

SAAS Audit and Risk Committee

Date of Meeting	2 November 2016
Time	10:30
Location	Boardroom, G Spur, Saughton House

Attendees

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

In attendance

- Keith Jenkinson Director of Corporate Services
- Nic Krzyzanowski Head of Corporate Office
- Audrey Shimmons Director of Finance
- Tony Forteza Internal Audit
- Gail Costello Internal Audit
- Gareth Kelly Grant Thornton
- Henry Grigg Economic and Domestic Affairs Secretariat (Observer)
- Trudi Packman Secretary

Apologies

- Paul Lowe Chief Executive
- Myra Binnie Internal Audit

1. Welcome

- 1.1. Derek Smeall welcomed everyone to the meeting. A special welcome was given to Gareth Kelly and Henry Grigg. Gareth, from Grant Thornton, was SAAS' new external auditor and it was noted that either he or Matt Cable would be in attendance at future meetings. Henry was taking part in the Civil Service Government Interchange job shadowing project, and was spending a week with the Agency. Apologies were noted.

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2. Register/conflicts of interest

2.1. No conflicts of interest were raised

3. Minutes of previous meeting and matters arising – AC(16-17)22

3.1. The minutes of the previous meeting were approved.

4. Action Points – AC(16-17)23

4.1. The following were raised around the action points:

- Assurance Mapping – it was reported that a slot for this session was being looked for in the New Year. Tony Forteza would lend his expertise to the subject and host along with Nic Krzyzanowski
- Sharepoint – members noted that the action point on Sharepoint had been closed. It was reported that SAAS had not managed to resolve the technical issues with Sharepoint, and had therefore decided to issue all future papers through an Adobe PDF portfolio by e-mail. Members asked if there was a way to have sight of previous papers, as they had been able to do in Sharepoint, and this would be investigated as part of the wider corporate governance support work within the Corporate Office.
- The four action points relating to the risk register would be closed down and a new single action point covering these four would be compiled.
- Members stated that, although the ‘Not fit for Support’ policy had been updated, it had yet to be brought before the committee. This would be added to the agenda for the next meeting

4.2. Members stated that the format of presenting the action points was confusing, being in the minutes and as a separate document. Secretary would revisit the format and issue to the Chair for views, prior to bringing back to the next meeting.

AP	Secretary	To investigate a process to enable members to see past papers, as they had been able to do through Sharepoint	When
AP	Secretary	Combine the four action points relating to risk to produce one single risk, and create a new action point. Close the four original action points.	When
AP	Secretary	Revisit the format of the action points	When

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AP	Secretary	Include the Not Fit for Support policy in the agenda for the next meeting	When
AP	Head of Corporate Office	Liaise with Tony Forteza in making arrangements for the assurance mapping session	When
DP	Secretary/ET	Close off the action point relating to Audit Recommendation 2 – payments being issued prior to enrolment date being received. Statement from ET to ARC should be provided detailing confirmation of closure of the recommendation with Audit Scotland	When

5. Finance – AC(16-17)24

- 5.1. Audrey Shimmons presented the latest finance update, giving the position of the Agency for the half year to September 2016.
- 5.2. It was reported that further budget was received from Higher Education Support (HES) through the Autumn Budget Revision to address the operating costs shortfall. The capital element of the budget would be used to deliver projects within SAAS, including the Student Funding Delivery project.
- 5.3. Work was now accelerating on the SFD project with the majority of spend due to be incurred in the second half of the year.
- 5.4. The reforecast exercise had now been completed and the Agency was expected to fully utilise the revenue cash budget, dependant on planned recruitment for Operations. The ring-fenced non-cash depreciation budget would be under-utilised but could not be used for any other purpose and in accordance with our original forecast, the capital budget would not be fully utilised. The expected underspend would be offered back to Scottish Government to be utilised elsewhere.
- 5.5. Preparation work was being carried out for 2017/18.

6. Fraud Update – AC(16-17)25

- 6.1. Audrey Shimmons presented the latest fraud update, for the period July to September 2016.
- 6.2. The Agency received 36 new cases for investigation within the quarter, bringing the total active cases to 97.

