**Minute Audit and Risk Committee**

**4.00 pm 17th February 2025 – Boardroom Cumbernauld Campus and Via Zoom**

**Via Zoom: Alastair Rennie (Chairing), Kelly Ann McGraith, Stella McManus, Elaine McKechnie, Stephen Pringle (wbg), Jack Kerr (Audit Scotland) and Louisa Yuill (Audit Scotland).**

**In Attendance: Ann Baxter, Ronnie Gilmour, Christopher Moore. Diane McGill, Penny Neish. Ronnie Smith.**

**1. Chair’s welcome:** Alastair Rennie was Chairing this meeting with the Committee Chair Yvonne Finlayson attending remotely by phone. However, Yvonne Finlayson could not access the Zoom link remotely and Catherine Pollock had to give notice shortly before the meeting that she could not attend. The Board Secretary informed the Committee that the meeting was, therefore, not quorate. The meeting could proceed with any decisions being approved by the Board and the meeting went forward on that basis.

**2. Apologies for Absence:** There were apologies from Catherine Pollock, Yvonne Finlayson and Iain Clark.

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

**4. Minute of meeting 2nd December 2024:** The minute of the meeting was approved.

**5. Matters Arising from Minutes:** The Committee was informed that Ronnie Smith had written to the Auditor General and had a reply acknowledging the points raised and setting out the audit process. The point about policies being brought to the ARC on an annual basis would be actioned.

**6. SLC ARC Update:**

Elaine McKechnie highlighted the following items from her report:

* **Consultancy Review of Payroll and Pensions Management**: see 7 below.
* **Rolling Audit Recommendations Monitor:** The terms of the Rolling Audit Recommendations Monitor were noted. A further 2 recommendations were closed in the period from November 2024 to February 2025 in respect of risk management and cyber security respectively. The Payroll & Pension internal review recommendations would be added to the monitor for the May 2025 committee cycle.
* **Risk Management:** See at Item 9 below.
* **SLC Quality Enhancement Group update**: The SLC Committee considered and noted the remit and membership of the Quality Assurance and Enhancement Groups, the Quality Audit Group (QAG) Audit Schedule for 2024-25 and the results of the recent EMA 1st Block Audit.
* **External Audit Proposed Fees 2024-25:** The SLC Committee noted and agreed the proposed level of fee set by Audit Scotland and the Auditor General for 2024/25. A 1.9% increase in fee is proposed for the College from 2023/24 to 2024/25, representing an increase of £490 from £25,590 to £26,080.
* **SLC Digital Strategy:** The SLC Committee considered the terms of the SLC Digital Strategy and remitted to the Board for approval.
* **Pensions Update:** The SLC Committee received a written update of the progress of the work being undertaken on the plan for correction of pension contribution errors for part time staff as previously advised.
* **Governance Rolling Review:**  The Committee noted the updates to the Rolling Review. The Rolling Review now provides visible audit evidence of the role of the Board in monitoring key Policies and key Governance documents such as the Scheme of Delegation, the Committee Terms of Reference and Standing Orders – all of which the College is obligated to keep under review.

**7. SLC Internal Audit Report:**

**7.1** Stella McManus informed the Lanarkshire Board ARC that **t**he SLC Committee was provided with an update regarding the review of payroll and pensions management as conducted by Henderson Loggie. The report culminated in 12 recommendations of which 8 have already been implemented. The report is confidential but SLC has committed to liaising with the Regional Chair to share relevant details of the report of which the Regional Body should have awareness. A copy of the report has also been made available to Yvonne Finlayson who attends the SLC ARC committee and to Alastair Rennie as the Chair of this meeting. It will be made available to any other member of the Lanarkshire Board ARC who requests it. As noted at Item 6 point 2 above, the Payroll & Pension internal review recommendations would be added to the monitor for the May 2025 committee cycle.

**8. Technical Bulletin Audit Scotland Oct – Dec 2024:**

**8.1** The Committee noted the following at Page 15 of the bulletin

**8.1.1** The Scottish Funding Council (SFC) has issued an amended Accounts Direction for Scotland’s Colleges 2023/24 relating to the accounting treatment for the middle management/support staff job evaluation exercise. The amendment explains that the grant funding previously held by the SFC to fund the job evaluation exercise has been returned to the Scottish Government. This impacts colleges’ ability to accrue income previously notified through funding allocation letters.

