

South Lanarkshire College

Audit Committee (Board of Management)

**Meeting to be held on
Monday 14th May 2018
at 17.30 hours in the Boardroom**

AGENDA

1. Apologies.
2. Declaration of Members' Interest.
3. Minutes of Previous Meeting 8 March 2018
4. Matters Arising.
5. Head of Finance Report
6. External Audit – year to 31st July 2018
 - Audit Strategy Plan (Appendix 1)
7. Risk Management
 - College Risk Register as at 24 April 2018
 - Summary (Appendix 2A)
 - Detailed Risk Register (Appendix 2B)
 - Commentary (Appendix 2C)
8. Public Sector Action Plan – Cyber Resilience (Appendix 3)
9. Information Security Business Risk and Impact Assessment (Appendix 4)
10. Cyber Essentials Scheme Self-Assessment (Appendix 5)
11. Other Audits
 - SDS Compliance - Employability (Appendix 6)
 - SDS Compliance - Mod. Apprenticeship (Appendix 7)
12. Audit Scotland Technical Bulletin
 - January / March 2018 (2018/1) (Appendix 8)
13. Any Other Competent Business.

South Lanarkshire College
Audit Committee (Board of Management)
Held on 14th May 2018

Present Robert Ralston
Paul Hutchinson

In Attendance Stewart McKillop (Principal)
Angus Allan
Keith McAllister
Lucy Nutley - Mazars
Ruth Holland - Mazars

1. Declaration of Members' Interests

The Principal declared his membership of The Lanarkshire Board.

2. Minutes of the Previous Meeting

The Minute of the meeting held on 8th March 2018 had already been agreed by the Board of Management.

3. Finance Manager's Report – 14th May 2018

External Audit on the Financial Statements for the 12 Months to 31st July 2018

Audit Strategy Memorandum – South Lanarkshire College – Year Ending 31st July 2018
(The document had been distributed with the papers)

Mr McAllister drew members' attention to the draft document from Mazars.

Ms Nutley stated that she would take the Committee through the document but asked that members note that from this point forward Ms Ruth Holland would be the Engagement Manager for the College. Mr Ralston stated he wished it to be understood that the Committee sought continuity and would hope that this would be the last change. Ms Nutley stated that she appreciated this and the decision had been taken as Ms Holland is locally based.

Ms Nutley then took members through the document highlighting key points. She stated that two risks had been highlighted but these were not considered to be significant.

She asked that members note, that in regard to wider scope work, in line with the Code of Audit Practice which recognised that audit work should be risk based and proportionate to the nature and size of the audited body, it had been decided that the SLC work would be carried out under the small body provision of the Code.

Mr Ralston acknowledged this but asked for assurance that an audit opinion would be provided. Ms Nutley said this would be the case and that any changes during the year which may require this to be revisited would be reported timeously to the Committee.

Ms Nutley then asked for the approval of the Fees for Audit and Other Services. After discussion with the Senior Management Team, the Committee agreed the fee of £14,100 for 2017/18.

Mr Ralston raised concern on the preparation/auditing of the Regional Accounts and a possible conflict of interest. He stated that it was not the numbers but the additional wording within the document that caused the main concerns. He stressed that South Lanarkshire College must be afforded the appropriate length of time for the wording to be agreed.

Ms Nutley stated that she had encouraged Ian Clark at New College Lanarkshire to ensure that adequate time was given in meeting with South Lanarkshire College to ensure agreement of the wording.

Discussion then took place regarding the format of the Consolidated Accounts for the Region. Members stressed the importance of both Colleges producing clear figures as individual organisations to ensure strong governance. It was asked that Ms Nutley note that in regard to the wording in documentation, the College is not part of a group but indeed a Region and the South Lanarkshire College would always produce an individual set of accounts. Ms Nutley acknowledged the comments.

Risk Management

Mr McAllister drew members' attention to the College summary, the detailed risk registers as at 24th April 2018 plus the commentary thereon.

Mr Ralston asked if the implications of Consolidated Accounts and allocation of funding were adequately considered within the Register. Mr McAllister confirmed that this was indeed the case and that this along with all risks were considered on a four to six-week cycle by the Risk Strategy Group and in turn fed back to Audit Committee and then to Board of Management.

