

STUDENT LOANS  COMPANY LIMITED

**FOI MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD AT 1.45PM ON TUESDAY, 25th MARCH 2008
100 BOTHWELL STREET, GLASGOW**

Present:	Mr Ian Dickson	Chair	ID
	Ms Angela McCusker	Non-Executive Director	AMcC
	Ms Tanvi Davda	Non-Executive Director	TD
	Mr Christian Torkington	Non-Executive Director	CT
	Mr Ralph Seymour-Jackson	Chief Executive	RSJ
Assessors:	Mr Michael Hipkins	DIUS	MH
By Invitation:	Mr Keith Bedell-Pearce	Main Board Chairman	KBP
	Mr Chris Andrew	Company Secretary	CA
	Mr Les Campbell	Finance Director	LC
	Mr Alan Dickson	Head of Finance	AD
	Mrs Louise Love	Internal Audit Manager	LL
	Mr Grant Macrae	KPMG	GM
	Mr Graeme Duncan	Asst to Company Secretary (Mins)	GD
Apologies:	Mr Stephen Kerr	Scottish Executive	SK
	Mr Simon Brindle	Welsh Assembly Government	SB
Distribution:	As Above		

1 Introductory remarks

The Chairman welcomed everyone to the meeting. He then advised that he had recently been appointed to the DIUS Audit Committee and would be attending his first meeting in the near future.

2 Minutes of Meetings held on 17th December 2007 and 29th January 2008

The Minutes of 17th December 2007 and 29th January 2008 were approved.

3.1 Matters arising from meetings held on 17th December 2007 and 29th January 2008

A full list of actions will be held with these Minutes.

3.2 Procurement Review – Recommendations and Responses

LC introduced the procurement review which detailed recommendations from the external consultants' review of the Company's procurement function, together with the Company's responses to these recommendations as requested by an action from the January Audit Committee. He advised that a number of the recommendations would be dependant on the appointment of the Procurement Manager, for which first interviews had been held during March. ID then queried whether the procurement process would be imbedded in the development of the Company's strategy. LC advised that this was the case as the Procurement Manager was now required to have a more strategic set of skills and the successful candidate would sit on both the Product and Services Development and Finance and Governance Board's. ID then queried whether members of the procurement team would have specialist knowledge linked to specific areas of the business and LC advised that this would again depend on the successful candidate but due to the small number of personnel within the team, it was important to ensure that the correct balance was established.

4.1 Internal Audit Plan for FY 08-09

CA introduced the draft Internal Audit Plan for FY 08-09 and advised that the document had been substantially redrafted since last year. He informed the Committee that a careful balance had been included within the plan between ensuring the key areas were covered with sufficient time left over to

cover any other requirements which may arise throughout the year. AMcC then queried whether the Internal Audit team had the resources and skills to cope with what appeared to be an increasingly complex environment and LL responded that the team had sufficient numbers for FY 08-09 but may need to be expanded for subsequent years. ID suggested that potential pressure on the level of resources should be a matter for further discussion by the June Audit Committee **Action AC11 – GD.**

CT then asked if a policy existed in relation to follow-up audits and LL advised that these were carried out automatically for all reviews which had received a limited assurance rating. TD then commended the layout of the plan and queried the level of contingency that had been used during FY 07-08. LL confirmed that the full contingency budget had not been utilised and that the amount of contingency had been decreased for FY 08-09 accordingly. ID then requested that the Committee be provided with regular updates on the number of days allocated to each review and LL agreed to include this information in future reports **Action AC12 – LL.**

ID then highlighted that there was now a real focus on fraud related issues yet no mention had been made of fraud within the core assignments section of the document. LL advised that she was a member of the Fraud Management Steering Group which allowed her to be fully aware of fraud related matters, and added that although no separate reference had been included within the plan, there were a number of reviews that would include specific work on fraud related areas. ID then queried the level of Internal Audit involvement in the Customer First project and LL responded that an initial Customer First review would be carried out, with future plans dependant on the agreed recommendations.

4.2 Draft Statement on Internal Control FY 07-08

RSJ presented the draft Statement on Internal Control for FY 07-08 and confirmed that this needed to be issued by him to the DIUS Accounting Officer by mid-April. He then highlighted fraud investigations, student support overpayments and ICR overpayments as the significant internal control issues which had been identified. He then stated that in terms of student support overpayments, it had been established that out of an average total delay of 113 days, 95 had been attributed to HEI's and this left significant room for improvement. He stated that the plan was to identify those HEI's with minimal delays and good practice and use this knowledge in an attempt to remedy the issue. CT then queried whether the Committee were required to approve this Statement and RSJ confirmed that it did not require Committee approval since he was personally accountable for it, and stated that he had submitted it in order to provide an opportunity for comment and feedback. CT then asked how the issues that had been included within the report had been identified and RSJ advised that he had been led by guidance provided by the Government which stated that the focus should be on the exposure to losing money, either through fraudulent or operational activity. ID then suggested that RSJ revisit the wording on page 5 of the Statement to provide clarity on the figure of £170M in relation to student support overpayments and MH requested that the reference to the DfES on the Assurance Framework diagram be amended to the DIUS **Action AC13 – RSJ.**

Grant Macrae left the meeting.