**8.1.2** There are two amendments as follows:

• The estimated settlement cost of the job evaluation exercise should be recognised as a provision rather than disclosed as a contingent liability. Any accrued income previously recognised to fund the exercise should be derecognised.

• Colleges should include the provision in the adjusted operating position (AOP) disclosure. A revised model AOP disclosure is included with the amendment

**9. Regional Risk Register**

**9.1 Regional Risk Register:**

**9.1 1.** There are a total of 20 Strategic Risks logged as at Regional Strategic Risk Management Group (RSRMG) on 19 November 2024.

**9.1.2. Risk Movements.**

There are no changes to 18 risks.
Risk G - "Failure of adherence to the Financial Memorandum and associated legislative requirements as Regional Strategic Body with Regional Fundable Status." moves DOWN to a risk score of 6 (from 9). There is no change to the residual risk.
Risk J - "Failure to establish and implement an effective regional governance model." moves DOWN to a risk score of 8 (from 12). There is no change to the residual risk.
All other risks remain the same as per December 2024.
Whilst there is no change to risk score or residual risk, risks C, P and S have had updates to Risk Definitions and/or Risk Treatments.

**9.1. 3.** Two 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)

**9.1.4. Escalation of Risks:** There are no escalations of risk.

**9.2 SLC Risk Register:** There are a total of 15 risks logged - the same as December 2024. All risks remain the same as at December 2024.

**10. External Audit 2023/24 Reflections.**

**10.1** Louisa Yuillinformed the Committee that the scheduled meeting on reflection and audit planning with the NCL Finance Department had been postponed to the 13th March 2025. However, she did say that there had been nine versions of the accounts with multiple changes and that there were ninety three matters arising at the clearance meeting. She noted that this was the second year of audit and that, looking at better quality control in the flows of information requests and clarifications between the auditors and the Finance Team and others contributing to the narrative in the accounts, could be beneficial.

**10.2** Elaine McKechnie responded, as there was no one from the NCL Team at the meeting, asking if the process of preparing consolidated accounts made the process slower and more complicated. Louisa Yuill responded to say that this did not help. She said that both NCL and SLC had changed the template for the accounts to the format requested by Audit Scotland. Ann Baxter said that there had been delays to the performance figures because of industrial action which could not be helped.

**10.3** The Committee was informed that that the accounts direction from the SFC had been late and that there were complex accounting issues which were sector wide that Audit Scotland had to form a view on. It was noted that there may be a value in finding a mechanism to form a sector wide approach to some of these sector wide technical issues that are specific to the college sector.

***Action: Ronnie Smith expressed some concern about the level of matters at the clearance meeting and this will be followed up and the reasons for this clarified.***

**11. Ministerial Letter re Asset Disposal:** The Committee noted the letterand that it was a step forward but it did not fully clarify the position e.g. what might count towards the £1 million spend limit.

**12. Audit Scotland Fees 24/25 Audit:** The Committeenoted the AuditScotland fee and this will be reported to the Board. Louisa Yuill said that if the work load from information flows was as high as it had been this year there may have to be a further increase to the fee.

**13. Internal Audit Plan 2024-2027:**

**13.1** Stephen Pringle refreshed the Committee on the internal audit plan previously presented to the Committee. There were no internal audit reports for this meeting of the Committee but there is ongoing work which will be presented at the next meeting according to the plan.

**13.2** Stephen Pringle had presented on risk to the Board at its strategy and training day in February 2025 as part of the training offer set out in the audit plan and the Committee thanked him for this.

**14. Approval of Publication of Committee Papers:** The Committee approved the publication of the agenda, the minute, the technical bulletin and the Ministerial Letter**.**

**15. AOB:** The Committee noted the Follow Up Report and that 18 of 25 outstanding items have been cleared.  There are only 7 outstanding points remaining.

**16. Date of Next Meeting: Monday 12th May 2025 at the Motherwell Campus**.