1. Minutes of previous meeting and matters arising

1.1 There were a number of minor changes to be made to the minutes but the most significant amendments were:

- Paragraph 8 - the title should be amended to read 'SAAS Annual audit report 14/15 (Audit Scotland) and Report to those Charged with Governance ISA 260: AC(15-16)13'

- Paragraph 9 - the paragraph should be amended to read 'In Minor Adjustments, there had been two amendments. The first was an increase in net expenditure which was not an error but a movement of allocation. The second was an adjustment to the categorisation capital works relating to relocation to Saughton House. There was no overall effect to the value of the asset.'

- Paragraph 11 - the following text should be added 'The Report to those Charged with Governance ISA 260 was presented and discussed by the
committee. Its narrative summarising the content of the Annual Audit Report and confirmed “anticipation” of an “Unqualified auditor’s report” to be available on 23 July.

The ISA 260 letter also requested that “….we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statement; or material non-compliance with laws and regulations affecting the entity that should be brought to your attention.” Confirmation was given by the committee.

- Paragraph 12 - the last sentence should be amended to read 'Internal audit advised that two reports were close to achieving substantial assurance.'

- Paragraph 16 - additional sentence to be added to text 'Internal audit were pleased with progress and were keen to point out the hard work and positive progress made by staff.'

- Paragraph 17 - text to be amended to read 'A question was raised about the number of quorate members needed to carry a decision. It was noted that it might be possible to take a decision with a lesser number of quorate members. If a meeting is not quorate then a decision may be made by correspondence between all members of the committee.'

- Extra discussion point to be inserted prior to paragraph relating to Annual Fraud Report:

SAAS: Audit Committee Annual Report 2014-15 To The Management Board and Accountable Officer and Statement of assurance by the Audit Committee in respect of the system of internal control within SAAS

Audit Committee Annual Report and Statement of assurance were discussed and approved by the Audit Committee with agreement that the chair would sign off both on behalf of the Audit Committee.

- Any Other Business section to be amended to read:

Action Points from previous minutes:

  - Feb 15: awaiting self-evaluation responses from NEBMs. Complete.
  - May 15: contract register is to be tabled for discussion. Question raised about the Contract Register and the number of contracts coming up for renewal.

1.2 The outstanding action points were now confirmed as completed.

2. Register/Conflicts of Interest

2.1 No conflicts of interest were raised.
3. Finance Report Q2 - 2015-16

3.1 The report was before the Committee for information.

3.2 The Spending Review was underway and the Scottish Budget would be announced on 16 December. The Agency had been looking into the running costs and expenditure in relation to 2016-17.

3.3 It was reported that Finance staff had been fully engaged in talks with Scottish Government colleagues regarding the possible future budget. It was reported that the assumption was that the Agency would get a flat line budget. The Committee discussed this and what effect this would have considering the ever increasing workload. The Agency had stated, however, that it was confident in taking these issues forward and had also been looking at savings from the current financial year to prepare.

4. Fraud Report Q2 - 2015-16

4.1 The report was before the Committee for information.

4.2 It was reported that turnaround targets had proved difficult to meet, however the Agency was securing more criminal convictions.

4.3 Staff had been building links with partners and expanding their knowledge base. Training had taken place through Police Scotland. This had been invaluable training and had resulted in more successful case submissions to the courts.

4.4 The Agency had been working towards membership of CIFAS, an organisation which holds a large database of known frauds in the UK.

4.5 Members had commented on the data in the report relating to the Key Performance Indicators (KPIs) and questioned whether the targets were realistic. Members commented that a number of KPIs were red and asked how this could be improved upon. It was reported that KPIs as a whole were being reviewed and that these would form part of this review.

4.6 Members had praised the work which had gone into the report. It was very informative. Suggestions had been raised about SAAS working more closely with institutions as they already had good processes in place for dealing with assessing residency. The use of original documentation was key to institutions processes and it had been raised through an Audit Committee recommendation if this was something that SAAS should be using. The questions were raised, though, how much more documentation would have to be checked; and, as original documents may not necessarily be real, did SAAS have the ability to identify fraudulent papers. This topic is on the agenda at Item 11.

4.7 It was noted that after balancing the cost of investigating and the estimated savings to the Agency this would not be an option.
4.8 Discussion took place around the Key Performance Indicators (KPIs). Members asked for clarification around KPI23 – Value of loss prevented from fraud and error, expressed as a percentage of student support.

4.9 It was explained that this KPI measured how much additional funding SAAS have stopped being paid to individuals who, following investigation by the fraud team, were deemed not to be entitled to receive any further support because of fraud committed by the individual or SAAS error.

4.10 It was explained that this figure was calculated by taking the expected remaining funding available per individual if the fraud/error was discovered during Year 1 of a degree course, then the anticipated payments for Years 2 and 3 would be taken as the loss prevented.

5. **Counter Fraud Strategy**

5.1 The strategy was before the Committee for information

5.2 Members had praised the work of the team and thanked them for producing a very useful document. The Fraud Team had also been developing the following suite of documents in support of the strategy which would be completed prior to the end of the year:

- Fraud Response Plan
- Fraud Communication and Engagement Strategy
- Counter Fraud Policy
- Fraud Risk Register

*Action Point: The committee to be given sight of the suite of fraud documents once they are finalised – Director of Finance*

6. **National Fraud Initiative (NFI) 2014-15**

6.1 The report was before the Committee for information. Members reported that this was a very worthwhile exercise.

6.2 The Agency was required to upload the data file to NFI in October which meant that additional data received after this date (equating to around 4%) would not have been uploaded. This information would be captured during a further upload in January 2016.

6.3 It was reported that joining CIFAS would not negate the work done with NFI, but that there would be an opportunity to do real time data matching with NFI if needed.

