**Minute Audit and Risk Committee**

**4.00 pm 15th May 2023 – Blended Meeting**

**Face to Face in the Boardroom, Motherwell Campus and via Zoom**

**Present: Face to Face** Yvonne Finlayson (Chair) **Via Zoom**: John Elliott, Ryan McRobert, Alastair Rennie

**In attendance: Face to face:** Ann Baxter, Iain Clark, Jack Kerr (Audit Scotland), Christopher Moore, Diane McGill, Penny Neish, Ronnie Smith, Matthew Smith, Louisa Yuill (Audit Scotland). **Via Zoom:** Siobhan Archibald (Wylie Bisset), Keith McAllister (Head of Finance, SLC), Stella McManus (Principal SLC).

1. **Chair’s welcome:** Yvonne Finlayson welcomed members and attendees to the meeting and welcomed Louisa Yuill and Jack Kerr from the new external auditors (Audit Scotland) and Siobhan Archibald (Wylie Bisset)

**2. Apologies for Absence:** There were apologies from Craig McLaughlin (Chair SLC ARC).

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

**4. Minute of meeting 20th February 2023:** The minute of the meeting was approved.

**5. Matters Arising from Minutes:** There were no matters arising that would not be dealt with through the agenda.

**6. SLC ARC Update:** Keith McAllister presented his Head of Finance Report prepared for the SLC ARC to the Lanarkshire Board ARC Committee.

## Risk Management: SLC Members considered the latest update of the College’s Risk Register. Discussion ensued re risk appetite and the presentation on this subject by the internal audit service providers,

## Henderson Loggie (HL), at a recent Board strategy day was noted. The representative of HL present at the meeting noted the high degree of involvement and engagement that there was at the session. Members of

## SLC ARC noted the Regional Strategic Risk Register and that a representative of the SLC Finance Dept. attended Regional Risk Group meetings.

## Annual Report of the ARC to the Board and Audit Scotland: The SLC ARC Committee reviewed and noted the draft report. There being no amendments proposed, this report would be forwarded for approval at the next SLC Board meeting.

## Rolling Audit Recommendations (RAR) monitor: SLC ARC Members noted the schedule of cumulative outstanding audit recommendations and the work that had been recorded on addressing these.

## Governance Rolling Review: The SLC ARC Committee welcomed the establishment of the Governance Rolling Review. It was noted that this document would synchronise with the College’s risk register and any review of risk appetite.

## External Audit: Two representatives of the newly-appointed external audit service, Audit Scotland, were present and took the Committee through the plan for the audit of the 2022/23 financial statements. It was noted that an initial interim visit had already taken place and the College was responding to audit requests.

## Assurance: The Chair of the Regional ARC Yvonne Finlayson was in attendance as per the current arrangements. It was noted that the SLC Principal had recently completed the annual Certificate of Assurance letter for the RSB as part of the requirements of being an assigned college.

**7. SLC Governance Assurance Framework Update:** This is as noted above at Item 6.

**8. Update SLC 2021/22 Audit and Financial Statements:** The SLC accounts are signed and are with the SFC OSCR and Audit Scotland.

**9. Technical Bulletin Audit Scotland January 2022–March 2022:** Iain Clarkinformed the Committee that there was no specific chapter on the college sector.He drew the Committees attention to the following pages:

**P9**: HM Treasury has issued a consultation paper on proposed changes to asset valuation bases for financial reporting purposes. The proposals flow from a thematic review that will affect public sector adaptations and interpretations of IAS 16 and IAS 38 in respect of the measurement of assets.

**P11** Professional Support has issued guidance to assist auditors consider risks related to cyber security at audited bodies as part of 2022/23 core annual audit activity. The guidance is available to auditors on Share Point and is also freely available from the Audit Scotland website.

**P23** Sets out changes to the government’s Finance Reporting Manual

**P27** Sets out two payment frauds incurred by Councils. Wylie Bisset have conducted an audit of NCL systems and they are satisfactory.

**10. Introduction to External Auditors – Audit Scotland:** Louisa Yuilland Jack Kerr were introduced to the Committee. There are hand-over discussions with Mazars and ongoing dialogue with the Finance Department to understand the controls and systems in place. They are currently gathering information to inform the Audit Plan and this will be circulated to the Committee when it is ready and before the September meeting of the Committee.

