



For the future you want

AUDIT & RISK ASSURANCE COMMITTEE

MINUTES OF MEETING OF 20 NOVEMBER 2019

15:00 Boardroom, Milton Road Campus

Present: Ian Doig; Lesley Drummond; Ross Laird; Nigel Paul (Chair); Judith Sischy

In attendance: Audrey Cumberford; Ursula Lodge (Audit Scotland); Claire Robertson (BDO); Gordon Smail (Audit Scotland); Lindsay Towns; Marcus Walker (Clerk); Alan Williamson

1 WELCOME AND APOLOGIES

1.1 No apologies were received.

1.2 The Committee NOTED that members had held their annual private meetings with the internal and external auditors in advance of the meeting.

2 DECLARATIONS OF INTEREST

2.1 No declarations of interests were received.

3 MINUTES OF PREVIOUS MEETING

3.1 The Committee APPROVED the minutes from 09 October 2019 as an accurate record of the meeting.

4 MATTERS ARISING

4.1 MATTERS ARISING REPORT

4.1.1 The Committee NOTED that actions from the previous meeting were complete, overtaken or on the agenda, with the exception of the following:

4.1.2 ANNUAL COMPLAINTS REPORT (*Minutes 10.3 / 20.11.19 refers*)

The Committee NOTED a verbal update from the Clerk on matters relating to the Annual Complaint Report, as reviewed at the last meeting of the Committee. The Clerk advised the Committee that the number of complaints relating to the Sighthill Campus was proportional to the higher number of students attending courses at the campus. Further to this, the Committee NOTED an overview of 'C1 level' complaint categories.

4.1.3 DATA PROTECTION (*Minutes 7.4.3/20.11.19 refers*)

The Committee NOTED assurances from the Chief Operating Officer that the College continued work with senior / middle managers to ensure that all staff completed mandatory training around data protection.

4.2 BUSINESS COMMITTEE OF THE BOARD UPDATE

4.2.1 The Committee NOTED verbal updates from members of each of the business committees of the Board on key matters considered during the most recent Board cycle.

5 INTERNAL AUDIT

5.1 SUMMARY OF AUDIT RECOMMENDATIONS

5.1.1 The Committee NOTED a report on progress against internal auditors' recommendations previously reported to the Audit & Risk Assurance Committee in 2014/15 and 2017/18.

5.2 INTERNAL AUDIT REPORT: STUDENT SUPPORT FUND AUDIT 2018/19

5.2.1 The Committee NOTED that the internal auditors had conducted a Student Support Fund Audit for the academic year 2018/19, in September 2019, in accordance with the requirements set out in SFC's 'Student Support Fund Audit Guidance 2018/19.

5.2.2 The Committee NOTED that systems and procedures within the College were sufficiently adequate to promote the accurate collection and recording of data in respect of the aggregated student support funds return.

5.2.3 The Committee DISCUSSED the bursary process, and AGREED that the Chief Operating Officer should provide further feedback on whether any formal complaints had been received relating to bursary arrangements.

5.3 INTERNAL AUDIT REPORT: EMA AUDIT 2018/19

5.3.1 The Committee NOTED that the internal auditors had conducted an Educational Maintenance Allowance (EMA) audit for the academic year 2018/19, in September 2019, in accordance with the requirements outlined in both the Scottish Government and SFC's EMA guidance.

5.3.2 The Committee NOTED that systems and procedures within the College were sufficiently adequate to promote the accurate collection and recording of data in respect of the EMA return.

5.4 INTERNAL AUDIT PROGRESS REPORT 2018/19

5.4.1 The Committee NOTED a summary of internal audit activity during the academic year 2019/20 (to date), which included details on the reviews planned for the coming quarter.

6. RISK ASSURANCE

6.1 RISK MANAGEMENT REPORT

6.1.1 The Committee NOTED a risk management report as provided by the Chief Operating Officer, which highlighted progress in relation to risk management and reporting since the last meeting of the Committee.

