

**South Lanarkshire College  
Audit Committee (Board of Management)  
Monday 8<sup>th</sup> June 2015**

<b>Present</b>	R Ralston I Todd
<b>In Attendance</b>	S McKillop K McAllister A Allan Chris Brown and Colin Woods, Scott-Moncrieff (Internal Audit) Phil Charles and Carol Alderson, KPMG (External Audit)
<b>Apologies</b>	J Evans A Martin

**1. Declarations of Members' Interests**

Mr Todd asked the meeting to note that he was a trustee of the South Lanarkshire College Foundation. Other than that, no declarations were received.

**2. Minutes of the Previous Meeting**

The minute of the meeting held on 16th March 2015 had previously been agreed by the Board of Management and there were no issues ongoing that would not be covered by the agenda.

**3. External Audit Plan**

Mr Charles of the external audit providers, Messrs KPMG, took members through their planning document, highlighting the impact that the changes from FRS102, the new SORP and the implications for the College of complying with the Government's Financial Reporting Manual might have. The non-alignment of the financial and academic years had, of course, been reversed and this would aid both preparation and audit of the annual accounts.

Mr McKillop stated that the increased level of the 2015/16 financial allocation from the Funding Council should mean that the shortfall in student support was now much less of an issue.

Materiality would remain at the same financial level as in previous years, irrespective of the change in accounting period from 8 months to 16 months. Mr Ralston questioned the figures on materiality per the report and Ms Alderson agreed to check these, along with other figures questioned by members in other areas of the report. Mr Charles stated that a corrected / amended plan would be issued to take account of any errors or changes.

Discussion ensued on the revaluation of the College's fixed assets, a result of the changes to government accounting rules. Mr Charles stated that, provided any valuation had been carried out by a competent firm to the brief required by government accounts, his firm would be comfortable with the valuation figure.

Mr Todd raised the question as to how donations from the College Foundation would be treated in the College accounts. Mr Charles responded and added that the College and the Foundation would have to remember that transactions should always be conducted "at arms' length" to avoid any issue with possible consolidation of accounts. The meeting noted this.

Subject to a revised draft being issued that addressed the minor corrections discussed at the meeting, Members agreed to approve the plan.

#### **4. External Audit Fee**

It was noted that Audit Scotland had supplied an indicative price range for the work to be undertaken re the 2014/15 external audit. Whilst KPMG had proposed that their fee be near the top of the range, Mr McKillop asked the meeting to note that there had been discussions between Messrs KPMG and the College with the result that the proposed fee would be reduced to £13,500 rather than the figure in the External Audit Plan. Mr Charles confirmed this. Discussion ensued and members approved the proposed fee.

#### **5. Internal Audit**

Mr Brown took members through the revised Internal Audit Plan, the first draft of which had been reviewed at the previous meeting of the Committee. This revised draft was accepted by the members, subject to a couple of typographical errors being corrected.

Mr Brown then took members through the report on the College's risk management processes. He stated that the report reflected very well on the College, with processes and procedures as well-developed as any he had seen in the sector. He clarified his firm's scoring system and stated that this was actually under review and the next set of reports may look slightly different if the review is completed soon.

Discussion took place on what the definition of inherent risk and risk appetite were, as shown in the College's Risk Register. He stated that the Risk Register should make these definitions clear on the face of the document. McAllister and Mr Allan stated that this was being reviewed by the College's Risk Management Group.

Members accepted the report and agreed that the management responses were acceptable.

## **6. Risk Management Policy and Procedures**

Mr McAllister referred to the draft document that had been circulated, asking members to note that work was advanced in updating the College's Risk arrangements. A final draft would be presented to the next meeting of the Committee. This was duly noted.

## **7. College Quality Audits**

Mr McKillop referred to the continuous work being undertaken by the College's Quality Audit Group. In response to a question from Mr Todd re follow up to these audits, Mr McAllister confirmed that a formal process was in place to do this and to record that it had been done.

## **8. Audit Scotland Technical Bulletin 2015 / 1**

Mr McAllister stated that he had distributed the document for members' information.

Mr Ralston referred to Paragraph 190 which dealt with FE colleges using depreciation funding in 2014/15 to fund student support shortfalls and, now, certain other areas of expenditure. The new arrangements allowed colleges to post a deficit. Mr Ralston also highlighted that the paragraph implied that depreciation cover given to colleges was in cash, when this was not the case. The next paragraph compounded the error.

Mr McAllister and Mr McKillop both added their concern at this, stating that this misapprehension was, unfortunately, widespread and the situation was not helped by misleading communications from SFC and Scottish Government sources. Members agreed that the Board were very clear that net depreciation, and in particular the greatly increased net depreciation following the revaluation of assets in 2015/16, was and would not be funded in cash. Mr McAllister added that this was a situation that was affecting colleges across the FE sector.

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