

**NOTES OF NINTH MEETING OF THE AUDIT COMMITTEE
HELD ON 25 NOVEMBER 2015
IN THE BOARDROOM, LANGSIDE CAMPUS, GLASGOW CLYDE COLLEGE**

PRESENT:

M Yuille	Chair
S Heidinger	Board Member
G McGuinness	Board Member

IN ATTENDANCE:

E Harris	Depute Principal
J Thomson	Vice Principal, Resources
T Elliott	Director of Finance
A Canning	Audit Scotland
S Gillon	Wylie and Bisset
S Inglis	Henderson Logie
C Wylie	Henderson Logie
C Robertson	BDO

APOLOGIES:

G Troup	Vice Chair
M Ibis	Student Board Member

ACTION

15.01 WELCOME AND APOLOGIES

The Committee Chair welcomed everyone to the meeting and outlined the format the meeting would take.

Apologies were noted from G Troup and M Ibis.

15.02 DECLARATION OF INTERESTS

There were no declarations of interest.

15.03 PRIVATE MEETING WITH INTERNAL AND EXTERNAL AUDITORS

Those present noted that a private meeting had taken place with the Internal and External Auditors and Committee Members.

M Yuille indicated that the Auditors had advised that the audit process had been undertaken smoothly and T Elliott and the Finance Team were thanked for their assistance.

15.04 **MINUTES OF THE AUDIT COMMITTEE HELD ON 27 AUGUST**

M Yuille sought and received confirmation from attendees at the previous Audit Committee that the minutes were a true record of events.

Those present noted that the Minute of 27 August 2015 plus the draft minutes from this meeting will be taken to the Board of Management meeting set for 9 December 2015.

JT

15.05.1 **MATTERS ARISING: ACTION GRID**

M Yuille referred to the matrix issued with the agenda and noted that all actions from the previous meeting has been completed.

15.05.2 **MATTERS ARISING: LESSONS LEARNED REPORT FROM BDO**

M Yuille invited C Robertson, BDO, to talk to the report issued with the agenda.

C Robertson briefly rehearsed the background that led to the special internal audit review of the procurement of legal service and the subsequent report.

C Robertson stressed to those present that the particular set of circumstances the College found itself in were unlikely to reoccur and that there were no other examples of issues within the College.

E Harris assured Members that action is already taking place to address the recommendations of the Lessons Learned Report. Those present noted that a governance training session for Board Members has been arranged for the morning of 3 December 2015 and recruitment of a Secretary to the Board is underway. Members were advised that interviews for a Secretary had taken place; however, the decision was made not to appoint and discussions were now taking place to facilitate a short term appointment until such time as a permanent appointment can be made. Members noted that the A Linkston and D Newall had reviewed the relevant recruitment pack and were content with it.

ACTION

Members also noted that capped fees will be applied to any professional contracts, and that T Elliott will now receive all contractual documentation before approval and staff will be made aware that they are budget holders and responsible for monitoring costs.

The Audit Committee noted the Lessons Learned Report.

15.06 REMIT OF THE AUDIT COMMITTEE

M Yuille reminded those present of the discussions that had taken place at the Board meeting, where it was agreed that each Committee would review its remit and made any necessary amendments. M Yuille sought comments on the remit issued with the agenda.

S Heidinger indicated that it may be worthwhile reviewing the remit in relation to the Code of Good Governance. M Yuille indicated that there needs to be provision within the remit for private meetings with Auditors as per paragraph C12 of the Code. M Yuille sought clarification on the reference to Head of Internal Audit and to whom that referred. J Thomson indicated that it is referring to the lead Auditor from Henderson Logie. It was agreed to change the wording to reflect that this is an outsourced service and change "Head" to "Lead".

JT

JT

M Yuille indicated he had further amendments relating to grammatical and formatting issues that he would pass to J Thomson.

JT

Discussion turned to the membership and that the Committee Chair and Vice Chair should be elected. However, this had not taken place and in effect both positions had been elected by the Board of Management. J Thomson tabled the remit of the Finance and Resources Group within which reference is made to the Chair being elected by the Board and the Vice Chair being elected by the Committee.

The Committee agreed to follow this same approach and nominated and elected G Troup as the Committee Vice Chair.

The Audit Committee approved the remit subject to the agreed amendments.

