

SOUTH LANARKSHIRE COLLEGE

AUDIT COMMITTEE MEETING Monday 17 February 2020

HEAD OF FINANCE REPORT

1. Purpose & Introduction

To inform the members of the Audit Committee of developments in the area of audit and finance.

2. Executive Summary

2.1. Internal Audit

Messrs. Scott-Moncrieff will be in attendance re the following items:

- **Internal Audit Reports**

- **Educational Maintenance Allowance (EMA) Return**

Attached as **Appendix 1** is the return remitted to SFC re the EMA activity for the period August 2018 – July 2019. The internal audit report for this activity was presented to the November 2019 meeting of the Committee.

- **Risk Management**

Attached as **Appendix 2** is the report on the internal audit review of the College's risk management procedures.

- **Progress Report**

Attached as **Appendix 3** is an update on work carried out by the internal audit providers to date.

Committee to review, note the number and level of recommendations made, and approve the management responses as being appropriate.

2.2. Risk Management

Attached as **Appendices 4A, 4B and 4C** are the College summary and detailed Risk Registers as at 16th January 2020, plus the commentary thereon. Also attached, for review, as **Appendix 5**, is the strategic Regional risk register prepared for The Lanarkshire Board.

Committee to review the SLC's Risk Register and to recommend to the Board of Management; Committee to note the Regional Risk Register.

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Executive Summary (continued)

2.3. External Audit for the year 2018/19 – Lanarkshire Region

Attached for reference as **Appendix 6** is the report of the external auditors on the 2018/19 published consolidated Regional Financial Statements.

Committee to note the report.

2.4. SLC Quality Audit Group (QAG)

The College's Quality Audit Group undertakes a range of reviews throughout the year, concentrating on academic courses, but it also reviews non-academic areas such as the College's EMA provision. Attached as **Appendix 7** is the QAG audit programme matrix for 2018/19 which gives details on completion dates and results.

Attached as **Appendix 8** is the audit programme matrix for 2019/20. It should be noted that the Group is undertaking a review entitled "Student Experience; Learner Journey" which was suggested at a meeting of the Audit Committee.

Attached as **Appendix 9** is the Group's first "spot check" audit on the College's EMA provision. The College is required by the Scottish Funding Council to undertake two such spot check audits during the year. The Committee should note that there were no actions for improvement or any actions carried forward from previous audits.

Committee to note the work being undertaken by the Quality Audit Group.

2.5. Other Audits ~ Skills Development Scotland (SDS)

Modern Apprenticeship / Employability Fund (Appendix 10)

SDS undertake several audits throughout the course of training programmes. They undertook compliance audits on the Modern Apprenticeship and Employability Fund programmes in October 2019 in which they noted very minor issues, none of which resulted in any financial clawback.

Committee to note the audit reports.

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2.6. Audit Scotland Technical Bulletin 2019 / 4

Attached for information as **Appendix 11** is an extract from the most recent Bulletin. Papers include the cross-sectoral chapters as these contain notes on developments which may be useful for the Committee. Section 5 of the Bulletin concerns itself with Fraud and irregularities.

The Committee should note that College staff have attended fraud seminars recently, hosted by RBS and New College Lanarkshire's internal audit providers, recently and one is planned for the forthcoming College staff development day.

There is no specific section in this issue concerning itself with the College sector.

Committee to note the contents of the Bulletin and the work being done with staff to emphasise the importance of vigilance re fraud.

2.7. National Fraud Initiative

Attached as **Appendix 12** is a paper to update the Committee on the National Fraud Initiative exercise. The College is currently addressing the "matches" raised by the exercise and will report on the outcomes at the next Committee meeting. The initial overview of the results did not raise any issues of concern.

Committee to note the rationale behind the National Fraud Initiative exercise to identify potential fraud and the College's responsibilities to follow up the results.

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2.8. Draft Audit Evaluation

The College is periodically asked to evaluate the work of the external audit provider by either Audit Scotland or Scottish Funding Council, but this has not been mandatory each year. As good practice, the College will be undertaking a review of both internal and external audit provision via the Audit Committee. **Appendix 13** is a template devised by the Institute of Chartered Accountants of Scotland which has been completed by College staff. There are sections which the Committee should address.

In addition, Audit Scotland's independent Audit Quality and Appointments team have now commissioned an agency to gather data from FE colleges on the external audit provision for year end 2018/19. This has been completed by College staff and submitted. Unfortunately, the survey did not allow for a copy to be retained and the College has asked for this to be made available for the information of the Committee.

The Committee should note that some colleges in the sector have reported that the external audit providers have approached their clients with a view to increasing the fee beyond that originally agreed for the 2018/19 audit due to them utilising additional resource re the valuation of pension scheme liabilities and / or revaluation of fixed assets. To date, South Lanarkshire College has not been approached by its external audit providers in this regard, but this should be noted for the discussion of the 2019/20 audit fee.

Committee to (a) agree the addition of internal and external audit provider evaluation to its remit; (b) review the draft audit evaluation template and to make arrangements to complete the Audit Committee section; and (c) note the issue re potential additional external audit costs that have been levied subsequent to the agreement of the annual fee.