

**South Lanarkshire College
Audit Committee (Board of Management)
Held on 17th February 2020**

Present Lesley Glen (Chair)
Paul Hutchinson
Yvonne Johnston

In Attendance Stewart McKillop
Aileen McKechnie
Angus Allan
Keith McAllister
Angela Martin
Elizabeth Young – Scott-Moncrieff (Internal Auditor)

1. Declarations of Members' Interests

Mr McKillop declared his membership of The Lanarkshire Board.

2. Minutes of the Previous Meeting

The Minute of the meeting held on 4th November 2019 had already been agreed by the Chair and the Board of Management.

3. Matters Arising

Update on Consolidated Accounts – the Principal stated that at the instruction of the Board of Management a number of points had been raised with both Mazars and the Regional Strategic Body. Somewhere in the region of 70% of the requested changes were made but a number had not been, although he did note that the term “group” had been changed in the narrative to the accounts at SLC’s request.

Members raised their concerns that the overall Accounts remained consolidated with no extraction of notes to the accounts specific to New College Lanarkshire in many pertinent cases. Members also remained uncomfortable that the performance indicators for the two colleges were not reported individually and only show as an overall picture for the Region. Whilst the PIs were individually available, they had been consolidated for the narrative in the accounts.

Members felt this was to the disadvantage of SLC as it veiled the success of the College and also disadvantaged the RSB members as it was unclear as to each college’s performance.

Members discussed the way forward and asked that a watching brief be in place with regular reports back to the Committee and Board

4. Finance Manager's Report

Risk Management

The Committee had been provided with the College summary and detailed Risk Registers as at 16th January 2020 and the commentary thereon. A copy of the most recently available Regional Risk Register had also been provided.

The Risk Management Group had reviewed the College's Risk Register on 16th January 2020 as part of its ongoing programme. Mr McAllister stated that the Register was reviewed line by line, with all narrative and scoring being examined. Whilst there were some changes in minor controls and actions planned noted, there was only one change in scoring. This was in regard to Corporate Governance where the bedding in of the agreement of the Memorandum of Understanding by the Boards of Management of the College and The Lanarkshire Board allowed a further decrease in scoring, although the residual risk remained at Medium.

Discussion took place regarding the collaborative work being carried out by the Senior Management Teams of SLC and NCL with members noting the positive impact of the appointment of the new Principal at NCL upon this. Members welcomed this move forward.

One risk remained ranked as High, on the long-term financial stability of the organisation. As previously reported, this ranking reflects the reliance the College currently has on (a) the general future core funding of the sector, and (b) the significant degree of core funding supported by EU monies which will only continue until financial year 2021/22. This risk has been highlighted to the Finance Committee and the Board in their consideration of the 5-year Financial Forecasting Return that was submitted to the Scottish Funding Council in September 2019.

Members noted that the Scottish Government is currently hosting a series of consultation events on the loss of EU funding and what, if anything, should replace it should appropriate funding be made available. The Sector as a whole, has been told that overall activity is expected to decrease over the current five-year forecasting period; this has been factored into the College's 5-year financial forecast.

Whilst the College is still anticipating a balanced budget for the 2019/20 financial year, this will require the careful monitoring of salaries and the maximising of commercial opportunities. It was acknowledged that the situation required to be monitored at the highest level to ensure that any potentially damaging issues could be dealt with promptly.

Members noted that, once again, the income associated with National Collective Bargaining would not fully cover the liability to the College. Whilst it is anticipated that the majority of costs associated with harmonisation and job evaluation will be covered, those associated with the cost of living awards would not.

The Principal advised the Committee on the Job Evaluation process agreed for support staff salaries and the delays that had occurred. He reminded members that these delays had caused the SFC to recall the allocated funding to colleges until the process was completed.

With regard to capital, the College is happy with the present allocation. All monies awarded to the dilapidation fund have now been agreed, with all tenders in place. A copy of the projects and the funding allocation is being drawn up for the new Principal.

The Principal reminded members that the College had met its core and ESF activity targets for the 2018/19 session, including the allocation of activity from its Regional partner. The SFC has intimated that colleges would have to forego income in 2019/20 where they did not meet their activity target. Colleges were asked to report in January if they thought that their activity would fall short of target and this could then be redistributed; the Principal was pleased to report that the College would meet its target comfortably and members noted that the College had advised SFC that it would be able to absorb additional credits should they become available.

Mr McAllister stated that he had met with the College's insurance contact in January to discuss the arrangements for disaster recovery should a significant area of the College be lost.

Discussion ensued as to how disaster recovery was being considered across the Sector and what would be the role of SFC, if any. Mr McAllister stated that at present no clear message had been given in regard to support and, to this end, a cost of cover for loss of core grant in aid had been requested from the College insurers. Discussion took place regarding support which had been given by SFC for major disaster recovery at other institutions and the understanding that all would be done by SFC to support and minimise the impact on the learner experience.

Regional Strategic Risk Register – this had been distributed to members for information. The Committee had enquired whether there was a separate risk register for NCL but they were informed that only the joint regional register existed.

Members then sought clarification as to the impact a major disaster at NCL would impact on the funding for SLC. The Principal stated that this could indeed be an issue as SFC allocate funding to the Region as opposed to the individual partners however, with the growing and open dialogue between the two colleges, it was perhaps not as much of a threat as previously.

