

**South Lanarkshire College  
Audit Committee (Board of Management)  
Held on 5<sup>th</sup> November 2018**

**Present** Robert Ralston (Chair)  
Paul Hutchinson  
Andy Kerr (as Chair of Finance)

**In Attendance** Clare Gibb  
Stewart McKillop  
Angus Allan  
Keith McAllister  
Angela Martin  
Lucy Nutley and Ruth Holland – Mazars (External Audit)  
Elizabeth Young – Scott-Moncrieff (Internal Audit)

**1. Declarations of Members' Interests**

Mr Kerr and Mr McKillop declared their membership of The Lanarkshire Board.

**2. Minutes of the Previous Meeting**

The Minute of the meeting held on 5<sup>th</sup> September 2018 had already been agreed by the Board of Management.

**3. Matters Arising**

Consolidated Accounts – members asked that assurance be given, that in line with the discussion held at the Audit Committee on 5<sup>th</sup> September 2018, that there would be a clear separation between the two colleges and that the terminology 'group' would not be used when relating to SLC, NCL and its subsidiaries. It was stressed that it had been made clear that this was unacceptable to SLC and the Mazars had agreed to feed this back to The Lanarkshire Board.

Mr Kerr went on to stress that SLC had moved its December Board meeting to November 2018 to accommodate TLB and to allow time for the Consolidated Accounts to be completed for consideration by South Lanarkshire College's Board. He added as had also been agreed no narrative referring to SLC should be published without prior agreement with the South Lanarkshire College's Board.

Ms Nutley stated that this information had been passed back to TLB by Mazars.

Mr McAllister stated that he had been sent an early draft of the consolidated accounts and was expecting an updated draft later in the week. He and Gordon Kerr would be reviewing the drafts and would share this with the Chair of Audit and the Chair of the Board. This was noted by the Committee.

#### 4. Head of Finance Report – November 2018

This report was to inform members of the Audit Committee of developments in the area of audit and finance since their last meeting and to provide a commentary on the papers presented.

##### **External Audit on the Financial Statements for the 12 months to 31<sup>st</sup> July 2018**

##### **Annual Audit Report to the Board of Management and the Auditor General for Scotland – South Lanarkshire College – year ended 31<sup>st</sup> July 2018 – (Appendix 1)**

Mr Ralston stated that this was an all-round clean report.

Ms Nutley took members through the key point of the report. She stated that there were no outstanding audit points and no points of concern had been raised; there were only a few minor control recommendations being made and these had been acknowledged by the College.

Discussion took place around the risk attached to the valuation of and buildings. Ms Nutley provided a full explanation on this classification and the members were content with the detail.

Members noted and approved the final fee for 2017/18 and noted there had been no variance from the initial fee proposed. This fee is in line with the scale set by Audit Scotland.

Ms Nutley stated that the Management Representation letter required to be signed off by the Principal and Chair of the Board when the Accounts were agreed by the Board of Management. She added that a copy of the Financial Statements for year ended 31<sup>st</sup> July 2018 had been distributed as a reference to the Audit Committee but that the final scrutiny would lie with the Finance and Resources Committee.

Members thanked Ms Nutley for her contribution and report. The Committee then agreed that, based on the assurance given in the report of the external auditors, they could recommend that the draft financial statements could be considered by the Finance and Resources Committee.

##### **Internal Audit**

Ms Young informed members that she would present five reports:

- a) Information Governance – GDPR Readiness – April 2018
- b) Review of Credits Return 2017/18 – September 2018
- c) Student Support Funds and EMA 2017/18 – Management Points – September 2018
- d) Internal Audit Report 2017-18 – Follow up – October 2018
- e) Internal Audit Annual Report 2017/18 – October 2018

##### **a) Information Governance – GDPR Readiness – April 2018**

This reports on the internal audit review of the College's arrangements with regard to information control.

Ms Young stated that this was an extremely positive report with only one low risk finding and quite a number of areas of good practice. She added that the Committee should take comfort

that, in comparison to other organisations at this time, the College is in an extremely strong position.

Members noted the findings.

b) Review of Credits Return 2017/18 – September 2018 and c) Student Support Funds and EMA 2017/18 – Management Points

These reports covered the internal audit review of the session 2017/18 student activity and the review of student support funds and EMA for the year to July 2018.

