

**South Lanarkshire College
Audit Committee (Board of Management)
Held on 4th November 2019**

Present Lesley Glen (Chair)
Paul Hutchinson
Stuart Dillett (as Chair of Finance and Resources)

In Attendance Stewart McKillop
Angus Allan
Keith McAllister
Angela Martin

Claire Beattie – Scott-Moncrieff (Internal Auditor)
Lucy Nutley – Mazars (External Auditors)
Ruth Holland – Mazars

Apologies Yvonne Johnston

1. Declarations of Members' Interests

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

2. Minutes of the Previous Meeting

The Minute of the meeting held on 27th August 2019 had already been agreed by the Chair and the Board of Management.

3. Finance Manager's Report

- **External Audit on the Financial Statements for the 12 months to 31st July 2019**

Annual Audit Report – Draft to the Board of Management and Auditor General for Scotland – South Lanarkshire College – Year ended 31st July 2019

Mr McAllister stated that members had received an updated version of the document with all changes highlighted.

Ms Glen stated that this was a very positive report and asked the auditor to flag any issues or matters for consideration

Ms Nutley took members through the key points of the report. She stated that there was only one outstanding audit point, in relation to the incorporation of Guaranteed Minimum Pension into the LGPS Pension Valuation, but that this had now been resolved and the final version of the Report would reflect this. Members then discussed the implications of this and noted that this was a sector-wide issue that had only been raised by Audit Scotland and the Scottish Funding Council very late and did not form part of the initial Guidance Notes issued by the latter to the sector.

Discussion then took place in regard to the processes in place and the systems used by Mazars and also management, in respect of setting the pension valuation assumptions. Ms Nutley explained the embedded systems and those set by the Scottish Funding Council.

Ms Nutley stated that in regard to valuation of land and buildings, no issues had been raised and no formal valuations had been made this year, with the College due to have the revaluation undertaken next year in line with its own agreed Policy

Members noted and approved the final fee for 2018/19 and noted there had been no variance from the initial fee proposed. This fee is in line with the scale set by Audit Scotland.

Ms Nutley stated that the Management Representation letter required to be signed off by the Principal and Chair of the Board when the Accounts were agreed by the Board of Management. She added that a copy of the Financial Statements for year ended 31st July 2019 had been distributed as a reference to the Audit Committee but that the final scrutiny would lie with the Finance and Resources Committee.

Draft Financial Statements for year ended 31st July 2019

Mr McAllister outlined the financial position of the College, highlighting that it was one of only two colleges that recorded a surplus in the 2017/18 financial year. The members agreed that the Accounts were indeed healthy. Ms Glen stated that she wished the Committee to fully consider the content of the Accounts before recommending to the Finance and Resources Committee for the scrutiny of the figures.

Discussion took place in regard to the impact of the Memorandum of Understanding on the detail of the Consolidated Accounts for the Region. Ms Nutley stated that the narrative set out in the Consolidated Accounts deemed The Lanarkshire Board to have 'the power to control' South Lanarkshire College, and although this was not felt to be the case, the assumption had still been used. The Principal stated that although some movement had been made, South Lanarkshire College remained unhappy with some of the presentation in the final content of the Consolidated Accounts.

Discussion took place regarding the ongoing concerns. Members agreed that it was in the best interests for both colleges in Lanarkshire that the information provided was transparent and college specific. It was important that figures were provided in a format that allowed the colleges to be accountable as individual organisations. Mr McKillop asked the meeting to note that a meeting had been held with New College Lanarkshire on this subject and would be followed up for next year's financial statements.

Ms Glen requested that an update on progress in this area be brought back to the next Audit Committee meeting.

Assurances were sought and given in relation to the Lennartz liability which had now been written down to zero in the accounts. Mr McAllister stated that his had now been fully dealt with and was of no further concern to the College

Members thanked Ms Nutley for her contribution and report. The Committee then agreed that, subject to the minor changes required and based on the assurance given in the report of the

external auditors, it was happy to recommend that the draft financial statements could be considered by the Finance and Resources Committee.

- **Internal Audit**

Ms Young stated that three reports had been presented to the Committee:

Review of Credits Return 2018/19 – October 2019

Students Support Funds and EMA 2018/19 – Management Points – September 2019

Progress Report – November 2019

Internal Audit Report – Review of Credits Return 2018/19

An audit of the College's funding statistics was carried out in September 2019. The audit examined the procedures and controls over the preparation of the 2018/19 credit return, together with audit testing to ensure the accurate calculation of the return.

Ms Young stated that the audit considered the controls over the collection of data and the preparation of the Credits returns to be well designed and effective.

Under the conditions of grant, the SFC may claw-back an element of the grant if actual credits provided are below target. Actual credits claimed for 2018/19 were 50,366 against a target of 49,753 after an in-year regional transfer from New College Lanarkshire of 900 credits. The College has therefore delivered an excess of 1.23% above its credit targets. It was also noted that the Report stated that there were no issues that required adjustments to the claim.

This was a clean report with only one minor recommendation which the College had accepted and was in the process of addressing.

Members noted the report.

Students Support Funds and EMA 2018/19 – Management Points

The Student Support Funds and EMA 2018/19 audits were carried out in September in accordance with the Scottish Funding Council's guidance.

Ms Young stated that there was no requirement by SFC for a report, but that the College asked for one annually. Members noted the report as giving assurance that the claim was indeed correct and in line with SFC requirements. Again, there was only one minor recommendation which the College had accepted and was in the process of addressing.

Internal Audit Progress Report – November 2019

This report provides a summary of the internal audit activity during the year to date and confirms the reviews planned for the coming quarter.

As at November 2019, two audits had been completed: credits and student funding (as outlined above).

Ms Young then drew members' attention to the audits planned for the coming quarter.

- **Risk Management**

Mr McAllister drew members' attention to the College summary and detailed Risk Registers as at 24th October 2019. He also asked that they note the most recent Regional Risk Register prepared for The Lanarkshire Board.

Members enquired for any areas of concern. Mr McAllister stated that medium to long term financial stability would remain a concern whilst the SFC continued to give only a one-year assurance of funding. This is, of course, a sector-wide issue. Discussion ensued on the scenario planning in place, as contained in the recent 5-year Financial Forecast Return, and the ongoing dialogue between the sector and SFC. The Committee noted the impact of these issues on the risk level compared to stated risk appetite.

The Committee then recommended the Risk Register to the Board of Management.

4. Draft Annual Report of the Audit Committee to the Board of Management.

This report highlighted member attendance, terms of reference and the work done and considered by the Committee throughout the year. This is in line with the legislative requirements.

Members considered the content of the report and agreed it would go forward to the Board of Management on 26th November 2019.

5. Audit Scotland Technical Bulletin 2019/3

Members noted the content of the Bulletin.

6. SLC Quality Audit Group

The Committee had received audits of –

- NPA Bricklaying
- NC Early Education and Childcare

Members welcomed the quality of these reports and the information given.

7. Approval of Publication of Papers

The Committee approved the publication of all papers marked 'for publishing' by the reporting officers.

There being no further competent business the Chair closed the meeting by thanking everyone for their attendance.