		ACTION
15.07	REPORT FROM THE AUDIT COMMITTEE TO THE BOARD OF MANAGEMENT	
	M Yuille referred to the report issued with the agenda and sought comments from those present. M Yuille indicated that “CA” requires to be added after reference to Henderson Logie.	JT
	Discussion took place around the draft report and the highlighted sections that still require to be finalised with Auditors. M Yuille indicated that the first highlighted section is factually correct; therefore, the highlighting may be removed.	JT
	M Yuille asked that S Gillon review the remaining highlighted sections and work with J Thomson to provide appropriate wording. S Gillon agreed to review the sections.	JT SG
	M Yuille requested that the updated reported be circulated to Audit Committee members, by email, in order that it could be approved prior to submission to the Board.	JT
15.08	INTERNAL AND EXTERNAL AUDIT ROLLING ACTION PLAN	
	The Chair referred to the Rolling Action Plan issued with the agenda and sought comments.	
	T Elliott provided an update on the procurement policy and strategy, which is being developed on a regional basis, and those present noted that the content is almost complete. M Yuille sought confirmation of the date this work will be completed. T Elliott indicated it will be completed in December 2015.	
	The Committee also noted that the College has a shared procurement service, via Advanced Procurement Universities and Colleges (APUC) which allows the College to work in a tax efficient way when procuring services. T Elliott outlined that each of the Glasgow Colleges have an APUC employee based in-house, each with a different area of expertise and each acting as advisor to the Colleges.	
	With regards to the reference around the web filter solution, C Robertson explained that the quality of the web filter solution was different across the 3 sites, so a single solution would be much more cost effective. Members were assured that the systems on each site were robust and the issue was around efficiency savings. J Thomson undertook to ascertain when the work would be concluded.	JT

ACTION

J Thomson outlined Health and Safety Meeting arrangements to those present, and it was noted that campus specific meetings take place as well as a joint overarching meeting.

In response to a query raised by G McGuinness regarding report formats, E Harris indicated that the Health and Safety Officers have a standard set of reports and undertook to provide the Committee with examples.

EH

G McGuinness queried the review dates of ICT policies and processes. J Thomson responded that Internal Audit will follow those up as part of their fieldwork. S Heidingger sought information on the process for dealing with cyber attacks and J Thomson reported that the College is part of the JANET network and, additionally, the College has its own firewalls that are regularly refreshed. Members noted that, whilst there is evidence that attempts have been made to break into the College system, none have been successful. S Inglis indicated that this issue is part of the first year plan and that he would be meeting with the Head of ICT on 27 November to better understand the key indicators.

C Robertson informed the meeting that BDO had carried out general controls on ICT security systems but had not carried out penetration testing. M Yuille indicated that a penetration test would be a good idea. M Yuille requested that this item should be a standing item on the Committee agenda. J Thomson agree to discuss penetration testing with the Head of ICT and S Inglis.

JT

JT

E Harris reassured Committee members that the Head of ICT is very proactive with regards to security, acknowledging that systems can always be improved.

The Audit Committee noted the report on the Internal and External Rolling Action Plan.

15.09 **INTERNAL AUDIT REPORT: BUSINESS CONTINUITY PLAN**

M Yuille invited C Robertson, BDO, to talk to the report issued with the agenda.

ACTION

C Robertson outlined the work undertaken to review Business Continuity Planning within the College. Members noted that the Audit conclusion is that there is a moderate level of assurance in terms of design and a moderate level of assurance in terms of operational effectiveness. It was noted also that the report has one medium priority recommendation.

Those present noted staff are fully aware of their roles and responsibilities and detailed risk assessments had been undertaken. C Robertson outlined one area that had been highlighted for improvement is whether the mitigating actions are sufficient to meet the recovery timescales.

M Yuille noted that the BCP is in place and communicated to staff; however, he queried how it will be communicated to the Board. E Harris indicated that the BCP plan can be shared with the Board.

J Thomson briefly outlined the scenario exercise that had taken place, as well as the recent bomb scare, and Members noted that after debrief sessions, the BCP is being amended to reflect lessons learned from those. Once the document was finalised, at the end of December, J Thomson agreed to issue it to the Board.

JT

The Audit Committee noted the Internal Audit Report on Business Continuity Planning.

15.10 INTERNAL AUDIT REPORT 2014/15

C Robertson informed the meeting of the internal audit requirement in relation to preparing an overview report of the internal audit work carried out throughout the year and to provide a statement of overall assurance as contained on page 8 of the report.

Members noted that page 7 summarises conclusions and additional work done on follow up. Members noted the conclusion is that the risk management is suitable and operating with effectiveness.

M Yuille queried why the IT General controls had been given limited assurance. C Robertson explained that some controls on the different campus had been designed differently and reassured those present that all worked.

