**Minute: Audit and Risk Committee**

**19th February 2024 5.00 pm – Boardroom Cumbernauld Campus and Via Zoom**

**Present:** Face to Face: Yvonne Finlayson, Catherine Pollock and Kellyann McGraith.

**In Attendance:** Christopher Moore, Ann Baxter, Iain Clark, Diane McGill, Penny Neish, Matthew Smith, Ronnie Gilmour, Louisa Yuill (Audit Scotland)

**Present via Zoom:** Elaine McKechnie, Jack Kerr (Audit Scotland), Alastair Rennie and Stephen Pringle (Wylie & Bisset)

**1. Chair’s welcome:** Yvonne Finlayson welcomed all to this meetingand thanked Members for their attendance.

**2. Apologies for Absence:** There were apologies from Ronnie Smith and Stella McManus.

**3. Declarations of Interest:** There were no declarations of interest.

**4. Minute of meeting:** The minute of the 4th December 2023 was approved.

**5. Matters Arising from Minutes:**

**5.1** Yvonne Finlayson said at the last meeting that she would like to have follow up actions listed from each meeting. A draft report has been produced by the Board Secretary and there will be further discussion to finalise this.

**6. SLC ARC Update:**

Elaine McKechnie presented her paper to the Committee as follows:

## Risk Management

* Of the fifteen risks identified previously and of the post-mitigation risks contained in the attached register, members to note that three scores have been increased while two scores were decreased. Inherent risks have remained consistent.
* The main challenge for SLC continues to be financial sustainability as is echoed by the Scottish College sector in full, failure of financial controls in respect of a pension contribution error and failure to promote a robust learner experience as a result of bursary payment delays.
* In a bid to mitigate these 3 increased risks, a financial modelling exercise is being undertaken currently to better assess our financial position considering the budget indicative announcements. A pension contribution project plan has also been devised to address the pension contribution errors, identifying actions taken and controls now in place to reduce likelihood of a future incident. Furthermore, the bursary payment delays from 2023-24 are being considered internally to ensure sufficient resources are available in the future.
* In terms of the 2 scores that were decreased, the College has reduced the risk that it will fail to meet its credit target. Based on January 2024 enrolments, the College is now confident in meeting its core credit target for 2023/24. Similarly, the risk of damage to the integrity of management information systems has also been downgraded. Cyber essentials and cyber controls continue to be monitored. Reviews of policies and procedures are ongoing and continually evolving to maintain current levels of confidence.

## 6.2 Rolling Audit Recommendations (RAR) monitor

* SLC Committee asked to consider the recent updates to the monitor. The monitor now incorporates the results of the internal audit work as presented to the Committee at this meeting on 27 November 2023 (Budgetary Control, Student Activity (Credits), Student Support and Quality).
* SLC has made some progress in addressing the recommendations made in previous audit assignments however many of the recently added recommendations are still a work in progress at this point in the academic year.
* There are 27 recommendations on the monitor, covering Cyber Security, Health & Safety, Risk Management, Staff Recruitment & Retention, Budgetary Control, Student Support Funds and Student Activity (Credits).
* Common themes to address each recommendation include the revision of internal policies and procedures, enhanced reporting and data quality checks, the roll out and completion of training exercises and the implementation of new systems (HR and Student Records).
* The achievement of all recommendations above is dependent on staff compliance with policies, procedures, training initiatives and new systems and the College having sufficient staff resources to undertake work.
* SLC reminds staff regularly to complete training courses on a timely basis and resource issues are carefully considered by the Senior Leadership Team to ensure that key priorities can be tackled.
* At this stage SLC has no concern over its ability to satisfy each of these recommendations and target dates for completion.

## 6.3 Internal Audit – Agreed timetable 2024

Committee advised to note that a timetable for the following audits has been agreed by staff internally and by staff at Henderson Loggie, Internal Audit: Corporate Governance, Student Support, Procurement and Credit/Purchasing, Publicity and Communication, Space Management, Credits audit, Student Support Funds, Payroll and Follow UP Reviews.

## 6.4 Internal Audit – Pension Contribution Project Plan

The SLC Committee to note recent updates and plan for correction of pension contribution errors for part time staff. In 2023, it came to light that the College had not adjusted pension contributions correctly in 2015 and that part time lecturing staff were therefore over contributing to their pensions. SLC instructed Henderson Loggie to undertake an internal audit of pension contributions. Following on from the findings of their review which were communicated to the College in December 2023, the College was advised to appoint a payroll specialist to prepare detailed calculations to correct for errors made. Henderson Loggie have been appointed for this role following a procurement process and a project plan has been created and implemented to assess and conclude on all employees and former colleagues who have worked part-time during the period of 2015 – 2023. The Project will utilise a “project sprint” methodology to minimise lost time. Based on the prioritisation order of surname, people will be put into groups of roughly 20 people and they will go through the full process of having their contributions reviewed, concluded and, if appropriate, consulted on a resolution on any contribution discrepancy. The project is anticipated to end by the end of February 2025, with employees getting their results monthly, starting around May 2024.The risks of this issue include a breach of legislative requirements; the potential impact on employees and third-party organisations such as HMRC; the cost of resolution to the College and reputational damage for the College.

