

**NOTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON 22 MAY 2019, 4.30PM, THE BOARDROOM, LANGSIDE CAMPUS**

PRESENT:

David Watt	Committee Chair
Keith Rosser	Board Member
Clare Walker	Board Member (Until the end of Item 19.18)
Michael Payne	Board Member
Fiona Robinson	Board Member

IN ATTENDANCE:

Jon Vincent	Principal (Until discussion on Item 19.16)
Janet Thomson	Vice Principal Resources and College Development
Tracy Elliott	Assistant Principal - Finance and Infrastructure
Gary Devlin	Scott Moncrieff (External Auditors)
Stuart Inglis	Henderson Loggie (Internal Auditors)
Gillian Murray	Clerk to the Board (Minute Taker)

19.12 WELCOME AND APOLOGIES

The Committee Chair welcomed everyone to the meeting. S Inglis attended on behalf of the College's Internal Auditors (Henderson Loggie), and G Devlin attended on behalf of the external auditors (Scott Moncrieff).

19.13 DECLARATIONS OF INTEREST

No declarations of interest were received.

19.14 MINUTES OF MEETING HELD ON 27 MARCH 2019

The Minutes were accepted as a true and accurate record of events.

19.15 MATTERS ARISING – ACTION GRID

Updates were given on all of the matters arising.

J Vincent provided an update on the Corporate Parenting Legislation and the Committee noted the delays in that legislation coming into force.

J Thomson informed the Committee that the Student Welfare/Duty of Care Internal Audit Report had been updated following the last meeting, the subsequent clarification provided by D Marshall in relation to 'self-care support scheme' for staff – a copy of the Report was circulated, and the changes highlighted.

Under 19.05 and Partnership Working, G Devlin informed the Committee that he did not think it was appropriate that he endorsed any particular firm who could provide the services discussed at the last meeting.

J Thomson provided an update on the progress of the implementation of standard HR procedures across the College. The Committee noted the progress in the completion of two of the procedures with some others being worked upon. The Committee noted that a full update would go to the Organisational Development Committee. The Committee requested that updates continue to be brought to the Audit Committee and that the action is placed on the Internal and External Audit Rolling Action Plan. JT

J Vincent provided an update on the procedure for PVG Checks outlining that Disclosure Scotland would notify the College as an interested party should a staff member or student receive any related conviction after the initial PVG Check had been carried out. The Committee noted the procedure.

The Committee Chair provided an update on a recent meeting of the Audit Committee Chairs (within the Region) and informed the Committee that the Minute from that meeting would be circulated in due course. A key item for discussion had been the risks from the external environment of the College sector and the need to refine the mitigation actions around lobbying and political pressure to reduce the constraints of the funding model. The Committee noted the Matters Arising Action Grid.

**19.16 INTERNAL AUDIT REPORTS
BUDGETARY CONTROL**

S Inglis was invited to provide an overview of the Budgetary Control Audit Report, which had been circulated with the papers. S Inglis took the Committee through the Report, outlining the Scope, Objectives and Findings. S Inglis informed the Committee that the Level of Assurance had been assessed as Satisfactory and he outlined the strengths and weaknesses.

The Committee discussed the Report. Extensive discussions took place around the Staff Budget Variances. In response to a query from a Committee Member, T Elliott explained that around £200k of variance was due to the ongoing discussions with EIS regarding the cost of living award for lecturers. T Elliott explained that, although not agreed, figures had been updated to take account of the latest offer on the table from the Employers' Association on the basis that it was unlikely that the final agreement would be any less than the latest offer. The Committee highlighted the need for the College management to drill down into the information to understand the reasons for the staff budget variances. The need for more detailed reports from the HR system was discussed. The importance of better training for the wider College staff on coding was emphasised. Discussions took place around the underlying issue of the size of the Finance team, with the Committee being informed that the team had come out as being relatively small in a recent benchmarking exercise. The Committee noted that the benchmarking had taken place against English, Welsh and Northern Irish Colleges, none of which have two effective annual financial reporting year-ends.

The Committee requested a change to the Management Response in relation to Objective 5 (Staff Budget Variances). The Response should be updated to include reference to a new process (for accurate and timely reporting) being developed by 31 December 2019. The Committee requested that an update on the new process be brought to the next Audit Committee Meeting JT

In response to a query from a Committee Member, the Committee received an assurance that a Budget Holder cannot request a purchase order and also authorise it on the finance Tech1 system.

The Committee sought assurance that the overall budgetary control framework was sufficient going forward in light of the tight financial framework. S Inglis was of the view that the framework was better than in smaller Colleges and similar to those of a similar size. Whilst acknowledging the current framework, S Inglis agreed that an improved process on analysing staff budget variances should be put in place. G Devlin acknowledged the strength of the finance team and their effectiveness.

The Committee thanked S Inglis for the report.

SYSTEMS DEVELOPMENT/IMPLEMENTATION

S Inglis was invited to provide an overview of the Systems Development/Implementation Audit Report, which had been circulated with the papers. S Inglis took the Committee through the Report, outlining the Scope, Objectives and Findings. S Inglis informed the Committee that the Level of Assurance had been assessed as Satisfactory, outlining the strengths and weaknesses. S Inglis informed the Committee that whilst there had been a few objectives graded as 'satisfactory' there were only two recommendations which would address the points across all of the objectives.

The Committee discussed the Report. The Committee discussed the reference to 'overview guide' in the Management Response to Recommendation 1 and whether or not this was strong enough to reinforce the mandatory nature of the underlying process.