6.1.2 The Committee DISCUSSED the Top-Level Risk Register and AGREED that both financial sustainability and workforce planning should be included in the current list of top risks. The Chair informed the Committee of the important role of the Risk Management and Assurance Group, and highlighted the need for the Executive to ensure that top risks were shared with the Senior Management Team.

The Vice Principal Corporate Development joined the meeting

6.2 EU WITHDRAWAL RISK, IMPACT AND MITIGATION ANALYSIS

6.2.1 The Committee NOTED an up-to-date analysis of the College risks, impacts, and associated mitigated actions, resulting from EU Withdrawal. The Vice Principal Corporate Development provided a brief presentation outlining the college sector's Brexit response and the key risks faced by the College.

6.2.2 The Committee NOTED key challenges facing the sector relating to funding, staff, students and cultural exchange programmes. The Vice Principal Corporate Development advised the Committee that the total credit income relating to non-UK students was circa £11m, equivalent to total credits of circa 45,000. Further to this, the College had an estimated 104 EU nationals on its staffing establishment, around 9% of the total workforce.

6.2.3 The Committee NOTED that engagement with EU students and staff had taken place across the College, and this had indicated a desire for more information - specifically on the application process for the EU Settlement Scheme. The Vice Principal Corporate Development informed the Committee that the College had subsequently developed and publicised an EU Withdrawal information resource on the College intranet, which included specialist resources and guidance.

6.2.4 The Committee welcomed the presentation provided by the Vice Principal Corporate Development and DISCUSSED the following points:

- (i) The potential impacts and risk associated with a 'No Deal' scenario;
- (ii) the plans in place for transition should a 'Deal' scenario arise;
- (iii) the updating of marketing and outreach materials should a 'Deal' scenario occur, thus allowing the College to recruit students from the EU;
- (iv) the potential impact of EU withdrawal on jobs in the hospitality and care sectors;
- (v) the number of EU students at the College, which was significantly more than any other college in the sector.

6.2.5 The Committee AGREED that an EU Withdrawal presentation produced by the SFC on the college sector skills response should be circulated to members - for information.

6.2.6 The Committee NOTED that the UK Parliamentary General Election would take place on 12 December, two days after the next meeting of the Board. The Chair advised the Committee that the impacts, risk and opportunities relating to EU withdrawal would continue to be closely monitored.

The Vice Principal Corporate Development left the meeting

7. FINANCIAL ACCOUNTS

7.1 ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2019

7.1.1 The Committee NOTED a proposed Independent Auditor's Report and unqualified audit opinion to the accounts, which included a report on the audit of the financial statements, the regularity of expenditure and income, and all other reporting requirements.

7.1.2 The Committee NOTED a draft of the Annual Report and Financial Statements for the period ended 31 July 2019. The Committee DISCUSSED minor contextual amendments to the Annual Report, and AGREED that the changes highlighted should be considered for incorporation into the final version of the report, in discussion between the Chief Operating Officer and external auditors.

7.1.3 The Committee AGREED that the structure of the annual report and financial statement for next year, and current accounting policies, should be considered at its meeting on 27 May 2020. The Chair advised the Committee that such discussions would support the Finance Team in their drafting of the Annual Report and Financial Statement for the period ended 31 July 2020.

7.2 DRAFT 2018/19 ANNUAL AUDIT REPORT

7.2.1 The Committee NOTED a Draft 2018/19 Annual Audit Report submitted by the external auditors. The external auditors informed the Committee that they were content with the College's ability to carry on as a going concern.

7.2.2 The Committee NOTED that they had not been made aware of any serious weaknesses in the internal control environment, significant fraud, or major accounting or other control breakdowns.

