

South Lanarkshire College
Audit Committee (Board of Management)
Held on 27th August 2019

Present Paul Hutchinson (Chair)
Lesley Glen
Andy Kerr

In Attendance Stewart McKillop
Angus Allan
Keith McAllister
Angela Martin

Claire Beattie – Scott-Moncrieff (Internal Auditor)
Elizabeth Young – Scott Moncrieff
Ruth Holland – Mazars (External Auditor)

1. Declarations of Members' Interests

No declarations were received.

2. Minutes of the Previous Meeting

The Minute of the meeting held on 13th May 2019 had already been agreed by the Board of Management.

3. Proposal – Membership of Audit Committee

Mr Kerr stated that with the retirement of Mr Ralston, he was proposing that Ms Glen take up the role of Chair of the Audit Committee and that this would be recommended to the full Board on 17th September 2019. He added that Ms Johnston would be moving from Finance and Resources to become a member of the Audit Committee.

Members agreed both these proposals.

4. Matters Arising

Consolidated Accounts – Mr Kerr highlighted the progress in this area in regard to the concerns held by the management team and the Board.

Members noted that the discussion had addressed around 60% of the concerns which had been raised but that unhappiness still existed in relation to – the reporting of performance indicators, the lack of disaggregation of staffing costs, the use of the term 'group accounts', inclusion of the assets of SLC without disaggregation.

Concerns were raised as to the way forward and Mr Kerr gave assurance that further discussion would take place in order to strive to address these ongoing concerns.

Mr McAllister stated that the Funding Council had been in discussions with The Lanarkshire Board re the disaggregation of the Regional Consolidated Accounts for analysis purposes and he

remained hopeful that some change may be seen in the year to come. Discussion then took place on the Funding Council guidance regarding Consolidated Accounts.

Memorandum of Understanding – Mr Kerr stated that this now appeared on the Risk Register and that a signed copy had been distributed to all staff and was now on the College's website.

5. Finance Manager's Report

Risk Management

Mr McAllister drew members attention to the following documents which had been distributed with the papers –

- Risk Register as at 23rd May 2019 – Commentary
- Risk Register Assessment Summary – August 2019
- Full Risk Register – as at August 2019

The Risk Management Group reviewed the College's Risk Register on 23rd May 2019 as part of its ongoing programme. Points on Regional issues, the latest information on central funding, GDPR, cyber resilience and HR were taken on board. This Group would be meeting again in September.

The Register was reviewed line by line, with all narratives and scoring examined. Whilst there were some changes in controls and actions planned noted, there were no changes in scoring.

Members noted that this left two risks ranked as High, those being long-term financial stability and risk concerning the draft Memorandum of Understanding document.

Discussion then took place on the elements of agreement reached through the Memorandum of Understanding and the Committee suggested to Mr McAllister that at the next meeting of the Risk Management Group this risk should be moved down from High to Medium. This would reflect the agreements reached.

Mr McAllister stated that the ongoing financial environment required continued close scrutiny, at all levels. The Principal added that he had only this morning met with Mr McAllister to discuss the FFR that would be presented to the Finance and Resources Committee. It was noted that the College continued to forecast a balanced budget for the 2018/19 financial year and that forward planning was assuming that this situation would continue. It was also noted that the Grant in Aid allocations to the Region for 2019/20 should be sufficient for the College to plan for a balanced budget once again.

Ms Young questioned the rationale behind the College predicting a balanced budget and scoring the financial stability as a High on the Risk Register. Mr Allan explained that the Risk Register broke financial stability down to long term and short term and that the High was in line with long term, as the College could not be assured of future monies.

Discussion ensued regarding financial stability, changes in funding, credit allocation and the impact of Brexit on European Funding. The Principal stated that notification had been given to expect a fall in credits in Year 4. He added that although he felt confident for the next three years, he could not predict with a high level of confidence beyond that. Members noted the control methods in place to maintain some flexibility in coming years.

