**Approved Minute Audit and Risk Committee**

**4.00 pm 20th February 2023 – Blended Meeting**

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

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

**In attendance: Face to face:** Ann Baxter, Iain Clark, Christopher Moore, Diane McGill, Penny Neish, Ronnie Smith, Matthew Smith and Via Zoom Suzie Graham, David Hoose (Mazars), Keith McAllister (Head of Finance, SLC), Stephen Pringle (Wylie & Bisset), Alan Sherry (Acting Principal SLC).

1. **Chair’s welcome:** Yvonne Finlayson welcomed all to the meeting and welcomed David Hoose the partner from Mazars who has stepped in to finalise the SLC and NCL Audit following Lucy Nutley’s departure.

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

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

**4. Minute of meeting 5th December 2022:** The minute of the meeting was approved.

**5. Matters Arising from Minutes**

**5.1** It is noted in the minute from the last meeting at 10.1.3 thatAlan Sherry commented that he thought that the interchanging use of the words NCL, College, Regional Strategic Body and Lanarkshire Board was confusing. Ronnie Smith commented that the current legislation made the NCL Board the Regional College Board and the Regional Strategic Body i.e. the Lanarkshire Board. Lucy Nutley agreed that the external audit team would review use of terminology in the report. Suzie Graham confirmed that this had not happened yet but that she would do this.

**6. SLC ARC Update**

Keith McAllister presented his Head of Finance report from the SLC meeting of the 6th February as follows:

**6.1** **External Audit -** It was agreed at the meeting that SLC would replace the current Governance Statement with an updated version that had been the subject of discussion between Mazars and the Chair of the ARC. A target of Friday 17th February was agreed to have feedback and, hopefully, approval on a form of words that would be used to finalise the Financial statements and have these forwarded to a joint meeting of the College’s Audit and Risk and Finance and Resources Committees. Board approval would then be sought, and this would allow the Consolidated Financial Statements to be reviewed and approved by the Regional Strategic Board. Keith McAllister informed the Lanarkshire ARC that discussions were still ongoing.

**6. 2. Audit fee 2022/23 -** Members of the SLC ARC noted the 57.5% increase in the indicative external audit fee for the current financial year. It was intimated that this is an increase across the board in the sector. It was also noted that although there had been no formal notification, the College’s external auditors were now being quoted as Audit Scotland as opposed to Azets, who were the original appointees. This appointment is for 5 years. This is the same issue for the Regional Board.

**6. 3. Internal Audit – SLC ARC** Members reviewed the internal audit report on student support funds carried out by the College’s internal audit service providers, Henderson Loggie, and noted the recommendations made. The internal audit programme for the year was referred to the Board for review. The Committee reviewed the College’s Audit Recommendations Register and noted the progress that had been made.

**6. 4. Risk Management – SLC** Members reviewed SLC’s Strategic Risk Register, noting movements re financial sustainability and governance. Following discussion, it was agreed to amend the score recorded re Financial Controls, in light of the findings re the student support funds audit. The Region’s Strategic Risk Register was noted.

**6.5. Other Audits -** The SLC ARC reviewed and noted the report on the audit undertaken by an external agency on Cyber Essentials, this being the first of two annual audits undertaken to ensure that the College achieved the Cyber Essentials Plus standard. It was noted that the College was regarded to be compliant in every category of review and that the second part of the audit would be undertaken later in the months. The Committee noted that the internal audit on Educational Maintenance Allowances was successful, with no recommendations being made. This audit is mandatory, and two such reviews are carried out annually by the College’s Quality Audit Group. SLC Members reviewed the audit programme of SLC’s Quality Audit Group for the year.

