

**NOTES OF THE TWELTH MEETING OF THE AUDIT COMMITTEE  
HELD ON 7 DECEMBER 2016, 4.30PM, THE BOARDROOM, LANGSIDE  
CAMPUS**

**PRESENT:**

David Watt	Committee Chair
Keith Rosser	Independent Board Member
Clare Walker	Support Staff Board Member
Michaela Ditrichova	Student Board Member

**IN ATTENDANCE:**

Eleanor Harris	Depute Principal
Janet Thomson	Vice Principal Resources & College Development
Tracy Elliott	Assistant Principal - Finance & Infrastructure
Stephen Pringle	Wylie and Bisset
Peter Howard	Wylie & Bisset
Michael Lavender	Scott Moncrieff (observer)
Stuart Inglis	Henderson Loggie
David Archibald	Henderson Loggie
Gillian Murray	Clerk to the Board (Minute Taker)

**16.43 WELCOME AND APOLOGIES**

D Watt welcomed everyone to the meeting. S Inglis and D Archibald were in attendance on behalf of the College's Internal Auditors (Henderson Loggie), S Pringle and P Howard were in attendance on behalf of the College's outgoing external auditors attending in place of R McLauchlan and S Gillon (all at Wylie & Bisset) and M Lavender was in attendance on behalf of the incoming external auditors, Scott Moncrieff.

**16.44 DECLARATIONS OF INTEREST**

No declarations of interest were received other than S Inglis noting that Henderson Loggie are also internal auditors of the Glasgow Colleges Regional Board.

**16.45 MINUTES OF MEETING HELD ON 28 SEPTEMBER 2016**

The Minutes were accepted as a true record of events, subject to one typographical error on page 6 of the minute - on line 5 of the second paragraph the word 'term' should be included after the word 'longer'.

## **16.46 MATTERS ARISING – ACTION GRID**

Updates were given on all of the matters arising. All matters had been completed with the exception of the following:-

16.28 – Board Policies – J Thomson had recently circulated via email a copy of the new Anti-fraud, bribery and corruption policy and hard copies were provided at the meeting. The Committee considered the new proposed policy noting that a previous version had been seen at the September meeting when it was embedded in a much larger document and this had subsequently been separated in to a policy and a procedure. The Committee accepted the policy and agreed that a recommendation should be made to the board to endorse this policy. C Walker queried whether or not the Unions should approve this new policy. E Harris advised that this was a policy and not a procedure and therefore was not included within the Recognition and Procedures Agreement (RPA).

16.37 – Departmental Risk Registers – J Thomson will circulate the draft potential escalation procedure for departmental risk registers around the committee members.

JT

16.43 – Network Penetration Testing Results – E Harris had agreed to look into whether or not the College had an Information Asset Register and associated policy. E Harris advised the Committee that the College did not have such a register. It was explained that the College had signed up to a shared service for Information Security through APUC. As part of the service the Senior Management Team would be attending an Executive Information Awareness session. It may be that an outcome of that session will be to develop an Information Asset Register. Management agreed to notify the Committee of any developments in respect of an Information Asset Register.

## **16.47 DRAFT FINANCIAL STATEMENTS FOR PERIOD ENDING 31 JULY 2016**

T Elliott was invited to speak to the paper issued with the Agenda. T Elliott presented the Glasgow Clyde College financial statements for the twelve month period ending 31 July 2016. It was explained that the 2014/15 figures within the financial statements represent a sixteen month period (April 2014 to July 2015) as a result of a previous revision to the financial period end for Scottish Colleges. It was also explained that, due to the Principal's absence, the opening statement within the report had been prepared by the Depute Principal. The year-end audit of the draft financial statements had been completed.

T Elliott advised members that the financial statements had been prepared in line with the Statement of Recommended Practice (SORP) 2015. It was explained that the deficit reported in the draft financial statements is in line with the forecast outturn operating position previously reported to the Board of Management on 31 August 2016 subject to the year-end adjustments which were also outlined to the Committee.

T Elliott provided an overview of the College's Financial Performance explaining that there was an operating surplus of £38k which was subject to adjustments in respect of Expenditure Funded by Depreciation Cash; Funded Pensions and Unfunded Pensions Financial Reporting Standard (FRS) 17 Actuarial Adjustments, and an accounting adjustment related to Capital Funding received from the Arm's Length Foundation.