Mr Hutchison stressed that the Board of Management directed the College to work to a balanced budget and that this was always the directed starting point. He added that he was comfortable with the statement of risk as it was backed up by the scoring of the risk. Ms Young added that it was important that this understanding was made clear to the Funding Council as many colleges were not happy to follow this model.

Members asked that scenario planning be looked at. Mr McAllister stated that this had already been requested by the Funding Council and that the Finance Managers' Group had been asked to consider and reach agreement on a set of scenarios.

Discussion took place around the movement of credits between colleges. Members noted the absence of a Risk Register specifically for New College Lanarkshire and noted concerns of this being subsumed within the Risk Register for the Region. Mr Kerr stated that he was hopeful that dialogue with the new Chair and Principal may lead to some disaggregation in areas such as this in future reporting.

Members then noted the College's Risk Register and recommended it to go forward to the Board of Management.

6. Internal Audit **Presented by Ms Beattie – Scott-Moncrieff**

The following reports had been distributed with the papers –

- Procurement and Tendering – August 2019
- Cyber Security – 2019
- Follow Up – August 2019
- Progress Report – August 2019
- Internal Audit Annual Report – 2018/19 – August 2019
- Internal Audit Plan 2019-20 – August 2019

Procurement and Tendering – very positive report with no areas of concern being highlighted. Many areas of good practice noted. Ms Beattie stated that the College worked extremely well with APUC and had extremely well-developed systems in place. She added that this was the first time a report of this type had raised no findings.

Members thanked all staff involved for the excellent work that had led to this impressive report.

Cyber Security – three improvement actions have been identified from this report, one relates to compliance with existing procedures and the two others to the design of controls. Areas of good practice were also highlighted.

Members noted that staff across the College were well informed of risk and training was in place. Discussion took place with regard to the weakness highlighted and assurance was given by Ms Beattie that the weakness lay in the absence of a written process laying out all that was being done by the College. The system existed but was not documented.

Members discussed the use and benefits of test phishing attempts, being used by other organisations. The Principal stated that consideration would be given to this.

Follow-Up Review – the College has made reasonable progress in implementing agreed actions from previous internal audit reviews. A total of seven recommendations from previous years have been completed. Six of the remaining open actions relate to Business Continuity Planning, all of which are partially complete. Management has provided revised due dates for all actions indicating completion of all but two actions by the end of the calendar year.

Members noted the change of dates, seeking assurance from the Internal Auditor whether they assessed that these were realistic deadlines. She stated that she believed this to be the case and that perhaps the previous dates set had been slightly optimistic.

Discussion then took place on the Business Continuity Planning process in place. Members noted the work being done in this area and asked to be kept updated.

Progress Report – all audits completed for 2018/19. Members noted the report.

Internal Audit Annual Report 2018/19 – this report summarises all reports across the year and provides the most favourable assurances to the College. Members noted the Summary of Internal Audit Assurance Assessment.

Internal Audit Plan 2019-20 – this report had been presented to the May meeting and since then had been refined.

Discussion then took place regarding the areas agreed for audit and the number of days allocated. Mr McAllister highlighted that to ensure best use of time, a couple of reviews had been amalgamated into one audit. Members welcomed this and asked if consideration be given to College's own Internal Audit team looking at areas which had missed the cut due to the limitation of days. The Principal stated he would raise this with the Quality Team.

Members agreed the report and allocation of days.

The Committee noted the six reports and management responses to the recommendations made. The Committee then approved the Annual Report to be forwarded to the Board of Management.

7. External Audit Presented by Ms Holland - Mazars

The report provides the Audit Committee with an update on progress of delivery responsibilities as the College's external auditors.

Ms Holland stated that as it was very early in the year there was very little to report on and no issues had arisen during the firm's interim visit.

8. Quality Audit Group – Audit Report EMA Spot Check – Second Audit

Members noted the content of the report.

9. Audit Scotland Technical Bulletin 2019/2

Mr McAllister highlighted the section on Fraud and Irregularities and Professional Matters. Members noted the detail of the Bulletin.

10. Approval of Publication of Papers

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

11. Any Other Competent Business

Members were updated on the changes within the Lanarkshire Region.

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