
MINUTES

Meeting of: SFT Group Audit Committee

Date & Time: 27 January 2020, 12 noon to 1.30pm

Place: Board room, 1st floor, 11-15 Thistle Street, Edinburgh, EH2 1DF

Present: Graham Watson (GW) (Chairman)
Pauline Mills (PM)
Bill Matthews (BM)
Ann Allen (AA)
Ann Faulds (AF)

In attendance: Peter Reekie (PR)
Viv Cockburn (VC) (part meeting)
Caroline Whyteside (CW)
James McBride (JM) (Scott Moncrieff) (part meeting)
Andrew O'Donnell (AO) (Scott Moncrieff) (part meeting)
Liz Petrie (LP) (minutes)

1 FORMALITIES

1 APOLOGIES & DECLARATION OF INTERESTS

There were no apologies. No new interests were declared.

2 MINUTE OF PREVIOUS MEETING

The minute of the meeting of 19 August 2019 was noted and agreed as a correct record.

3 ACTION TRACKER

The actions were reviewed and timescales for ongoing actions noted.

4 DECISION

4 AUDIT PLAN

JM and AO joined the meeting.

The Committee noted the report on the planned audit for 2019-20, noting that no substantive changes from the scope of the focus of the 2018-19 audit are proposed. JM outlined the proposed timetable for the audit with consideration of the Annual Report and Financial Statements for both SFT and SFTi to take place at the Audit Committee meeting on 24 August 2020. JM highlighted the audit risk areas identified and outlined the associated audit procedures.

The Committee further noted the draft letters setting out the terms of engagement for both audit and non-audit services. It was noted that the letters are similar in form to

those for previous years and accord with the competitive tender under which Scott Moncrieff was appointed. The Committee further noted the letter setting out how Scott Moncrieff will maintain ethical safeguards in respect of the separation of non-audit services. JM highlighted that following the recent changes to the company structure the engagement letters are being issued for signature by different entities and the Committee asked that a Company structure be circulated to the Committee.

Scott Moncrieff's revised company structure to be circulated to the Committee.

Following satisfactory receipt of this, the Committee agreed to recommend to the Boards of SFT and SFTi that the appointment letters for audit and non-audit services be entered into.

JM further advised that while Scott Moncrieff has in recent years been appointed to conduct internal controls reviews, the Revised Ethical Standard for audit engagement, issued by the Financial Reporting Council in December 2019, does not allow the same firm to provide both external and internal audit with the new Standard taking effect for the financial year 2020/21.

The Committee noted the revised standard and that all internal controls reviews programmed for 2020/21 had been brought forward and would be completed by Scott Moncrieff before March 2020, complying with the former Standard.

The Committee requested that proposals for internal controls reviews for 2020/21 onwards be brought to the Committee in June.

Proposals for future internal controls/audit function to be brought to the Committee in June.

Item 8 (Monitoring) Internal Controls Review *discussed prior to JM and AO leaving the meeting:*

The Committee noted the reports on the internal controls reviews completed on records management and corporate governance. AO provided an overview of the key findings of both reports which were positive overall with no major weaknesses identified but some scope for improvement. The Committee noted the opportunities identified for improvement and that management actions are in hand to address the points raised.

JM and AO left the meeting.

5 FINANCIAL CONTROLS AND PROCEDURES MANUAL

The Committee noted the Financial Controls and Procedures Manual which the Committee had last reviewed in June 2018.

CW summarised the principal areas of change:

- To reflect the introduction and implementation of the new finance and purchase order systems;
- To reflect changes to the treatment of leases; and

- To reflect changes in personnel.

The Committee discussed the Manual and CW confirmed that staff training had been carried out on the new systems. Subject to minor amendments, the Committee approved the Manual.

6 MEASURING PROGRESS AND IMPACT – ASSURANCE

The Committee noted the report on the proposed scope and approach to undertaking assurance work on reporting against the outcomes laid out in the Corporate Plan 2019-24. The Committee discussed the consistency of the targeted outcomes with the Infrastructure Commission for Scotland's Phase 1 recommendations.

The Committee agreed the scope envisaging an assessment of the overarching approach as a one off exercise in the first year, with methodology and delivery reviewed on an annual basis thereafter. The Committee further noted the proposed tender approach and budget to cover assurance work for outcomes from the years 2019/20 to 2021/22 and granted delegated authority to progress with the procurement and appointment of a suitable supplier.

7 MONITORING CORPORATE RISK REGISTER

The Committee noted and discussed the corporate risk register. CW highlighted that no new risks had been added to the register since the register was presented to the SFT Board in September 2019. CW outlined the reasons for the movement in three existing risks. Discussion took place on the significantly increased risk relating to budget. CW advised that discussions are being held with Scottish Government on a 7% budget cut to the Company's core budget. The Committee further noted that programme budgets have not yet been confirmed.

The Committee further discussed the increased risk in relation to past projects, noting in particular the Public Inquiry to take place on the Royal Hospital for Sick Children and Young People. The Committee agreed to propose to the Board that an in-depth discussion of risk be included in the agenda for the strategy day in September.

Proposal that risk be included in strategy day discussions to be made to the Board.

8 INTERNAL CONTROLS REVIEWS *Discussion in presence of JM and AO recorded above under Item 4.*

9 MSFM COMPLIANCE

The Committee noted the report detailing ongoing compliance with the Management Statement and Financial Memorandum (MSFM). The Committee was advised that discussions with Scottish Government on the adoption of the updated Framework Document continue.

10 WHISTLE BLOWING POLICY

The Committee noted the Whistle-blowing policy and that no instances of whistle blowing were reported during 2019.

11 PROJECT AND PROGRAMME GOVERNANCE

VC joined the meeting for this item.

AA's interest in the Scottish 5G Centre was noted.

The Committee noted the report describing the governance arrangements and controls in place for the projects and programmes in which SFT has role.

VC highlighted the main changes since the last review covering the governance structures associated with new programmes: Learning Estate Investment Programme; Scottish 5G Centre; Heat Decarbonisation Strategy Policy Board; and East Lothian Council Housing Delivery Partnership. VC further advised that the governance structure associated with the EV charging regime has been removed as the governance remains under development.

The Committee discussed the varied roles the Company takes across different programmes and, in particular, the different governance structures in place, noting that the Company has different levels of responsibility around the governance of each programme. The Committee noted the numerous organisations also involved across the projects and programmes and whilst noting the structures and controls in place, acknowledged that some residual risk remains where the Company does not have overall control.

The Committee further noted and discussed the officerships held by staff members in their roles as SFT employees as Public Interest Directors, hub and subsidiary company directors, NHT LLP and Housing Delivery Partnership members and charity trustees. VC advised that the key man risk across the hub directorships held by a single member of staff is mitigated through the appointment of alternate directors on all Boards. VC further assured the Committee of the support and training given to staff asked to carry out these roles and the Committee requested that future annual reviews include comment on the induction and training provided for these roles.

Future annual reviews to include comment on the induction and training provided for external appointments.

12 AUDIT COMMITTEE PERFORMANCE

The Committee noted the summary of responses to the questionnaire circulated to members on the Committee's effectiveness. Discussion took place on the responses and suggestions for improvement, including the proposal for in-depth consideration of risk discussed earlier in the meeting. It was agreed that effectiveness should continue to be reviewed by the Committee annually including feedback being sought from Board/CEO/External Auditors.

Training available to Committee members was discussed and CW highlighted some upcoming courses and was asked to circulate details following the meeting.

CW to circulate course information discussed.

13 AOB

There was no further business.