Discussion then took place in regard to the allocation of funding for the coming year. The Principal stated that an indicative amount had been given but confirmation was still awaited from the Funding Council.

Members then noted the College's Risk Register and recommended it to the Board of Management at the next meeting on 29th May 2018.

Mr McAllister took members through the work being done by the College in the areas of cybercrime and GDPR. Members noted that the College was ahead of the process and that all staff were receiving the required training to meet the legislative needs.

Members then noted the content of Scottish Government: A Cyber Resilience Strategy for Scotland – Public Sector Action Plan 2017-18.

This document was published by the Scottish Government to set out key actions to be addressed by public bodies to ensure that they are ready for the challenges that are, and will be, posed by cyber threats. The College has its own action plan which will be monitored by College Management Groups, external bodies and come to the Audit Committee for recommendation to the Board of Management.

Mr McAllister stressed that it is a requirement of the legislation that College Boards are aware of the Strategy and the College has to report back to the Scottish Government in June 2018 on its progress in ensuring that they have minimum appropriate governance arrangements in place. The Committee welcomed the excellent work being done by the College.

Members noted the overall progress in this area and recommended the Action Plan to be considered by the Board of Management together with an update on progress.

Information Security Business Risk and Impact Assessment

As part of the work being undertaken by the College to address risks in relation to GDPR and cyber security, the College has engaged the University and Colleges Shared Services (UCSS) to undertake a Business Impact Assessment (BIA) to assist in achieving an effective threat and risk based security programme. The report had been copied to the Committee.

Mr McAllister stated that as had been expected there were a number of recommendations for the College, but the Executive Summary of the report stated *'the information risk management programme is nascent, but we found that South Lanarkshire College has an excellent foundation founded on the current IT team'*.

Discussion took place in regard to the new working practices which were being adopted: clear desk, time restrictions on screens remaining open, storage of paperwork.

The Committee noted the work being undertaken by the College to address the risks in respect of GDPR and cyber security.

Cyber Essentials and Cyber Essentials Plus

As part of the furtherance of addressing cyber security risks, the College applied for accreditation to the Cyber Essentials Scheme, which examines the organisation's arrangements in place re the potential risks to the organisation posed by the cyber landscape. This involved three stages. The first was an initial pre-assessment which identified potential gaps in the College's arrangements. The positive result from this allowed the College to undertake the second stage; a self-assessment which was reviewed by the Cyber Essentials Scheme. This self-assessment was reviewed by a certification body and the College's results were duly approved. This led to recommendation that the College move to the third and final stage. The College was duly awarded the Cyber Essentials plus award in April 2018.

Mr Allan asked that members note that the College had been the first in the UK to receive the certification. The deadline for public bodies in Scotland to achieve the accreditation is October 2018.

Members congratulated the College on this early achievement.

Additional Audits

- SDS Compliance Visit – Employability
- SDS Compliance Visit – Modern Apprenticeships

Two audits were carried out at the close of 2017 on areas of SDS-funded activity. No recommendations were received or clawbacks proposed.

Members noted the content of the reports.

Audit Scotland Technical Bulletin 2018/1

There is no specific section covering further education in this Bulletin. However, members' attention was drawn to the cross-sectoral chapter which contains some guidance on auditing developments which may be useful to the Committee.

There being no further competent business the Chair closed the meeting by thanking everyone for their attendance.

SOUTH LANARKSHIRE COLLEGE

AUDIT COMMITTEE MEETING

Monday 14th May 2018

HEAD OF FINANCE REPORT

1. Purpose & Introduction

To inform the members of the Audit Committee of developments in the area of audit and finance.

2. Executive Summary

2.1. External audit on the Financial Statements for the 12 months to 31 July 2018

Attached as **Appendix 1** is a draft of Mazars' Strategic Audit Plan. Members are asked to consider the report. Messrs. Mazars will be in attendance to deal with this item. Within the document is a proposed fee for the audit. Members are asked to consider the fee with a view to approving it if appropriate.

