

**South Lanarkshire College**  
**Audit Committee (Board of Management)**  
**Held on 20<sup>th</sup> February 2017**

<b>Present</b>	Paul Hutchinson (Chair) Pauline Robertson
<b>In Attendance</b>	Stewart McKillop (Principal) Chris Brown – Scott Moncrieff (internal audit) Angus Allan Keith McAllister
<b>Apologies</b>	Robert Ralston Angela Martin

**1. Declarations of Members' Interests**

Ms Robertson declared her interest as Contracts Manager of CITB, and Mr McKillop declared his interest as a member of The Regional Strategic Board.

**2. Minutes of the Previous Meeting**

The Minute of the meeting held on 14<sup>th</sup> November 2016 had previously been agreed by the Board of Management.

**3. Matters Arising**

Mr Hutchinson assumed the Chair.

Members noted that the Audited Financial Statements could not be published until they had been laid before, and approved by, the Scottish Parliament. Mr Allan informed the meeting that a Freedom of Information request for a copy of the 2015/16 accounts had been received and, following consultation with the Information Commissioner, the request for a copy of these accounts had been turned down at this time. He was confident that this would not be a breach of the appropriate Act.

Mr McKillop updated members on the recently announced indicative funding for 2017/18. The Region had received a 1.8% uplift on 2016/17 and increased capital funding although, on the latter, it was noted that this only brought the Region back to where it was two years ago.

#### 4. Internal Audit

##### Student Activity (Credits) – October 2016

Mr Brown led members through the report, highlighting the new control assessment and other presentational aspects of Scott-Moncrieff reports.

He expanded upon the one point raised, this being on an area where there had been a change of guidance. The impact on credits claimed had been very minor. His firm had given the College a “clean” audit certificate.

Mr McKillop expanded upon the systems used by the College to record activity and that the College’s move to more electronic enrolment meant that the incidence of errors was much decreased. Members welcomed the technological developments implemented by the College, and added that the presentation and formatting of the reports was both informative and easily-understood.

**Members noted the content of the report and approved the relevant management responses as being appropriate.**

##### Corporate Governance – February 2017

Mr Brown took members through this Report, particularly highlighting the areas of work which incorporated the College’s relationship with The Lanarkshire Regional Board. The Regional aspect to internal audit was an area that New College Lanarkshire’s internal auditors would also be addressing.

Three improvement actions were identified –

- The need to update the Audit Committee Terms of Reference re membership and the Regional aspect;
- The need to update the College’s Risk Policy to incorporate the Regional aspect;
- The need to update the College’s Financial Regulations and some allied policy and procedure documents.

Mr McAllister confirmed that the first two had been addressed since the audit work and that there was now a calendar in place for the review of policies. This was noted by the Committee. The College was hoping that a template for financial regulations would be issued centrally for the sector, but this was not thought to be unlikely and the College would be addressing this over the Spring / Summer.

Mr McAllister commented that the work undertaken was extremely comprehensive and the low number of points raised on the review of approximately thirty documents was comforting. He highlighted that a thorough review of governance had been undertaken by the Clerk to the Board during the recruitment exercise for new Board members and in the addressing of general governance issues raised for the sector by Audit Scotland. This was also noted by the Committee who commended the work done overall on governance.

**Members noted the content of the report and approved the relevant management responses as being appropriate.**

## 5. Risk Management

- **Risk Management Policy and Procedures**

Mr McAllister stated that the document had been updated in 2015 and the only update deemed necessary was the addition of the Regional aspect to the area. This had been added as a separate section to the document to give appropriate emphasis.

**Members agreed to propose approval of the updated College risk management policy and procedures to the Board.**

- **College Risk Register as at 12<sup>th</sup> January 2017.**

Mr McAllister took members through the latest Risk Register and drew their attention to the Commentary that had been asked for at the last Board of Management meeting. The Commentary noted the changes to risks, viz the splitting of the risk on financial sustainability into short and long-term risks, and the impact of Brexit on this.

It was noted that 5 risks had lower rank scores and two were higher since the previous review.

**Members duly approved the work being done on risk as being appropriate and agreed to present the documents to the next meeting of the Board of Management.**

## 6. Draft Remit of the Audit Committee

Mr McAllister stated that two minor changes had been made to the Remit. The first was a restriction on membership in that the Chair of the Board could not be a member of the Audit Committee, and the second incorporated the Committee having a monitoring role re the College's responsibilities in respect of the Code of Good Governance for Scotland's Colleges.

**The changes were agreed and it was also agreed that the Remit should go forward for approval at the next meeting of the Board of Management.**

## 7. External Audit 2016/17

Mr McAllister presented the letter from Audit Scotland, informing the College of the indicative price range for the audit of the 2016/17 financial statements. The new audit providers, Mazars, will attend the May meeting of the Committee and they may well broach the level of the actual fee at that time for consideration by the Committee.

It has been noted that Mazars will also audit New College Lanarkshire. South Lanarkshire College executive would like different audit partners and managers to deal with the two audits and will make this representation to Mazars.

Members noted the requirement for Regional accounts re 2016/17 and reference was made to the paper produced by the Financial Accountant in this regard. Discussion ensued on the complications that the Regional structure gave to the exercise, as highlighted in the paper. It was noted that with SLC a self-governing body with its own audited financial statements, control is firmly with the SLC Board of Management. It is thus unclear as to who would prepare the remit, and on what basis. Mr Hutchinson asked if there was a similar regional structure in Scotland and Mr McKillop replied that there wasn't.

**With approval of the Committee, management agreed to pursue the matter further with the Scottish Funding Council, in conjunction with the Region / NCL, and report back to members.**

#### **8. Audit Scotland Technical Bulletin 2016 / 4**

Members noted the Bulletin and the associated papers on professional judgement and the application of international standards on auditing. Ms Robertson expressed thanks for the documents which provided good background knowledge for members, particularly re the respective responsibilities in connection with judgement. It was noted that the link to good governance and ethics, combined with a questioning stance by Board members, dovetailed well with the theme of the recent Board information day.

#### **9. Regional Finance Group**

Members noted the work being done in the Regional Finance Group which was currently looking at joint procurement initiatives and the harmonisation of policies and procedures. Mr McAllister stated that the Finance functions of the two Colleges had always worked well together and there was a common purpose that reflected a spirit of cooperation. Members asked to be kept informed of developments.

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