

SAAS AUDIT AND RISK COMMITTEE

MINUTES OF MEETING HELD ON 5 JULY 2016
BOARDROOM, G SPUR, SAUGHTON HOUSE

Present

Derek Smeall	Non- Executive Board Member (Chair)
Ed McGrachan	Non- Executive Board Member
Kathy Patterson	Non- Executive Board Member
Nicola Bennett	Independent ARC Member

Attending

Paul Lowe	Chief Executive
Roz McCracken	Head of Governance
Audrey Shimmons	Director of Finance
Claire Tinney	Head of Finance
Graham Philp	Head of Fraud
Rachel Browne	Audit Scotland
Mahrouf Sharif	Audit Scotland
Myra Binnie	Internal Audit
Trudi Packman	Secretary

Apologies

Tony Forteza	Internal Audit
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1. Welcome

1.1 Derek Smeall welcomed everyone to the meeting and a note of apologies was recorded.

2. Register/Conflicts of Interest

2.1 No conflicts of interest were raised.

3. Minutes of previous meeting and matters arising – AC(16-17)12

3.1 The minutes of the previous meeting were approved with a minor amendment made to section 5.2 in relation to the 2015-16 budget underspend.

4. Action Points

4.1 The following action points were reviewed:

May 16	Review the Not for Support Policy and provide updated policy to Committee	Miriam Craven	In progress
May 16	The issue log to be updated to include two live issues relating to budget and policy	Trudi Packman	Added to the issues log. Discussions underway about budget and policy implications.
May 16	Work to commence on devising a paper to reflect the process to follow when a risk turns RED	Trudi Packman	To be provided to the ARC at Nov 16 meeting
May 16	Discuss the up-scaling of Risk 4 and 7 on the Risk Register to RED	Trudi Packman	Has been raised and discussed. Awaiting final decision as to how RED marking will be made up (likelihood vs impact). To be discussed at risk seminar on 21 July.
May 16	Work to commence on categorising risks	Trudi Packman	On-going in conjunction with following action point, due Nov 16.
May 16	Investigate weighting concept in relation to risk appetite	Trudi Packman	On-going – due Nov 16
May 16	Add the three high priority audit recommendations to the Issues Log	Trudi Packman	Complete – issues will be reviewed at risk seminar on 21 July
May 16	Note to be prepared setting out SAAS position in relation to recommendation 2 about	Miriam Craven	Paper will be provided to Auditors w/b 4

	payment being issued prior to enrolment data being received		July. ARC members will be copied in.
May 16	Once received, Internal Audit final assurance to be circulated to ARC	Trudi Packman	Complete, on agenda at item 7
May 16	Previous audit review dates to be added to Table 2 of the Audit Plan and then re-issued to ARC	Internal Audit	Complete
May 16	Provide members with the number of cases submitted to COPFS each year	Audrey Shimmons	Complete, details contained in the Fraud Annual Report on agenda at item 10
May 16	Issue links to the NFI report and the Annual Audit Report when available	Trudi Packman	Complete
May 16	Final Terms of Reference to be shared through Sharepoint	Trudi Packman	Due to problems with Sharepoint, the Terms of Reference will be issued by e-mail, July 2016

Action: Paul Lowe and Roz McCracken to enter into discussions about the viability of continuing the use of Sharepoint

Acton: Target/Review date to be added to the action points for future meetings.

5. SAAS Annual Report and Account 2015-16 – AC(16-17)13

5.1 The Annual Report and Accounts (ARA) were discussed. Paul Lowe noted that the process this year had been challenging, there had been recent significant changes to the form of the Annual Report, which the team at SAAS and Auditors had been working to. The learning from this process would be taken forward to arrangements for next year.

5.2 In terms of next steps, the Chief Executive would sign the accounts on 8 July and provide copies to Audit Scotland. Once approved by the Auditor General the Annual Report and Accounts would be laid before Parliament in August.

