

REGIONAL BOARD REPORT

Subject: Report from the Audit Committee	Purpose: For Approval <input type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input checked="" type="checkbox"/>	
Prepared by: Bryan McGrath	Date: 18 October 2019	
Purpose: To provide the Regional Board with draft minutes of the meeting held on 26 September 2019		
Linked to Strategic Goal 3: Provide a high quality College experience.		
Executive Summary: Draft minutes of the Audit Committee meeting held on 26 September 2019 are attached for information.		
Recommendation: To note the content.		
Previous Committee Approvals: n/a		
For publication <input type="checkbox"/>	For publication with redactions <input type="checkbox"/>	Not for publication <input checked="" type="checkbox"/>

Audit Committee

Meeting at 17:30 on Thursday 26 September 2019

Location: Board Room, Scottish Borders Campus, Galashiels

Actions

Item	Action	Responsibility and Date
40/19	Internal Audit Plan - Detail of costs to be included within the Regional Board Paper.	VP Finance & Corporate Services
41/19	Attendance of Principal at Audit Meetings - Clarification would be sought through the Good Governance Steering Group with the Principal invited to attend forthcoming meetings until feedback received.	VP Finance & Corporate Services
43/19	Actions for Draft Corporate Governance Statement: <ul style="list-style-type: none"> • Key Risks – Overall risk rating increase of 5% to be checked. • Risk Management Arrangements – sub-heading to be inserted to second section. • The Internal Audit Service – sub-heading to be inserted to second section. 	VP Finance & Corporate Services
44/19	Actions for Draft Annual Report of the Audit Committee: <ul style="list-style-type: none"> 2.1 P Scrimger to be included. 4.1 Audit date to be updated and year included. 8.1 Paragraph numbering to be updated. 	VP Finance & Corporate Services

Audit Committee

Meeting at 17:30 on Thursday 26 September 2019

Location: Board Room, Scottish Borders Campus, Galashiels



MINUTES

ITEM	MINUTES
Present In Attendance	Bryan McGrath (Interim Chair) Jane Gaddie Ann Letham (Student Member) Jen MacKenzie (Staff Member) Paul Scrimger James Ayling (Board Secretary) Scott McCready (Wylie & Bisset) Hazel Robertson (Vice Principal – Finance & Corporate Services) Lorraine Sulo (Minutes)
	Audit Committee members met with the internal auditors prior to the commencement of business.
33/19	<u>Chair's Welcome</u> The Chair welcomed everyone to the meeting.
34/19	<u>Declaration of Conflict of Interest</u> No declarations were raised.
35/19	<u>Register of Members' Interests</u> The Board Secretary updated the Committee on the following members' interests: <ul style="list-style-type: none">• Ann Letham – Chef at The Caddy Mann, Jedburgh and BCSA Student President. Committee Member of the Royal Highland Education Trust Scottish Borders Countryside Initiative.• David Johnson - Lecturer (Assistant Professor) in Entrepreneurship at the Adam Smith Business School, University of Glasgow. Dissertation Advisor at University of Edinburgh Business School (from 22 April until 31 October 2019). Appointment as a visiting Research Fellow at Interface. Founder and Director of SPEK3 – A Life Science Strategy Consultancy company.• Elaine Acaster – appointed to the Nominations Committee of Queen Margaret University (QMU). Also representing Borders College with the recruitment of the Regional Chair and specifically the required characteristics of the post (Scottish Government appointment position).

	<p>QMU is also undertaking a similar exercise, therefore conflicts of interest have been checked with the QMU Chair, Clerk and Secretary who are satisfied that there are no conflicts of interest. E Acaster has confirmed that she will not be applying for either of the Chair posts, however, should this position change the Board Secretary would be advised.</p>
36/19	<p><u>Apologies for Absence</u></p> <p>All committee members were present.</p>
37/19	<p><u>Minutes of Meeting held on 16 May 2019 – Paper A</u></p> <p>The minutes of the previous meeting were approved.</p>
38/19 09/19 26/19	<p><u>Matters Arising</u></p> <p>This item was discussed under item 48/19.</p> <p>Strategic Risk Register actions had been completed.</p>
39/19	<p><u>Internal Audit Annual Report 2018-2019 – Paper B</u></p> <p>S McCready provided an overview of the Internal Audit Annual Report for 2018-19.</p> <p>The auditors reported that the College did have adequate and effective risk management control and governance processes in place, however, a weak level of assurance around the IT systems arrangements had been raised which management were addressing. These items were discussed at the May 2019 Audit Committee meeting.</p> <p>The Committee approved the paper.</p>
40/19	<p><u>Internal Audit Plan – Paper C</u></p> <p>S McCready provided an overview of the proposed Internal Audit Plan for 2019/20 plus the following two years, which had been prepared by the internal auditors after consultation with College management.</p> <p>It was noted that A Collins would not be part of the core audit team (page 6 of the report).</p> <p>The Committee reviewed the proposed areas for audit and the number of days allocated. The Information Governance audit would link to the high priority IT actions through the Follow-up Review audit which was scheduled to take place at the same visit on 9 March 2020.</p> <p>An extra two days had been included in order to allow for a balance of time across the areas. Detail of costs would be included within the Regional Board Paper.</p> <p style="text-align: right;">ACTION: VP F&CS</p>