Ms Young stated that these were both very positive reports with minor recommendations on control.

Discussion took place on the content of both reports with explanation being given on the reporting requirements of the Funding Council in this area. A minor change to the report on Student Activity had been agreed with the College Management Team and the amended document would go forward to the Board of Management and Funding Council.

d) Internal Audit Report 2017-18 – Follow up – October 2018

This report covers the follow up work undertaken in respect of prior report recommendations.

Ms Young drew members' attention to the Summary of Progress within the report which sets out the movement in actions included on the Audit Recommendation Tracker since the last follow-up review completed in October 2017.

She added that the College had made good progress in implementing agreed actions from previous internal audit reviews. A total of five recommendations from previous years have progressed to completion, including the two remaining recommendations arising from reviews prior to 2016. The majority of outstanding actions relate to the 2016/17 Business Continuity Review. Discussion then ensued on the work being done by the College to progress this.

Members asked if within these outstanding actions, any issues or areas of concern required to be flagged up. Ms Young stated that the auditors were comfortable that a plan was in place, within a reasonable timescale to address the outstanding points and that nothing required to be drawn to the Committee's attention.

e) Internal Audit Annual Report 2017/18 – October 2018

This report details the internal audit work carried out in respect of 2017/18.

Ms Young took members through the body of the report, highlighting that it included their Annual Quality Audit. She stated that the College had a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and management of key risks. She added that the College was in a strong position in terms of its internal controls.

Members thanked Ms Young for the report and recommended the Annual Report be forwarded to the Board of Management.

The Principal thanked Mazars and Scott-Moncrieff for their work during the year and for the professional and respectful manner in which they had interacted with the College.

### Risk Management

Mr McAllister drew members' attention to the College Risk Register, the summary version, the attached commentary as at 11<sup>th</sup> October 2018 and the Strategic Risk Report of the Lanarkshire Region.

He highlighted the inclusion of GDPR in the Risk Register and the process in place to support the monitoring of this risk. Members welcomed this.

Discussion took place in regard to the risk attached to Brexit for the Sector and the impact on the College. Mr McAllister outlined the forecast relating to European Social Funding and possible scenario planning. Members enquired what guidance, if any, had been issued by the Scottish Government or indeed the Funding Council. Mr McAllister stated that the Funding Council could only comment on the monies for the coming year but had given the sector outline guidance on following years in order to produce a 5-year financial forecast.

Members raised concern at the loss of this level of EU funding. The Principal stated that the College was at present scenario planning and would keep the Committee and Board fully informed.

As regards the risk re replacement of assets, the Principal updated members on the one-off dilapidation funding received by College, ring-fenced for estates, maintenance and supplies.

Members noted the planned expenditure and the assessment being done to ensure the correct projects were being addressed. The Principal, however, noted that whilst this additional funding was very welcome, it had to be taken into context as the annual grant received for capital and estates had decreased significantly in 2018/19.

Mr Hutchinson enquired as to why there was no granulation in relation to the risk register for the Region and expressed concerns that New College Lanarkshire were not preparing a register which is college specific. Discussion took place regarding the ongoing dialogue in relation to transparency and the reporting of the two individual colleges.

### Draft Annual Report of the Audit Committee to the Board of Management covering the period August 2017 to July 2018

Members considered the content of the report and agreed to it being forwarded to the Board of Management for approval.

Mr Ralston asked that any final comments be passed directly to Mr McAllister who would liaise with him.

Mr McAllister stated that through the Board Effectiveness exercise it had been agreed that it would be good practice for all Committees to follow the example of the Audit Committee and prepare an Annual Report to the Board of Management.

#### **5. Approval – Publication of Committee Papers**

Ms Martin informed members that all documents presented to the Committee would now hold a 'header' indicating if it was subject to publishing. The alternative was a listing produced by the reporting officer in the case of Finance and Audit. She added that although all appropriate papers were already published on the website, this would formalise the process.

At this point, College staff members left the meeting to allow members of the Committee to have a discussion with the representatives of the internal and external audit service providers.

Once the staff members had rejoined the meeting, there being no further business, the Chair thanked all those present for their contribution and attendance.