

Item 4 A&R 3/12/2018

Minute: Audit and Risk Committee 4pm 3rd September 101 Park Street Coatbridge Campus 2018

Present: Ann Stark, John Elliot, Professor Robert Pyper

In Attendance: Iain Clark, Ruth Holland (Mazars), Brian Gilchrist, Keith McAllister, Penny Neish, Diane McGill, Martin McGuire, Stewart McKillop, Linda McTavish, Graham Gillespie and Stephen Pringle (Wylie & Bisset), Derek Smeall.

1. Chair's Welcome

Ann Stark welcomed everyone to this meeting of the Audit and Risk committee.

2. Apologies

There were no apologies but the committee was informed of the resignation that afternoon of the teaching staff member Jacqueline McGarvey. Ann Stark recorded her thanks to Jacqueline McGarvey for her contribution to the work of the committee.

3. Declaration of Interest

Stephen Pringle intimated an interest from Wylie and Bisset at Item 12.2 of the agenda. The Chair thanked them for this and noted that both Graham Gillespie and Stephen Pringle would leave the meeting before this item on the agenda.

4. Minutes of Meeting on the 21st May 2018

The minute of the meeting of the 21st May 2018 was approved.

5. Matters Arising from the Minute of the 21st May 2018

5.1 The Committee noted that the recommendation for the change to the name of the committee had been approved at the last meeting of the Board on the 18th June 2018.

5.2 The consolidated accounts timetable was noted by the committee.

5.3 Update from the PAPLS Committee 28.06.18 – the committee received the transcript from the meeting and Linda McTavish updated the committee that there had been a request from the Chair of the PAPLS committee for further evidence from the non- executive members of the Board. A response from those members had been drafted by Keith Fulton and she would update on this at the Board meeting on the 10th September 2018. The deadline for this response is the 13th September 2018.

Action: Linda McTavish will update the Board on the 10th September 2018 about the non – executive Board members response to the Chair of the PAPLS committee. It is clear that this is not a response from the entire Board – it is the response from non- executive members as requested.

5.4 Cyber Attack Training for the Board

Action: The Board Secretary reported that Jason Quinn had contacted Suzanne Wilkie from the Scottish Government in relation to training and she would now follow this up. The training would be timed to maximise Board attendance.

Regional Business

6. Audit Scotland Technical Update 2018

The committee noted the report and the requirement at P 10 which give guidance on The Trade Union (Facility Time Publication Requirements) Regulations 2017. This statement will now have to be included in college accounts.

7. Regional Risk Register

- There are 17 strategic risks logged on the consolidated Lanarkshire Risk Register Summary. One risk has moved up and one has moved down since the last report to the Audit Committee. Five risks remain above the committee's threshold level and are therefore subject to control action planning. There was considerable discussion at the risk meeting about the thresholds and it was decided to leave these for the time being. There will be a further risk assessment at the next risk meeting.
- The SLC summary risk register has 18 risks logged. There are no risk movements.
- The impact of BREXIT, cyber security and GDPR compliance are all subject to specific observation and analysis. BREXIT will hit the number of credits in the region and both colleges have indicated their concern about this at previous meetings.
- There is now guidance from the SFC on horizon setting definitions. The core assumptions have been set by the SFC. It was noted that, because future Scottish Government budgets won't be set because they are on an annual basis, the worse- case scenario would have to be adopted for planning purposes. The horizon setting approach will facilitate direct comparisons between the colleges.

8. Ruth Holland of Mazars presented the Audit Progress Report for NCL 2018 as follows:

- The summary of the approach taken and the process and timetable for the production of the consolidated accounts
- The Audit Progress to date
- National Publications and Other Updates – the report extracts relevant sections for NCL from the Auditor General's Colleges Scotland 2018 report, the College Estate Condition Survey December 2017, the section 22 report from the Auditor General re the 2016/17 audit of NCL, the SFC accounts direction for Scotland's Colleges 2017/18 July 2018 and for NCL as the regional strategic body August 2018 and the 2018 (FE) Technical Guidance note from Audit Scotland.
- A position statement on the 2107-18 Audit which includes work undertaken so far i.e. the Audit Memorandum, attendance at the PAPLS committee – and work to be undertaken.