4.3 External Auditor Appointment – Proposed Process

LC introduced the report providing details of the proposed process for the external audit tender and advised that this was a time intensive process. He then invited nominations for a Non-Executive Director from the Audit Committee to fill the vacant position on the selection panel that would carry out the tender process and CT volunteered to undertake this role. ID then requested that all panel meeting dates should be finalised at the earliest opportunity **Action AC14 – LC.***

Grant Macrae rejoined the meeting.

5.1 Corporate and Strategic Risks

CA presented the risk report and advised that the Company was intending to undertake a revised strategic risk strategy once the strategic commission had been received from the DIUS. ID highlighted the risk which related to insufficient accommodation in the Bothwell Street office and RSJ informed that this was now causing major issues and a long-term solution required to be found. LC then advised that short, medium and long term strategies were in the process of being developed.

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5.2 Quarter 4 Audit Progress Report FY07-08

CA introduced the internal audit progress report for quarter 4 of FY 07-08 and advised that although the report detailed various limited assurance reports, there were also two final reports which had been given a substantial assurance rating which reflected well on the operations of the Company. He also highlighted the inclusion of the Head of Internal Audit's draft annual assurance statement, which had been produced in support of the Statement on Internal Control. LL then proceeded to provide an overview of the manual payments review and advised that the review had raised concerns regarding other areas of CLASS which ICT were now looking into. RSJ stated that since LL had been installed as Internal Audit Manager there had been a marked change and that business areas were now taking the time to work towards implementing the recommendations that were being identified.

The discussion then focussed on the review of the Central Processing Unit (CPU) and CT queried why this had been classed as limited assurance. CA advised that limited assurance had been applied in this instance as a higher number of errors had been identified than during a similar audit carried out in the previous year but stated that the positive response he had received from the Customer Services Director on this matter was very encouraging. RSJ added that this was the ideal time for the Company to ensure errors were identified and procedures were put in place to eradicate the possibility of them being repeated.

* **Action AC15 – LL.** * **Action AC16 – LL.**

LL then provided a summary of the interim report on attempted fraud at Colwyn Bay call centre and advised that this occurred due to poor separation of duties. She informed the Committee that more vigilant checks on staff access to customer accounts had been put in place since this attempted fraud had occurred.

ID queried what action would be taken with regard to * the individual in the Colwyn Bay case. * LL stated that with regard to the Colwyn Bay case, the Call Centre Manager was liaising with Police to identify what action could be taken and noted that the employee had resigned.

MH then queried why no information had been entered in the 'Action Taken' column on the final two pages of the report and LL advised that had been left out due to confidentiality issues but she would ensure it was completed for future reports **Action AC17 – LL.** LL then provided an update on the reviews which were still in progress for FY 07-08 and advised that these would be completed and distributed prior to the June Audit Committee.

5.3 Summary of Outstanding Audit Actions

ID introduced the outstanding audit actions report and requested further information on the actions from FY 06-07. LL provided this information advising that the majority of outstanding actions were attributed to Procurement and noted that she felt these were under control. AMcC then asked LL whether she was concerned in relation to those target dates which had been changed and LL responded that the annual billing of the Higher Education Bursaries and Scholarships Scheme was the only recommendation she felt slightly concerned about but she had been assured that this would be concluded by the end of March.

6.1 Migration of Banking Services Risks and Issues Update

LC introduced the migration of banking services risk and issues update which outlined the benefits, risks and dependencies for the Company in relation to the change of bank as agreed as the February Board. He stated that he was confident that Barclays had vast experience in this type of transition and confirmed that he would bring a further update back to the June Audit Committee on this matter **Action AC18 – LC**. CT agreed that it was important that this migration was monitored on an ongoing basis.

7 Any Other Business

ID raised the matter of presentations from business areas within the Company being provided to the Audit Committee and asked the Committee members to consider which areas they felt the Committee could learn more about through future presentations. KBP suggested it would be beneficial to learn more about the disaster recovery plans for both Lingfield Point and for the contract for the outsourced ICT data centre.

8 Date of Next Meeting

The date of the next meeting was approved as Tuesday, 17th June 2008.

The meeting closed at 3.45pm.

Annex – Audit Information Reports

The Committee were invited to review the Audit Information reports and to raise any queries with the author.

The Minutes of 17th December 2007 and 29th January 2008 were approved for upload to the FOI Website.

NB: Where asterisks appear these items have been excluded from the minutes before placing on the website as the subject under discussion falls within one or more of the exemptions contained in Part II of the Freedom of Information Act, 2000 and can be reasonably withheld.