Further payroll controls have been identified and are now in place to mitigate risk of a further incident:

an additional payroll administrator has been brought in to assist with the workload in payroll; full documentation of current payroll processes has been undertaken by HR staff to bring focus to key areas of risk; cross-training of HR staff has been undertaken to ensure perform payroll calculations can be performed as part of business continuity in the event of staff absence; financial controls have been further emphasised on the College risk register and are now reviewed more stringently and regularly; and the expected

implementation of the new HR system in Apr/May 2024 will further enhance and automate current payroll process, removing the need for manual calculations.

## 6.5 External Audit: The SLC Committee was advised to note External Audit Fees for 23/24. Fees have been carefully considered by Audit Scotland in accordance with the Auditor General for Scotland and the Accounts Commission. The fee levels have been set in the context of a challenging economic environment, increased expectations on the audit profession and the ongoing process of recovery following the Covid-19 pandemic. A 6% increase in fee is proposed for the College from 2022/23 to 2023/24, representing an increase of £1,450 from £24,140 to £25,590. A rebate of £282 will be received in respect of 2022/23 unspent travel budgets which can be offset against the 2023/24 fee.

7. **SLC Governance Assurance Framework Update:** The governance assurance is now part of the rolling audit recommendations and it was agreed that this item would in future be reported through the SLC VP report to the ARC. It was noted that there would also be a Corporate Governance Audit and this was in the internal audit plan.

**8. Technical Bulletin Audit Scotland October –December 2023**

**8.1** Iain Clark informed the Committee that there was no dedicated FE sector in this bulletin. He highlighted the guidance relating to general Public Sector matters on planning audits at P 5 and the Fraud Cases at P 20.

**9. Audit Scotland Reflection and Update:** Louisa Yuillinformed the ARC that this year Audit Scotland would look to smooth the process by testing earlier and by sharing check lists and meeting with the wider group that contribute to the writing of the accounts. The external audit plan will be bought to the next meeting of the ARC.

**10. Regional Risk Register**

**10.1 Regional Risk Register**

* There are a total of 20 Strategic Risks logged as at Regional Strategic Risk Management Group (RSRMG) on 22 January 2024.
* There is no change to 18 risks. Risk P - "Loss of data or ICT service due to cyber-attack" moves up to a risk impact of 3 (from 2) following the JISC infrastructure review. The Infrastructure Review was carried out in December and the report (36 pages) was received recently. The report highlighted the lower than expected staffing to users ratio at NCL, especially in the event of a cyber-attack, and while this is not something we didn’t already know, we have also adjusted risk O – “Inability to invest in the development of management systems, technology and the necessary level of ICT support staff required to adequately support and maintain them” accordingly. A paper will go to the EB shortly and further updates will be available to the ARC in the next meeting cycle.
* Risk H - "Failure to deliver SFC Credit targets" moves down to a likelihood score of 3 (from 5) and a residual score of 3 (from 4) due to the reduction in Credits target and change to the cut-off point for claiming Credits. All other risks remain the same as per November 2023. NCL Credit figures are in a more favourable position, at this time, than last year and NCL is confident that the core Credit target can be achieved. The narrative of Risk H has also been updated.
* Our greatest risks remain Financial (5 out of the 20 risks) and are reflected in the regional risk register followed by failure to deliver SFC Credit targets in recent years.
* All actions from the 20 November 2023 RSRMG meeting have been undertaken and both the SLC and NCL Risk Registers have been updated to reflect this. Elaine will report separately on the SLC risk register.
* The NCL one-month trial period with JISC Website protection will be made permanent and we have adjusted the Risk P – “Loss of data or ICT service due to cyber-attack” narrative to reflect this.
* The residual score of Risk T – “Disruption to College business due to Covid-19 pandemic” has been reduced to 1.
* There are no changes to Risk W – “Failure to adequately heat/light College buildings due to increase in energy costs” NCL energy costs have been fixed for a year (until early 2025) and usage is on the same level as last year.
* The latest survey was undertaken on the Cladding at the Motherwell Campus before the Christmas break. The netting is due to be re-roped in the upcoming months. The Risk S – “Failure of the external cladding system at the Motherwell Campus due to defects” risk treatment has been updated to reflect this.
* Notification has been received to advise that the FWDF would cease although activity will still be delivered before 31 March 2024. The risk narrative for Risk F – “Local authority curriculum delivery variations with related funding/credit, structural and strategic implications” has been updated although the risk score remains the same.
* In terms of Risk M – “Catastrophic loss of building, infrastructure or utilities” the Coatbridge Nursery building is currently safe, however as long as it remains standing, a risk of disrepair and asbestos exposure exists. This may impact on NCL’s reputational risk if left as is for a lengthy period. The risk treatment narrative has been duly updated. Discussions have taken place including with the Chair of the R&GP committee and further discussions will take place at the R&GP committee next Monday.
* The Business Plan Risk Register has been reviewed and updated. There are 10 risks and we have established which EB members are responsible for each risk. This lines up with the recent NCL Financial Recovery plan approved by the Board and sent to the SFC. There are no risk movements in the plan although the narrative has been updated. The updated business plan risk register is included in the report.
* At present, there are no global supply chain issues and, in fact, ICT equipment lead times have improved markedly.
* The Sustainability and Climate Change Committee met on 13 February 2024. The Head of Estates shared the Carbon Management Plan 2023/2033 and outlined the carbon reduction, net zero figures and the numerous policies and actions in place to support reaching targets.
* A review of NCL’s water consumption has been undertaken and identified issues are now being resolved.
* The committee highlighted, during student induction, the importance of sustainability should be promoted and students encouraged to turn off lights, recycle etc.
* The carbon management plan has been uploaded to the NCL website and we will also raise awareness of short sustainability “behaviours” that staff and students can adopt. The reverse vending machines will be included in the promotion to encourage students and staff to recycle their plastic bottles and cans.
* The NCL EB welcomes any/all sustainability initiatives that will cut/reduce costs at NCL.A sustainability Q&A section will be introduced to NCL website.