7. **Corporate Risk Register**

7.1 The risk register was before the Committee for comment on contents and
format.

7.2 The Committee were happy with the new format of the report. There was a request to capture reasons for the change in ratings and it was suggested that the register should be formatted to include this information on each risk sheet. Also requested was an issues log to be seen in conjunction with the register to enable Committee Members to see problems that were currently affecting the Agency. Information and guidance on logging issues would be provided by internal audit.

7.3 To aid with understanding the register, Committee members had requested examples of risk in relation to SAAS. It was suggested that the Agency should have more confidence in escalating risks.

7.4 As per discussion at its meeting in July, the Committee had agreed that, as its duties would now cover that of risk as well as audit and that the register should, from now on, be a standing item on the Audit Committee agenda to enable the Committee to carry out its duties as it moves into the agreed format of an Audit and Risk Committee.

7.5 The Committee had agreed the format with one amendment – the listing of the risks on the summary page should be rearranged in order of rating, highest to lowest.

Action Point: TOR to be amended to reflect that the Committee had agreed to develop into an Audit and Risk Committee – Secretary
Action Point: compile an issues log to accompany the register – Secretary
Action Point: information relating to issue logging to be sent to Secretary – Internal Audit
Action Point: rearrange the risks on the summary page, ranking highest to lowest – Secretary
Action Point: Update the risk register to capture the rationale for risk score changes - Secretary

8. Audit Recommendations

8.1 The report provided information on high priority recommendations which were outstanding.

8.2 Four recommendations had been included in the report. It was noted that recommendations 1 and 3 had now been completed by SAAS, number 4 had been superseded and number 2 had been taken as far as it could. Until Audit formerly see the recommendation status at the end of the year, the recommendations would, however, stay on the register as incomplete. Internal/External Audit agreed that once work by SAAS on a recommendation had been completed, it should be submitted to them to close off.

8.3 Audit Committee confirmed that it was confident that the recommendations would be taken forward by the Senior Management Team, but that the recommendation tracker should be a standing item on future agendas.
Action Point: TOR to be amended to reflect audit recommendations becoming a standing item at meetings – Secretary

Action Point: Audit recommendations with update on progress made to be issued to Internal Audit prior to meetings - Secretary

9. Internal Audit Progress Report

9.1 The report provided the Committee with Internal Audit's activities for the year to date.

9.2 Work had been progressing in two main reviews - main IT review covering ‘Data interchange and Data Files’ along with the IT Security Review.

9.3 Both reviews were currently at draft report stage, however, it had been reported that the Main IT Review had obtained substantial assurance.

9.4 It was reported that a member of the Governance staff would be shadowing the audit team during the planned renew of the Agency’s assurance map.

9.5 One area of concern had been the production of the Agency BCP. Audit had confirmed that this recommendation was still outstanding and that a number of obstacles had caused SAAS problems with the production of this document. Discussions would be taken further with SG colleagues.

10. Audit Scotland Update

10.1 Audit Scotland reported that their planning cycle was due to start soon. Their planning paper would be submitted to the Committee at the next meeting on 27 February 2016.

10.2 It was reported that a lot of work would be ongoing with Scottish Government and Audit Scotland would co-ordinate the next round of scheduled reviews for SAAS, liaising with the Head of Governance.

10.3 Audit Scotland were undertaking a National Performance audit of Higher Education institutions in Scotland. This would involve speaking to SAAS. The report would be published in the Summer of 2016 and would be brought before the Committee.

Action Point: Flyer relating to the audit of HE in Scotland to be circulated to members - Secretary

11. Identity Checks - Using Original Documentation

11.1 This recommendation had been outstanding for a significant period of time and had been discussed at SMT earlier this year. The tabled paper documented the
business impact of reverting to original documentation and it had been agreed to produce a business impact assessment to detail the detrimental effect on the Agency carrying out this recommendation would have.

11.2 Any change in the policy would have an impact on the Agency. It was estimated that the cost to introduce this process would be significant.

11.3 In conclusion, the Committee acknowledged that this had been a long-standing recommendation, noted the result of the assessment and that no current plans were in place to change the current process. In view of the costs and extra work involved, it was agreed with management not to continue with the recommendation. Auditors confirmed they would be content for this recommendation to be closed.

**Action Point: close the recommendation relating to original documentation on the Audit Tracker – Secretary**

12. **OLS Project Health-check Review Report - September 2015**

12.1 The report was before the Committee for discussion around the review, associated action plan and recent project update.

12.2 The health-check review took place in September as part of the SG Programme and Project Management (PPM) Centre of Expertise Independent Assurance process. A delivery confidence assessment of Red/Amber had been provided along with seven recommendations. The Agency action plan had been submitted within the mandatory three weeks.

12.3 It was reported that a viable delivery plan had now been put in place, and congratulations had been conveyed to the teams concerned for their hard work. Contingency plans had now been finalised and there was no longer a need for a Go/No Go decision in December as was initially envisaged.

12.4 An AAP assessment, to take place on 26 November, should provide essential independent assurance as to the project status and confidence around successful project delivery.

12.5 Regular updates on the project would be issued to the Management Board but the Committee would be kept up to date of any risks threatening the project. Rather than wait until the following audit meeting (3 months hence), the report would be issued electronically to members via the SAAS Sharepoint site.

**Action Point: Circulate the AAP report to members once completed - Secretary**

13. **Any Other Business**

13.1 Notification had been received from Audit Scotland detailing the fee charge for the audit year. Members were asked to note this information.
14. Date of Next Meeting

14.1 The next Audit Committee meeting will be held on 17 February 2016 in the SAAS Boardroom, G Spur, Saughton House at 10.30am.