

## **NOTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 23 NOVEMBER 2022 AT 4.30PM.**

The meeting was held at Langside Campus.

### **PRESENT:**

David Watt	Committee Chair
Fiona Godsman	Committee Member
Margaret Swiderska	Committee Member
Sunita McKenna	Committee Member

### **IN ATTENDANCE:**

Jon Vincent	Principal
Janet Thomson	Vice Principal, Resources & College Development
Tracy Elliott	Assistant Principal, Finance and Infrastructure
David Archibald	Henderson Loggie, Internal Auditor
Gary Devlin	Azets Accounting Services, External Auditor
Adrian Kolodziej	Azets Accounting Services, External Auditor
Scott Renton	Head of ICT (for Item 22.62 only)
Kirsty Mavor	Clerk to the Board (Minute Taker)

## **ACTION**

### **22.49 WELCOME AND APOLOGIES**

D Watt welcomed everyone including F Godsman who was attending her first Audit Committee meeting. Apologies were noted from M Payne, C Walker and J Olatoke.

### **22.50 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **22.51 MINUTES OF MEETING HELD 28 SEPTEMBER 2022**

The Minutes were agreed to be an accurate record of the meeting.

### **22.52 MATTERS ARISING – ACTION GRID**

The Committee noted the updates on the Action Grid with most of the actions either complete or on the agenda. With regard to action 21.38 the Committee was advised that this action remained open while discussions with the Unions were ongoing.

### **Items for Discussion/ Decision**

#### **Systems of Internal Control**

### **22.53 FINAL INTERNAL AUDIT ANNUAL REPORT 2021/22**

D Archibald of Henderson Loggie spoke to this item and confirmed his opinion that the College has adequate and effective arrangements for risk management, control and governance and proper arrangements are in place to promote and secure value for money.

He also confirmed that all of the internal auditor's work conducted in 2021/22 assessed systems as either 'Good' or 'Satisfactory'. The Report does highlight a point of exception within the Education Maintenance

Allowance (EMA) audit relating to an over-claim (since corrected) in 2021/22 of £2,040. However, this did not impact on their overall internal audit opinion of an unqualified audit opinion.

Two Business Process Reviews were carried out during 2021/2 that do not have an overall grading. However, there was good engagement across the College on this work and the Committee noted that, as previously agreed, a further update will be provided at the March 2023 meeting.

The Committee welcomed the positive internal audit report and supported the auditors' appreciation of the level of engagement from the Finance team and other staff across the College.

The Committee noted the report.

#### **2021/22 STUDENT ACTIVITY DATA AUDIT REPORT**

- 22.58** The next two items were considered earlier in the Agenda with D Archibald speaking to this Report. An audit of student activity data is required at the end of the academic session to verify student activity data against the SFC target. The Committee was pleased to note the report contained no recommendations.

#### **2021/22 STUDENT SUPPORT FUNDS AUDIT REPORT**

- 22.59** D Archibald spoke to this Report and indicated that Henderson Loggie were able to certify all student support fund statements for the year and submit them to the appropriate bodies. All statements were submitted without reservation or qualification except for a minor reservation in respect of the EMA return relating to a low value claim adjustment. This had been rectified by the College shortly after the year end.

The Committee discussed the detail of the Report and noted that there were no recommendations. With regard to the minor reservation in respect of the EMA return, the Committee asked for clarification of how this was discovered and whether any additional controls were required.

**TE**

The Committee noted the Report.

#### **22.54 DRAFT ANNUAL REPORT FROM AUDIT COMMITTEE TO BOARD OF MANAGEMENT**

J Thomson spoke to this with the presentation of the report amended to align with the headings in the Committee's remit. The Committee confirmed that it was satisfied as to the adequacy and effectiveness of the College's internal financial and management systems as reviewed by internal audit and external audit for the financial period 2021/22. Subject to a section being added on the Climate Change Action Plan reflecting the amended Committee remit, and other minor changes being made, the Committee approved the report for submission to the Board of Management.

### **Financial Reporting**

## **22.55 DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2022.**

J Thomson advised that work has been undertaken to improve the presentation style of the Annual Report and Financial Statements. This was welcomed by the Committee, but it was agreed that this should be an ongoing exercise so that the Report in particular continues to be engaging for the reader.

T Elliott took the Committee through the various elements of the draft report and financial statements for the year to 31 July 2022.

For the twelve-month period from August 2021 to July 2022, the College is reporting a deficit of £3,873k. Actuarial gains on Defined Benefit Pension Plans for the period were £35,647k and there was an unrealised surplus of £2,685k on Revaluation of Land and Buildings. Therefore, the Total Comprehensive Income for the period is reported as £34,459k.

After adjusting for non-cash items that are outside the control of the College, such as pensions and net depreciation, the adjusted operating position for 2021/22 is a surplus of £786k, the equivalent of 1.5% of total income.

The Committee discussed the detail of some of the wording in the report and suggested changes before the Report is submitted to the Board. In particular, it was agreed that the order of elements of the Report should be adjusted and the wording in relation to the financial sustainability of the College should be strengthened. Further, the related party transactions section should be shared with the Clerk to check accuracy with Board members.

**TE/KM**

The Committee expressed its thanks to the College's Finance team for all the work behind the Report and Financial Statements. Subject to the suggested changes being made, it was agreed that the Report should be submitted to the next meeting of the Board of Management for approval.

## **22.56 KEY ACCOUNTING JUDGEMENTS**

T Elliott took the Committee through the report which provided information in relation to the key accounting judgements in respect of the 2021/22 Financial Statements. This covered adoption of the going concern basis for the preparation of the financial statements, income recognition, valuation of tangible fixed assets, provisions and the accounting for the actuarial valuation of the College's element of the Strathclyde Pension Fund.