7.2.3 The Committee NOTED that the College's financial situation remained challenging with a range of related uncertainties. The external auditor advised the Committee that a break-even 'adjusted operating position' over the next five years required annual savings of up to £1.2m. The Committee NOTED that the Policy & Resources Committee had also discussed this issue and would consider scenario planning at its next meeting, to ensure the College remained financially sustainable.

7.2.4 The Committee NOTED that the College had not recently carried out system penetration testing of its IT infrastructure. The Chief Operating Officer advised the Committee that a penetration test was planned to be carried out by an external provider by April 2020. The Committee DISCUSSED the matter, and AGREED that reportage from the system penetration testing should be provided to the Committee at its next meeting on 27 May 2020.

7.2.5 The Committee NOTED that the College did not request prior approval from the SFC for eight non-contractual payments included in the 2018/19 remuneration and staff report. The Chief Operating Officer advised the Committee of the legal complexities in relation to seven of the cases, the other being an oversight. The College is currently trying to obtain retrospective approval from the SFC.

7.2.6 The Committee AGREED to recommend the approval of the financial statements to the Board, subject to agreement on the final wording between the Chief Operating Officer and the external auditors.

7.3 DRAFT LETTER OF REPRESENTATION

7.3.1 The Committee reviewed the Draft Letter of Representation and AGREED to recommend it to the Board at its meeting on 10 December.

8. CHAIR'S ANNUAL REPORT TO THE BOARD

8.1 The Committee NOTED a draft Audit & Risk Assurance Committee Annual Report prepared by the Committee Chair.

8.2 The Committee DISCUSSED and AGREED that the annual report should highlight the following matters to the Board:

- (i) Financial sustainability and the College's ability to manage its activities and deliver its outcomes within its forecast funding limits would continue to be a challenge in the light of government funding;
- (ii) the need for the College to continue with workforce planning arrangements to ensure efficient staffing to deliver its curriculum and support activities, given the significantly increased staffing costs following national pay and conditions agreements;
- (iii) Ongoing vigilance with regard to cyber security and data protection;

- (iv) the uncertainties relating to the effects of EU Withdrawal on the FE sector and the College, and their appropriate management.

8.3 The Committee NOTED that the Chair's Annual Report would be presented to the Board on 10 December, with the Annual Accounts and Financial Statements to July 2019.

9. HORIZON SCANNING REPORT

9.1 The Committee NOTED a Horizon Scanning Report which outlined major political, economic, social, technological, legal and/or environmental developments that could impact on the five strategic aims of the college. The Head of Communications, Policy and Research advised the Committee that further to this, the report also indicated what the College was doing to address these impacts.

10. ANY OTHER COMPETENT BUSINESS

10.1 COMMITTEE AGENDA PLANNER 2019/20

10.1.1 The Committee NOTED an agenda planner for the academic year, which aimed to provide members with an opportunity to review upcoming items of business. The Chair advised the Committee that it was important to follow an appropriate plan of work in order to ensure that future agendas cover all areas within the remit of the Committee.

10.1.2 The Committee AGREED that the outcome of the ongoing National Fraud Initiative exercise would be presented to its next meeting on 04 March 2020.

The Internal Auditor left the meeting

10.2 EVALUATION OF INTERNAL AUDIT FUNCTION 2018/19

10.2.1 The Committee NOTED a consolidated response to an evaluation of the internal audit function in the 2018/19 academic year. The Chair advised the Committee that the consolidated response included feedback from members of the Committee and senior management.

10.2.2 The Committee NOTED the key messages arising from the evaluation and AGREED that the Chair should discuss the recommendations with the internal auditors.

11. FOR INFORMATION

11.1 DATA BREACH INCIDENT UPDATE

11.1.1 The Committee NOTED that no data breach incident had taken place at the college from October to November 2019.

12. DATE OF NEXT MEETING

- 12.1 The next meeting of the Audit & Risk Assurance Committee shall take place on 10 March 2020, in the Boardroom, Milton Road Campus.

Meeting closed at 17:00