

**South Lanarkshire College  
Audit Committee (Board of Management)  
Held on 14<sup>th</sup> November 2016**

**Present** Robert Ralston  
Paul Hutchison  
John Gallacher (Chair of Finance Committee)

**In Attendance** Stewart McKillop (Principal)  
Phil Charles – KPMG (external audit)  
Chris Brown, Kirsty Steele – Scott Moncrieff (internal audit)

Angus Allan  
Keith McAllister  
Angela Martin

**1. Declarations of Members' Interests**

No declarations were received.

**2. Minutes of the Previous Meeting**

The Minute of the meeting held on 16<sup>th</sup> May 2016 had previously been agreed by the Board of Management.

**3. Matters Arising**

Appointment of Trustees of the South Lanarkshire College Foundation – the Principal informed members that these appointments would be discussed with the Board of Management in December 2016.

**4. Draft Annual Report of the External Auditors to the Board of Management  
- Presented by P Charles, KPMG**

Mr Charles stated that the document had been distributed in advance of the meeting and it was his intention to draw members' attention to key points:

**Financial Statements and related reports – Audit focus areas**

Adoption of the FRS 102 based on SORP (p.12) – KPMG were satisfied that the financial statements are correctly prepared in compliance with the new SORP, Accounts Direction and Audit Scotland published guidance. The financial statements include all required disclosures as required by the relevant accounting standards in respect of transition adjustments and that transition adjustments to comparatives have been appropriately applied.

Mr Charles stated the only area of discussion had been with regards to the monies received from the Trust for the new build and the treatment of this. The

Principal explained that the monies had been drawn down as required and not requested as a lump sum for the entire project and this had been the preference of the Trust. Thus, the funds had not been specifically earmarked as for the College up front. This would have required a different accounting treatment. This being the case, Mr Charles stated that the College's treatment had been correct.

Members asked if all monies had been received and this was confirmed.

Financial position (p.6) – Mr Ralston asked that the wording be changed in the last paragraph of this page, with the word decrease being changed to reduction. Mr Charles agreed to this change.

The treatment of non-recurrent funding (p.7) – members asked for clarification of the sum shown as “cash and cash equivalent” in the 2014/15 balance sheet, whilst the figure for 2015/16 was only £2k. Mr McAllister stated that this was in respect of ring-fenced grant funding which had been received just prior to the year end, and then spent soon after the year end. Discussion and explanation was given regarding the deferring of Capital Grants.

Financial Statements and related reports – Remuneration and staff report (p.15) Members discussed the flat structure of the College and it was agreed that disclosure need only be applicable for the Principal. It was noted that the pensions agency had supplied the incorrect information to the College and that a corrected statement was awaited from them.

Mr Charles added that there had been, in addition to the specific items mentioned above, some areas where treatment was judgemental, but that his firm had been comfortable with the treatment adopted by the College and how they had been reflected in the Financial Statements.

Mr Charles also mentioned that he did not have any issue with the Going Concern position of the College (see pages 3 and 8), and noted that there might be a positive increase in predicted cashflow. If that crystallised before the accounts were presented to the Board on 6<sup>th</sup> December, this may allow his firm's report to be amended accordingly.

The Principal and the Committee thanked KPMG for their contributions and the excellent working relationship that had been forged with the College over the period of their tenure. Mr Charles gave thanks on behalf of KPMG for the quality of information and accessibility to staff given by the College.

**Members noted the unqualified audit opinion on page 3 and declared themselves happy with the Report and, subject to the noted, minor adjustments being made, agreed to forward it to the Board of Management for their approval. Mr Gallacher, who was in attendance as Chair of Finance, could also report this to the Finance Committee, which would allow them to consider the Financial Statements.**

## 5. Draft Financial Statements 2015/16

Whilst the Financial Statements themselves were to be considered by the Finance Committee, Mr McAllister took members through them to highlight changes in presentation which were relevant to the audit work undertaken. He stated that the format was quite different from last year, with more information and narrative required. He drew members' attention to p.50 of the document which outlined the changes to prior year figures as a result of the transition to FRS102 and the associated Statement of Recommended Practice (SORP). This, and the changes to the format and composition of the "figures" section of the Financial Statements, was noted.

On the issue of cashflow and going concern, Mr McKillop reported on a potential increase in Regional income that Mr Charles had mentioned and which may have an impact on the post year-end review. Mr Ralston asked who would notify the College of the outcome. The Principal stated that this would come from either the Regional Strategic Body or the Scottish Funding Council (SFC), adding that SFC was keen to reach a solution. Mr Ralston suggested that a form of words be added to narrative to this effect and given to auditors, should this be the case. This was agreed.

The Principal added that South Lanarkshire College was one of very few to be presenting a balanced budget for 2016/17 and that the College staff had done an excellent job in this regard.

**The Committee then recommended that the Financial Statements 2015/2016 could be forwarded to the Finance Committee for their consideration.**

## 6. Internal Audit

- **Presented by Mr Brown and Ms Steele – Scott-Moncrieff**

### Payroll and Expenses – June 2016

Ms Steele stated that overall this had been an extremely positive report with only two points for improvement and one point of housekeeping.

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

### Student Experience – June 2016

Ms Steele stated that this audit had looked at the areas of student feedback through student questionnaires and the College complaint system. The auditors had held forums with student groups to gather information. The feedback had been excellent with students feeling strong lines of communication are in place.