**10.2** Yvonne Finlayson raised the issue of how the risks of the financial position were being reflected in the risk register. The external financial environment was driving the financial problems being experienced by NCL and the college sector as a whole and a major part of this is staff costs which due to national bargaining are out with the colleges’ control.

***Action: Matthew Smith and Iain Clark will look at this and update the narrative in the risks to enhance the impact of external factors. This will be shared with Yvonne Finlayson.***

**10.3** This is Matthew Smith’s last ARC meeting as he will be retiring at the end of March. Yvonne Finlayson thanked him for his excellent contribution to the work of the Committee and wished him all the best for the future. Members of the Committee also recorded their thanks and best wishes.

**10.4 SLC Risk Register:** The SLC risks were discussed at Item 6 above.

**11. Horizon Scanning – NCL Forward Plan**

**11.1** The Forward Plan which was presented to the Board on the 5th February is in four parts as follows:

* Review of the Current Forecast Cash Position for NCL.
* Consider immediate term proposals for Board approval.
* Outline strategies for improving student recruitment and retention.
* Outline approach for improved curriculum delivery effectiveness.

**11.2** The plan sets out the financial position as follows: the current forecast July ’24 cash deficit of £4.5 million, the group UOP losses, that there have had to be unfunded VS schemes because the SFC are no longer funding them, clawback for credit shortfall and the impact of unfunded back dated pay rises from national bargaining. Every 1% raise in pay is an additional estimated £400k of costs. If the pay settlements are not agreed before March the college can get to June 2024 in terms of cash flow with a much lesser level of support. The cash flow can be smoothed and the SFC are considering to advance funding but this only puts the financial difficulty a few months down the line.

**11.3** The SFC have asked for an explanation on how the external environment has impacted on the Credits shortfall situation and the ARC was informed as follows:

* The effect of the cost of living crisis – young people were staying on at school or taking up jobs. Lanarkshire has had the highest level of employment since 1972. This, in turn, has impacted on the numbers of students coming to college.
* The entry qualifications to get into university became such that it was easier to get into some universities than into college. University retention rates show that there are high levels of students not completing their courses. However, there is a marked rebound this year in the number of applications to the college.

**12. Internal Audit Progress Report**

**12.1** Stephen Pringle presented the Internal Audit progress report informing the ARC that there were three audits where reports have been issued – Commercial and External Partnerships Costing Model, Curriculum Delivery Plan and HR/Payroll. There will be considered by the next meeting of the ARC. Two further reports will be presented that meeting – Cyber Security and Follow UP Review.

**13. Approval of Publication of Committee Papers:** The ARC approved the publication of the agenda, the minute of the 4th December 2023, the Technical Bulletin and the SLC VP report.

**14. AOB:** Iain Clark asked if a Board Member would like to sit on upcoming Internal Audit tender selection meetings.

***Action: Catherine Pollock agreed to join in this process.***

**15. Date of Next Meeting:** The date for the next scheduled meeting is **Monday 13th May 2024 at the Motherwell Campus**.