Internal Audit

Ms Young of Scott-Moncrieff was in attendance to present Internal Audit Reports on –

- Educational Maintenance Allowance (EMA) Return
- Risk Management
- Progress Report

Educational Maintenance Allowance for the period from 1st August 2018 to 31st July 2019 - no areas of concern had been highlighted and the return had been formally submitted by Scott-Moncrieff to the Funding Council on 19th December 2019.

Members noted and approved the content of the return.

Risk Management – February 2020 – Ms Young stated that this was an excellent report. She added that the Risk Management systems in the College are well designed and robust and that the two management action points are minor housekeeping issues.

Members asked how the College's system compared to other across the Sector and Ms Young stated that it was very much a leader and proportionate to the needs of the College.

Discussion on the consideration of Risk Appetite and when this was last audited took place. Members suggested that this may be an area for consideration at the Board Training Day in June. It was agreed that Ms Martin would take this forward to Mr Kerr.

The Principal took members through the entire process and how it feeds up from the different Operational Plans across the College. Ms Young stated it was a mature and embedded process that was working well.

Members welcomed the content of the report and the overall feedback on the Risk Management systems.

2019/20 Internal Audit Plan – Progress Report – February 2020 – three audits have been completed: risk management, credits and student funding.

Members enquired if anything had been highlighted during these audits that would suggest that any changes may be needed to the Audit Plan going forward. Ms Young stated that this had not been the case.

Consolidated Financial Statements ~ Annual Audit Report (draft) to the Board of Management and the Auditor General for Scotland – New College Lanarkshire – Year ended 31st July 2019

Mr McAllister had included a copy of the document for information. The report was noted by members.

5. Quality Audit Group

The College's Quality Audit Group undertakes a range of reviews throughout the year, concentrating on academic courses but also review areas such as the College's EMA provision. Members noted the detail of the QAG Audit Programme Matrix for 2018/19 which gave all completion dates and results.

A copy of the Audit Programme Matrix for 2019/20 had been distributed and members were asked to note the inclusion of a review entitled 'Student Experience - Learner Journey' which had been requested by the Audit Committee. Members welcomed this information.

6. Other Audits – Skills Development Scotland (SDS)

SDS undertake several audits throughout the course of their funded training programmes which are delivered by the College. Compliance audits on the Modern Apprenticeship and Employability Fund programmes took place in October 2019. Only very minor issues were noted and none which resulted in any financial clawback.

Members noted the detail of the audit reports.

7. Audit Scotland – Technical Bulletin 2019/4

An extract of relevant items had been distributed to members. Mr McAllister drew members' attention to the section on fraud and irregularities and asked them to note the College staff's attendance recently at Fraud Seminars hosted by Royal Bank of Scotland and New College Lanarkshire.

Members discussed the importance of keeping staff vigilant and well informed. The Principal highlighted that sessions were being run on Fraud Awareness as part of the next Staff Development Day in March 2020.

Discussion ensued with regard to attempted and actual acts of fraud across the Sector and whether such intelligence was held centrally with appropriate warning signals being sent out to others when any such issues occurred. It was agreed that Mr McAllister would raise this at the next local Benchmarking Group.

8. National Fraud Initiative – 2019 Matching Exercise

As a publicly funded body, the College is obligated to participate in the UK Government's matching exercise known as the National Fraud Initiative. The exercise gathers extensive information to identify potential areas of fraud both within the organisation itself and across the public sector.

The College had made its required return in respect of 2018/19 and whilst the matching exercise flagged up several areas for review, work undertaken to date by the Head of Finance and the Head of HR had revealed no issues that required further investigation. A full report would be forthcoming when review work was complete.

9. Evaluation of the Auditors

The College is periodically asked to evaluate the work of the external audit provider by either Audit Scotland or Scottish Funding Council, but this has not been mandatory each year. As good practice, the College will be undertaking a review of both internal and external audit provision via the Audit Committee.

Members had been furnished with an evaluation questionnaire devised by the Institute of Chartered Accountants of Scotland which has been completed by College staff.

Detailed discussion took place regarding the evaluation. Members welcomed the intent of the process and stressed the importance of ensuring the continued quality performance of the auditors, most especially as the initial appointment of the external audit providers was not made directly by the College.

Mr McAllister highlighted a number of issues which had arisen over the piece and members asked that a form of words be drawn up to make clear the expectations for the coming year. Mr McAllister will take this forward.

In addition, Audit Scotland's independent Audit Quality and Appointments team have now commissioned an agency to gather data from FE colleges on the external audit provision for

year end 2018/19. This has been completed by College staff and submitted. Unfortunately, the survey did not allow for a copy to be retained and the College has asked for this to be made available for the information of the Committee.

The Committee should note that some colleges in the sector have reported that the external audit providers have approached their clients with a view to increasing the fee beyond that originally agreed for the 2018/19 audit due to them utilising additional resource re the valuation of pension scheme liabilities and / or revaluation of fixed assets. To date, South Lanarkshire College has not been approached by its external audit providers in this regard, but this should be noted for the discussion of the 2019/20 audit fee.

10. Approval of Publication of Papers

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

There being no further competent business, the Chair closed the meeting by thanking everyone for their attendance, particularly the outgoing Principal and his successor.