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Audit Committee

Meeting at 17:30 on Thursday 16 May 2019

Location: Board Room, Scottish Borders Campus, Galashiels

Actions

Item	Action	Responsibility and Date
09/19	BCP Lessons Learned Log – this action will be carried forward as the due date is September 2019.	VP Finance & Corporate Services - September 2019
26/19	Strategic Risk Register - rating of risk 5h GDPR to be reviewed by Senior Leadership Team. Current layout of register can be condensed until a new format is in place.	VP Finance & Corporate Services

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MINUTES

ITEM	MINUTES
Present	Bryan McGrath (Interim Chair) Douglas Jardine (Student Member) Jen MacKenzie (Staff Member)
In Attendance	James Ayling (Board Secretary) David Eardley (Scott-Moncrieff) Scott McCreadie (Wylie & Bisset) Hazel Robertson (Vice Principal – Finance & Corporate Services) Lorraine Sulo (Minutes)
15/19	<u>Chair's Welcome</u> The Chair welcomed everyone to the meeting.
16/19	<u>Declaration of Conflict of Interest</u> No conflicts of interest were raised.
17/19	<u>Register of Members' Interests</u> The Board Secretary advised on the following new updates: <ul style="list-style-type: none">• V Grant – change of position from Director to Chair of Ale Water Valley Ltd.• J Gaddie – post of College supply lecturer had ended.• D Johnson - Dissertation Advisor at University of Edinburgh Business School from 22 April 2019 until 31 October 2019 and was in addition to his current role at Napier. Full-time role of Assistant Professor (Lecturer) in Entrepreneurship at the University of Glasgow effective from 1 September 2019.• A Letham (co-opted Student Member) – posts of Chef at the Caddy Man restaurant in Jedburgh and Duty Manager at the Wheatsheaf Hotel in Swinton. Committee member of Royal Highland Education Trust and Borders College Students' Association Vice President for Activities.

18/19	<p><u>Apologies for Absence</u></p> <p>Apologies had been received from P Scrimger and J Gaddie.</p>
19/19	<p><u>Minutes of Meeting held on 7 February 2019 – Paper A</u></p> <p>The minutes from the previous meeting were approved as an accurate record.</p>
<p>20/19</p> <p>07/19</p> <p>09/19</p> <p>10/19</p> <p>11/19</p>	<p><u>Matters Arising</u></p> <p>Updates had been made to the Anti-Fraud & Corruption Policy and was now accessible on the College website.</p> <p>BCP Lessons Learned Log – this action was not due until September 2019. ACTION: VP F&CS</p> <p>The BREXIT Risk Register had been shared with the Regional Board at its February meeting.</p> <p>The submission of the Cyber Essentials Plus questionnaire had been made with pre-assessment completed. This automatically qualified the College for cyber insurance. The process would take a further three months to be completed.</p>
21/19	<p><u>Internal Audit Assignment – IT Systems – Paper B</u></p> <p>S McCready provided an overview of the internal audit of the College’s IT Systems. The overall conclusion being weak with two high recommendations, two medium and one low level. It was noted that nine areas of good practice were also identified.</p> <p>The Committee reviewed the recommendations and management responses with the following points noted:</p> <ul style="list-style-type: none"> • Data Leak Prevention (high grade) – provision of VPN, roll out of Office 365, and upgrading of identity management arrangements would provide tighter controls. Identity management will be upgraded by August 2019 with temporary controls in place as detailed within report. Controls on person specific data had been highlighted to staff with specific attention placed on the use of USB memory sticks. • Web Filtering (high grade) – student network will be priority. There is a requirement for the best solution to be ascertained which will be implemented by end of August 2019. A monitoring rather than filtering facility may be more appropriate for staff. • Patch Management (medium grade) – solution for patching will be implemented before Cyber Security Essentials Plus onsite inspection in July 2019. • Disaster Recovery Testing (medium grade) – tests have been conducted however a formal disaster recovery schedule will be implemented by October 2019.

	<ul style="list-style-type: none"> IT Disaster Recovery Plan (low grade) – IT disaster recovery will be fully documented by September 2019 with business continuity plans for departmental technology events progressed by October 2019. <p>The Committee requested a review of Risk 5h of the Strategic Risk Register following the risk of non-compliance with GDPR. This was discussed further under agenda item 26/19.</p> <p>The Committee approved the report.</p>
22/19	<p><u>Internal Audit Assignment – Student Activity – Enrolments & Withdrawals – Paper C</u></p> <p>S McCready provided an overview of the internal audit report of the College’s Student Activity – Enrolments and Withdrawals processes. The overall conclusion was strong with no recommendations raised and nine areas of good practice identified.</p> <p>Positive views from the Students’ Association on the enrolment process had been received. Two issues on last year’s enrolment process had been highlighted which were due to be resolved for 2019/20 enrolment.</p> <p>The Committee approved the report.</p>
23/19	<p><u>Internal Audit Assignment – Payroll – Paper D</u></p> <p>S McCready provided an overview of the internal report on the College’s Payroll system. The overall conclusion was strong with one medium and one low level recommendation.</p> <p>A key part of the payroll is the submission, review and authorisation of paper timesheets. The audit recommended that the College considered the implementation of a digital timesheet processing system to refine the process and mitigate risk of human error. Management had acknowledged that this would be more efficient, however, rigorous checking was completed through the manual system which allowed for errors to be highlighted prior to being approved in the system. This was evidenced by the minimal amounts of overpayments requiring recovery.</p> <p>An implementation plan will be developed by August 2019.</p> <p>The Committee approved the report.</p>
24/19	<p><u>Internal Audit Assignment – Follow Up – Paper E</u></p> <p>S McCready provided an overview of the Follow Up Review on previous assignments.</p> <p>The review and updating of the Financial Procedures Manual had been partially implemented but not completed due to staff changes. A review on the priority areas of purchasing and procurement had commenced. A date for a full review of the procedures manual had had yet to be set with recruitment to two senior finance posts underway.</p> <p>The Committee were satisfied that the three superseded recommendations could be removed from the action plan.</p>