In response to a query from M Yuille, C Robertson confirmed that there are no fundamental recommendations in the report.

The Audit Committee noted the Internal Audit Report 2014/15.

15.11 SUMs MANAGEMENT LETTER 2014/15

M Yuille invited C Robertson to talk to the report issued with the agenda.

C Robertson outlined the work undertaken to audit the student activity data which is an annual requirement. Members noted that the report is submitted, by end October, to the Scottish Funding Council along with the signed auditor's letter.

C Robertson indicated that the audit report contains 2 medium and 2 low priority recommendations. Namely, management review all DPG18 programmes at the end of the year to ensure correct categorisation; and management checks are carried out to ensure SUMs are only claimed for one full time course for each student.

Members noted that during the fieldwork exercise sufficient explanations were received and errors corrected.

In response to a query, it was noted that a Credit report will be carried out next year.

The Audit Committee noted the SUMs Management Letter 2014/15.

15.12 INTERNAL AUDIT PLANNING 2015/16

The Committee Chair invited C Wylie, Henderson Logie, to talk to the report issued with the agenda.

C Wylie informed the meeting that Henderson Logie had recently been appointed as Internal Auditors and are in the process of preparing their internal audit plan for 2015/16 and referred to the draft issued with the agenda. S Inglis informed the meeting that some preliminary interviews had taken place with a number of senior managers and the remainder meeting taking place on 27 November.

S Inglis referred to the proposed plan for 2015/16, highlighted pages 4 and 5 which scoped out proposed areas of work. S Inglis sought the Committee's view on the proposals.

M Yuille indicated that internal audit should look at corporate planning, cyber threats, and the new payroll system.

SI

ACTION

G McGuinness sought clarity on the relationships within the wider Glasgow college network and the regional board. J Thomson indicated that Henderson Logie are also the internal auditor for the Glasgow Colleges Regional Board so will also be looking at a plan from the regional perspective. M Yuille queried whether a different team of auditors would deal with the region and C Wylie indicated that she was lead for the region and the College. The Committee noted that would be a declaration of interest. C Wylie informed those present that, as a result of separate procurement process, Henderson Logie are also the internal auditors for Kelvin College.

M Yuille intimated the main concerns that Henderson Logie are the internal auditors for the College's parent body so need to be aware of that.

S Heidinger enquired if the College has taken cognisance of PREVENT duty requirements. E Harris indicated that the Director of Student Support is the College lead for PREVENT duty requirements.

In response to a query from M Yuille, S Inglis indicated that the first fieldwork is likely to take place in January/February 2016. M Yuille asked that when the plan is finalised it be circulated to the Committee for approval along with a proposal for the first piece of fieldwork.

SI

The Audit Committee noted the Internal Audit Plan for 2015/16.

15.13.1 APPROVAL OF ACCOUNTING POLICIES

M Yuille noted that the internal audit papers had recorded no significant changes and all appeared to be straightforward. M Yuille pointed out one issue at paragraph 2.3.2 noting that depreciation applies to buildings not land. T Elliott stated should would review the note and reword.

TE

The Audit Committee approved the accounting policies for Glasgow Clyde College for the financial statements to 31 July 2015.

15.13.2 DRAFT FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD ENDING 31 JULY 2015

Those present noted that the Finance and Resources Committee had reviewed the financial figures at their meeting and M Yuille outlined the sections of the report to be discussed by the Audit Committee. M Yuille sought confirmation from the College management that all disclosures had been made and there was nothing no disclosed. T Elliott confirmed that to the best of her knowledge all disclosures had been made. S Gillon confirmed that he was content with the disclosures made.

T Elliott indicated that additional testing had been carried out as a result of the changing year end dates which made comparison of figures difficult. Members noted there had been no issues and S Gillon concurred.

Under the section on OFR, M Yuille indicated that there were grammatical points and that he would leave his notes so that amendment could be made.

JT

M Yuille queried why the number of days cash held was steadily dropping. T Elliott explained that the College is in effect holding cash to settle previous liability in terms of Lennartz. As SFC have made it clear that Colleges must keep minimal cash balances, so there is a need to balance meeting month-to-month requirements and Lennartz. As the commitment to Lennartz diminishes so too with the number of days cash held.

In response to a query from M Yuille as to whether the paragraph on Page 6 relating to reclassification was still required, T Elliott explained that the impact of reclassification is still raising issues which have to be addressed.

On Page 7, M Yuille requested that details of assets be included.

JT

M Yuille queried how the estates projects detailed on Page 13 were being funded. J Thomson explained that the Glasgow Educational Foundation will be funding them and agreed to include wording on the funding applications submitted to date.