Members should note that it is the intention of the Regional Board not to have the financial statements of New College Lanarkshire published, but instead to submit consolidated accounts to both OSCR (as was the case re 2016/17), the Scottish Funding Council and Audit Scotland. This will not affect the situation at South Lanarkshire as the College will continue to publish its own audited financial statements.

Committee to review the strategy and the fee proposed and approve both if appropriate.

2.2. Risk Management

Attached as **Appendices 2A, 2B and 2C** are the College summary and detailed Risk Registers as at 26th October 2017, plus the commentary thereon. Members should note the work being undertaken in the areas of cybercrime and GDPR, and the narrative on the indicative grant-in-aid allocation made to the College.

Committee to review and note the College's Risk Register and to recommend to the Board of Management.
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SOUTH LANARKSHIRE COLLEGE

AUDIT COMMITTEE MEETING

Monday 14th May 2018

HEAD OF FINANCE REPORT

Executive Summary (continued)

2.3. Public Sector Action Plan 2017-18, A Cyber Resilience Strategy for Scotland

Attached as **Appendix 3** is the above document, which was issued by the Scottish Government and sets out key actions that public bodies have to address to ensure that they are ready for the challenges that are, and will be, posed by cyber threats. The College has its own action plan which is monitored by College management groups and external bodies. Any external monitoring reports will come to the Audit Committee.

Annex A lists the Key Actions and Timelines and this will be discussed at the Committee meeting.

It is a requirement that College Boards are aware of the Strategy and the College has to report back to Scottish Government in June 2018 on its progress in ensuring that they have minimum appropriate governance arrangements in place. To this end, the Action Plan will be presented to a forthcoming meeting of the Board with an update on this progress.

<p>Committee to note the Action Plan and to recommend that it be considered by the Board of Management together with an update on progress.</p>
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2.4. Information Security Business Risk and Impact Assessment

As part of the work being undertaken by the College to address risks in relation to GDPR and cyber security, the College engaged the University and Colleges Shared Services (UCSS) to undertake a Business Impact Assessment (BIA) to assist in achieving an effective threat and risk based security programme. The report is attached as **Appendix 4**.

As would be expected, there are several recommendations for the College, but the Executive Summary on page 6 states: **“The information risk management programme is nascent, but we found that South Lanarkshire College has an excellent foundation founded on the current IT team.”**

<p>Committee to note the work being undertaken by the College to address the risks in respect of GDPR and cyber security.</p>
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SOUTH LANARKSHIRE COLLEGE

AUDIT COMMITTEE MEETING

Monday 14th May 2018

HEAD OF FINANCE REPORT

Executive Summary (continued)

2.5. Cyber Essentials and Cyber Essentials Plus

As part of the furtherance of addressing cyber security risks, the College applied for accreditation to the Cyber Essentials Scheme, which examines the organisation's arrangements in place re the potential risks to the organisation posed by the cyber landscape. This involved three stages. The first was an initial pre-assessment which identified potential gaps in the College's arrangements. The positive results allowed the College to undertake the second stage; a self-assessment which was reviewed by the Cyber Essentials Scheme. This is attached as **Appendix 5**. This self-assessment was reviewed by a certification body employed by the Scheme and the College's results were duly approved.

The certification body recommended that the College move forward to the third and final stage of the process, the Cyber Essential Plus award. This was duly achieved in April 2018 with South Lanarkshire being the first College in the UK to receive this; the deadline for public bodies to achieve the accreditation in Scotland is October 2018. The College expects an audit report and this will be distributed to the Committee.

Committee to note the work the certification received by the College and its advanced state of preparation re cyber security.

2.6. Other Audits

SDS compliance visit – Employability (Appendix 6)

SDS Compliance visit – Modern Apprenticeships (Appendix 7)

Two audits were carried out at the close of 2017 on areas of SDS-funded activity. No recommendations were received or clawbacks proposed.

Committee to note that there were no recommendations for action.

2.7. Audit Scotland Technical Bulletin 2018 / 1

Attached for information as **Appendix 8** is the most recent Bulletin. Papers include the cross-sectoral chapter as this contains some guidance on auditing developments which may be useful for the Committee. There was no specific section covering further education in this Bulletin

Committee to note the pertinent guidance notes contained in the Bulletin.