

## Audit Committee

Meeting at 17:30 on Thursday 25 November 2021  
MS Teams

### Actions

Item	Action	Responsibility and Date	Action Status
69/21	Register of Interest form to be updated as soon as possible.	P Scrimger	N/A
73/21	Audit Annual Report - The Committee Membership required to be corrected with the removal of J McBeath.	VP Finance & Corporate Services	Completed
75/21	Annual Accounts Governance Process - process for next year to be discussed by the Regional Board.	VP Finance & Corporate Services	Discussion to be convened.
77/21	Internal Audit of Education Maintenance Allowance - further information on missing engagement report, value of payment and any financial risks to be provided to Members.	VP Finance & Corporate Services	Completed - Response emailed to Committee on 30/11/21.
80/21	Strategic Risk Register – new governance risk to be discussed further with Board Secretary.	VP Finance & Corporate Services	Completed

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### MINUTES

ITEM	MINUTES
Present	Paul Scrimger (Chair) Carol Gillie David Johnson Bryan McGrath Ann McKerracher
In Attendance	Angela Cox (Principal) David Eardley (Azets) Ingrid Earp (Regional Board Secretary) Scott McCready (Wylie & Bisset) Sally Prentice (Student President) Hazel Robertson (VP – Finance & Corporate Services) Lorraine Sulo (Minutes)
	Members met with the auditors separately prior to the start of the meeting.
67/21	<b><u>Chair's Welcome</u></b>  The Chair welcomed everyone to the meeting.
68/21	<b><u>Declaration of Conflict of Interest</u></b>  No items were raised.
69/21	<b><u>Register of Members' Interests</u></b>  The Chair advised that he would be updating his register of interest form. <b>ACTION: Chair</b>
70/21	<b><u>Apologies for Absence</u></b>  All members were in attendance.
71/21	<b><u>Minutes of previous meeting on 30 September 2021 – Paper A</u></b>  The minutes from the previous meeting were approved.
72/21	<b><u>Matters Arising</u></b>  There were no matters arising.

73/21	<p><b><u>Final Draft - Annual Audit Committee Report to Regional Board 2020/2021 – Paper B</u></b></p> <p>Members reviewed the final draft of the report. The Committee Membership required to be corrected with the removal of J McBeath. Members noted the positive report which was approved for submission to the Board subject to the above change.</p> <p style="text-align: right;"><b>ACTION: VP F&amp;CS</b></p>
74/21	<p><b><u>External Audit Report 2020/21 – Paper C</u></b></p> <p>D Eardley provided an overview of the audit report advising that unqualified opinions were intended, however, the report was still in draft format with audit opinion subject to change up until the date of signing. There were no matters to report by exception. N MacKenzie, had also presented the report to the F&amp;GP Committee on 18 November 2021.</p> <p>The amounts against unadjusted differences in Appendix 2 were confirmed as £136k on page 43 and £51k for Netherdale Campus on page 44. The Royal Bank of Scotland letter in relation to Netherdale was being followed up.</p> <p>In response to questions by Members the following points were noted:</p> <ul style="list-style-type: none"> <li>• Paragraph 69 - £772k in 2021/22 should read 2020/21;</li> <li>• Responses to audit queries – there had been some delays initially with both finance managers being new to the College, however, the audit experience was improved and the position which had been reached was on track;</li> <li>• The ratings categorisation was explained with a ‘significant deficiency’ classed as the highest and more serious; ‘other deficiency’ being a medium risk and ‘other observation’ being a low risk;</li> <li>• To improve readability it was suggested that amounts be displayed in thousands eg. £0.004 million as £4,000. Point was noted and agreed;</li> <li>• Grading colours on page 7 were less clear for non-technical users and it was felt would benefit from a change. This reflected Azets house style, however, D Eardley would feedback to colleagues.</li> </ul> <p>Members agreed that this was a comprehensive report with a good set of results. Members approved the report.</p>
75/21	<p><b><u>Annual Accounts 2020/21 – Paper D</u></b></p> <p>The VP Finance &amp; Corporate Services advised on the governance process of the approval of the annual accounts, which involved two sets of scrutiny with the first by the F&amp;GP Committee on the performance aspects followed by consideration by the Audit Committee on the governance statement. This was followed by the full set of accounts being considered by F&amp;GP with recommendations to the Audit Committee who would then review and report to the Regional Board.</p> <p>The F&amp;GP Committee had reviewed the full set of accounts at their meeting on 18 November 2021 and had confirmed their recommendation of the Annual Accounts to the Audit Committee. An extract of the minute had been provided to Members.</p>