In response to a query from a Committee Member, S Inglis explained the scale of the use of alternative documentation, informing the Committee that these instances were mainly attributable to smaller projects. The larger the project, the more likely the requisite documents had been completed.

The Committee thanked S Inglis for the Report.

J Vincent left the meeting

PERFORMANCE REPORTING/KPIs

S Inglis was invited to provide an overview of the Performance Reporting/KPIs Audit Report, which had been circulated with the papers. S Inglis took the Committee through the Report, outlining the Scope, Objectives and Findings. S Inglis informed the Committee that the Level of Assurance had been assessed as Satisfactory, outlining the strengths and weaknesses.

The Committee discussed the Report. The Committee observed that there had been a step change in the quality of KPI information being reported in recent years. The Committee discussed the timing of KPIs coming to the Board and Committee and whether or not this was sufficient. S Inglis observed that the timing of reporting is similar to other Colleges.

The Committee requested that the Management Response to Recommendation 2 is changed to provide the Board with a copy of the KPIs and the other reporting information referred to prior to the October Board Development Session. JT

The Committee thanked S Inglis for the Report.

19.17 INTERNAL AUDIT 2018/19 PLAN PROGRESS and PLAN FOR 2019/20

The Chair invited S Inglis to speak to the Report issued with the Agenda.

S Inglis outlined the progress against plan for 2018/19 and the Internal Audit Plan Schedule for 2019/20. The Committee discussed the Schedule. Discussions took place around the relevance of an Audit restricted to International Activities given that the current level of International Activity is very limited. The Committee agreed that there should be a focus on Commercial Activity and considered a further Audit on Business Development with a widened scope to include International Activity.

The Committee discussed Business Continuity and the level of Risk associated with that.

The Committee agreed that the Plan should be discussed further with Management and brought back to the Committee at its next meeting. JT

The Chair thanked S Inglis for the update.

19.18 EXTERNAL AUDIT PLANNING MEMORANDUM FOR 2018/19

G Devlin was invited to present the Report issued with the Agenda.

G Devlin took the Committee through the External Audit Planning Memorandum for 2018/19 outlining key aspects of the report including the Materiality, Key Audit Risks, Wider Scope Audit and the Wider Scope Significant Risks. G Devlin also outlined the fees for the External Audit.

The Committee discussed the Report. During discussion on the Key Audit Risks in the Financial Statements, G Devlin outlined the use of data analytics to detect Management override. The Committee discussed the Estate and G Devlin emphasised the requirement for an impairment review. The committee noted the Key Audit Risks.

The Committee discussed the Wider Scope Significant Risks. G Devlin emphasised that the commercial income growth is a high-risk strategy given the level of growth planned. The Committee discussed Voluntary Severance. G Devlin informed the Committee that the College has a relatively high level of risk at this stage from an External Audit perspective, having less developed cost saving plans than some other Colleges, which he is aware of.

C Walker left the meeting.

The Committee approved the External Audit Plan.

19.19 CERTIFICATE OF ASSURANCE

J Thomson was invited to speak to the Report issued with the Agenda.

J Thomson outlined the process for the signing of the Certificate of Assurance, reminding the Committee that it was a pyramid process. In response to a query from a Committee Member, J Thomson informed the Committee that there had not been any feedback from GCRB.

The Committee noted the Report.

19.20 COLLEGE ASSURANCE FRAMEWORK

J Thomson was invited to speak to the Report issued with the Agenda. J Thomson took the Committee through Scott Moncrieff's Summary of Changes to the Scottish Government Audit Committee Handbook.

The Committee discussed the Changes to the Audit Committee Handbook. The Committee discussed the development of an Assurance Framework and requested that this be brought to the November Committee meeting with an interim update at the next meeting. JT

The Committee discussed the potential changes to the Remit of the Committee and requested that a revised remit be brought to the next Audit Committee meeting. JT

The Committee noted the Report.

19.21 COLLEGE STRATEGIC RISK REGISTER

J Thomson was invited to speak to the Report issued with the Agenda. J Thomson took the Committee through the Risk Register highlighting the changes since the last meeting.

The Committee discussed the Strategic Risk Register. The Committee discussed Risk F1 and agreed that the mitigating actions should be updated to reflect that there is a detailed plan and pipeline report for Commercial Income Growth. JT

During discussion on Risk F2 the Committee observed that if the Risk Score after mitigating actions was 15, perhaps more mitigating actions, or sharper ones, need to be put in place to reduce the score. The Committee discussed the importance of having contingency plans rather than 'discussions', for example, specific costs savings plans per department and agreed by the Principal. JT

The Committee thanked J Thomson for the update.

19.22 INTERNAL AND EXTERNAL AUDIT ROLLING ACTION PLAN
T Elliott was invited to speak to the Report issued with the Agenda. T Elliott took the Committee through the Report inviting questions on any items therein.

The Committee thanked T Elliott for the update.

19.23 EQUALITY IMPACT OF DECISIONS MADE
None.

19.24 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 as per their indicated status on the papers with the exception of Items 19.21, which should be published after it has been to the Board and 19.16 after the agreed amendment. In relation to Item 19.19, only the high level Certificate of Assurance needs to be published.

19.25 ANY OTHER BUSINESS
None

DATE OF NEXT MEETING

Wednesday 2nd October 2019 at 4.30pm, the Boardroom, Langside Campus.