

## 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	Draft Corporate Governance Statement – highlighted points to be actioned.	VP Finance & Corporate Services
44/19	Draft Annual Report of the Audit Committee – highlighted points to be actioned.	VP Finance & Corporate Services

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### MINUTES

ITEM	MINUTES
Present	Bryan McGrath (Interim Chair) Jane Gaddie Ann Letham (Student Member) Jen MacKenzie (Staff Member) Paul Scrimger
In Attendance	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	<b><u>Chair's Welcome</u></b>  The Chair welcomed everyone to the meeting.
34/19	<b><u>Declaration of Conflict of Interest</u></b>  No declarations were raised.
35/19	<b><u>Register of Members' Interests</u></b>  The Board Secretary updated the Committee on the following members' interests: <ul style="list-style-type: none"><li>• Ann Letham – Chef at The Caddy Mann, Jedburgh and BCSA Student President. Committee Member of the Royal Highland Education Trust Scottish Borders Countryside Initiative.</li><li>• 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.</li><li>• Elaine Acaster  Elaine Acaster had intimated that she is now on the Nominations Committee of Queen Margaret University (QMU). She had also advised that the role of Chair of Court of QMU is currently out to advertisement and she will be involved in the selection process during the early part of</li></ul>

	<p>the autumn term. Elaine also has limited involvement in the appointment of the new Chair for Borders College Regional Board in so far as she is working with the Principal in determining the required characteristics for the College's new Chair and passing this information on to the Government's representatives. Elaine had raised this to determine if there was any conflict of interest. It was noted that the Secretary/Clerk at QMU did not see Elaine's limited participation in the new Borders College Chair appointment process as a conflict for QMU. These Chair appointments are in different sectors.</p> <p>From Borders College perspective it had been noted that Elaine will not be involved in the actual selection of a successful candidate for the Chair of Borders College. That is a decision for a panel appointed by and acting for the Scottish Government over which those at Borders College have no say. This was therefore not currently viewed as a conflict of interest for Elaine although she was aware that if she felt at any time going forward that a possible divergence of interest between the two public bodies was emerging or apparent that she would need to withdraw from one or the other.</p>
<b>36/19</b>	<b><u>Apologies for Absence</u></b>  All committee members were present.
<b>37/19</b>	<b><u>Minutes of Meeting held on 16 May 2019 – Paper A</u></b>  The minutes of the previous meeting were approved.
<b>38/19</b> <b>09/19</b> <b>26/19</b>	<b><u>Matters Arising</u></b>  This item was discussed under item 48/19.  Strategic Risk Register actions had been completed.
<b>39/19</b>	<b><u>Internal Audit Annual Report 2018-2019 – Paper B</u></b>  S McCready provided an overview of the Internal Audit Annual Report for 2018-19.  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.  The Committee approved the paper.
<b>40/19</b>	<b><u>Internal Audit Plan – Paper C</u></b>  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.  It was noted that A Collins would not be part of the core audit team (page 6 of the report).

	<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;"><b>ACTION: VP F&amp;CS</b></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 he understood that the external triennial review of corporate governance which would be due shortly may not be necessary as there were proposals that the period between reviews be extended. Confirmation of the position was awaited.</p> <p>The Committee confirmed its satisfaction of the proposed plan which would be submitted to the Regional Board on 24 October 2019.</p>
<b>41/19</b>	<p><b><u>Principal in attendance at Audit Meetings – Paper D</u></b></p> <p>The VP Finance &amp; 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;"><b>ACTION: VP F&amp;CS</b></p>
<b>42/19</b>	<p><b><u>Audit Scotland – Good Practice Note on quality of College Annual Report &amp; Accounts – Paper E</u></b></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 also apply to the external auditors.</p>

