

South Lanarkshire College
Audit committee (Board of Management)
Held on 13th May 2019

Present Robert Ralston (Chair)
Paul Hutchinson
Lesley Glen

In Attendance Stewart McKillop
Angus Allan
Keith McAllister
Angela Martin

Claire Beattie – Scott-Moncrieff (Internal Auditor)
Ruth Holland – Mazars (External Auditor)

1. Declarations of Members' Interest

No declarations were received.

2. Minutes of the Previous Meeting

The Minute of the meeting held on the 18th February 2019 had already been agreed by the Board of Management.

3. Matters Arising

Alternative Funding – Mr McAllister highlighted that work was being carried out on a Strategic Plan specifically for alternative funding which will consider all the income that does not come directly from the Funding Council. The need for sources of alternative funding is central to the overall College plan and is now being driven and monitored by the Funding Strategy Group.

4. Head of Finance Report

Audit Strategy Memorandum – South Lanarkshire College – Year ending 31st July 2019

Ms Holland drew members' attention to the content of the Memorandum, highlighting the Audit Engagement Team who would be involved in the Audit scope and timeline which will be very much in line with the previous year.

Management Judgement – members noted that the two main points for consideration were as previously; Assumption on Pensions and Valuation of Land and Buildings. Ms Holland noted that no external valuation would be carried out for the current year's financial statements. They would be revalued in 2019/20 accounts. The support staff pension valuation would be undertaken by a professional firm of actuaries, as was the normal practice.

Wider Scope – following the guidance laid down in the Code of Audit Practice, it had been assessed by Mazars that the audit should be carried out under the small body provisions of the Code. The areas that will be considered in this round will be; Financial Sustainability and Governance. The questionnaire in relation to the National Fraud Initiative would also be examined.

Fee for Audit and Other Services – the proposed fee for 2018/19 is £14,400 which is slightly up on 2017/18 which stood at £14,100.

Members enquired as to the systems in place for Mazars in measuring the quality of their audits. Ms Holland responded that all audits were subject to quality control and that reviews took place on a regular basis to allow the distribution of actions and good practice. Mr McAllister stated that through the stringent appointment system used by Audit Scotland, an element of quality control was included in the assessment of auditing firms applying to be part of the APUC auditing framework.

Mr Ralston stated that everything appeared straight forward and in order. He asked for approval of the Memorandum and the Audit Fee and the Committee agreed this. The latter would be referred to the Board of Management for final approval.

Consolidated Accounts – Mr McAllister informed members that a discussion had taken place with Mazars regarding Consolidated Accounts at the recent Audit Planning meeting. He stated that last year had been the first time that New College Lanarkshire had not produced their own audited Financial Statements. Members agreed it would be interesting to have sight of Audit Scotland's response to this in their review of the 2017/18 sector financial statements; this report was due to be published in early June.

Discussion then ensued in relation to the concerns that had been raised by the College regarding the narrative of the Consolidated Accounts. The Board had stressed that it must be clearly highlighted that South Lanarkshire College had produced a surplus and met its credit target. This had been communicated to Regional Strategic Body.

Members enquired if the same hurdles would be faced this year. Mr McAllister responded that the timeline for the compilation of the Consolidated Accounts included a period of consultation and input for South Lanarkshire College and hopefully this would be adhered to. Ms Holland stated that it was important that the College's input was listened to. Mr McAllister also added that the narrative in the first draft of the consolidated accounts had been amended last year at the request of South Lanarkshire College.

Members stressed the importance of South Lanarkshire College's successful KPIs being reported on an individual basis and not lost within the mechanism presented through the consolidated accounts.

Risk Management

Mr McAllister stated that the Committee had been issued with the latest version of the South Lanarkshire College Risk Register and the Lanarkshire Region Strategic Risk Report.

Members' attention was then drawn to the Risk Register Commentary as at 27th April 2019 which detailed the changes to the Register since the Committee and Board of Management had last met.

The Risk Management Group had reviewed the Risk Register line by line, with all narrative and scoring examined. Whilst there were some changes in controls and actions planned noted, there had been no changes to scoring. This did leave one risk, that concerning long-term financial stability, ranked as High. In addition a review of the ongoing Regional issues had also prompted

the introduction of a new risk which was ranked at High. This had been with regard to the non-agreement of the Memorandum of Understanding (MoU) between the two Colleges.

