



## **Audit and Compliance Committee minutes**

The forty-sixth meeting of the Audit and Compliance Committee of the Scottish Funding Council was held on Thursday 8 June 2017, 9.30am, at Apex 1, 99 Haymarket Terrace, Edinburgh.

- Present:** Marlene Wood (Chair)  
Caroline Stuart
- Officers:** John Kemp  
Martin Fairbairn (Secretary)  
Lorna MacDonald  
Sheila Meehan (Clerk)  
Fiona O'Neill
- In attendance:** Chris Brown (Scott Moncrieff)  
Gordon Smail (Audit Scotland)  
Tom Reid (Audit Scotland)
- Apologies:** Paul Little  
Keith Nicholson

### **17/15 Welcome**

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

### **17/16 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:

- Caroline Stuart – as a member of the Court of Glasgow Caledonian University.
- Audit Scotland – Edinburgh College, Dundee and Angus College.
- Scott Moncrieff – Audit clients: Edinburgh Napier University; Glasgow School of Art; The Royal Conservatoire of Scotland; University of Dundee; Ayrshire College; City of Glasgow College; Edinburgh College; Glasgow Colleges' Regional Board; Glasgow Kelvin College; Inverness College; Lews Castle College; South Lanarkshire College 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.

The Chair invited members to indicate if they wished to discuss any of the starred items on the agenda. The recommendations contained within papers ACC/17/13, ACC/17/14 and ACC/17/21 were **agreed** without discussion.

**17/17 Minutes of the meeting of the Committee held on 30 March 2017 (ACC/17/Min01)**

The external auditor advised that the minute of the 30 March 2017 meeting noted, in error, their declaration of interest in relation to Dumfries and Galloway College. The minute was to be amended to note that the interest lay with Dundee and Angus College.

Taking into account this amendment, the minutes of the meeting held on 30 March 2017 were approved as a true record of the meeting.

**17/18 Matters arising (ACC/17/11)**

The Committee discussed the paper and noted the actions taken since the last meeting.

The Committee also noted the SFC ICT security model and **agreed** that specific queries from Committee members would be responded to by correspondence.

**17/19 SFC Legislative and Regulatory Schedule (ACC/17/12)**

The Committee received a paper providing an update of the SFC Legislative and Regulatory Schedule.

The internal and external auditors advised that this document, which was reviewed by the Committee annually, was a helpful paper with showed good practice for the organisation.

**17/20 Risk Register (ACC/17/13)**

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

**17/21 2015-16 Section 22 Reports (ACC/17/14)**

The Committee received and noted a paper informing on the 2015-16 Section 22 Reports produced by Audit Scotland on Moray College, Lews Castle College and Edinburgh College.

**17/22 Internal audit reports (ACC/17/15)**

The Committee received and discussed the following internal audit reports:

- Follow-up
- Annual report 2016-17
- Corporate governance
- Progress report

The Committee **agreed** that consideration be given to the practicality of implementing the outstanding recommendation noted in the Follow-up report, that progress be made on this outstanding item, and that an update be provided to the September meeting.

***Annual Report 2016-17***

The Committee noted that a clean overall audit opinion had been received and that the internal auditors had assessed the adequacy and effectiveness of SFC's system of internal control and their

opinion was that the controls evaluated over governance, risk management and internal control were adequate, appropriate and effective to provide reasonable assurance that risks were being managed and that objectives should be met.

**17/23 ISA 260 covering letter (ACC/17/18)**

The Committee received the ISA 260 covering letter, the external auditors report to those charged with governance on the 2016-17 audit, and the Letter of Representation (ISA 580).

The Committee noted that there had been timing issues in issuing the ISA 260 covering letter and the Annual Audit Report 2016-17 (ACC/17/16) and that the Council executive and external auditors would work together to improve this for future years.

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

**17/24 SFC's annual audit report 2016-17 (ACC/17/16)**

The Committee received and noted SFC's draft Annual Audit Report 2016-17 and the conclusion of SFC's external auditors that the Council continues to perform well overall and that they anticipated being able to issue an unqualified auditor's report.

Amendments suggested at the meeting would be taken into account by Audit Scotland in finalising the report.

**17/25 Governance Statement 2016-17 (Oral)**

The Committee noted that the Governance Statement 2016-17 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 2017 and up to the date of approval of the annual report and accounts. The internal and external auditors confirmed their agreement with this statement.

**17/26 Scottish Further and Higher Education Funding Council (SFC) draft annual report and accounts, year ended 31 March 2017 (ACC/17/17)**

The Committee received the draft Scottish Further and Higher Education Funding Council (SFC) annual report and accounts for the year ended 31 March 2017.

The Committee noted that:

- The Finance Committee members had considered the financial aspects of the accounts and would be, through the minute from the Committee's 24 May 2017 meeting, reporting their findings to the 23 June Council meeting.
- Council Board members had been issued with the draft annual report and accounts for their consideration and requesting comments.
- It was expected that the outstanding items would be received and updated in time to provide the final SFC annual report and accounts to the 23 June Council Board meeting.

**17/27 Committee's recommendation on the Scottish Further and Higher Education Funding Council annual report and accounts for year ended 31 March 2017 (Oral)**

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 2017.

**17/28 Audit and Compliance Committee draft annual report (ACC/17/19)**

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 confirming that the Committee had discharged its remit should be added to the report.
- The format of the questionnaire be reviewed for the following year.
- All Committee members be encouraged to complete the questionnaire to provide as full a picture as possible of the effectiveness of the Committee.
- The strategic issues and priorities for the coming year focus on the internal audit plan priorities and external audit actions.
- Induction for new members of the Committee be prioritised and appropriate training be provided as soon as they were appointed.

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.

**17/29 Long-term agenda planning (ACC/17/20)**

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

**17/30 Future Audit and Compliance Committee meeting dates (ACC/17/21\*)**

The Committee received and noted the schedule of Audit and Compliance Committee meeting dates for 2018.

**17/31 Committee's review of effectiveness of internal and external auditors (oral)**

The internal and external auditors left the meeting.

The Committee met in private with the Council executive.

The internal and external auditors returned to the meeting.

**17/32 Private meeting with internal and external auditors (oral)**

The Council executive left the meeting.

The Committee met in private with the internal auditors, Scott Moncrieff, and the external auditors, Audit Scotland.

The Council executive returned to the meeting.

No actions arose from items 17/30 and 17/31.

**17/33 Next meeting**

7 September 2017, 9.30am.