

Audit Committee

Meeting at 17:30 on Thursday 22 November 2018

Location: Board Room, Scottish Borders Campus, Galashiels

Actions

Item	Action	Responsibility and Date
39/18	Procurement Practices and Value for Money – Clarification would be sought regarding the amounts shown within the paragraph on savings and benefits. <i>Post meeting note: Clarification was emailed to the Committee on 14/9/18.</i>	H Robertson
60/18	The use of the word challenging was felt to be very strong and this would be discussed further with the auditors.	H Robertson
61/18	Make amendments to annual accounts and value of BCC to be checked.	H Robertson
48/18	Forward update to Register of Interest to Board Secretary	S Ker
55/18	Annual report - Section 4.0 would be checked against the External Audit Report to ensure accuracy	H Robertson
57/18	With regard to Business Impact Analysis it was necessary to test business continuity plans which would help inform prioritisation in the event of a major fail. The VP Finance and Corporate Services would take this forward.	H Robertson

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MINUTES

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Present	<p>Steven Ker (Chair) Ian Ireland Bryan McGrath Jane Gaddie Jen MacKenzie</p>
In Attendance	<p>Scott McCreddie (Internal Auditors, Wylie & Bisset) Claire Gardiner (External Auditors, Scott-Moncrieff) Rachel Wynne (External Auditors, Scott-Moncrieff) James Ayling (Board Secretary) Hazel Robertson (Vice Principal – Finance & Corporate Services) Sheila McColm (Minutes)</p> <p>Members of the F&GP Committee who joined for items 60/18 and 61/18:</p> <p>Elaine Acaster Tony Jakimciw Liz Parkes Angela Cox David Peace David Johnson David Elder</p>
60/18	<p><u>External Audit Report – Paper H</u></p> <p>The auditors introduced themselves to the Finance & General Purposes Committee.</p> <p>The Chair of the Finance & General Purposes Committee reported that the Committee had considered the External Audit Report and had welcomed the unqualified audit opinion. The Committee had agreed with some of the action points raised and disagreed with others.</p> <p>The external auditors provided a high level overview of the report, which signified the end of their audit work. The final report would go to the Regional Board for approval before being submitted to Audit Scotland and the Scottish Funding Council.</p> <p>The auditors had signed off an unqualified opinion.</p> <p>Eight points for actions had been identified in total, three at grade 2 and the others at grade 3. Two adjustments had been identified by the auditors, which management had implemented. These had no impact on the outturn performance. Throughout this audit, the auditors had remained separate to the Finance team. They thanked the team for their hard work especially in the context of turnover in the senior finance team.</p>

	<p>Committee members challenged some of the text in the action plan points. The auditors agreed this could be revisited and asked for comments to be forwarded. Committee members were unaccustomed to this level of comments in feedback from auditors and requested a brief summary of the points raised for reassurance.</p> <p>The auditors talked through the eight points for action;</p> <ol style="list-style-type: none"> 1. Financial procedures had not been followed which could have been a result of the changeover in the Head of Finance position. The VP Finance and Resources advised that the spirit of the procedures had been followed with random samples of journals being checked. A review of the financial procedures was in progress. 2. Procedures to be tightened up when staff leave the organisation; the previous VP Finance and Head of Finance were still signatories on the bank account, although staff had repeatedly contacted the bank in this regard. 3. Processes were in place for updating Register of Interests however two issues had been found when compared to Companies House records. The Board Secretary advised that updates to the register were requested at every Board and Committee meeting. 4. Delays in receiving annual report and statements. The ledger was open until 18 October, which was unusual and increased the risk of fraud or error, resulting in additional auditing. No inappropriate journal entries were detected. 5/6. These items were linked, relating to ensuring the value of assets were not materially mis-stated. Recommendations were made to review annually going forward. The sector norm would be tested. In last year, the auditors had received confirmation from Colliers that the value was still correct. 7. No year-end reconciliation between the ledger and payroll system; This was due to year-end pressures and no significant differences between the two had been identified. 8. The differences in the FFR for 2016/17 and the FFR for 2017/18 – some of the assumptions were considered challenging and scenario planning would be helpful. <p>The use of the word challenging was disputed and this would be discussed further with the auditors. Growth targets were included and these were being delivered.</p> <p style="text-align: right;">ACTION: HR</p> <p>The VP Finance & Corporate Resources agreed that the process had been challenging for the Finance team and the auditors but suggested that the report did not sufficiently recognise the good outcome in terms of the financial outturn and the quality of the accounts.</p>
61/18	<p><u>Borders College Annual Accounts 2017/18 – Paper I</u></p> <p>The annual accounts were considered and amendments agreed as follows:</p> <ul style="list-style-type: none"> • The Finance and General Purposes Committee had recommended the removal of the 3rd paragraph from the Governance Statement on page 25. The auditors confirmed this would cause no issues. • Page 7, last para, replace “achieved” with “generated”.