The Principal then updated the Committee on the ongoing discussions regarding the MoU, the advice received from the RSB's solicitors and the expectation, that after this level of dialogue, the document would be agreed at the next Lanarkshire Board meeting.

Details were then given with regard to changes in the funding stream from ESF, additional credits and the impact of National Bargaining.

The Principal then informed members that all of the Dilapidation Monies had been assigned and that a report on the breakdown of monies and works would be presented at the next Committee meeting. Members noted that the College anticipated receiving £200K in dilapidation monies for the coming year.

Mr McAllister then asked that members note the Regional Risk Register which had been distributed to them for information.

Members then discussed the reputational damage to the College due to the impact of national bargaining and the industrial action and questioned if this should feature more prominently in the Register. The Principal stated that going forward it was hoped that this risk would be mitigated as negotiations would be purely on the cost of living increase.

Discussion then ensued on the risk attached to GDPR and, in particular, the rise in subject access requests to the organisation. Mr Allan explained the actions the College had taken to mitigate this risk and potential impact. It was agreed that this point would be raised at the next Risk Management Meeting for further consideration.

Members were supportive of the current arrangements for the management of Risk.

Internal Audit 2018/19 – Progress Report

Ms Beattie, Scott Moncrieff drew members' attention to the detail of the progress report. She stated that as at May 2019, one audit had been completed on Alternative Funding Sources.

It was noted that the 2018/19 internal audit plan had included an IT Security Review, however the scope of this was similar to the Cyber Essential Plus certification the College is undertaking and as a result this review had been postponed until 2019/20 audit plan. This had been replaced by the Cyber Risk Management review originally included within the 2019/20 plan. Members noted this change and the reasoning behind it.

Planning is now underway for the remaining audits and reports which will be received in August 2019 by the Committee on: Cyber Risk Management, Procurement and Tendering, Follow-Up Review and the Annual Report.

Internal Audit 2019/20 – Draft Plan

Ms Beattie stated that Scott-Moncrieff had drawn up the 2019/20 audit plan identifying 10 options for the Committee to consider. It was then agreed that this would be discussed by the management team and the proposed areas of audit brought back to the Committee for approval.

College Quality Audits

Members noted the reports on EMA 'Spot Check' – 1st Audit and Full Audit of HNC Business.

Discussion took place on the content of the reports and the areas of good practice identified. The Principal stressed that often these audits were extremely stringent and excellent preparation for external audits. Very often the College was far harsher on itself than the reports given by external bodies.

Members enquired as to how the Quality Unit compiled the audits to be carried out within the year. The Principal stated that some, such as the EMA report which was one of two required by the Funding Council, were legislatively driven. It was agreed that the Committee would receive a report on the rationale behind the plan.

Audit Scotland Technical Bulletin 2019/1

Mr McAllister asked that members note the content of the Bulletin and, in particular, the General Section on Pensions. Members duly noted this.

Audit Quality Feedback Survey

This survey on the external audit process had been completed by Mr Kerr on behalf of the College, with the review being undertaken by Mr McAllister. Mr McAllister asked that members note that the return had been positive and that the detail had been distributed for information.

The Committee noted the report and its content.

Cyber Essentials Plus Re-accreditation

Members noted the certificate received by the College following the annual reassessment of the College's arrangements re the Cyber Essentials Plus Scheme. This requirement is laid down by the Scottish Government.

Statement of Assurance

The Principal, as the Chief Executive Officer of South Lanarkshire College, is required to give an annual Certificate of Assurance to the Accountable Officer of the Lanarkshire Region which is then forwarded to the Funding Council.

Members then noted the Certificate and letter explaining its purpose from the Funding Council.

5. Approval of Publication of Papers

The Committee approved the publication of all papers marked 'for publishing' by the reporting officers.

6. Any Other Competent Business

The Lanarkshire Region/New College Lanarkshire – the Principal stated that, further to an email that had been sent to the Board and a subsequent notification to the Chairs of the Committees by Andy Kerr, he felt it was essential that each Committee was fully briefed of the changes at New College Lanarkshire and the impact on the Region and, most pertinently, South Lanarkshire College.

Members were informed that the Chair, Principal and Depute Principal had been assured by both the Scottish Government and by the Scottish Funding Council in regard to the continued independence of the College.

Very positive messages had also been received in regard to the Governance, Management and achievement of the College.

The Principal added that the position of Chair for the RSB had now been advertised and that it was expected to be appointed prior to October 2019.

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