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- 6.3. New case referrals were slightly lower than this time last year. Accuracy and quality had improved through continued training to front line staff as well as the implementation and development of the 'Fraud Champion' role. Increased awareness around the Agency had enabled staff to identify and evaluate fraud more effectively before being escalated to the Fraud team.
- 6.4. Members commented that targets were still not being met. This was realised as an action point at the SAAS Board, and a paper would be submitted to discuss the fraud KPIs.
- 6.5. A total of 48 cases were completed during the period:
 - 21 were closed after investigation concluded that the students were correctly funded
 - 16 were closed on the basis of lack of evidence to prove criminal intent
 - Once case was closed having been referred to Crown Office and Procurator Fiscal Services (COPFS)
 - Seven cases were closed on the basis that they weren't suitable to send to COPFS
- 6.6. During the period a total of nine cases were forwarded to the Recoveries Team. Fraud were working closely with this team to enable accurate reporting on sums successfully recovered and would hope to update ARC at its next meeting.
- 6.7. The Head of Counter Fraud had now taken over responsibility for the Not Fit for Support register, to allow a more streamlined process to be in place. During this quarter 12 individuals were added to the register bringing the total to 68.
- 6.8. The Agency's 2015/16 student dataset had now been passed to CIFAS to allow them to health-check the applications. Results would be received soon and members would be updated at the next meeting.
- 6.9. Members asked about the availability of seeing data from previous years so as to provide a wider picture of the improvements being made. Director of Finance would consider the request and advise on a timescale to produce the comparison. Members stated that a comparison of actual figures would give a more meaningful outcome, rather than looking solely at targets.
- 6.10. The Agency had been working with the Cabinet Office to expand the use of the National Fraud Initiative (NFI) system. Using the 'Re-check' and 'App-check' systems had potential to offer real time matching of datasets including Home Office, Metropolitan Police and Local Authorities.
- 6.11. The biennial NFI exercise had started for 2016/17 session and the dataset was uploaded at the end of October. Results were expected late January 2017.
- 6.12. The Agency was recently notified of a mass phishing campaign which was targeting university students. Messages were posted on the Agency's social media platforms to alert customers of the campaign and a link was made available to the Action Fraud video relating to the impact fraud can have on young people. Infographics had been produced about how to spot a scam and had been circulated to customers.

AP	Director of Finance	To investigate the Fraud performance indicators for relevance and report back to ARC	When
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AP	Director of Finance	To investigate the option of providing previous years data so as to show the improvement within the Fraud Team to deal with cases	When
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7. Risk Register and Issues Log (AC(16-17)26)

- 7.1. The Agency risk register and issues log were before the Committee for discussion.
- 7.2. It was reported that the Executive Team had had an detailed discussion around the risks and issues, specifically:
 - 7 - Policy decisions of Scottish Ministers from colleagues in Higher Education and Science (HES) and Chief Nursing Officer Directorate (CNOD) and external stakeholders without sufficient implementation on the Agency
 - 8 – EU/Brexit. Uncertainty of impact of Brexit on the Agency
- 7.3. It was reported that there had been a lot of mitigation put in place with collaboration from colleagues in HES and Health around both risks, although there had been some challenges from Health colleagues around the Nursing and Midwifery Student Bursary (NMSB) and Allied Health Profession (AHP) student support. Continuing communication with Health colleagues was sought, but deadlines for responses had so far been missed. The latest situation was that Health was to submit a submission to their Minister and SAAS would be updated on the outcome. These risks had now been escalated to the issue log. These risks would also be brought to the attention of the Advisory Committee.
- 7.4. These issues could affect SAAS in a number of ways; students may not get their funding; cause reputational problems for the Agency. Members advised the Agency to keep detailed records of all communications with Health colleagues, as well as documentation around processes and actions to be taken. A costing paper around mitigating actions would also be produced and would include details around budget and resourcing, especially if they affect the guarantee date.
- 7.5. A discussion was held around using the Risk Register and Issues Log as a communicative tool, particularly around when a risk needed to be escalated or progressed as an issue. It was suggested that SAAS should develop a critical action plan around dealing with risks which move to the 'red zone'. It was noted that if something progresses to an issue then commentary should be made in the associated risk to reflect this.

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AP	Director of Policy and Engagement	To compile a detailed record/timeline around all communications with Health colleagues and include documentation around processes and actions to be taken. Include a costing paper around mitigating actions to reflect budget and resourcing.	When
AP	Director of Policy and Engagement	Discussion should take place at ET to decide whether they wish NEBMs to get more directly involved with Health colleagues in resolving policy definition requirements, and the level of information that would be required to be provided first.	When
AP	Tony Forteza	To provide documentation relating to the escalation process of risks.	When
AP	Director of Policy and Engagement	Weekly updates on the situation around Risk 7 (policy decision timescales) to be sent to NEBMs	When
AP	Tony Forteza	To approach internal audit colleagues covering Health to gain more information around the situation with Risk7 (policy decision timescales).	When
AP	Secretary	; Update the issues log; carry out housekeeping of the register; remove risks 8 and 9 (equality impact assessments; reissue the register and log once updated.	When
	Secretary	Where an issue has been logged, attach commentary in the appropriate risk to reflect the escalation.	When

8. Audit and Risk Recommendation Tracker AC(16-17)27

- 8.1. Derek Smeall reported that he had found the tracker to be very helpful and flexible, with focus of attention being given to high priority recommendations, those which were overdue and any which had target dates changed. He did, however, request that the risk priorities be updated.
- 8.2. It was reported that the Business Continuity Planning was on track, with a lot of good work being done. In particular, the business impact assessments had been completed and an emergency contact call cascade exercise was currently being undertaken. Keith Jenkinson would bring this together and update members.