**7. SLC Governance Assurance Framework Update-** This was reported at Item 6.3 above.

**8. SLC 2021/22 Audit and Financial Statements –** This was deferred to Item 10.1 on the agenda.

**9. Technical Bulletin Audit Scotland October 2022– December 2022**

Iain Clark highlighted the following from the bulletin:

* **P7** The impact of the challenges and risks faced by Scotland’s public finances
* P9 Flexibilities in Local Government with regard to funding the 2022/23 pay award. This will not apply to the colleges
* P16 - **Professional scepticism** is an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence. A fundamental attribute of an auditor’s mindset and behaviour is exercising professional scepticism and challenge as these are the foundations of a high-quality audit. The inconsistent application of scepticism and challenge results in the poor application of professional judgement.
* P29 Materiality
* P34 Fraud and irregularities

**10. RSB Consolidated Accounts**

**10.1 Annual Audit Report 2021/22**:

**10.1.1** Suzie Graham said that Lucy had presented the annual report in draft at the last meeting of the committee. The audit is now 99% complete.

**10.1.2** Alan Sherry added that the Chair of the SLC Board and ARC -Paul Hutchinson and Craig McLoughlan – were in discussions with Mazars who wished to access material from the investigations, which is very sensitive material, in order to assure there were no governance implications. It had been agreed that a paper would be produced setting out any implications from the investigations that would impact on the governance statement. David Hoose would meet with Shepherd and Wedderburn SLC’s lawyers to discuss the paper and to gain any necessary assurances. Alan Sherry put on record his appreciation of the pragmatic approach being taken by David Hoose.

***Action: The paper would also be shared with the RSB.***

**10.1.3** It was hoped that the accounts could be signed off by the SLC Board on the 9th March 2023. This has a knock- on effect for the RSB consolidated accounts and the governance statement in those accounts which has to reflect what is in the SLC accounts. The RSB Board Secretary highlighted the tight timing to get the consolidated accounts to the RSB Committees and to the RSB Board and the focus to date had been very much on the SLC accounts. Meetings of the RSB ARC and Finance Committees were pencilled in for the 13th March 2023 and the Board was the 20th March 2023.

**10.2 RSB Consolidated Accounts 2021/22**

**10.2.1** Iain Clark updated the ARC saying that there had been some tidying up of the audit files and checking of post-balance sheet events. The governance statement was the main part that was outstanding and it was reliant on the finalisation of the SLC statement.

**10.3 AMCOL Financial Statements 2021/22:** Iain Clarksaid that the AMCOL accounts were finalisedand had been since September/October last year. **T**he Committee noted the AMCOL Financial Statements which are separately audited and approved by the AMCOL Board. The Income & Expenditure Account recorded a surplus of £556,478 including the gain on revaluation of assets.There is also a healthy balance sheet with cash funds of c£1.8m and net cash provided by operations for 2021/22 was £414,880.

**11. NCL Audit Committee Annual Report:** The Board Secretaryinformed the Committee that this was in progress. The internal auditors Regional Assurance and Annual Reports were now finalised and opinions could be incorporated. The final opinion of the external auditors would also be incorporated when the accounts were finalised.

**12. Regional Risk Register**

Matthew Smith presented the risk register to the ARC as follows:

**1.** There are a total of **21 Strategic Risks** logged as at RSRMG on 7 February 2023.

**2. Risk Movements.**

No change to 20 risks. Risk T ‐ Disruption to College business due to Covid‐19 pandemic remains but the risk score has been reduced. Risk U ‐ Failure to maintain and comply with Health & Safety standards in response to Covid‐19 has been deleted as there are no longer any legal requirements only guidance. A new risk Y ‐ Risk of failure of the payroll system ‐ has been added.

**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

**4. SLC Risk register is attached**

a) There are a total of 14 risks logged.

b) One risk moves up. Three risk move down. Nine risks remain the same. A new risk 14 ‐ That there is a

reputational risk to the College ‐ has been added.

**5. Escalation of Risks**

None

**6. Under observation / analysis**

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

Carbon management and sustainability.

**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.

**12.2** Keith McAllister noted the new SLC risk re reputational damage. There was discussion of the new NCL risk Y – risk of failure of the payroll system. SLC have just procured one. Ronnie Smith said that in an ideal world this was an area where there might be joint procurement. SLC offered to share their experience of the recent procurement with NCL to help with their procurement process. It was noted that the Finance systems would be the next big- ticket items.