	<p>The VP Finance &amp; Corporate Services advised that the set of accounts which had already been issued to the Board for their meeting next week was an updated version. A change in the Terms of Reference would be required should Members wish to change the process for next year.</p> <p>Following a discussion, some Members agreed that being able to read and feedback on the full set of accounts at an earlier stage would provide better value. It was therefore agreed that the process for next year should be discussed by the full Regional Board.</p> <p style="text-align: right;"><b>ACTION: VP F&amp;CS</b></p> <p>Members thanked all involved and approval of the report was confirmed.</p>
76/21	<p><b><u>Internal Audit Assignment - Credits Audit 2020/21 – Paper E</u></b></p> <p>S McCready outlined the results of the Credits Audit with the credits target being met for 2020/21 with no clawback of funds. No recommendations were made. The audit certificate was submitted to the SFC on 1 October 2021.</p> <p>The College credit target for the academic year 2020/21 was 25,680 (including core activity of 25,226 and 454 ESF credits). The final figure was 25,882 (25,408 core activity and 474 ESF credits) with 202 above the agreed target.</p> <p>S McCready thanked the team for their assistance during the review.</p> <p>Members approved the report.</p>
77/21	<p><b><u>Internal Audit Assignment – Education Maintenance Allowance (EMA) 2020/21 – Paper F</u></b></p> <p>S McCready outlined the results of the EMA audit with one low level recommendation raised. The audit certificate was submitted to the SFC on 1 October 2021.</p> <p>Members discussed the findings of the report which recommended the College ensure that engagement reports are provided for all EMA payment runs. It was also recommended that an additional staff member be trained to access and check engagement reports and process payments in order to provide additional cover for absent staff.</p> <p>The missing engagement report which had been highlighted during the audit was still outstanding. Members requested further information on this along with the value of the payment and any financial risk details.</p> <p style="text-align: right;"><b>ACTION: VP F&amp;CS</b></p> <p>Members approved the report.</p>

78/21	<p><b><u>Internal Audit Assignment – Student Support Funds 2020/21 – Paper G</u></b></p> <p>S McCready provided an overview of the report. The audit of the Student Support Funds took place during w/c 13 September 2021. The report had no recommendations for action and confirmed that the audit certificate was submitted to the SFC and Student Awards Agency for Scotland on 1 October 2021.</p> <p>The VP Finance &amp; Corporate Services advised that there had been a significant level of clawback which was largely related to COVID-19 and a reduction in student travel and childcare which was in line with the wider sector.</p> <p>In response to a question regarding the total amounts on the SFC Return table on page 8, S McCready advised that students can be counted in more than one category.</p> <p>Members approved the report.</p>
79/21	<p><b><u>External Evaluation Report (EER) Recommendations and Board Development Plan – Paper H</u></b></p> <p>The Board Secretary outlined the report and the small number of recommendations, the progress of which had been allocated to the Audit Committee. The majority of recommendations were a continuation of best practice which were already happening and of low priority. As a result of this, it was proposed that the outstanding EER recommendations were moved to the Board Development Plan and be reviewed twice a year by the Regional Board.</p> <p>The recommendation was approved.</p>
80/21	<p><b><u>Strategic Risk Register – Paper I</u></b></p> <p>The Strategic Risk Register had been previously discussed by the F&amp;GP Committee on 18 November 2021 and would be further discussed at the full Regional Board on 2 December 2021.</p> <p>The VP Finance &amp; Corporate Services advised that following the first round of committee and Board meetings there had been a number of reports which were unable to be allocated to a risk theme. Several of these related either to all risk themes or governance processes which would be discussed further with the Board Secretary.</p> <p style="text-align: right;"><b>ACTION: VP F&amp;CS</b></p> <p>A key point highlighted to members was Risk 2, Financial plan and in year targets, which had increased to a rating of 16. Two FFRs for the year had been requested by the SFC, with one to project on a pessimistic basis which would mean savings of £850k being required by the College which could have a significant impact. It was noted that the financial planning assumptions for 2022/23 were expected to become clearer following the Scottish Government budget announcement on 9 December 2021. This</p>