The committee noted the report.

Regional Business

9. Internal Audit Reports

9.1 Internal Audit Reports – the internal audit reports were presented by Stephen Pringle of Wylie Bisset.

9.1.1 Absence Management

The internal auditors undertook a review of the processes in place for the management and monitoring of staff absence. The review considered whether the absence policies are being complied with consistently throughout the College and whether the reporting arrangements in place are sufficient. This review was agreed as part of the 2017/18 Internal Audit Plan. The Auditors overall conclusion was substantial and that controls are largely satisfactory with regards to absence monitoring and management at the College although they have identified weaknesses which require to be addressed. They have made 3 medium and 2 low level recommendations for improvement and management has agreed all of the recommendations.

9.1.2 Audit of the Resource Return 2018.

The auditors undertook a review of the Quarter 4 Resource Return submitted to the SFC for Financial year 2017/18. This review was agreed as part of the 2017/18 Internal Audit Plan. The internal auditors can provide strong assurance over the controls in place in relation to the preparation of the March 2018 Resource Return. They can also provide strong assurance that the 2018 Resource Return complies with the Scottish Funding Councils requirements. From the sample testing, they can confirm that the Resource Return is accurately stated. There was one low level recommendation.

The Chair of the committee acknowledged the very good work done on the Resource Return for this year. The committee noted that, however, this return has now been discontinued by the SFC other than the final 2017/18 submission due in September 2018.

9.1.3 Student Records

The purpose of this assignment was to review the systems and procedures in place for recording student records, and compliance with the College's systems and procedures. They also reviewed the overall controls in place to ensure the correct recording of student records and the accuracy of information supplied for management decision making. This assignment forms part of the 2017/18 Internal Audit Plan. The overall conclusion is substantial and the internal auditors provide substantial assurance over the systems and procedures in place at the College with regards to student records. They can also provide substantial assurance over the controls in place to correctly record student information and the accuracy of the information supplied to management for decision making. There was one medium and three low level recommendations which were all agreed by management.



Action: Stewart McKillop informed the committee that there was no data sharing agreement with the SFC. Linda McTavish said that she would raise this with Colleges Scotland and that this would be on the agenda for the next meeting of the Committee. Stewart McKillop will share the legal advice obtained by SLC.

9.1.4 Staff and Room Utilisation

The purpose of this assignment was to evaluate the College's systems for staff & room utilisation and assess how this is managed within the College. The review sought to provide assurance to the Board, via the Audit Committee, that the systems in place are efficient and effective. The review also considered the integrity of the data being used for reporting with sample checks undertaken on the data. This assignment forms part of the 2017/18 Internal Audit Plan. The overall conclusion was weak with weak controls in place with regards to staff and room utilisation. The internal auditors made 5 recommendations for improvement, including 1 high grade recommendation regarding the maintenance of staff utilisation figures.

The committee was informed that although management agreed that the financial information in the recommendation was factual they felt that the recommendation did not take into account how that financial / budget information is used dynamically for the control and monitoring of expenditure. The key parameter for monitoring teaching staff utilisation, is the combined contingency/control, permanent and temporary teaching staff budgets / expenditure. The dynamic relationship between the three is fully understood by all managers involved in the monitoring and control of these budgets. Considering contingency/control, temporary or permanent staff expenditure in isolation is not appropriate in ascertaining staff deployment efficiency. The College has to remain flexible, therefore has to and does understand and monitors the dynamic between these budgets. Therefore, College management will develop and implement an effective centralised and integrated means of monitoring staff utilisation. However, although the College accepted the recommendation and all statements of fact, it believes the grading / risk to be Medium at most.

Decision: The committee agreed the internal auditors overall conclusion. Management will work with the internal auditors on the process used which has given rise to this recommendation - the use of a control account to hold the overall budget and other aligned budgets which are set to control overspend on temporary staff.

9.2 NCL Follow up report – Update

Iain Clark presented the follow up report. There are 18 recommendations on the list with 9 cleared, 3 not due and the others are ongoing.

Action: It was agreed that the completed actions should be shown on a separate page and that there should be an additional column for revised dates.