**13. Horizon Scanning - Future Issues and Opportunities**

**13.1** Christopher Moore informed the ARC that the NCL Foundation would be launched on the 31st March 2023 at an event in the auditorium at the Coatbridge Campus. The college is very grateful to Elaine C Smith who is performing her one woman show and the musical theatre students will also be performing. Board Members are cordially invited to the event.

**13.2** Ronnie Smith informed the committee that he had written to the Scottish Government (SG) asking them to re-establish the transition group that comprised the SG SFC and the Principals of two colleges and the RSB Board Secretary to take forward the issue of the dissolution of the arrangement between the two colleges. The group was chaired by the SFC. Progress will be reported back to the committee.

**14. Internal Audit Reports**

Stephen Pringle presented the two audit reports as follows:

|  |  |
| --- | --- |
| **14.1 Regional Assurance Report**  The report concludes as follows:   * “the College has reasonable procedures and controls over the collection of data for   the Credits return and assurance can be taken that the Credits count for the College is not materially mis-stated.  The systems used by the College are satisfactory. The recommendation arising as a result of our review  is included within Appendix C of the Credits report. “   * “We can also confirm that from our review of the 4 recommendations raised in 2020/21, we found that   3 of these had been fully implemented with 1 not implemented. “   * “The College’s credit target for the academic year 2021/22, agreed between the SFC and the College, was   136,139 credits compared with an actual total of 132,823 credits. the target for Deferred students,  Foundation Apprenticeships and YPG/NTTF credits have not been achieved. At the time of finalising this  report the SFC had not confirmed whether there would be a clawback in relation to these credits.” | |
| **14.2 Annual Report**    This report concludes that “We are satisfied that sufficient internal audit work has been undertaken to allow us  to draw a conclusion as to the adequacy and effectiveness of the Region’s risk management, control and  governance processes. “  “In our opinion New College Lanarkshire did have adequate and effective risk management, control and  governance processes to manage its achievement of the Region’s objectives at the time of our audit work.  In our opinion, the Region has proper arrangements to promote and secure value for money. We were, however,  only able to provide a weak level of assurance for the GDPR review. “  “The overall opinion provided by the Internal Auditors of South Lanarkshire College (Henderson Loggie) was:  In our opinion, the College has adequate and effective arrangements for risk management, control and  governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has  been arrived at taking into consideration the work we have undertaken during 2021/22.” |

**14.3** The ARC noted the reports and that the delay in producing them resulted from delays from SLC’s internal auditors Henderson Loggie who in turn had been delayed by data problems with the SFC.

**15. Approval of Publication of Committee Papers**

The ARC approved the publication the agenda, the minute and the technical bulletin.

**16. AOB**

**16.1** Iain Clark raised the issue of the internal audit service for the coming year. At this point Stephen Pringle left the meeting. He raised the issue of being able to award a further extension for one year if it was felt that this was appropriate. The committee agreed that they were content with the service that had been offered and agreed that continuity was important at this time.

***Decision: The ARC agreed to extend the contract with Wyllie Bisset for the NCL internal audit service for a further year.***

**17. Date of Next Meeting:** The date for the next scheduled meeting is **Monday 15th May 2023**.

**18. Annual Audit Meeting**

NB: SLC staff and senior staff left the meeting at this point and there was the annual meeting with the auditors (David Hoose and Suzie Graham) with the non – executive Board Members on the ARC Committee and the Board Secretary. Suzie Graham said that the audit work had gone well benefitting from Mazars experience with the audit processes built up over the years they were the auditors. She made a recommendation for there to be in person audit work as this helped with the overall processes. There was nothing that she felt had to be flagged up. There would be a handover meeting and process with Audit Scotland. Yvonne Finlayson thanked Mazars for all the work they had done over the years and Mazars thanked the college and the Finance Team in turn for all their work and assistance in the audit work.