	<p>clarification was necessary in order to inform saving requirements and planning approach for the College next year.</p> <p>The notable progress was highlighted in red within the report with KPI performance included where possible. Curriculum performance would be included for the next revision.</p> <p>In response to a question by a member regarding the no change in rating to risk 3b, the VP Finance &amp; Corporate Services advised that a detailed review had been undertaken with most historical points being addressed. The risk measures had been checked but an increase in rating was not deemed necessary.</p> <p>Members noted the content of the report.</p>
81/21	<p><b><u>Procurement Practices and Value for Money – Paper J</u></b></p> <p>The report had been prepared by the AP for Finance which provided a refreshed approach to monitoring and compliance reviews. The following key points were highlighted by the VP Finance and Corporate Services:</p> <ul style="list-style-type: none"> <li>• Purchase to Pay process takes too long with poor performance over the last 7-8 years;</li> <li>• Process mapping is underway. Next report will provide a more rounded approach on procurement;</li> <li>• Majority of payments were processed through Sun as opposed to PECOS;</li> <li>• A more buyer awareness approach was necessary with more data and intelligence forthcoming;</li> <li>• Discovery phase of the Digital Transformation Programme (DTP) Phase 2 would be considering a replacement financial system. PECOS was the government mandated system with benefits such as centralised catalogues;</li> <li>• Current risk was not about errors or lack of payment but the length of time a payment took to be processed.</li> </ul> <p>A Cox highlighted the need for a balanced pace of change for DTP as discussed at the recent Board strategic day.</p> <p>Members noted the contents of the report.</p>
82/21	<p><b><u>Monitoring Internal &amp; External Audit Follow Up Report – Paper K</u></b></p> <p>The VP Finance &amp; Corporate Services provided an overview of the report which had been substantively reviewed and presented in a revised format following feedback from Members.</p> <p>All three of the outstanding internal audit actions were of a low priority with matters within management discretion to implement and amend timescales. Four policy and procedures issues had been closed. Appendix C provided background on the capacity issues of the senior finance team which had significantly impacted on the progress of the outstanding recommendations as a prioritised approach had been necessary.</p> <p>The paper proposed that date changes for low priority actions should be considered an operational matter within delegated authority of the VP</p>

	<p>F&amp;CS, and medium or higher should require specific consideration by the committee. A substantive discussion was held with Members welcoming the improvement on delivery of the outstanding recommendations. The following points were made:</p> <ul style="list-style-type: none"> <li>• Low level recommendations – impact considered by Executive Team with explanation on decisions to Audit Committee;</li> <li>• Low level risks should not be removed from oversight of Committee as these were accepted at the time of discussion;</li> <li>• Risk Register and inclusion of capacity of finance team – structure issues were more generic with discussion as an Executive Team in terms of mitigation plans;</li> <li>• A realistic approach to audit recommendations was necessary with acknowledgement that low levels can take longer;</li> <li>• If reasons on slippage are provided that there is an improved level of understanding for Members.</li> </ul> <p>Members noted the contents of the report.</p>
<b>83/21</b>	<p><b><u>Cyber Security Update – Paper L</u></b></p> <p>The report had been prepared by the Head of ISLT. The following key points were highlighted:</p> <ul style="list-style-type: none"> <li>• Migration of servers to DataVita had been completed in October 2021;</li> <li>• Disaster recovery plan will be tested prior to Easter 2022;</li> <li>• Cyber Essentials Plus had been renewed;</li> <li>• O365 back up options were being investigated with quotes received from suppliers;</li> <li>• Cyber Security insurance was currently being investigated;</li> </ul> <p>S McCready advised that the internal audit assignment on IT Systems was nearing completion with a strong report expected. This was a much improved report from the previous audit carried out a few years ago.</p> <p>Members noted the content of the report.</p>
<b>84/21</b>	<p><b><u>Equality, Diversity &amp; Inclusion (Standing item)</u></b></p> <p>No items were raised.</p>
<b>85/21</b>	<p><b><u>Committee Papers for Publication (Standing item)</u></b></p> <p>No draft or commercial sensitive papers would be published.</p>
<b>86/21</b>	<p><b><u>Any Other Business</u></b></p> <p>No items were raised.</p>
<b>87/21</b>	<p><b><u>Date of Next Meeting</u></b></p> <p>The next Audit Committee meeting would take place at 17:30 on Thursday 3 February 2022.</p>

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