5.4 Some members of the committee indicated that for next year the process needed to be improved. The scope and timescales to provide comment had been insufficient and not all of the feedback provided had been incorporated. Paul Lowe

acknowledged that this was regrettable but was linked to the challenges of the changes to the process this year. He highlighted that the comments received had been discussed within SAAS and exposed to Auditors. The intention would be to build a better process with a timeline for next year.

5.6 The Committee stated that overall the report was to a good standard and was well laid out and readable.

Action: The process to compile the Annual Report to be reviewed to ensure adequate scope for committee members to comment on the draft.

6. External Audit – Annual Audit Report ISA 260

6.1 Rachel Browne reported that Audit Scotland's work had been substantially completed, subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review. She had anticipated being able to issue an unqualified auditor's report.

6.2 In presenting the report to the Committee, she sought confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud, any subsequent events that had occurred since the date of the financial statements or any material non-compliance with laws and regulations. The committee provided assurance on these points.

6.3 Rachel confirmed that

- the financial statements had given a true and fair view of the state of the Agency's affairs and of its expenditure for the year and that they had been properly prepared.
- In all material respects, the expenditure and income in the financial statements had been applied in accordance with guidance issued by the Scottish Ministers and funds were paid out of the Scottish Consolidated Fund in accordance with the Scotland Act 1998.
- The Remuneration and Staff report had been properly prepared in accordance with the requirements of the 2015/16 Financial Reporting Manual (FREM) and the information given in the Performance Report was consistent with the financial statements.

6.4 The report detailed the risks identified and how each was addressed and gave an action plan of six recommendations to be addressed by the Agency. In relation to the action on business continuity planning, business planning and workforce planning it was acknowledged that work was already underway to address these. One of the recommendations related to asset registers. Rachel pointed out that the audit had uncovered no concerns or issues in relation to missing assets however there was scope to tighten up procedures to reduce risk in this area. Audrey

Shimmons confirmed that this was about bringing together two separate asset registers and work was underway to address these relating to finance and planning.

6.5 Rachel reported that a lot of work had gone into the SAAS report and no major issues had been found. She thanked SAAS for the support provided to the auditors throughout the process which had made the task considerably easier.

6.6 The Committee thanked Rachel and her colleagues for their work on the audit of the Annual Report and Accounts. They also thanked them for the work they had done with SAAS over the last five years. This year would be their last with SAAS and a new auditor was due to be appointed.

7. Internal Audit Annual Assurance - AC(16-17)15

7.1 Myra Binnie confirmed that the Annual Assurance Report had now been finalised with all dates included.

8. Internal Audit Progress Report – AC(16-17)16

8.1 Myra Binnie introduced the proposed Internal Audit Report. This year's audit year will commence on 1 June 2016 and continue for a 10 month period. Plans had already been put into place around the Fraud and IT reviews.

8.2 Myra confirmed that the assurance mapping exercise had now been completed. It had shown positive improvement from the previous mapping exercise carried out in 2011. A session would be arranged for members to explain the assurance mapping process and the next steps to be taken.

8.3 Roz McCracken stated that Tony Forteza had been the driver of this work and that the thanks of the committee should be noted for his contribution. It was agreed that SAAS would need to take ownership of the framework going forward.

8.4 Roz McCracken, who was involved with the Scottish Government Governance Network had agreed to share the results to the group to share best practice.

Action: Seminar covering assurance mapping to be arranged for members of ARC

Action: Assurance mapping process and results to be shared with SG Governance Group

9. Executive Team Certificates of Assurance

9.1 The Committee noted the Executive Team certificates of assurance.

9.2 It was noted that there was an issue around the use of Equality Impact Assessing (EQIAs) by the Agency. Paul Lowe confirmed that he was addressing this. In his view there were no other issues of significant concern in relation to the certificates of assurance.

9.3 Derek Smeall tabled both the ARC assurance document and the ARC annual report. The Committee were requested to provide comments before sign off.

