

**South Lanarkshire College
Audit Committee (Board of Management)
Held on 18th February 2019**

Present Robert Ralston (Chair)
Paul Hutchinson
Lesley Glen

In Attendance Andy Kerr
Stewart McKillop
Angus Allan
Angela Martin
Keith McAllister

Claire Beattie and Elizabeth Young – Scott-Moncrieff (Internal Audit)

1. Welcome

Mr Ralston welcomed Ms Glen to her first meeting as a newly appointed member of the Board of Management. Mr Kerr had asked Ms Glen to join the Audit Committee and she had accepted. This appointment was supported by Mr Ralston, Chair of the Audit Committee.

Members noted that new Board members had gone through a formal induction session on 8th February 2019 and that this had allowed these members to attend this round of committee meetings in advance of the full Board meeting in March.

The Committee noted that Ms Beattie would now be the College's Internal Audit Manager.

2. Declaration of Members' Interests

Mr Kerr and Mr McKillop declared their membership of The Lanarkshire Board.

3. Minute of the Previous Meeting

The Minute of the meeting held on 5th November 2018 had already been agreed by the Board of Management.

4. Head of Finance Report

Internal Audit Reports

Alternative Funding Sources – November 2018

Ms Young informed the Committee that this was overall a positive report. There are three minor recommendations, which refer to refinements that the College can make to existing controls rather than there not being controls present. She added that, from time of the audit to the report being published, the main recommendation had been addressed.

Mr McAllister expanded that this was in relation to the creation of a strategic plan specifically for Alternative Funding. He stated that this had been drawn up and was due to be discussed at the Funding Strategy Group, and would be taken to the Senior Management Team via the Finance Manager's quarterly updates.

Members noted the other recommendations in the report and discussed the criteria used for assessing the feasibility of proposed courses. Mr McAllister stated that a course costing format existed but it was agreed that further consideration could be given to the formalisation of the approval process.

2018/19 Internal Audit Plan – Progress Report – February 2019

Ms Beattie drew members' attention to the four planned audits, the timings of which were laid out in the Audit Plan. Members agreed the areas to be covered, seeking assurance that the IT Security Audit would be carried out by a specialist in this field. Ms Young stated that Scott-Moncrieff had a specialist team in place and added that the team were very aware of the need to bring 'added value' with this audit due to the College's high grading for cyber security. She added that she was in discussion with College staff on the exact remit for this year's IT audit.

Risk Management

South Lanarkshire College – Risk Management

Members noted that they had received a College Summary and detailed Risk Registers as at 5th February 2019 with the commentary thereon. Mr McAllister asked that members in particular note the work being undertaken in the areas of EU Exit, cybercrime and GDPR. He then took them through the commentary of the changes in the Register since the Committee last met.

Discussion took place on business continuity and the work being done by the Risk Management Group. Each department will be issued with templates which allowed them to bring out the particular issues in their area to complete and return to allow an overarching plan to be drawn up.

Mr McAllister drew members' attention to the downward change in Risk 7 (Insufficient funds for capital project and maintenance requirements); this was possible due to the receipt of significant funding to address backlog maintenance identified via a Scottish Government estates audit. Details were given on this dilapidation funding which had seen all colleges benefitting with SLC receiving £1.3 million. This money was ring-fenced and had to be legally committed to projects by 31st March 2019, with the funds being paid out by the end of July 2019. Members noted that the Principal was working alongside a tender team to ensure that all arrangements would be in place, and that the processes and procedures would withstand any potential audit.

Discussion then took place on Risk 1 (College cannot maintain financial stability – Long Term). Mr McAllister stated that this line would be rated as high risk on the risk register of all colleges as long term funding was not determinable.

Mr Ralston enquired as to the content of the EU Exit Questionnaire mentioned in the commentary. Mr McAllister explained that this had been as a result of his secondment to the Scottish Government. It was in essence a Brexit checklist which would allow colleges to focus on

Brexit and in so doing raise awareness of the impact on all areas of the institution, its students and staff. Mr Kerr added that the checklist had been considered in detail at the Finance and Resources Committee and also referred to the Development Committee. Further discussion would be required by the Board after the UK Government deadline announcement on 29th March 2019. Members noted that the College was already scenario planning and considering what could be done to assist staff and students who came from the EU and who may be affected.

Members discussed the financial impact of Brexit on colleges and Mr McAllister shared the advice that had been given by the Scottish Government on future funding.

Lanarkshire Region – Strategic Risk Report – 3rd December 2018

Mr McAllister drew members' attention to the content of the report. Ms Glen sought explanation as to where the Risk Register for New College Lanarkshire could be viewed and explanation was given that they did not have a separate register, but that their risks had been subsumed within the Regional Risk Register.

In discussion on the Governance risk, members agreed that there should be a separate risk to take account of the pending Memorandum of Understanding that was being drawn up between SLC and the Lanarkshire Regional body. Mr Kerr updated members of the process and position thus far with regard to this document being drawn up and agreed, and the challenges that it had met. He stressed that a clear and auditable line existed for the process and that he would be bringing this to the Board on 13th March 2019.

Members agreed that a Memorandum of Understanding, setting out the clear rules of engagement, was a positive move and would enhance the desire to move forward on collaborative working within the Region, whilst giving both bodies a strong basis on which to base future forecasts.

Annual Audit Report to the Board of Management and the Auditor General for Scotland – New College Lanarkshire – Year ended 31st July 2018; audited Consolidated Financial Statements for the Lanarkshire Region

Mr McAllister stated that he had distributed these documents for the Committee's information. Explanation was sought on the absence of a standalone set of accounts for New College Lanarkshire, with members stating that this had been raised with Mazars as an area of concern. The importance that SLC continued to publish its own accounts to allow scrutiny and give the Board a clear understanding of the financial position of the College was stressed. Mr McAllister added that, as a separate charity registered with the Office of the Scottish Charity Register (OSCR), the College was obligated to publish its own set of audited accounts.

Audit Committee Governance

The Scottish Government issued a revised Audit and Assurance Committee Handbook in April 2018 to replace the previous one issued in 2008. The College's internal audit providers, Scott-Moncrieff, had produced a paper highlighting the key differences between the two documents and had already made a presentation on this at a previous meeting of the Committee at that

meeting, it had been agreed that the College would complete the self-assessment checklist that had been attached to the new Handbook via the Audit Committee.

Members noted the paperwork distributed once again and agreed that, in the first instance, Mr Ralston would meet with Mr McAllister to move the process forward and then bring back to the Audit Committee for further discussion.

Quality Enhancement Group – Internal Audit Programme 2018/19

Members noted the planned work being carried out by the internal team in relation to audit. All reports issued by the group would be brought back to the Audit Committee for information.

Technical Bulletin 2018/4 – October to December 2018

Mr McAllister had distributed the document for information. The main issue to be noted concerned the need for Arms-Length Foundations to be completely independent of the colleges that had set them up. Mr McKillop informed the meeting that the College had taken legal advice on the composition of the South Lanarkshire Foundation.

5. Approval of Publication of Committee papers from this meeting

The Committee approved the publication of all papers marked 'For Publishing' by the reporting officers.

There being no further competent business, the Chair thanked everyone for their attendance.