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- 8.3. Members requested sight of the closed recommendations, as well as those still open. There were a number of recommendations where SAAS had chosen to take forward further work than just the recommendation and members wanted to see what was involved.
- 8.4. Members commented that there should be a link between the recommendations and the risk register, especially where a recommendation had been outstanding/overdue for some time. If a recommendation reached 12 months overdue, a report should be issued to the Chief Executive and the Executive Team. Members stated that they needed to be assured that the recommendations were being addressed.

AP	Director of Corporate Services	Provide update to members on business continuity planning	When
AP	Secretary	Provide update to members on the high and medium priority recommendations	When
AP	Secretary	Ensure that each overdue recommendation has a reason for the lateness in the tracker	When

9. Internal Audit Progress Report – AC(16-17)28

- 9.1. Tony Forteza reported that there was no major risk, governance or control issues to report and no management responsibilities had changed as a result of the Strategic Review of Internal Audit.
- 9.2. Approval was sought from the Committee to drop the Individual Learning Account (ILA) Review from the audit programme for 2016/17 due to the likely changes in the scheme, its comparatively low risk status and the limited calendar for audit caused by the changes in year in internal audit's annual cycle. ARC members approved this decision and agreed that no direct replacement would be required. Instead, Tony confirmed that he would provide additional support to SAAS around assurance mapping and risk.
- 9.3. In relation to delivery of the rest of the Audit Plan, it was reported that Internal Audit were at the advanced stages of fieldwork for both 'Fraud Prevention, Detection and Investigation' and 'IT Project Management' reviews.
- 9.4. Audit Scotland issued their formal report relating to their Overview of Internal Audit 2015-16. The overall conclusion was that the Scottish Government's Internal Audit Directive (IAD) continued to comply with Public Sector Internal Audit Standards (PSIAS) in adopting a risk based approach in planning and undertaking its work.

10. External Audit Update

- 10.1. Grant Thornton LLP Accounting Company (GT) had replaced Audit Scotland as the main external audit company for SAAS. Attending as representative of the company was Gareth Kelly.
- 10.2. Gareth introduced himself and gave a brief background about the company. GT had around 4,500 employees with 340 working in public sector assurance (30 in Scotland). They had experience of working with organisations such as Scottish Legal Aid Board (SLAB) and Accountant in Bankruptcy (AiB). Gareth would lead on the audit work of SAAS, Claire Gardiner would be audit manager with Matthew Cable as the day to day contact. Joanne Brown would lead on public sector assurance in Scotland.
- 10.3. Gareth reported that he had met with key people over the last few weeks. This had included meeting with Audrey Shimmons to consider financial issues and the annual report and accounts, Nic Krzyzanowski regarding the wider governance agenda and Tony Forteza regarding scope of Internal Audit Work. He reported that he had also met with Rachel Browne, Audit Scotland, to discuss any issues that needed to be taken forward and was meeting her again on the afternoon of 2 November.
- 10.4. Gareth's aim was to present his audit plan to the Committee at the February meeting and would be following a similar schedule and approach as previously followed by Audit Scotland. Timings for coming on site to SAAS had been agreed with Audrey Shimmons, though this was provisionally scheduled for December 2016 and January 2017. The Audit Findings Report (typically referred to as ISA 260) would be presented around June or July 2017.
- 10.5. Gareth stated that he would like to work closely with SAAS, to assist and share knowledge and experience. As well as providing statutory audit requirements, he would want to maintain a positive relationship with SAAS and provide value added support wherever possible and not overlapping with any work being undertaken by Internal Audit. The example was give of risk management, sharing approaches which look at the totality of risk and not just focusing on the downsides but looking at the opportunities through risk as well.
- 10.6. A progress report would be presented at the next meeting, including any horizon scanning and thought leadership issues.

11. Common Agricultural Policy Futures Programme (CAP)

- 11.1. It was procedure to give sight to the Committee of any Audit Scotland report that may aid with taking the Agency forward or to gain lessons learned.
- 11.2. In line with this process, the CAP report was put to the Committee for information.

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12. Any other business

12.1. No other business was raised

Date of next meeting: Wednesday 1 February 2017 at 10.30 am in the Boardroom, G Spur, Saughton House