

**South Lanarkshire College
Audit Committee (Board of Management)
Monday 30th November 2015**

Present Jeanette Evans
 Ian Todd
 Robert Ralston
 John Gallacher (Chair of Finance Committee)

 Stewart McKillop
 Angus Allan
 Keith McAllister

Also in attendance:

Sally Considine & Elizabeth Young (Scott-Moncreeff – internal audit)
Phil Charles & Carol Ann Alderson (KPMG – external audit)

Declaration of Members' Interests

Mr Todd asked the meeting to note that he was a trustee of the South Lanarkshire College Foundation. Other than that, no declarations were received.

Minutes of Previous Meeting

The minute of the meeting held on 15th September 2015 had previously been agreed by the Board of Management. There were no matters arising.

External Audit

Mr Charles took the Committee through his firm's Annual Report to the Board of Management; the Report contained no qualifications. He wished to raise the issue of three main items which had had a potentially significant impact and which merited comment.

The first was the revaluation of assets that had taken place at the year end, and the resultant depreciation charge. His firm had been happy with the valuation itself, and with the residual value that had been incorporated into the depreciation calculation. He did add that the restatement applied to the prior period, as directed by the Funding Council, was not a method of treatment that he had encountered before.

Secondly, the introduction of a Remuneration Report within the Financial statements was something which had caused a variance of opinion and treatment within the sector. He added that whilst many colleges had initially intended not to comply with the requirements laid out in the Government Financial reporting Manual (FReM), his understanding was that the position had now changed and most would. He was content with the College's disclosure.

Mr McKillop stated that he shared the disquiet felt amongst many of the college principals in that their pension “pot” information was to be detailed when much of it may well have been generated by bodies outwith the public sector, and certainly outwith the college who currently employed them. In particular, he noted that the accrued pension in the appropriate scheme could not be withdrawn as the scheme was unfunded. The meeting agreed that the figures in the Remuneration report were misleading. However, Mr McKillop stated that he would not, under any circumstance, allow the issue to lead to the Report being qualified and the figures for insertion to the Report were now available and had been passed to KPMG for their review. Mrs Evans added that compliance with the FReM was, unfortunately, one of the responsibilities now incumbent on the College due to its new status as a public body.

Lastly, Mr Charles stated that the situation re going concern was very pertinent at the initial planning meeting held with the College due to the significant shortfall in student support funds. However, since then, the situation for 2014/15 had been resolved satisfactorily and the allocation made to the College in 2015/16 was at a satisfactory level. Mr McKillop backed this up, saying that the College would be able to meet the demands of its students. However, he outlined the anomalies that there were with respect to FE student funding where each college had an element of discretion in terms of what it could award to some students. He informed members that this issue was being discussed at Scottish Government and SFC level, but no decision had been made to establish a situation where awards were made on a Scotland-wide basis.

Mr Todd raised the issue of the Funding Council allowing colleges to use their own cash, ostensibly given as depreciation, a non-cash item, to support certain areas of expenditure and thus potentially fall into deficit. Discussion ensued with members, and Mr Charles, agreeing that a situation where almost all FE colleges would show a deficit for the financial period would only heap more unfavourable scrutiny onto the sector.

As regards the audit itself, Mr Charles was happy to state that the quality of the information received was excellent. In response, Mr McKillop stated that the College had been very pleased with the approach and expertise shown by KPMG staff.

Ms Alderson noted some minor adjustments for their final report, and Mr McAllister did likewise for the draft Financial Statements. He also agreed to check two of the KPIs contained within the Operating and Financial Review.

Mrs Evans proposed that the Committee recommend the Report for approval at the next meeting of the Board of Management and that this proposal was also taken to the Finance Committee to allow them to consider the Financial Statements. This was agreed.

Internal Audit

Internal Audit Plan for 2015/16

Ms Young took members through the proposed internal audit plan for 2015/16. Mrs Evans commented on the risk ranking re fraud prevention, and the lack of coverage in the areas of health and safety and information technology in the three-year plan. Mr McKillop stated that health and safety is dealt with in detail through the Estates Committee, whilst Ms Young agreed to look to incorporate a review of IT within the plan.