Action: Comments on ARC assurance document and annual report to Derek Smeall by 6 July 2016 – All

Action: Update the Committee on progress around the Governance and Finance assurance statements

10.2015-16 Annual Fraud Report

10.1 Graham Philp presented the 2015-16 Annual Fraud report to members.

10.2 The Fraud Team had made significant improvements in relation to the five strategic fraud themes; deterrence, prevention and detection, investigation and enforcement. Work focussed on revising operational procedures. Two professional training courses had been completed by the Investigations Team with significant investment in the capacity and professional development of the team.

10.3 The creation of a new case management system had allowed for the better monitoring and management of casework.

10.4 Significant steps had been taken to improve working relationships both internally and externally, to build an anti-fraud culture to support the safeguarding of public funds.

10.5 It had been reported that only one legacy case (over a year old) was now outstanding. The committee noted that significant progress had been made to reduce the number of legacy cases. The latest National Fraud Initiative (NFI) report was due to be published shortly.

10.6 Members praised the format of the report and the progress made by the team that year.

10.7 Moving forward, the team would continue to improve standards and consistency in their approach to investigations. A greater focus would be on the prevention strategy. There would be continued investment in staff training and further development in the case handling system which would contribute to the success of the team.

11. SAAS Budget Report

11.1 Audrey Shimmons introduced the budget report. It was noted that for the fourth consecutive year SAAS was experiencing a funding gap between its baseline budget and forecast expenditure.

11.2 All budget holders had considered their spending plans and had identified where savings could be made. These had significantly reduced the scale of the gap but there remained a residual gap of £1.2m.

11.3 A detailed paper had been presented to the Agency's Fraser Figure, which laid out the issues, options and budget considerations. It was hoped that this would be brought to a conclusion shortly.

11.4 Consideration was now underway to the medium term financial and operational plans as the Agency moves towards the Spending Review which would take us through the next three years.

12. Any Other Business

12.1 EU Referendum Result –It was confirmed that the Agency was involved in discussions with Scottish Government and Ministers to ensure there was clear messaging around student funding for EU students. At present it had been agreed that funding was available for new and continuing students for 2016-17. The position for 2017-18 and beyond was still being explored. The committee asked if the Agency had received many requests for information. Paul Lowe advised that there had been a small flow of enquiries via the contact centre and social media in the immediate aftermath of the referendum result, these had slowed and overall numbers were small. The Agency had subsequently published a message on its web site and through its social media channels which addressed the principal questions that were being asked. .

12.2 Future expectations – SAAS was entering a period of significant expectations over the next five years with commitments likely to include:

- Widening Access Commission
- Manifesto Commitments
- Postgraduate Review
- Nursing and Midwifery Review
- SDS Skills Review
- Student funding review

12.3 It was announced that Roz McCracken would be leaving SAAS on 21 July to take up a post at Education Scotland. The committee thanked Roz for all her work and contribution and wished her well in her new post.

13. Date of Next Meeting

13.1 The next Audit and Risk Committee Meeting will take place on:

Wednesday 2 November 2016
Boardroom
G Spur
Saughton House
10.30 am to 12.30 pm

Action points summary for this meeting

Previous Action Points	
Discussions to take place around the viability of continuing the use of Sharepoint	Paul Lowe/Head of Governance
Target/Review dates to be added to the action points for future meetings	Trudi Packman
Annual Report and Accounts (ARA)	
Review the process to compile the ARA to ensure adequate scope for committee members to comments on the draft	Head of Governance/Trudi Packman
Assurance Mapping	
Seminar covering assurance mapping to be arranged for members of ARC	Head of Governance
Assurance mapping process and results to be shared with Scottish Government Governance Group	Roz McCracken
ARC Annual Report and Assurance	
Comments on the ARC assurance document to Derek Smeall by 6 July 2016	All
Update the Committee on progress around the Governance and Finance assurance statements	Roz McCracken/Audrey Shimmons