
MINUTES

Meeting of:	Group Audit Committee
Date & Time:	25 June 2019, 12 noon
Place:	Board room, 1 st fl, 11-15 Thistle Street, Edinburgh, EH2 1DF
Present:	Graham Watson (GW) (Chairman) Ann Faulds (AF) Bill Matthews (BM) Ann Allen (AA)
Apologies:	Pauline Mills (PM)
In attendance:	Ian Russell (IR) Peter Reekie (PR) Viv Cockburn (VC) Caroline Whyteside (CW) Andrew O'Donnell (AO) (Scott Moncrieff, Part meeting) Liz Petrie (LP) (minutes)

1 APOLOGIES

Apologies were noted from PM and GW advised that AA would be arriving around 12.30pm.

GW welcomed AO to the meeting to present on Item 4 and CW to the meeting as an observer.

2 MINUTE OF PREVIOUS MEETING

The minute of the meeting of 28 January 2019 was noted and agreed as a correct record.

3 ACTION TRACKER

The action tracker was noted.

VC advised that it is proposed to run a training session on SFT finances just prior to the next meeting of the Group Audit Committee on 19 August 2019.

4 INTERNAL CONTROLS REVIEW

VC introduced the report on the internal controls review covering: the current internal controls testing provision and the need for an internal audit function; a review of the three-year Internal Controls Plan and consideration of the planned work for 2019/20 and 2020/21; and the review of the results of the 2018/19 testing of the controls operating for the investments area of the business.

AA joined the meeting.

Review of need for an internal audit function

VC confirmed that the Committee considers annually whether or not a full internal audit service is required. VC described how assurance has been gained to date, based on a series of planned internal control reviews commissioned from Scott Moncrieff, as well as Management Letters which comment on any errors or internal control failures noted during the external audit process. The Committee noted that this approach has been deemed appropriate for the size and complexity of the Company where the majority of the cost base is payroll and the majority of income Scottish Government grant.

The Committee discussed the need for an internal audit function and noted that to comply with the new Framework document under consideration with Scottish Government a formal internal audit service would need to be provided.

Pending clarification on the introduction of a new Framework document the Committee agreed that an internal audit function was not required for the coming year.

The Committee recognised that in the case of adoption of the new Framework document an internal audit service will require to be procured and a proposed approach and scope will be brought to the Committee for consideration.

Approach and scope for future procurement of internal audit function to be brought to the Committee following clarification on adoption of Framework document.

Internal Controls Plan 2019/20 – 2020/21

The Committee reviewed the Internal Controls Plan 2018/19-2020/21 adopted by the Committee in June 2018 and noted the areas of records management, board effectiveness and management reporting scheduled for review in 2019/20 and 2020/21 respectively.

In light of the discussion on the introduction of an internal audit function, the Committee agreed to accelerate the 2020/21 activity into the current year. The areas noted above would therefore be reviewed. It was noted that the initial implementation phase of the new financial management system had been undertaken as reported to the Committee in January and the second phase of this review would focus on reporting and controls.

Investment Management Internal Controls Review

The Committee noted the Investment Management Internal Audit Report prepared by Scott Moncrieff. AO provided an overview of the findings summarising that management processes are well designed and operating as intended across a range of areas.

The Committee noted and discussed two areas of risk identified for improvement in the report.

In respect of the documentation of investment processes it was recommended that an Investment Policy be introduced drawing together the investment management procedures currently contained in different documents across disparate areas of the business.

In respect of SFTi representation on investment company boards, VC outlined the processes to mitigate 'key man' risk in addition to the appointment of alternate directors to investee company boards. It was noted these will be more formally documented and the principles included in the Investment Policy. AO confirmed that they were satisfied that this addressed key man risk.

The Committee noted the actions being undertaken against the areas of risk and requested that a draft of the Investment Policy be brought to the Committee meeting in August 2019 with implementation to be considered following clarity on the adoption of the new Framework document and associated alignment with the Scottish Public Finance Manual.

A draft of the Investment Policy be brought to the Committee meeting in August 2019.

The Committee further noted the advice on management of conflicts of interests for SFT employees serving on the boards of companies where SFTi is an investor.

AO left the meeting.

5 CORPORATE RISK REGISTER

The Committee noted the corporate risk register. The Committee discussed the format and detail of information contained in the register and agreed that the level of information provided was appropriate.

The Committee noted the risks removed and added since the Committee last considered the register in January 2019. VC highlighted that the risk related to the classification review of hub DBFM projects by Eurostat had materialised so it has been removed.

The Committee noted the introduction of a risk regarding the financial and economic standing of key delivery partners. The Committee discussed the impact of key partner insolvency and the ability of the Company to effectively mitigate against this risk, noting in particular current risks associated with construction and FM partners.

PR further highlighted the introduction of a risk around policy controversy should elements of policy development with which SFT is associated face sustained public controversy.

6 FINANCE UPDATE

The Committee noted the finance update report.

VC advised that the fieldwork for the external audit has been completed and the audit clearance meeting scheduled for 2 July 2019.

The Committee noted that external auditors, Scott Moncrieff, had merged with Campbell Dallas. It was confirmed that there have been no changes in arrangements, timetable or personnel involved in SFT's ongoing audit.

VC provided a brief update on the Financial Management system and it was noted that the implementation of elements for business reporting have been delayed with full functionality expected by the end of September.

VC tabled a copy of the grant letter received from Scottish Government which was noted and the reconciliation with the business plan budget was discussed. The Committee requested that a copy be circulated by email.

Copy of grant letter to be circulated by email.

7 REVIEW OF BENEFITS METHODOLOGY

The Committee noted the report on the benefits estimation for 2018/19 summarising the methodology used to calculate the benefits, the internal controls and external validation processes and a comparison with recent years' benefits estimations. It was confirmed that there were no substantive changes to effectiveness factors in comparison to the previous year.

The Committee noted that a new approach to benefits and outcomes reporting for the period of the new corporate plan 2019-24 is to be considered by the Board.

8 AOB

There was no further business.