Internal Audit Reports

Annual Report

Ms Young presented her firm's annual report and stated that there were no matters which required disclosure. On a technical note, she did point out that the firm had been appointed in February 2015 and that their work had only covered the period from the following month to July 2015. This was duly noted.

Mr Todd questioned the wording of the opinion in the report which stated that the College had a framework of controls that provided "reasonable assurance". Mrs Evans confirmed that this was as positive a phrase as you would find in current audit reports. The small number of points raised within the period's audit work and the low level of these points was noted with College management congratulated on this.

Mrs Evans proposed that the report be forwarded to the Board of Management for their approval. This was agreed by the Committee

Review of 2014/15 SUMs Return (student activity)

Ms Considine took members through the SUMs audit, asking members to note that no significant issues had been raised. Indeed, there were no recommendations or adjustments noted in the report, and it was also noted that the issues highlighted in the previous year had been dealt with successfully and had not reoccurred. Mrs Evans asked how the College compared to others audited by the firm and Ms Considine replied that no other college that they audited had reported such a clean audit.

Ms Considine agreed to make a minor adjustment to page 5 of the report.

Student Support Funding (SSF)

Mr McAllister explained to the meeting that whilst it was not the norm for a formal report to be prepared on the SSF audit, it had been anticipated that New College Lanarkshire may have wished additional comfort on the use of the funds that they had transferred via the Region. This situation had come to fruition, and NCL's audit committee had requested their internal auditors, Messrs Wylie & Bisset, undertake an audit of the SLC student support funds arrangements. The formal Scott-Moncrieff SSF report had been forwarded to them, and to NCL management. Mr McAllister continued, saying that NCL had had their audit committee meeting recently, and

there had been no follow up. He had assumed that their audit committee were content with the SLC arrangements.

Mr McKillop highlighted that the audit work had addressed 23 risk areas. He added that it would be considered whether the College might wish a formal report next year.

He then asked Mr Allan to give a brief report on his appearance at the Scottish Government to make a representation on current student support funding arrangements at the behest of National Union of Students and Colleges Scotland. He reported that it had been a worthwhile exercise and that he had been given a good hearing by the Education and Culture Committee, but he did feel that they were more interested in the situation in the HE sector.

Risk

The Committee discussed the Risk register, with Mrs Evans noting that there were 4 areas where risk appetite was lower than the residual risk. She asked whether the College felt that a "4 by 4" assessment matrix was appropriate for the College. Mr McAllister replied that the college felt that this was as good as any.

Mr Todd felt that the College's Register required a period of stability and that there should be no change to the format. This was accepted by the meeting.

Mrs Evans asked if there was any thought to address the risks on a Region-wide basis. Mr McKillop stated that Mr McAllister was meeting with NCL with a view to preparing a Regional risk register.

Mr Gallacher asked if the Risk Register was on the College's website and whether there would be any training on risk for College staff. Mr McKillop replied that the Register was now on the website and that risk would be on the agenda for the next Principal's Address.

Annual Report of the Audit Committee to the Board of Management

Mrs Evans took members through the draft report. She proposed that the report, subject to some minor amendments raised and noted, would be forwarded to the next meeting of the Board of Management for their approval.

She also asked members to note that an audit evaluation exercise would be carried out. Mr McAllister agreed to bring this to the next meeting of the Committee.

ERDF Audit on the New Build Project

Mr McKillop asked the Committee to note that the Scottish Government auditors had been very happy with the results of their work, with no points raised. Mrs Evans noted the content of the report and echoed that it was very positive, particularly as there have been instances where such reviews have resulted in significant issues for the projects concerned.

SDS Audit on Modern Apprenticeships and the Employability Fund

Mrs Evans noted another very positive report, with no issues raised. She also asked the Committee to note that the report made mention of the issues raised the previous year having been cleared successfully.

Discussion Between the College's Audit Providers and the Audit Committee

College staff left the meeting at this point to allow discussion between the College's audit providers and the Audit Committee. There were no issues raised with College management by the Committee subsequent to this discussion.

There being no further business, Mrs Evans thanked members for their attendance and input.