	<p>The VP Finance &amp; Corporate Services confirmed that the College's draft accounts had been prepared in line with the good practice recommendations.</p> <p>The Board Secretary noted for information that there had been one low score in the Board's recent self evaluation questionnaire relating to the quality of the College's Report and that the results of the questionnaire on the Board's self evaluation of compliance with the Code of Good Governance for Scotland's Colleges would be presented at the next Board meeting in October and this had to be considered in determining the Board's governance statement.</p> <p>The VP Finance &amp; Corporate Services clarified that the Audit Committee had responsibility for primarily the Corporate Governance Statement with the F&amp;GP Committee responsible for the main narrative of the report.</p> <p>The Committee noted the report.</p>
43/19	<p><b><u>Draft Corporate Governance Statement – Paper F</u></b></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"> <li>• Key Risks – Overall risk rating increase of 5% to be checked.</li> <li>• Risk Management Arrangements – sub-heading to be inserted to second section.</li> <li>• The Internal Audit Service – sub-heading to be inserted to second section.</li> </ul> <p style="text-align: right;"><b>ACTION: VP F&amp;CS</b></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><b><u>Draft Annual Report of the Audit Committee – Paper G</u></b></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> <p class="list-item-l1">2.1 P Scrimger to be included.</p> <p class="list-item-l1">4.1 Audit date to be updated and year included.</p> <p class="list-item-l1">8.1 Paragraph numbering to be updated.</p> <p style="text-align: right;"><b>ACTION: VP F&amp;CS</b></p>

	A final draft will be presented for approval at the 21 November 2019 meeting.
<b>45/19</b>	<p><b><u>Strategic &amp; BREXIT Risk Registers – Paper H</u></b></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. 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>
<b>46/19</b>	<p><b><u>National Fraud Initiative (NFI) Update – Paper I</u></b></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>
<b>47/19</b>	<p><b><u>Procurement Practices &amp; Value for Money – Paper J</u></b></p> <p>The VP Finance and Corporate Services apologised for the lack of frequency with the 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>
<b>48/19</b>	<p><b><u>Business Continuity Planning - Paper K</u></b></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 with telephone contact details regularly updated. Discussions are</p>

	<p>underway to develop a written communications plan, including a mass communications process. CONTEST awareness training on counter terrorism would also be included.</p> <p>A logging system has been introduced for business interruptions and details of these were provided within the report. Smaller interruptions would continue to be logged through the helpdesk software.</p> <p>The Committee noted the contents of the report.</p>
<b>49/19</b>	<p><b><u>CDN Audit Training</u></b></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>
<b>50/19</b>	<p><b><u>Register of Gifts - Paper L</u></b></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>
<b>51/19</b>	<p><b><u>Internal &amp; External Audit Follow up Report – Paper M</u></b></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 was required. The process was longer than anticipated which meant the planned summer implementation date had been delayed, however, 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 &amp; 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 completed. The College had successfully gained the Cyber Essentials Plus Accreditation award.</p> <p>The Committee noted the contents of the report.</p>
<b>52/19</b>	<p><b><u>Equality &amp; Diversity (Standing item)</u></b></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><b><u>Committee Papers for Publication (Standing item)</u></b></p> <p>All papers were confirmed for publication.</p>
54/19	<p><b><u>Any Other Business</u></b></p> <ul style="list-style-type: none"> <li>• Audit Committee Chair</li> </ul> <p>Paul Scrimger left the meeting.</p> <p>Following the resignation of S Ker, Bryan McGrath had kindly agreed to undertake the role of interim chair until a member with an accountancy background could undertake the role. The Interim Chair proposed that Paul Scrimger now undertake the position of Audit Chair. The Committee approved the proposal for recommendation to the Board.</p> <p>The Committee recorded their appreciation to Bryan McGrath who had provided excellent direction through the interim period.</p> <p>Paul Scrimger then re-joined the meeting and accepted the role of Chair subject to Board approval.</p>
55/19	<p><b><u>Date of Next Meeting</u></b></p> <p>The date of the next meeting will be Thursday 21 November 2019 at 17:30. The Committee will join the F&amp;GP Committee to discuss the annual report and accounts before proceeding with the Audit agenda items.</p>

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