

South Lanarkshire College
Audit Committee (Board of Management)
Held on 6th November 2017

Present Robert Ralston (Chair)
Jean Carratt
Paul Hutchinson (by telephone)
John Gallacher (Chair of Finance Committee)

In Attendance Stewart McKillop
Angus Allan
Keith McAllister
Angela Martin

Chris Brown, Messrs Scott-Moncrieff (internal audit)
Lucy Nutley, Messrs Mazars (external audit)

1. Declarations of Members' Interests

No additional declarations were received.

2. Minutes of the Previous Meeting

The Minute of the meeting held on 28th August 2017 had already been agreed by the Board of Management.

3. External Audit of the Financial Statements for the 12 months to 31st July 2017

Mr McAllister stated that the Committee was tasked to consider the **Report to the Board of Management and the Auditor General for Scotland** for the year ended 31 July 2017 prepared by the external audit providers in conjunction with the Financial Statements for the 12 months to 31st July 2017. The Chair of the Finance Committee was in attendance and all documentation had been received in advance of the meeting.

Mr Ralston welcomed Ms Nutley and asked if the audit work was now complete. Ms Nutley responded that although the audit was substantially complete, there were a few minor items outstanding, but that none of them were of significance to affect any changes on the report. Mr Ralston was happy to proceed on this basis.

4. Annual Audit Report to the Board of Management and the Auditor General for Scotland (for the year ended 31st July 2017) – Mazars

Ms Nutley drew members' attention to the Executive Summary of the Report. Members noted the areas of work and opinions required of the auditors.

Ms Nutley stated that no significant risks had been identified. One area of audit focus was not yet completed, that being on the valuation of the College's pension liabilities. However, this was due to the review of the actuarial assumptions used in the valuation not being completed yet by

her firm's specialist department. The assumptions used were those utilised in respect of all of the colleges which were part of the Strathclyde Pension Fund scheme. She stated that this was simply a timing issue and very unlikely to be a cause for concern. The final version of the Report would include, she was confident, a positive conclusion.

Discussion took place regarding the detail of the report with Mr Ralston highlighting areas of content requiring to be changed which Ms Nutley agreed to take forward. Members then noted and discussed the detail of –

- Internal audit recommendations (Appendix 1), where two recommendations were made with actions being agreed with College management;
- The Summary of misstatements (Appendix 2) noting that no adjustments were required;
- The proposed Audit Opinion (Appendix 3), which would be unqualified and which concluded that there were no items of concern to report; and
- The proposed Letter of Representation (Appendix 4) to be signed by the Board of Management.

Assuming all outstanding audit work is completed and an updated report from Mazars is satisfactory the Committee would:

- **accept the Annual Audit Report to the Board of Management and the Auditor General for Scotland for the year ended 31st July 2017 and forward it to the full Board meeting on 5th December 2017;**
- **advise the Finance Committee that they could consider the Financial Statements for the 12 months to 31st July 2017 without any issues from the audit hindering them in this regard.**

The members gave their approval.

5. Internal Audit

Mr Brown noted that members had received all reports in advance of the meeting. He then drew members' attention to each audit report.

Review of Credits Return 2016/17 – September 2017

Mr Brown stated that had been no issues of concern identified in the audit and that the College had reached its activity target.

Student Support Funds and EMA 2016/17 – Management Points – September 2017

Mr Brown stated that one control issue had been raised in relation to attendance. Instances had been identified where students had been paid for childcare without achieving 100% attendance. It was agreed that this was an acceptable practice in certain circumstances, but that the College had no formal procedure in place to support its practice. **The Principal agreed that a written procedure would be put in place in regard to this to reflect the practice currently followed.**

Internal Audit Report 2016/17 – Follow Up – October 2017

Mr Brown stated that good progress was found to have been made in implementing agreed actions from previous internal audit reviews. Two recommendations from previous years

classed as partially completed have progressed since the review and neither is assessed as high risk. The three Workforce Management actions classed as partially complete are being implemented as part of the new online Human Resources system which is due to be complete in December 2017.

Internal Audit Annual Report 2016/17 – October 2017

Mr Brown stated that the Internal Audit Plan comprised of 33 days which had been complete on core internal audit work in 2016/17. He confirmed that no resource limitations had impinged on the ability to meet the full audit needs of the College and that no restrictions had been placed on the work by management. He added that any actions had been discussed with management and implementation dates set.