The Committee had a general discussion about the financial position of the College, noting that the position was as had previously been reported to the Board of Management. K Rosser queried what impact a drop in Commercial income would have on the overall financial sustainability of the College. C Walker explained that this type of discussion had taken place during the financial scenario planning session held at the Finance & Resource Committee meeting the previous week and noted that the session had been useful in strengthening understanding of the overall long term financial position. T Elliott explained that Commercial Income is monitored regularly and the College responds to any changes in the rolling forecasts.

In response to a question from K Rosser, T Elliott provided explanation on the revenue resource budget (RDEL) explaining that the reported position at end of March was largely due to the timing of student support funding payments. T Elliott explained that cash in 2015/16 was used to service the previous year's liability and that this is a position which may recur. Assurance was offered that this risk is being managed by the College.

D Watt took the Committee through each section of the financial statements inviting comments or questions. The committee made some suggested revisals around wording. In particular, D Watt suggested that a statement to the effect that the College is part of the Glasgow Region be made earlier in the Financial Statements than where it currently appears (page 4). The College should also consider the wording of the statements relating to stakeholder relationships (page 7) and adopt a consistent approach throughout.

Some discussion took place around the possibility of including further information relating to performance analysis (table on pages 8 and 9). It was agreed that the Senior Management Team

would include an additional column of either Actual figures for 2013/14 or include Target figures for 2014/15. It was acknowledged that whatever option was selected, the figures would be taken from previously audited financial statements to prevent any potential delay in the financial statements being finalised.

A reference to WSUMs was highlighted in the table on page 9 and T Elliott agreed to change this.

D Watt recommended that a reference to the College Risk Appetite be included in the section on Principal Risks and Uncertainties.

During discussions on the Remuneration and Staff Report, D Watt suggested that the Remuneration Committee have sight of this section of the Report. G Murray agreed to circulate this section. Under the same section, D Watt recommended that a statement be included to the effect that voluntary severances were in line with the Scottish Funding Council policy on this (page 38).

In the section Statement of Accounting Policies the Committee discussed the 'going concern' status of the College. D Watt recommended that the cover paper for the financial statements going to the Board explicitly refer to this 'going concern' status to ensure the Board is aware the overall circumstances on which this conclusion has been reached.

Having fully discussed the financial statements D Watt asked the Senior Management Team to make the recommended changes before submitting them to the Board for approval.

#### **16.48 ANNUAL EXTERNAL AUDIT REPORT FOR YEAR ENDED 31 JULY 2016**

P Howard, Wylie & Bisset, was invited to speak to the Annual External Audit Report.

P Howard explained that this draft Annual Report has been prepared by Wylie and Bisset following the external audit work completed in respect of the financial statements of the College for the period ended 31 July 2016.

The draft report summarises the work undertaken by Wylie and Bisset through the external audit and outlines an unqualified audit opinion on the 2015/16 financial statements. P Howard highlighted that the report acknowledged the substantial improvements in governance procedures since the appointment of the new board in October 2015.

The draft report makes no new recommendations for the 2015/16 year and outlines two governance recommendations from the 2014/15 audit work which have not yet been fully cleared. One recommendation is not yet due for implementation, in relation to internal audit's review of compliance with the Code of Good Governance, which is due to take place during 2016-17 and is included in the internal audit plan. The other point relates to the evaluation of the Board of Management Chair which was not completed as part of the evaluation exercise for 2015/16 due to the departure of the Chair in June 2016. This will take place during 2016-17 and will be monitored in the next year's follow up.

P Howard noted that the working papers provided by the College had been of a good standard and he took the opportunity to thank staff for their assistance throughout the process.

P Howard took the Committee to some of the key findings in the report including the finding that there were no errors or deviations identified during their process and no issues regarding independence of the auditors.

The Committee discussed the report and observed that it was a very positive report and one which the Board could take comfort in from a corporate governance perspective. S Inglis explained that the corporate governance audit would take place during 2016/17 to ensure that the positive improvements in governance noted in this audit are being maintained.

D Watt informed the Committee that he had held a conference call with S Gillon and R McLaughlan of Wylie & Bisset earlier in the day and that they had emphasised that this audit had been a positive process and acknowledged that the Senior Management Team had worked well with them.

D Watt took the opportunity to thank the External Auditors for their work with the College.

The Committee agreed to recommend the draft report to the Board.