	<p>The Committee approved the report.</p>
25/19	<p><u>Draft External Audit Plan 2018-19 – Paper F</u></p> <p>The External Audit Plan for 2018/19 which was prepared by Scott-Moncrieff following discussions with the VP Finance & Corporate Services was presented to the Committee by D Eardley who provided an overview highlighting the key audit risks, financial sustainability and materiality assessment.</p> <p>The plan will include a review of the overall arrangements and individual agreements on the voluntary severance and settlements which have occurred through the year.</p> <p>Audit Scotland sets an expected fee for each audit. The audit fee to the College reflects the level of work considered in response to the key audit risks raised with the plan and the requested interim work:</p> <p>Auditor remuneration - £14,560 Pooled costs - £770 Audit support costs £820 Total fee £16,150</p> <p>It was highlighted that additional costs were incurred last year due to the extended time which was required to finalise the full set of accounts. VP Finance & Corporate Services advised that a mock set of accounts had been prepared at the end of March therefore it was envisaged that all timelines would be met. The interim audit work which will take place in July would also assist with the process.</p> <p>The Committee thanked D Eardley for the plan which provided a robust set of guidance.</p> <p>The Committee approved the plan and fees.</p>
26/19	<p><u>Strategic Risk Register – Paper G</u></p> <p>The VP Finance & Corporate Services advised that the register had been considered by the Senior Leadership Team on 30 April 2019 with a view that a number of red risks could be lowered. Discussions had then followed at the recent F&GP Committee on 2 May 2019 and Regional Board on 9 May 2019 when it had been agreed that the register would undergo a refresh in line with the Outcome Agreement and move to a new format similar to the Brexit Risk Register. All risks would be transferred over to the new format and a formal process for updating and closing risks would be implemented.</p> <p>It was suggested that the current layout of the register could be condensed until a new format was in place. The VP Finance & Corporate Services agreed to review.</p> <p style="text-align: right;">ACTION: VP F&CS</p>

	<p>The Committee recommended that the rating of risk 5h, as highlighted under item 21/19, be increased following the findings of the internal audit report. It was agreed that this would be reviewed with the Senior Leadership Team.</p> <p style="text-align: right;">ACTION: VP F&CS</p> <p>The Committee also raised the importance of linking audit recommendations to the objectives of the strategic risk register and the monitoring of risks until the recommendation had been fully implemented.</p> <p>The Committee approved the report.</p>
<p>27/19</p>	<p><u>Internal & External Audit Follow-up Report – Paper H</u></p> <p>The VP Finance & Corporate Services provided an update on progress with the outstanding recommendations raised by Internal and External Audit.</p> <p>Outstanding items from the 2016 IT Security Review had been superseded by the recent IT Systems internal audit and would be removed from the next update.</p> <p>As discussed under 24/19 a date for the full review of the Financial Procedures Manual was still to be confirmed, however, work had commenced with a review of purchasing and procurement. A review of procurement levels and delegated authority had been discussed with the Senior Leadership Team and would be submitted to F&GP Committee for approval.</p> <p>Discussions regarding the Campus Lifecycle Trust Fund bank account had been delayed due to the unavailability of the HWU responsible Director, however, it was hoped that a meeting would be arranged within the next two weeks.</p> <p>A full revaluation of the College’s land and buildings will be conducted for annual accounts. Professional advisors were currently being appointed.</p> <p>The College is in discussions with SFC regarding the costs for the potential demolition of the Melrose Road site. Some initial interest in the site had also been received.</p> <p>The proposed approach to FFR had been approved by the F&GP Committee with guidance yet to be released by SFC.</p> <p>The Committee approved the report.</p>
<p>28/19</p>	<p><u>Equality & Diversity (Standing item)</u></p> <p>No items were raised.</p>
<p>29/19</p>	<p><u>Committee Papers for Publication (Standing item)</u></p> <p>All papers except for Paper B and Paper I would be published.</p>

30/19	<p><u>Any Other Business</u></p> <p>No items were raised.</p>
31/19	<p><u>Date of Next Meeting</u></p> <p>The next Audit Committee meeting will take place on Thursday 26 September 2019 at 17:30 in the Board Room, Scottish Borders Campus.</p> <p>D Eardley and S McCready left the meeting.</p>
32/19	<p><u>Appointment of Internal Auditors (Members only discussion) – Paper I</u></p> <p>This item was treated as confidential and a separate minute recorded.</p>

Signed..... Signed.....

Chairman

Board Secretary