	<ul style="list-style-type: none"> • Page 49 – Fixed asset note; reclassification of transfers to be revisited. • Page 51, note 18; change to “falling due within one year”, etc • Page 54 – end of first para; check date (31 March 2016), last para; check date (1 August 2015). • Page 58, note 32; amend to “no reportable or disclosable events”. Remove L McIntyre as member of BFET. <p style="text-align: right;">ACTION: HR</p> <p>Committee members agreed to recommend approval of the Annual Accounts 2017-18 to the Regional Board, subject to the above and other minor changes highlighted by the auditors.</p> <p>It was also agreed to check if the value of BCC was overstated.</p> <p style="text-align: right;">ACTION: HR</p> <p>The Chair considered the Accounts to be an continued improvement on last year and was satisfied with outcome of the Audit Report, and passed on congratulations to those involved.</p> <p>A final version of the Accounts was required by 28 November in order to be be circulated with Board papers for the meeting on 6 December.</p> <p>Members of the Finance and General Purposes Committee left the meeting at this point.</p>
46/18	<p><u>Chair’s Welcome</u></p> <p>The Chair welcomed everyone to the meeting.</p>
47/18	<p><u>Declaration of Conflict of Interest</u></p> <p>No conflicts of interest were raised.</p>
48/18	<p><u>Register of Members’ Interests</u></p> <p>An update to D Johnson’s Register of Interest was noted. S Ker also had an update which would be forwarded to the Board Secretary.</p> <p style="text-align: right;">ACTION: SK</p>
49/18	<p><u>Apologies for Absence</u></p> <p>Apologies were received from D Jardine.</p>
50/18	<p><u>Minutes of Meeting held on 13 September 2018 – Paper A</u></p> <p>The minutes from the previous meeting on 13 September 2018 were agreed as a true and accurate record.</p>
51/18	<p><u>Matters Arising</u></p>
39/18	<p>The action relating to procurement practices and value for money was ongoing.</p> <p>All other actions were complete.</p>

52/18	<p><u>Internal Audit Annual Assignment – Credits Audit 2017/18 - Paper B</u></p> <p>S McCreddie, Wylie & Bisset, presented the findings of the audit of the FES return, reporting that the one recommendation had been cleared at the time of audit.</p> <p>The conclusion on page 5 stated that the College had met its Credits target for 2017/18.</p> <p>The Committee approved the findings of the report.</p>
53/18	<p><u>Internal Audit Assignment – Education Maintenance Allowance 2017/18 – Paper C</u></p> <p>The Committee received the audit report on the College’s Educational Maintenance Allowance (EMA),</p> <p>There were no recommendations for action. The observation relating to Unit-e and Celcat around issues with the attendance reporting system had been resolved.</p> <p>The Committee approved the findings of the report.</p>
54/18	<p><u>Internal Audit Assignment – Student Support Funds 2017/18 – Paper D</u></p> <p>S Moncrieff presented the audit report of the College’s Student Support Funds. There were no recommendations for action and there had also been none the previous year.</p> <p>The Committee approved the findings of the report.</p>
55/18	<p><u>Annual Report of the Audit Committee to the Regional Board 2017-18 Draft - Paper E</u></p> <p>The final draft of the 2017-18 report was presented.</p> <p>The following points were noted:</p> <ul style="list-style-type: none"> • Paragraph 2.2 - date should read 2017 instead of 2018. • Section 4.0 would be checked against the External Audit Report to ensure accuracy. <p style="text-align: right;">ACTION: HR</p> <p>The finalisation of the report was agreed subject to these changes. The report would be presented to the Regional Board on 6 December.</p>
56/18	<p><u>Strategic Risk Register – Paper F</u></p> <p>The VP Finance and Corporate Services presented the Risk Register in its new format. The Committee considered the changes made by the Executive Team on 12 November 2018.</p> <p>The Finance and General Purposes Committee had discussed the 5.2% pension increase and agreed that it was not significant enough to be added as a risk. The Audit Committee agreed that it was an actuality as opposed to a risk.</p>

	<p>The completion date of 31 July 2018 under risk 3a was queried as having passed.</p> <p>Further development work would take place on the register. Future actions would be moved to Current Controls where they were complete. Further Actions should be aligned to work required to reduce either likelihood or impact and should be one-off measureable activity.</p> <p>No further changes were suggested and the Committee welcomed the new format of the Risk Register and covering sheet.</p>
57/18	<p><u>Monitoring Internal Audit Follow up Review – Paper G</u></p> <p>The VP Finance and Resources would welcome a discussion with S McCreadie around improving the monitoring of Audit action points and changing the current format of the report.</p> <p>The following points were noted by Committee members:</p> <p>With regard to appropriate controls being in place over data leaving the College network via removable media, encrypted pen drives and a centrally managed system were suggested. This action would need to be completed in order to achieve cyber security accreditation.</p> <p>Two actions with end dates of 30 September were still open.</p> <p>With regard to Business Impact Analysis it was necessary to test business continuity plans in order to develop priorities in the event of a major fail. ACTION: HR</p> <p>The Committee noted the content of the paper.</p>
58/18	<p><u>Committee Papers for Publication (Standing item)</u></p> <p>All papers would be published on the website with the exception of the draft External Audit Report (paper H), Annual Accounts (paper I) and the Annual Report to the Regional Board (paper E).</p>
59/18	<p><u>Any Other Business</u></p> <p>There was no further business raised.</p> <p>The Chair thanked the external auditors and S McCreadie for their attendance at the meeting.</p>
60/18	<p><u>Date of Next Meeting</u></p> <p>The next Audit Committee meeting will take place at 17:30 on Thursday 7 February 2019 in the Board Room, Scottish Borders Campus.</p>

Signed..... Signed.....
Chairman Board Secretary