*P Howard left the meeting*

#### **16.49 2015/16 STUDENT ACTIVITY DATA AUDIT REPORT**

S Inglis was invited to speak to the Report issued with the Agenda.

S Inglis explained that it is a requirement that an audit of student activity data is completed each year for every college after the end of the academic session to verify student activity data against the SFC target. S Inglis took the Committee through the Report outlining the Scope of the Audit, the Audit Findings and the

Conclusions. The report contains one medium priority recommendation.

The Committee discussed the recommendation and E Harris provided further explanation around the process of Personal Learning Support Plans (PLSP) for Extended Learning Support (ELS) students which are also Price Group 5 (PG5) students. K Rosser observed that the report would be more useful if it provided details of the overall volume of PLSPs prepared to give a view of the level of this activity compared to the level of sample testing undertaken. S Inglis agreed to consider this for future reporting.

E Harris also explained that the requirement to complete PLSPs for ELS students is now being removed by the Scottish Funding Council and this will not be audited after 2016/17, although it is still the intention of the College to complete PLSPs. Following a question from C Walker, discussion then took place around the process of drawing down funds for these students if PLSPs were no longer required. E Harris explained that the funds continue to come to the region to support those students with the greatest need however the College will not be monitored through PLSPs.

The Committee discussed additionality and E Harris explained what this meant. She informed the Committee that Glasgow Clyde College has about 2% additionality and have been in communication with the Scottish Funding Council over some months to ensure that they do not exceed SFC expectations – further guidance on this is awaited from the SFC.

#### **16.50.1 2015/16 STUDENT SUPPORT FUNDS AUDIT REPORT**

#### **16.50.2 2015/16 EDUCATION MAINTENANCE ALLOWANCE AUDIT REPORT**

S Pringle of Wylie and Bisset was invited to speak to the reports issued with the Agenda. The 2015/16 Student Support Funds Audit Report and the 2015/16 Education Maintenance Allowance Audit Report had both been prepared by the external Auditors and had been circulated with the Agenda.

S Pringle explained that there are four student support funds which Glasgow Clyde College administers on behalf of others and these are bursary funding, childcare funding, discretionary funding and educational maintenance allowances.

The student support funds represent a substantial amount of funding which is allocated to students by the College on behalf of various bodies following their relevant guidance and national policies. Each of the funds needs to be fully accounted for and audited each academic year. For the bursary, further education

discretionary funding, and childcare funding, the Scottish Funding Council (SFC) provided an allocation for the academic year which totalled £9.02Million for Glasgow Clyde College students for 2015/16. The Higher Education discretionary funding is allocated by the Student Awards Agency for Scotland (SAAS) and was £292k for Glasgow Clyde College students for the academic year 2015/16. Educational maintenance allowances are claimed retrospectively from SFC based on actual sums paid to students.

The overall conclusion of Wylie and Bisset in each of the reports is that they are satisfied that the systems and controls of the administration and disbursement of funds is adequate. There are, in total, seven recommendations between the two reports for 2015/16 as prepared by Wylie and Bisset, with one medium and three low priority recommendations in the student support funds audit report, and one medium and two low priority recommendations in the educational maintenance allowances audit. The latest date for implementation of the recommendations is January 2017. All prior year recommendations were assessed as fully implemented.

T Elliott advised that the recommendations would be included in the next Audit Rolling Action Plan to provide updates in respect of their full implementation.

## **16.51 CERTIFICATE OF ASSURANCE**

J Thomson was invited to speak to the paper circulated with the Agenda. J Thomson explained that in order to comply with the Scottish Public Finance Manual (SPFM) the College has to have in place a Certificate of Assurance process to support the governance statement in the financial statements and to enable the overall Certificate of Assurance for the College to be signed by the Principal.

A copy of the extracted guidance from the SPFM had also been circulated to the Committee with the papers. That guidance summarises the Certificate of Assurance process for each public body reporting to the Scottish Government and shows the Certificate of Assurance format.

The Committee had also received an outline list of the sections in the SPFM Internal Controls Checklist and proposed nominated staff member(s) from the College Senior Management Team to complete section(s) of the Internal Controls Checklist as indicated.

The College has had to complete an overall Certificate of Assurance statement annually for the College since it became a public body in April 2014 and this has been signed by the Principal

(or Depute Principal in the Principal's absence). Therefore the proposed process involves a wider sign off for the Certificate of Assurance than in previous years.