***Action: Board Secretary to circulate the action plan to the ARC***

**11. Regional Risk Register:** Matthew Smith presented the Regional Risk Register.

**11.1** There are a total of **21 Strategic Risks** logged as at RSRMG on 2 May 2023**.**

**11.2 Risk Movements.**

No change to 17 risks. Risk T ‐ Disruption to College business due to Covid‐19 pandemic ‐ remains but has

been reduced further. Risk P ‐ Loss of Data or ICT service due to cyber‐attack ‐ has been reduced due to the College achieving its Cyber Essentials+ certification and the on‐going work on phishing emails. Risk O ‐

Inability to invest in the development of management systems and technology ‐ has been reduced in impact due to the SFC allowing capital maintenance funding to include digital infrastructure. Risk X ‐ Risk of power failure to College buildings; power failure to infrastructure supporting the College; power failure to student/staff homes ‐ has been reduced due to the external threat reduction. This risk is under constant supervision. Risk S ‐ Failure of the external cladding system at the Motherwell Campus due to defects ‐ the risk definition is amended to include "and the on‐going legal costs".

**11.3. Six risks are above the committee's threshold level and therefore are subject to Control Action Planning. These are:**

**a)** Financial: "A" Unable to maintain operating budget while delivering high quality, relevant and

responsive education ‐ very high (Above Amber [high] threshold

**b)** Financial: "D" Inability to secure appropriate levels of funding to respond to operational and strategic

priorities ‐ very high (Above Amber [high] threshold)

**c)** Productivity: "H" Unable to deliver SFC Credits Targets ‐ high (Amber [high] threshold)

**d)** Student Experience: "L" Failure to improve student retention and achievement ‐ medium (Yellow

[medium] threshold)

**e)** Governance: "J" Failure to establish and implement an effective regional governance model ‐ medium

(Above Green [low] threshold)

**f)** Compliance: "V" Failure to hold and manage personal data appropriately in compliance with the

requirements of the General Data Protection Regulations (GDPR) ‐ low (Green [low] threshold

**11.4. SLC Risk register**

a) There are a total of 14 risks logged.

b) One risk moves up ‐ Risk 2 ‐ That there is a failure of financial controls. The other 13 risks remain the same as the February register.

**11.5 Escalation of Risks:** None

**11.6 Under observation / analysis**

a) Global Supply Chain Issues (including Brexit). Continuous monitoring of the costs of gas and electricity.

Carbon management and sustainability.

b) For Risk S ‐ while our ongoing costs are very much and will continue to be, legal ones, these costs equate to less than a quarter of our overall expenditure to date on the cladding system.

**11.7 Regional Business Plan Risk Register**

This risk register is due for renewal in July 2023. The RSRMG proposed to review it and report back to the ARC with recommendations at the May 2023 meeting.

a) There are a total of 10 risks logged.

b) There are no risk movements.

**11.8** The next meeting of the Regional Risk Management Group will be on the 21st August 2023.

**11.9** The flat cash settlement from the SFC /Scottish Government is a financial risk and the college sector as a whole has a lot of concern about the impact of the financial settlements.

**12. Horizon Scanning - Future Issues and Opportunities:** The pressure on finances can lead to an impact on delivery. Ronnie Smith has raised the issue with Colleges Scotland and has suggested looking at shared back office services to try to deliver savings. The Committee noted that the SFC have allowed the Very High Priority Maintenance funds to be used to support ICT infrastructure and this has had a considerable impact in being able to address the issues raised by the ICT department with the Finance Committee regarding outdated infrastructure. Ann Baxter informed the Committee that NCL was also looking at new degree programmes and taking innovative and creative approaches to delivery of skills and learning. The committee noted that it is important to keep morale up in the current situation and this is an important challenge. Yvonne Finlayson thanked staff for all their efforts in this situation.

**13. Internal Audit Progress Report:** Siobhan Archibald presented the progress report from Wylie Bissetshowing the planned timing of the EMA, SSF, Credits and Room Utilisation and Sustainability Carbon Management Audits. The HR/Payroll is postponed until 2023/24.

**14. Committee Self Evaluation:** Members were asked to submit the self-evaluation form on the committees to Diane McGill and Penny Neish by the 19th May 2023.

**15.Approval of Publication of Committee Papers:** The Committee approved the publication of the agenda the approved minute of 20th February 2023, the Audit Scotland Technical Bulletin and the committee evaluation form and the committee Terms of Reference.

**16. AOB: There was no other business.**

**17. Date of Next Meeting:** The date for the next scheduled meeting is **Monday 4th September 2023**.

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