	<p>The Board Secretary advised that he would be leaving the College and therefore would not be available for the Corporate Governance audit in December 2019. He also advised that the external review which was planned for March 2020 and a requirement of the Code of Good Governance may not take place, therefore, it was important that the scheduled College audit was completed.</p> <p>The Committee confirmed its satisfaction of the proposed plan which would be submitted to the Regional Board on 24 October 2019.</p>
41/19	<p><u>Principal in attendance at Audit Meetings – Paper D</u></p> <p>The VP Finance & Corporate Services advised that the Code of Good Governance for the College sector states that the Principal cannot be a member of the Audit Committee, however, it is not uncommon for the Chief Executive of other public service bodies to be in attendance. This would enable assurance to the Chief Executive/Principal for sign-off on the governance statement for the College and certificates of assurance for the SFC and the annual accounts. It also provides an opportunity for the Committee to hear from the Chief Executive/Principal what their plans are to improve the internal control environment.</p> <p>The Board Secretary and S McCready advised that some College Principals were present at their respective Audit Committees as an attendee. Following a discussion it was agreed that clarification would be sought by the VP Finance and Corporate Services through the Good Governance Steering Group. A light-touch review of the Code was also underway.</p> <p>The Committee agreed that the Principal should be invited to attend forthcoming Audit Committee meetings until the review was completed and further feedback received. No change to the Terms of Reference would be required given that the Principal would be in an attendance capacity only.</p> <p style="text-align: right;">ACTION: VP F&CS</p>
42/19	<p><u>Audit Scotland – Good Practice Note on quality of College Annual Report & Accounts – Paper E</u></p> <p>VP Finance and Corporate Services advised that Audit Scotland had produced the Good Practice Note following last year's process when not all colleges had followed best practice in preparation of the annual accounts and in particular the governance statement. It was noted that the guidance would be used by the external auditors in the review of our accounts.</p> <p>The VP Finance & Corporate Services confirmed that the College's draft accounts had been prepared in line with the good practice recommendations.</p> <p>The Board Secretary highlighted that feedback on the College's last annual report and accounts through the Board self-evaluation had scored low. The VP Finance & Corporate Services clarified that the Audit Committee had responsibility for primarily the Corporate Governance Statement with the F&GP Committee responsible for the main narrative of the report.</p> <p>The Committee noted the report.</p>

43/19	<p><u>Draft Corporate Governance Statement – Paper F</u></p> <p>The Committee reviewed the extract of the annual accounts, which included a comparison of the key risks per strategic goals with last year, the performance analysis on the current strategic risks and the corporate governance report. The following points were highlighted:</p> <ul style="list-style-type: none"> • Key Risks – Overall risk rating increase of 5% to be checked. • Risk Management Arrangements – sub-heading to be inserted to second section. • The Internal Audit Service – sub-heading to be inserted to second section. <p style="text-align: right;">ACTION: VP F&CS</p> <p>The narrative to the annual accounts had undergone a significant review this year with recommendations from the Audit Scotland report on best practice included. Best practice within the sector and the requirements of FReM (Financial Reporting Manual) and SPFM (Scottish Public Finance Manual) had also been adopted. There were a number of new sections which had enhanced the report such as the Board self-evaluation which had been provided by the Board Secretary.</p> <p>The Committee will receive the final draft for approval at the 21 November 2019 meeting.</p>
44/19	<p><u>Draft Annual Report of the Audit Committee – Paper G</u></p> <p>A first draft of the 2018-19 report was provided for consideration. The report still required to be updated for the opinion of the external auditors.</p> <p>The following points were noted:</p> <ul style="list-style-type: none"> 2.1 P Scrimger to be included. 4.1 Audit date to be updated and year included. 8.1 Paragraph numbering to be updated. <p style="text-align: right;">ACTION: VP F&CS</p> <p>A final draft will be presented for approval at the 21 November 2019 meeting.</p>
45/19	<p><u>Strategic & BREXIT Risk Registers – Paper H</u></p> <p>The VP Finance and Corporate Services advised that the Strategic Risk Register had been updated since the last Board (June 2019) and a new summary page introduced which provided an overview of the risk exposure by strategic goals. A number of risks were also due to be closed off.</p> <p>The bursary laptop scheme had experienced some issues in its first year, which were being reviewed. Once completed recommendations will be made for the scheme going forward. The findings of the internal audit review have also still to be received.</p> <p>The BREXIT impact assessment had been updated and categorised into potential emergency responses, medium term and long term impacts. An intelligence gathering exercise was underway on business critical supplies.</p>