Three minor points were identified –

- The need for a Terms of Reference for the Student Association.
- Complaints Handling Report – should highlight improvements made.
- More lines of communication required for part-time and block release students.

Mr Ralston asked if the involvement and response levels were of a good level to the surveys/questionnaires. Ms Steele replied that a high percentage of response was found in each survey.

The Principal stated that the surveys carried out by the College involved a considerable amount of work, ensuring that all students were encouraged and able to make responses. More than 1,300 students had responded.

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

#### Student Support Funds and EMA 2105/16

Mr Brown informed members that there had been no areas of concern.

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

#### Student Activity 2015/16

It was noted that the report on student activity would be presented to the next meeting of the Committee. However, discussion took place in regard to the impact of the One Plus activity on the final credit total for the year. Mr Brown stressed that the main concern of his firm would have been if the College had not been pro-active in the discussions on the matter with the Funding Council, but his staff had reported that the College had been extremely pro-active in this regard.

The Principal stated that no fewer than three submissions to SFC from the College on the subject during the year had resulted in no response. The first contact from the Funding Council on the matter had been very late; well after the audit itself had been carried out and the College's final credits submission agreed. However, it had been agreed with SFC to reduce the number of credits claimed although the final claim was still above the target for the year.

#### Internal Audit Report 2015/16 – Follow Up

Ms Steele stated that the work undertaken covered her firm's first year of provision, and had also reviewed the work of the previous providers for anything flagged up as being potentially outstanding over the past five years. She stated that the College had done extremely well in moving forward and the very few outstanding points should be closed down by next inspection. Indeed, two of them had been addressed shortly after the audit report had been finalised.

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

#### Internal Audit Annual Report 2015/16

Mr Brown stated that the Audit Committee should highlight to the Board that no major issues had arisen across the audits; only seven points over the year with all at low risk exposure. He added that the Internal Audit Opinion given within the report stated that 'South Lanarkshire College has a strong framework of controls

in place that provides substantial assurance regarding the effective and efficient achievement of the organisation's objectives and management of key risks'.

Mr Ralston stated that he was impressed by the level of assurance given.

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

The Principal stated that this was the College's first year working with Scott-Moncrieff and it had been invaluable to the College to have a fresh perspective, bringing new viewpoints to the table. He added that the audit team had been excellent and had engaged in challenging and productive dialogue with College staff.

#### Internal Audit Plan 2016-17 – November 2016

Members were informed that no changes had been requested to the Plan and that the timings were now in place. It was noted that provision had been made for Corporate Governance to be covered and that Mr McAllister had reported this to the Audit Committee of the Regional Strategic Board.

**Members agreed the Plan and recommended it to go forward for final approval to the Board of Management in December.**

### **7. 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.

Phil Charles – KPMG stated that the College was diligent on every level; no complaints whatsoever. He added that the Principal showed an incredibly high level of commitment to the College, always taking time to meet with auditors and enter into frank discussion on any points raised. He stressed that the College was run as a business and this was extremely impressive and evident through the accounts.

Chris Brown – Scott-Moncrieff stated that he would echo all that Mr Charles had said. The management team and staff worked extremely well with the audit team, very much valuing the process. He added that the Principal had had input on every audit and often challenged findings and worked towards a solution. The College set realistic goals and would only agree to actions that were achievable.

Mr Ralston thanked both gentlemen for their input to the meeting and feedback.

Discussion took place regarding different levels and structure across the Sector and the impact that this would have in the long term on all colleges.

## **8. Risk Management**

**\* College Risk Register as at 3<sup>rd</sup> November 2016.**

**\* Regional Risk Register as at 25<sup>th</sup> October 2016.**

Mr McAllister drew members' attention to both documents. He stated that South Lanarkshire College was working with New College Lanarkshire staff on the document for the Region and that the arrangement was working well, with the Regional register already having been presented to the Regional Board.

Discussion then took place on the intra-Regional risk; i.e. the risk within the Region of a situation at one of the colleges affecting the other or, indeed, the Region itself.

It was recognised that there was an assumed risk on the part of the Regional Strategic Body and the Funding Council of the position of the assigned College and possible impact should issues arise. This risk should be considered as two way, with implications falling on the assigned college should problems occur at a Regional level. Members agreed that this was the case.

Discussion took place re the appointment of the same external auditors to both New College Lanarkshire and South Lanarkshire College. It was agreed that it was essential that it was made clear to the new appointees of the structure in the Region and that SLC was an assigned college and not a subsidiary.

Members then discussed the content of the South Lanarkshire College Risk Register agreeing areas where actions required to be put in place if the risk was above the College's risk appetite.

It was noted that opportunity must also be highlighted through the Risk Register.

Mr McAllister agreed to address these issues at the next meeting of the College's Risk Management Group.

**Members duly approved the work being done on risk, both within the College and the Region, as being appropriate.**

## **9. Draft Annual Report of the Audit Committee to the Board of Management**

Mr Ralston stated that he was happy with the content and that it covered all relevant issues that had arisen during the year.

**The Committee then recommended that it go forward to the Board of Management in December for approval.**

## **10. Draft Remit of the Audit Committee**

Ms Martin stated that the remit was in line with legislation. Members discussed the content.

**It was agreed that it should go forward for approval at the next meeting of the Board of Management.**

#### **11. Draft Board of Management – Activity Calendar**

Members gave feedback on some timings within the calendar in relation to Audit. With these changes made they were happy for it to go forward.

#### **12. Audit Scotland Technical Bulletins (2 and 3 – 2016)**

Members noted the distribution and content.

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