Members noted that only one issue had been raised, that re Business Continuity and Disaster Recovery planning where the College did not have a Business Impact Assessment document. The Principal stated that work was ongoing in this area and that external advisors are in place to assist and to work with the Risk Management Group and College management.

Mr Ralston asked Mr Brown how Scott-Moncrieff audited its own audits as part of its own quality assurance. Mr Brown responded that a rotational file review system was in place, with a more formal external review every five years.

Members approved the management responses as being appropriate.

Internal Audit Plan 2017-18 dated October 2017

Mr Brown stated that the Internal Audit Plan is updated annually for changes to the College's risk register, corporate plans and through discussions with the Senior Management Team and Audit Committee.

Members' attention was drawn to the areas proposed for review during 2017/18, in the context of a three-year strategy. Discussion also took place regarding the prioritising of the areas to be covered in future years.

Members noted that College management and Scott-Moncrieff staff had suggested a programme for 2017/18 from the suggestions made at the previous meeting of the Committee. It was also noted that the potential areas to be covered in future years, required more resource than is available and thus prioritisation would be given to the appropriate areas of concern when the plans for 2018/19 and 2019/20 were considered by the Committee.

Members agreed the plan to be forwarded to the Board of Management for approval.

6. Risk

Mr McAllister drew members' attention to the South Lanarkshire Risk Register as at October 2017 and to the Lanarkshire Region Strategic Risk Report as at September 2017.

Discussion took place regarding the merit of having separate risk registers for SLC and the Region. The Principal explained that it was important that the College had a clear picture of possible risk at South Lanarkshire and a concentration on the particular risks that were most important for the College. Mr McAllister drew members' attention to the detail in regard to

Finance and the decision to split the area '**College cannot maintain financial stability**' into long term and short term. Mr Brown stated that this was seen as the ideal.

The Principal outlined the issues being faced in regard to funding. The College could maintain a balanced budget at present but it must be noted that this was at the cost of new projects, maintenance and updating of equipment. He stressed that, in the long term, it would be essential for the Region to receive more funding through a higher value to the credit.

Members enquired as to the updating and maintaining of the Risk Register. Mr McAllister stated that this was continuously monitored by the Risk Management Group to ensure that all required changes were noted. The SLC Register was also presented to the RSB Audit Committee.

Members approved the Risk Register to go forward to the Board of Management and noted that Mr McAllister would produce a narrative to be included for the December meeting.

7. Draft Report of the Audit Committee to the Board of Management for the year ended 31st July 2017

Members reviewed the document and Mr Ralston highlighted some minor changes to reflect recent changes in circumstances.

Mr Ralston agreed to liaise with Mr McAllister who would issue an updated draft; members agreed to review this and, subject to their satisfaction, that this would be forwarded to the Board in December.

8. Technical Bulletin 2017/3 – July to September 2017

Mr McAllister drew members' attention to the pertinent areas of the Bulletin, including the cross sectoral section.

9. Quality Audit Group Report EMA 'Spot Check' – 2nd Report

Mr McAllister explained that as part of the funding agreement for Educational Maintenance Allowances (EMAs) the College had to undertake two spot check audits during the year. The document distributed was the second of these audits. Neither audit had contained recommendations.

Members noted the outcome of the Audit.

10. Regional Assurance

Mr McAllister explained that The Lanarkshire Board had asked that work be undertaken to give formal assurance that South Lanarkshire College was complying with its responsibilities under the Financial Memorandum between the two organisations and this was being carried out by Messrs Wylie and Bisset, the current internal audit providers of New College Lanarkshire.

He continued that part of this process was the review of internal audits carried out on South Lanarkshire College and, to this end, the letter from Scott-Moncrieff (distributed with the Committee papers) was sent to Wylie and Bisset.

Members noted and were happy with the content of the letter.

11. Discussion between Auditors and Audit Committee

The College representatives left the meeting to allow discussion. Mr Ralston asked for feedback from both the internal and external auditors on the College.

Mr Ralston asked if there were any issues the auditors would wish to raise. The feedback from both Mr Brown and Ms Nutley agreed that there were no points of concern and that the standard of information and assistance given was excellent. There was ongoing dialogue with the management team throughout the audits and a healthy level of challenge.

Members thanked Mr Brown and Ms Nutley for their input.

There being no further business, the Chair thanked members and audit providers for their attendance.