The Committee discussed in detail the assessment of the going concern basis in the financial statements, particularly in terms of the longer-term financial sustainability of the College.

The Committee noted that the Scheme Actuary's valuation for the College's share of the assets and liabilities in Strathclyde Pension Fund, on the basis of the assumptions being adopted by the College resulted in a favourable movement from net liabilities of £12.2million in the prior year to a net asset of £20.2million. The Committee noted that the approach adopted in the draft

financial statements was to recognise the net pension asset in full.

In assessing the adoption of this position, the Committee noted that the terms of the Financial Reporting Standard required that it was more likely than not that there would be a probable inflow of economic benefit from the asset to the College, most probably through a reduction in future employer contributions to the pension scheme. The External Auditors emphasised the balance of judgements involved in these circumstances.

The Committee was of the view that the technical analysis in the section of the Key Accounting Judgements paper need to be strengthened. This would involve further discussions with the External Auditors and with the Scheme Actuary.

**TE/JT**

It was agreed that this matter should be drawn to the Board's attention through the regular report from the Committee.

## **22.57 DRAFT EXTERNAL AUDIT ANNUAL REPORT FOR YEAR ENDED 31 JULY 2022**

G Devlin presented the report which was prepared by Azets Audit Services as the College's External Auditors. The Committee noted that the report proposes an unqualified audit opinion on the 2021-22 financial statements, an unqualified opinion on regularity and an unqualified opinion on other prescribed matters.

The Committee further noted that the draft report contains considerable analysis of the College's future financial projections, in particular the scale of deficit in future years if there was not appropriate remedial action.

In consideration of the draft report, Azets also drew the Committee's attention to the College's reserve cash position and the fact that the College regularly exceeded its own reserve cash policy of maintaining 15 days of baseline cash. It was agreed that it may be worthwhile for the Board to review this.

**KM**

The External Auditor confirmed that there were no other matters to draw to the College's attention and their view was that, overall, the College was well governed and well managed.

G Devlin confirmed that the College's Finance Team continue to provide high quality draft financial statements and working papers in a timely manner and expressed thanks to the Finance team for its help and support throughout their appointment as external auditors.

The Committee noted that it was content with the draft report, subject to some minor changes being made. As this was the last annual report from Azets, the Committee recognised their work and how the support and level of challenge had benefited the College.

The Committee endorsed the signing of the related letter of representation by the Chair of the Board of Management and the Principal.

**22.58 STUDENT ACTIVITY DATA AUDIT REPORT 2021/22**

**22.59 STUDENT SUPPORT FUNDS AUDIT REPORT 2021/22**

Both of these items were considered earlier in the Agenda.

**Governance and Risk Management**

**22.62 CYBER SECURITY UPDATE**

This item was brought forward to allow S Renton to join the meeting and provide his update. He confirmed the College had achieved re-certification for Cyber Essentials Plus on 12 October 2022, with little or no remediation actions on the College's part. The fact that little remediation was required gives some assurance regarding the College's strong Cyber security position and efforts to maintain defences.

Background information was given regarding cyber-attacks in October 2022. S Renton also advised that the College has started to obtain quotes for insurance against cyber-attacks for the next twelve-month period and an update will be provided in the next Cyber Security Report to the Committee.

The Committee thanked S Renton for attending the meeting and recognised the efforts of ICT in obtaining the Cyber Essentials Plus Accreditation.

**22.60 COLLEGE STRATEGIC RISK REGISTER**

J Thomson presented this report and advised that of the thirteen risks, three have a high residual risk score after mitigating actions, five have a medium residual risk score and five have a low residual risk score.

The three areas with high residual risk scores are the same as reported at the last meeting (i) implications of national bargaining and possible negative impact on employee relations (ii) failure to manage financial sustainability through the period of the financial plan- and (iii) failure to achieve SFC credits target and clawback of funding. For risks 1 and 2, the residual risk score is above the College's Risk Appetite of 'Open'. The Committee recognised that there are limited mitigating actions that can be taken in relation to risk 1 but recognised the importance of maintaining constructive relationships as part of the national process. About risk 2, it was noted that further reports on steps being taken by the College will be provided to both the Finance and Resources Committee and the Board.

The Committee thanked J Thomson for the update.

**22.61 CLIMATE CHANGE ACTION PLAN UPDATE**

J Thomson presented this item and updated the Committee on progress up until 14 November 2022. As requested, further information was provided on emissions data monitoring and the race to net zero. It was agreed that this further information was helpful but could be simplified for the next meeting. The Committee was pleased to note significant progress against the actions and thanked J Thomson for her efforts in this area.

**22.62 CYBER SECURITY UPDATE**

This item was considered earlier in the Agenda.

**22.63 ITEMS FOR INFORMATION AND NOTING  
INTERNAL AND EXTERNAL AUDIT ROLLING ACTION PLAN**

The Committee noted the report.

**22.64 JULY 2022 STRATHCLYDE PENSION FUND ACTUARIAL VALUATION  
REPORT – ACCOUNTING ASSUMPTIONS**

The Committee noted the report which informed discussions earlier in the Agenda.

**22.65 AUDIT COMMITTEE SCHEDULE OF WORK 2022/23**

The Committee noted the schedule of work. The Committee agreed with the proposed amendments to its own remit to include the Climate Change Action Plan and noted that the remit will be considered by the Board.

**22.66 PRIVATE MEETING WITH INTERNAL AND EXTERNAL AUDITORS**

J Vincent, J Thomson and T Elliott left the meeting whilst the Committee met with the Internal and External Auditors. D Watt undertook to discuss suggestions made with the Principal.

**22.67 ANY OTHER BUSINESS**

There was no other business.

**DATE OF NEXT MEETING**

4.30pm on Wednesday 8 March 2022.  
via teams.