JT

M Yuille stated that on Page 14, the paragraph relating to the Principal requires to be update.

JT

ACTION

With reference to the paragraph on exceptional expenditure, M Yuille suggested that the College either detail what the conclusions were or remove the reference. J Thomson agreed to include wording on the Lessons Learned report.

JT

Page 5, Principles risk and uncertainties: M Yuille requested that review by the Audit Committee is added.

JT

M Yuille stated that the paragraph at the top of Page 16 requires to be reworded.

JT

On Page 17, paragraph 11, M Yuille sought further confirmation that nothing has been undisclosed. T Elliott stated that, to the best of her knowledge and from a College perspective, all information has been disclosed with the caveat that further audit work is being carried out.

Page 23, Statement of Corporate Governance requires to be amended as M Yuille pointed out that the College has not had 2 Boards, but rather it has had 2 sets of Board Members and that the top of Page 30 requires to be reworded.

JT

Members noted reference on Pages 31 and 32 to work being carried out by Audit Scotland in collaboration with Wylie and Bisset, and M Yuille invited A Canning to outline that work to those present.

A Canning stated that Audit Scotland had been reviewing the governance failures of the former board members and Members noted the aim of the work is to enable Wylie and Bisset to report on governance in their annual audit report. Members also noted that it is highly likely that the Auditor General will prepare a Section 22 report for the Parliament along with the annual accounts as it is in the public interests to draw attention to the issues.

The meeting noted that the terms of reference for the work were issued earlier in day and an outline work plan was tabled. Members noted the review was taking the form of interviews and document review.

ACTION

M Yuille expressed the view that the Committee are keen to see the financial statements signed off and submitted by the 31 December deadline. S Gillon and A Canning were asked to reflect on earlier discussions on whether any of the planned work could impinge on clearing the accounts, providing full disclosure in the accounts about the particular circumstances. A Canning indicated that Audit Scotland wish to interview former board members which may prolong the work, and agreed to reflect on this over the next couple of days and undertook to advise whether work can be carried out to allow finances to be submitted.

G McGuinness queried whether there was any flexibility in the submission date of 31 December. T Elliott indicated that she had queried this with SFC, who had advised that in exceptional circumstances they have accepted financial accounts where there has not been full sign off available. A Canning indicated that Audit Scotland were of the view that the date for laying of accounts before Parliament was the end of April and S Gillon concurred. M Yuille stated that it would be helpful to have, in writing from SFC, that they would be content to accept the accounts with Auditor Statements. S Gillon stated he would be willing to provide a statement on the finances.

TE

SG

S Heidinger referred to the last paragraph on Page 29 and queried the reference to the Board of Management reviewing the risk management process. J Thomson outlined the work carried out the on risk register.

S Gillon stated that if T Elliott could speak to SFC regarding the submission deadline then a decision could be taken on whether on what would need to be done to move the accounts forward.

TE

The Audit Committee noted the Financial Statements for the 16 month period ending 31 July 2015.

15.14 **EXTERNAL AUDITOR'S DRAFT REPORT FOR 2014/15 INCLUDING LETTER OF REPRESENTATION**

M Yuille invited S Gillon, Wylie and Bisset, to talk to the report issued with the agenda.

S Gillon reported that Wylie and Bisset had been appointed by Audit Scotland as External Auditors from August 2013 to March 2016 and outlined the work undertaken on the financial statements for the period ended 31 July 2015.

ACTION

S Gillon reported that any deviations found during fieldwork were adequately explained and there is no impact on FRS18 and there has been no adjustment to the numbers.

S Gillon referred to Page 3 which details the overall opinions and Members noted the caveat due to ongoing work, S Gillon stressed that the key message, if the financial statements are taken out of equation, is that the audit work went very smoothly and Wylie and Bisset are proposing unqualified audit statements.

S Gillon then highlighted Page 4, which details 3 recommendations and drew Members' attention to item 3.3. S Gillon reported that the process this year went very well which aided efficiency. To that end he wished to formally record thanks to the finance staff. S Gillon noted that typos remained to be corrected.

S Gillon then referred to section 4.5 on page 13, and confirmed that testing had been undertaken to ensure that Wylie and Bisset were independent from the College.

Those present noted that Section 5 of the report cannot be completed at present due to the additional work being carried out with Audit Scotland.

S Gillon indicated that Section 6 outlines the conclusion that the College has an adequate approach to fraud detection. In response to a query from M Yuille, T Elliot confirmed that the College has a Fraud Response Plan and would ascertain if the College had a Fraud Policy.