	<p>A business continuity test was also being planned in conjunction with assistance from Scottish Borders Council's Emergency Department.</p> <p>The Committee noted the contents of the report.</p>
46/19	<p><u>National Fraud Initiative (NFI) Update – Paper I</u></p> <p>The report provided an update on the 2018/19 NFI exercise. No issues of concern were identified.</p> <p>The Committee noted the contents of the report.</p>
47/19	<p><u>Procurement Practices & Value for Money – Paper J</u></p> <p>The VP Finance and Corporate Services apologised for the lack of frequency with this report, which would now be included within the forward schedule. The report provided an update to the Committee on activities in ensuring best practice and value for money in the College's procurement function.</p> <p>Targets will be set in order to move fully on to the electronic PECOS system. Procurement compliance continues to be relatively good, however, there remains a requirement for the benefits to be better understood by staff.</p> <p>The Committee noted the contents of the report.</p>
48/19	<p><u>Business Continuity Planning - Paper K</u></p> <p>The report was provided by the VP Finance and Corporate Services following the Board self-evaluation process which highlighted the need for the Audit Committee to have more scrutiny and review of the College's Business Continuity Plan.</p> <p>The Business Continuity and Emergency Plan have been discussed regularly and telephone contact details regularly updated. Discussions are underway to develop a written communications plan, including a mass communications process. CONTEST awareness raising regarding counter terrorism would also be reviewed.</p> <p>A logging system had been introduced for business interruptions and details of these were provided within the report. Smaller interruptions would continue to be logged through the IT and Estates helpdesks.</p> <p>The Committee noted the contents of the report.</p>
49/19	<p><u>CDN Audit Training</u></p> <p>The Board Secretary advised that specific courses for new members were currently being explored. Details of forthcoming courses for other members would also be provided once available.</p>

50/19	<p><u>Register of Gifts - Paper L</u></p> <p>An extract from the Register of Gifts for the period of 2017 to September 2019 was provided. This was a requirement of the Committee's Terms of Reference.</p> <p>The Committee noted the contents of the report and confirmed that an annual update would be sufficient.</p>
51/19	<p><u>Internal & External Audit Follow up Report – Paper M</u></p> <p>The Internal and External Audit Follow up Report prepared by the VP Finance and Corporate Services provided the Committee with an update on progress with outstanding recommendations.</p> <p>The deadlines for the two high risk items relating to IT systems had been revised given that technological solutions had required to be procured. Costs were above the delegated authority level of £25k which had meant SFC approval had been required, therefore, the planned summer implementation date had been delayed. These were now on track to be progressed during the October break when students were not on campus.</p> <p>The updating of the College's Financial Procedures Manual had been delayed due to a substantive review, which had been required of the Financial Regulations. The regulations will be considered by the Financial & General Purposes Committee on 3 October 2019, and following approval the manual will be updated in line with the new regulations.</p> <p>All required patches had been fully implemented, however, a patching strategy was still required to be documented. The College had successfully gained the Cyber Essentials Plus Accreditation award.</p> <p>The Committee noted the contents of the report.</p>
52/19	<p><u>Equality & Diversity (Standing item)</u></p> <p>The Board Secretary advised that a short-life working party to explore how to increase Board diversity was being progressed.</p>
53/19	<p><u>Committee Papers for Publication (Standing item)</u></p> <p>All papers were confirmed for publication.</p>
54/19	<p><u>Any Other Business</u></p> <ul style="list-style-type: none"> • Audit Committee Chair <p>P Scrimger left the meeting.</p> <p>The Board Secretary advised that following the resignation of S Ker in February 2019, B McGrath had kindly agreed to undertake the role of interim chair until a member with an accountancy background could undertake the role. A proposal had been received for P Scrimger to undertake the position of Audit Chair. The Committee approved the proposal for recommendation to the Board.</p>

	<p>The Committee recorded their appreciation to B McGrath who had provided excellent direction through the interim period.</p> <p>P Scrimger joined the meeting.</p>
55/19	<p><u>Date of Next Meeting</u></p> <p>The date of the next meeting will be Thursday 21 November 2019 at 17:30. The Committee will join the F&GP Committee to discuss the annual report and accounts before proceeding with the Audit agenda items.</p>

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

Chairman Board Secretary