley College, Glasgow Clyde College, Glasgow Colleges Regional Board, Glasgow Kelvin College, Napier 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.

18/19 Minutes of the meeting of the Committee held on 6 March 2018 (ACC/18/Min01)

The Committee **agreed** that, following an addition stating that the Committee had gained assurance on progress at item 18/08 (SFC's information management framework), the minutes of the 6 March 2018 meeting were approved as a true record of the meeting.

18/20 Matters arising (ACC/18/13)

The Committee noted the actions taken since the previous meeting and **agreed** that an update on purpose, categorisation and extent of forward commitments of Strategic Funds be provided at the September Committee meeting.

18/21 SFC's Risk Register (ACC/18/14)

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

In discussion the Committee **agreed** that:

- The Council executive would consider ways that individual committees could consider risk in relation to their remits.
- General Data Protection Regulation (GDPR) would be added to the Risk Register
- An update on risk appetite would be provided at the June Council meeting.

18/22 SFC Legislative and Regulatory Schedule (ACC/18/15)

The Committee considered a paper providing an update on the SFC Legislative and Regulatory Schedule.

In discussion the Committee noted that SFC had agreed a Memorandum of Understanding with the Scottish Government in relation to Freedom of Information requests, consistent with good practice regarding engagement with relevant third parties.

The Committee **agreed** that the Trade Union (Facility Time Publication Requirements) Regulations 2017 would be added to the next iteration of the Schedule.

18/23 Best Value Improvement Plan: progress report (ACC/18/16)

The Committee considered a paper reporting on implementation of the actions in the SFC's 2017 Best Value Improvement Plan.

The Committee noted the external auditors comments that SFC's process showed best practice for Best Value.

In discussion the Committee **agreed** that the 2017 self-assessment exercise provided to the Committee in paper ACC/17/03 be recirculated to members for information.

18/24 Scottish Government's Audit and Assurance Committee Handbook (ACC/18/17)

The Committee considered a paper informing of updates to the Scottish Government's Audit and Assurance Committee Handbook.

In discussion the Committee noted the recommendations that were already being progressed.

The Committee **agreed** that:

- An assurance framework be prepared for the September 2018 Committee meeting.
- GDPR training be provided for Council members.
- Relevant internal audit reports be issued to the appropriate committees following initial consideration by the Audit and Compliance Committee.

18/25 Update on preparations for General Data Protection Regulation (ACC/18/18)

The Committee considered a paper providing an update on SFC's progress on the GDPR Project Plan.

In discussion the Committee noted that:

- The main areas of compliance had been achieved and the work dovetailed neatly with Cyber Essentials work.
- Work was ongoing on updating the Information Asset Register and combining that with the records of processing.

The Committee **agreed** that:

- A full update, including RAG ratings, be provided to the September 2018 Committee meeting.
- GDPR would be considered at every Committee meeting for the period of a year then the frequency of review would be reassessed.
- The potential financial implications be noted in future updates.

18/26 Internal audit reports (ACC/18/19)

The Committee received and discussed the following internal audit reports:

- Procurement

- Follow-up Report
- Annual Report 2017-18
- Progress Report

Procurement

The Committee noted that the internal audit report advised that procurement procedures were robust and operating efficiently.

Internal Audit Annual Report 2017/18

In discussion the Committee noted the internal audit opinion and commended the Council executive, confirming that the Committee gained strong assurance from the positive opinion of internal audit.

18/27 Draft Internal Audit Plan 2018-19 (ACC/18/20)

The Committee received and discussed the draft Internal Audit Plan 2018-19.

In discussion the Committee noted that:

- The Internal Audit Plan was informed by the risk register.
- There would be merit in allocating some time to contingency to enable this to be assessed for use going forward.
- The bulk of the work required during the year was the core audit programme.

The Committee **agreed:**

- That 'Institutional review' would be removed and that these days would form a contingency.
- With that amendment, to approve the internal audit plan.
- That the Chair would meet with the Secretary to the Committee to consider a possible follow-up review of 'monitoring of institutions'.

18/28 Committee's review of effectiveness of internal and external auditors (Oral)

The Chair confirmed that the Committee had received assurance that, following earlier discussion with the internal and external auditors, there was clarity of roles and good integration and comprehensiveness of audit work.

18/29 Audit and Compliance Committee draft annual report (ACC/18/21)

The Committee received the draft Audit and Compliance Committee Annual Report and noted that questionnaires had been circulated and completed prior to the meeting in relation to performance of the Committee and of the internal and external auditors. A schedule summarising the comments made by those responding was considered by the Committee.

The Committee advised that:

- A statement and conclusion confirming that the Committee had discharged its remit should be added to the report.
- The strategic issues and priorities for the coming year should focus on the internal audit plan priorities.
- The Committee member attendance should be added to the report.

The Committee **agreed** that:

- Following update of the remaining sections, authority was delegated to the Chair to finalise the report.
- The finalised Audit and Compliance Committee report would be presented to the June Council Board meeting.

18/30 External Auditors Covering Letter including Letter of Representation (ACC/18/22)

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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The Committee **agreed** to advise the Board that the Interim Chief Executive can sign the Letter of Representation as drafted in the paper.

18/31 SFC's draft 2017-18 Annual Audit Report (ACC/18/23)

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

In discussion the Committee noted that the process had been very tight and had necessitated a huge effort from all involved but had gone smoothly. The Committee acknowledged the work undertaken by auditors and the Council executive in meeting the challenging deadlines for completion.

The Committee agreed that amendments suggested at the meeting would be taken into account by Audit Scotland in finalising the report.

18/32 Governance Statement 2017-18 (Oral)

The Committee noted that the Governance Statement 2017-18 was provided in SFC's annual report and accounts and included a statement from the Interim 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 2018 and up to the date of approval of the annual report and accounts.

18/33 Scottish Further and Higher Education Funding Council (SFC) draft annual report and accounts, year ended 31 March 2018 (ACC/18/24)

The Committee received the draft Scottish Further and Higher Education Funding Council (SFC) annual report and accounts for the year ended 31 March 2018.

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 31 May 2018 meeting, reporting its findings to the 13 June Council meeting.
- Council Board members had been issued with the draft annual report and accounts for their consideration and requesting comments.

Following consideration of SFC's draft report and accounts, including the annual governance statement, the draft letter of representation and the internal and external auditors' annual reports, the Committee **agreed** that there were no matters relating to the draft annual report and accounts in respect of audit or internal control that prevented approval of the Scottish Further and Higher Education Funding Council annual report and accounts for the year ended 31 March 2018.

18/34 Long-term agenda planning (ACC/18/25)

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

The Committee **agreed** that the:

- Internal audit activity noted in the long-term agenda would be updated following finalisation of the Internal Audit Plan.
- Committee, internal audit and external audit effectiveness review questionnaires be considered in draft at the March Committee meeting in advance of completion by members.

18/35 Future Audit and Compliance Committee meeting dates (ACC/18/26)

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

18/36 Next meeting

18 September 2018, 10.00am.