

**South Lanarkshire College**  
**Audit Committee (Board of Management)**  
**Held on 15<sup>th</sup> May 2017**

**Present** Robert Ralston (Chair)  
Pauline Robertson  
Paul Hutchinson

**In Attendance** Stewart McKillop (Principal)  
Anne Smith – Scott Moncrieff (internal audit)  
Lucy Nutley – Mazars (external audit)  
Angus Allan  
Keith McAllister

**Apologies** Angela Martin

**1. Declarations of Members' Interests**

Ms Robertson declared her interest as Contracts Manager of CITB, and Mr McKillop declared his interest as a member of The Regional Strategic Board.

**2. Minutes of the Previous Meeting**

The Minute of the meeting held on 20<sup>th</sup> February 2017 had previously been agreed by the Board of Management. One typographical error was noted and would be amended for the records.

**3. Matters Arising**

Mr McKillop updated members on the issue by the Scottish Funding Council of an indicative set of assumptions on 5-year activity and associated funding. Whilst he emphasised that SFC had only been informed of their funding allocation for one year, the document allowed the College to compile its own 5-year forecast, which had been presented to the Finance Committee and would be laid before the next meeting of the Board of Management. In response to a question from Mr Ralston, Mr McKillop expanded upon the planned changes in arrangements re ESF activity funding over the forthcoming 5 years.

#### 4. Internal Audit

##### Workforce Management – March 2017

Ms Smith led members through the report, highlighting the positive conclusion and the Good Practice noted. She also made mention of the College's Workforce Planning Strategy still being "work-in-progress". Mr McKillop informed the meeting that the document was currently going through the process of being considered by the HR Committee before being presented to the Board of Management.

**Members noted the content of the report and approved the relevant management responses as being appropriate.**

##### Budget Setting – April 2017

Ms Smith took members through her firm's Report, highlighting the work that had been done by the College on updating its policies, procedures and documentation for the current budgeting cycle. She noted that the process of review was not complete in that the cycle of implementation itself was not complete. This was noted by members. It was also noted that there were no weaknesses identified.

**Members noted the content of the report and the recommendation that the implementation of the procedures should be finalised.**

##### Internal audit service provision

It was noted that the current contract with Messrs Scott-Moncrieff runs to 31<sup>st</sup> July 2018, but the audit plan only runs until 31<sup>st</sup> July 2017. Ms Smith stated that she would be working on a proposal document for the areas to be covered in 2017/18 which would be presented to the next meeting of the Committee for their review. This was duly noted.

#### 5. External Audit

By way of introduction, Ms Nutley distributed a schedule that highlighted statistics on Mazars and on their client list. Her firm had been newly-appointed by Audit Scotland to undertake external audit service for the College. It was also noted that they had been appointed as external auditors for New College Lanarkshire. She explained that whilst the management of the two audits would be covered by the same senior staff, including herself, field work would be undertaken by separate teams. This was welcomed by the Committee.

She took members through the Audit Strategy Memorandum, commenting on materiality levels and the reliance that would be placed on the work being carried by, for example, the College's internal audit providers. She asked members to note that risks referred to were generic risks pertaining to the sector, and not specific to South Lanarkshire College.

## **External Audit (continued)**

She continued that, whilst there have been significant changes to presentation and format introduced to the financial statements in recent years, this would not be an issue for the current year. She did say, though, that a new external audit report would be included in the statements although this was not available as yet.

Mr Ralston noted that the Strategy Memorandum did not make specific mention of the additional work required of the external auditors per the Code of Audit Practice. Whilst Ms Nutley agreed that this work would be carried out and would be included in the audit plan, she also agreed to amend the Memorandum accordingly and reissue it. Members thanked her for this.

Given the level of work that would be required in this first year of appointment, the Committee were content to agree to Mazars' proposed audit fee of midway in the range suggested by Audit Scotland.

**Subject to the amendment discussed being incorporated into a reissued document, members accepted the Audit Strategy Memorandum and the proposed fee of £13,960.**

## **6. Risk Management**

- **College Risk Register as at 4<sup>th</sup> May 2017.**

Mr McAllister took members through the latest Risk Register and drew their attention to the Commentary, noting that it had been expanded as per the request at the last Board of Management meeting. The Commentary noted the changes to risks, including the impact of the preparation of a 5-year financial forecast, which would be presented to the next meeting of the Board of Management for approval following its presentation to the recent Finance Committee.

It was noted that one risk had an increased ranked score and that one, re the College's long-term financial stability, remained rated as "high". Mr McAllister drew the meeting's attention to the work being done on this issue. Mr McKillop then took the Committee through the work being done on Regional scenario planning and the cashflow issues that the College faced.

Members enquired whether the recent global cyber "attack" had impacted the College but Mr McKillop was pleased to confirm that the College had not been affected and that, should there actually have been a threat, the arrangements in place had been successful. He added that the College, as with most organisations, had to deal with such threats on a regular basis. Cyber Crime had been added to the Risk Register a number of years ago.

**Members duly approved the work being done on risk as being appropriate.**

## **7. Audit Bulletin**

Mr McAllister presented the latest Bulletin from Audit Scotland, noting that there were no issues specific to the FE sector. Mr Ralston asked where information on technical issues could be found, and Mr McAllister referred members to the Audit Scotland website, the link for this being in the Bulletin.

## **8. Non-financial Audits**

Mr McAllister took members through the scope and results of the two audits presented; the SQA Verification Visit on several Faculty of Care classes and the Quality Audit Group “spot check” audit on Educational Maintenance Allowances.

Ms Robertson asked what actions would be taken should significant issues be raised in SQA verification visits. Mr McKillop replied that this would be referred to the College’s Academic Board and, if required, the course would be put into “special measures”, thus focussing on the correction of the problems found. Mr Allan added that remedial measures would be followed through by the College’s Quality Audit Group to ensure that the issue was addressed and cleared.

**Members noted the results of the audits and the positive audit opinions given in both.**

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