TE

Those present noted the contents of Sections 7 and 8 of the report.

S Gillon informed the meeting the Letter of Representation is contained in Appendix 3 of the report and confirmed that the letter is a standard format. Members noted that Appendix D details conclusions on risks. S Gillon indicated that Wyle and Bisset are satisfied with the mitigating actions for the risks.

ACTION

G McGuinness sought and received confirmation that the Corporate Governance Statement may not be concluded until such times as the additional audit work is concluded. G McGuinness queried whether the governance review had been approved by the Board Chair. A Canning indicated that the Auditor General has been looking at sector wide governance issues; however, given recent events it was deemed necessary to carry out more work on the governance issues within the College. E Harris informed the meeting that a meeting had taken place with Audit Scotland, Wylie and Bisset, the Board Chair and the Executive Management Team to discuss this additional work. E Harris reported that the Board Chair has received a copy of the terms of reference and has responded positively to the proposals.

M Yuille indicated that it would be helpful to see the terms of reference, and E Harris indicated that those could be shared once clarification on list of interviewees was received.

EH

S Heidinger queried the reference on Page 23 to the maintenance of the website being the responsibility of the Board of Management. S Gillon stated that this was a standard statement of responsibility relating to publication of financial statements on websites and undertook to ascertain the background to the statement being included in such reports.

SG

The Audit Committee noted the External Auditor's draft report for 2014/15 including the letter of representation.

15.15 RISK MANAGEMENT REPORT

M Yuille referred to the Risk Management Report and stated that the policy needs to be amended to reflect risk appetite in accordance with the Code of Good Governance. M Yuille requested that an update be brought to the next Audit Committee meeting. M Yuille stated that the Risk Management should be a standing item on the Board of Management Agenda. J Thomson confirmed that it is on the Board agenda.

JT

Discussion then moved to each individual risk. M Yuille queried the first risk and indicated whether it was actually a consequence of other risks such as National Bargaining. M Yuille suggested other risks to be considered such as failure to recognise issues arising from MIS, Cyber attacks, strike actions, reliance on single large contacts, hazard risk process.

JT

ACTION

J Thomson confirmed that strike action is contained under industrial actions and that Risk 12 covers MIS issues, and hazard risks are contained under Risk 21. J Thomson agreed to bring the health and safety risk register to the next Audit meeting.

JT

M Yuille queried whether Risk 10 was now “business as usual”. E Harris countered that depreciation is a huge risk for the College finances. T Elliott concurred stating that the risks are both intra and inter-regional and Members noted that a Reclassification Implementation Group has been set up recently, including representatives from the Government and SFC, to talk through those emerging risks.

In response to a query from S Heidinger regarding re potential risk to funding once the Regional Board attains fundable status, T Elliott confirmed that the risk had been noted and mitigating action put in place.

M Yuille suggested that it would be useful to look at the risks and consider whether they are actually consequences of these risks to identify the core risks. The smaller risks could then be cascaded down through the organisation management levels which would help drive risk management throughout the College. M Yuille suggested that a future meeting should look at this item in more depth.

JT

M Yuille queried why there was no reference to the risk relating to the Principal’s suspension. E Harris indicated that the risk had been removed recently and explained that the risk had been identified as being owned by the Board given that the Senior Management Team were unable to take any mitigating actions.

The Audit Committee noted the College’s Risk Register.

15.17 **CODE OF GOOD GOVERNANCE FOR SCOTLAND’S COLLEGES**

J Thomson informed the meeting that the Code of Good Governance for Scotland’s Colleges had been issued by the Scottish Funding Council in December 2014 and is an essential document within the governance arrangements and compliance is part of the conditions of funding grant.

Members noted that the Committee remit has been updated to reflect the content of the Code.

ACTION

The Audit Committee noted the Code of Good Governance for Scotland's Colleges and the requirement to comply with its contents.

15.18 REVIEW OF PAPERS

Those present were asked to comment on the content and format of the Committee papers.

J Thomson indicated that a page was missing from the hard copy of the annual report.

Members were content with the papers.

15.19 ANY OTHER BUSINESS

There were no other items for discussion. M Yuille indicated that going forward the agenda would be approved by him before issue so there would be no requirement for this agenda item.

JT

15.20 EQUALITIES IMPACT ASSESSMENT ON DECISIONS MADE

No decisions were taken that had an equalities impact.

DATE OF NEXT MEETING

4.30 pm in 9 March 2015, Boardroom, Langside Campus.

M Yuille thanked everyone for their attendance and closed the meeting at 6.00 pm.