J Thomson advised that the Certificates of Assurance from the Vice Principals and stated Assistant Principals can either be signed off with no points raised or can be signed off with exceptions raised in specific areas. Any exceptions can still allow the overall Certificate of Assurance for the College to be signed however these may/will be included in the Principal's Certificate of Assurance statement as appropriate. The Principal has to complete a Certificate of Assurance statement to the Scottish Funding Council as part of their year end process (their financial period end is March) and the SFC will in turn complete a statement for submission to the Scottish Government.

T Elliott noted that the Certificate of Assurance does not have to be submitted until the fiscal year end based on the SFC and government financial year end. The Committee endorsed the work already being done on this noting that communication with the staff members involved is key to ensuring there are no surprises in the final document.

#### **16.52 ANNUAL REPORT FROM THE AUDIT COMMITTEE TO THE BOARD OF MANAGEMENT**

J Thomson was invited to speak to the Report issued with the Agenda. J Thomson explained that the Audit Committee should report to the Board of Management, prior to the Board approving the College Financial Statements, to inform the Board of Management of the adequacy and effectiveness of the College's internal financial and management systems controls, and the arrangements for securing economy, efficiency and effectiveness. A draft Report from the Audit Committee to the Board of Management had been circulated with the papers. The report summarises the business covered by the Audit Committee during the period of 1 August 2015 up until 7 December 2016, which is the final Committee prior to the financial statements being approved by the Board of Management. Committee members were invited to comment on the draft.

The Committee approved the Report which will now be presented to the Board at its December meeting.

#### **16.53 INTERNAL AND EXTERNAL AUDIT ROLLING ACTION PLAN**

T Elliott explained that the Internal and External Audit Rolling Action Plan is provided to each Committee meeting to update on the implementation status of previous internal and external audit recommendations which have not already been reported as fully



implemented. The purpose is to ensure that all recommendations are followed through to full implementation.

T Elliott informed Committee members that within the action plan as at 22 November 2016 there are 6 previous recommendations shown, of which 5 are partially implemented, outstanding or within timescale and 1 is fully implemented. Of the 5 recommendations still to be fully implemented 3 of them will be implemented by January 2017 and the remaining 2 will be implemented by August 2017.

T Elliott drew the Committee's attention to item 1.3, advising the Committee that there may be a further delay in implementation of this action beyond the proposed implementation date of January 2017 due to the College changing banks at present due to the new sectoral banking arrangements. The Committee noted the reasons for this and concluded that a delay on this recommendation may be necessary given this change in circumstances.

#### **16.54 RISK REGISTER**

J Thomson was invited to provide an update on the College Strategic Risk Register. J Thomson advised the Committee that following the last Committee meeting work had been done to try to focus the risks and reduce the number of risks on the Register. An initial draft of the revised risk register included 12 risks. A meeting was scheduled for Thursday 8<sup>th</sup> December between the Depute Principal, Vice Principal Resources and College Development and the Chair of the Audit Committee to discuss the first draft. J Thomson explained that it was unlikely that the new risk register would be in place to go to the next Board meeting and that the existing register would go to the December Board with the new risk register coming to the next meeting of this Audit Committee.

Comments were invited from the Committee on the College Strategic Risk Register as circulated with the papers.

#### **16.55 LETTER FROM GCRB – 23.11.16 – CONSOLIDATED ACCOUNTS**

D Watt thanked the Senior Management Team for including the Correspondence from the Glasgow Colleges Regional Board in the papers and invited the Committee to note the correspondence and to be aware of the possibility of consolidated accounts for the Glasgow Region in the future. G Murray agreed to issue a letter to the Chair of the Audit Committee of GCRB acknowledging this letter.

GM

#### **16.56 EQUALITY IMPACT OF DECISIONS MADE**

None. The Committee acknowledged that there may be an equality impact in future through the potential changes to funding for Extended Learning Support students. This will be monitored.

**16.57 REVIEW OF PAPERS (INCLUDING DISCLOSABLE STATUS)**

The Committee discussed the disclosable status of the papers and it was agreed that all papers should be disclosed with the exception of the following 16.47, 16.48, 16.51 and 16.55.

**16.58 ANY OTHER BUSINESS**

None. The Committee Chair thanked those who had provided papers for the meeting.

**DATE OF NEXT MEETING**

Wednesday 8th March 2017 at 4.30pm, the Boardroom at Langside.