SLC –Assigned College Business

10. Report SLC Audit Committee

10.1 Head of Finance Report on the meeting on the 28th August 2018

Keith McAllister presented his report to the committee as follows:

Internal Audit

- The report on Income and Debtors was presented to, and accepted by, the Committee.
- The draft plan for the year was approved by the Committee. It was noted that this was the second year of the three year appointment. The Committee was happy that the numbers of days in the plan were adequate to cover the areas that they considered appropriate in terms of the plan as a whole.
- The Committee also noted the commitment re audits on credits and student support.
- The Committee noted the paper presented on the changes to the Audit and Assurance Committee Handbook. This would be followed up by the Head of Finance and the subject of a further presentation.

2. Risk Management

- Members considered the latest update of the College's Risk Register and discussion ensured on the increased problems being noted re cyber resilience.
- The internal audit providers offered to host a risk workshop; the Committee were happy to accept this offer.
- It was noted that overall risk rating categories hadn't although there were some minor movements in scores. There were no new risks although the increased potential impact of Brexit was noted.

3. External Audit

- The external audit providers took the Committee through their Audit Progress Report. Particular attention was drawn to the list of relevant publications listed in the document including the year's audit guidance notes.
- It was noted that timings had been amended to allow a smooth preparation of Regional accounts.
- The interim audit work had been completed with no requirement to reconsider the work to be carried out.
- It was noted that the lead auditor had been cited for jury duty during the first week of the audit, but contingency arrangements were in place to ensure that the audit would not be delayed. The assistant on the audit was the same member of staff as last year.

The committee noted the report.

10.2 Head of Finance Report and Papers Audit Committee Meeting – 14th May 2018

Keith McAllister reported that all of the issues raised at the 14th May meeting had been followed up at the 28th August meeting he had just reported on. There was discussion about the SLC Information Security Business Risk and Impact Assessment and the committee as informed by Stewart McKillop that a lot was in place but that it would take some time to pull everything together.

Action: It was agreed that there will be an update at the June meeting next year. The committee noted the papers submitted.

General Committee Business

11. Approval of Publication of Committee Papers

The committee approved the publication of the following papers:

The agenda

The minute

Item 5 – the PAPLS committee transcript

Item 6 – Audit Scotland Technical Update April- June 2018

Item 10 – a link to the SLC website for papers from the Audit Committee 14th May and the 28th August.

All the other papers are non – disclosable.

12. AOB

12.1 Ann Stark informed the committee that Stewart McKillop had emailed the Board Secretary to confirm that Robert Ralston did not wish to attend meetings of the NCL Audit and Risk Committee but he would be happy to meet with her at SLC at any time if she wanted to meet.

Note

The external and internal auditors left the meeting before item 12.2 was discussed and the Chair thanked them for their contribution to the meeting.

12.2 NCL Internal Audit Services

Iain Clark presented the options paper to the committee as follows:

- Background -In terms of process, the provision of internal audit services was deferred from the last meeting in May when it was agreed to take it to this meeting given that the practicalities of outstanding 2017/18 reviews would not be breached. In regards to the Internal Audit services provided by Wylie & Bisset, the extension period expired on the 31st July 2018. The August/September 2018 audits relate to the 2017/18 Audit Plan, therefore, there is no issue about those audits and the contract period.
- APUC Ltd have released a new Framework Lot 2– Internal Audit – Small – Colleges and SG Bodies. The Suppliers have been ranked in order.
- The Options are:
 - Extend the current contract with Wylie and Bisset for 1 further year to 31st July 2019.
 - Expire the Wylie and Bisset contract and issue a direct instruction to the supplier at the top of the APUC list, this can be for a maximum period of 4 years.
 - Run a Mini Competition with all the Suppliers listed above with a view to placing a contract for a maximum of 4 years.
- The recommendation to the Audit and Risk Committee is that there is a one year extension to the contract with Wylie and Bisset but that a mini competition is held expediently after that for the future contract beyond the one year extension.

Decision: The Audit and Risk Committee agreed the recommendation made to the committee.

13. Date of the Next Meeting

The date for the next scheduled meeting is Monday 3rd December 2018 at 4pm in the Boardroom at the Cumbernauld Campus.