Board of Management

Meeting of the Audit Committee

MINUTE OF 3rd MEETING HELD ON WEDNESDAY 19 FEBRUARY 2020 AT 1700 HRS (AC3)

Present	
George Galloway (GG)	Graham Mitchell (GM) Convener
Lorna Hamilton (LH)	
In attendance	
David Archibald (Henderson Loggie) (DA)	Alex Stewart (AS)
Paul Clark, College Secretary (PC)	Stuart Thompson (ST)
Paul Little (PL)	Ann Butcher (Minute)
Apologies for absence	
Paul Hillard (PH)	Ronnie Quinn (RQ)

Item AC3-1	Welcome and Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None.	

Item AC3-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None.	

Item AC3-3	Items to be Discussed Privately with Auditors	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	Members agreed that following normal business the meeting would be followed by a member-only closed session with the Internal Auditor present.	

Item AC3-4.1	Minute of the Meeting held on 13 November 2019	
Paper No: AC3-A	Lead: Convener	Action requested: Approve
Decision/Noted	That the minute be approved. **Matters Arising**	

PL reported on the current vacancy for a College Data Protection Officer. PL highlighted the consequent break in continuity on the progress made against the Data Protection Internal Audit, and full data governance for the Article 30 Project. The College will seek an immediate replacement from UCSS (a subsidiary of APUC).

Item AC3-4.2	Appointment of Vice Convener	
Paper No: Verbal	Lead: P Clark	Action requested: Approve
Decision/Noted	PC advised that one response of interest in the appointment of Vice Convener had been received from Paul Hillard. The proposed appointment was accepted by members.	

Item AC3-4.3	Anti-Bribery and Corruption Policy	
Paper No: AC3-B	Lead: S Thompson	Action requested: Approve
Discussion	ST reported that the Anti-Bribery and Corruption Policy was recently submitted at the Development Committee meeting. Various minor amendments were agreed along with the inclusion of a Corruption Perceptions Index. DC members requested that the validity of the Index be verified. ST assured Audit members that the Index was provided by an independent organisation used by the European Commission and was considered robust. The 2019 Index has just been released and has now been incorporated. Clarification on the acceptance of gifts and hospitality or entertainment was sought, particularly in terms of ongoing and potential contractual relationships with the College. Members were advised that a current contract register is available on the College website and relationships with potential contractors should be checked through PC. PC added that any such compromise would only occur if a potential relationship was known in advance. GG suggested that members should report any potential conflicts, which in some cases, may need to be registered retrospectively.	
Decision/Noted	• The Policy was endorsed for approval at the next meeting of the Board. • To provide an appropriate hyperlink to the Corruption Perceptions Index.	

Item AC3-5.1	Strategic Risk Review	
Paper No: AC3-C	Lead: P Clark	Action requested: Discuss
Discussion	PC provided the Committee with an update on the risks that have been identified as highest scoring risks. The following risk matters were highlighted: Risk 6 – *Negative Impact upon College reputation*: no change from previous ie overall score 15 (RED). Risk 10 – *Negative impact of statutory compliance failure:* no change to previous ie overall score 10 (AMBER).	

Risk 11 – *Failure of Corporate Governance:* the risk score remains at 5 (GREEN).

Risk 12 – *Failure of Business Continuity*: no change to previous ie overall score 10 (AMBER).

Risk 15 – *Failure to achieve operating surplus via control of costs and achievement of income targets*: ST reported that the Income & Expenditure Account currently projects a deficit of £98k for the 12 months to 31 July 2020. This is mainly due to overseas and FT HN fees reduction and the current forecast for fee income in 2019-20 has decreased by 2.9%. In addition, pay rises are forecast to be higher than SFC settlements and the challenging environment going forward was highlighted. Opportunities to recover this position and deliver additional commercial, evening and weekend courses by the year end are being investigated. Further savings are also being considered. PL added that whilst management did not wish to be complacent, he was optimistic that a breakeven position would be achieved.

GM suggested that a long-term financial forecast be considered. ST confirmed that a 5-year financial forecast based on 3 sets of financial assumptions (optimistic, realistic and pessimistic) including a range of mitigations is consistently under review, with the next update being submitted to the FPRC on 26 02 20. It was recognised that any review of the Financial Plan and Long Term Planning was the primary remit of FPRC. However if required, relevant papers will be made available to the Committee after submission to the FPRC. The proposed increase in risk score of 9 (AMBER) will also be reviewed by the FPRC.

There were no proposed changes to scores for Risk 23 and Risk 24.

PC reported that the TDAP (Taught Degree Awarding Powers) team currently oversees a Project Risk Register which would be better aligned with the College Risk Register with the addition of a high-level risk. The proposal for additional Risk 26 – *Failure to achieve taught degree awarding powers* (TDAP) was approved.

Decision/Noted	• The proposed risk score were approved. • The associated Risk Management Actions Plans were approved. • The updated Risk Register including additional Risk 26 was approved.

Item AC3-5.2	**Audit and Assurance Handbook**
Item AC3-5.3	**Terms of Reference Review**
Paper No: **AC3-D**	Lead: P Clark	Action requested: Discuss
Discussion	PC informed members on the changes to the Scottish Government's Audit and Assurance Handbook (highlighted in the 2018-19 External Audit Report). A draft report was submitted for review and was adopted. Following guidance within the Handbook, a change of Committee name to "Audit and Assurance Committee" was considered and agreed. The proposed name change will be submitted to the full Board for approval.

PC further advised that the Committee's Terms of Reference has been reviewed in light of the changes. The proposed revisions were reviewed and were also agreed.

It was noted that all members have now received externally facilitated training for Audit Committee members, including the responsibilities outlined within the Handbook.

Decision/Noted	• To align College's audit and assurance processes with the Audit and Assurance Handbook. • To endorse the Committee name change to 'Audit and Assurance Committee' for approval by the full Board. • To agree the revised Terms of Reference.

Item AC3-5.4	Assurance Framework	
Paper No: **AC3-E**	Lead: P Clark	Action requested: Discuss
Discussion	PC outlined the requirement and scope of the Assurance Framework which was developed in response to the Audit and Assurance Handbook. The optimal mix of assurance was summarised within the paper. Also provided was a draft Assurance Framework grid which will map all College assurances within the Three Lines of Defence Model with the College's Strategic Themes, and mapped against the College's strategic risks. The grid will be assessed and populated by ELT and SMT. Once finalised and agreed it will be submitted to the Audit Committee for ongoing scrutiny and review. The Committee considered the concept of a "fourth line of defence" which would be provided with a further assurance function internal to the College. The Committee agreed that this would be of benefit. DA added that the lines of defence framework adds to the value and function of Internal Audit through increased focus on risk management. Members commended PC on the progress made and work done to demonstrate compliance with assurance good practice.	
Decision/Noted	• That the draft Assurance Framework be approved for completion with a progress report at the next meeting. • To investigate providing this information in Dashboard format.	

Item AC3-5.5	Update Report on Fraud Response	
Paper No: **AC3-F**	Lead: P Clark	Action requested: Discuss
Discussion	PL updated the Committee on the ongoing police investigation relating to the IT equipment fraud. A copy of the Forensic Report has been provided to the Auditor General and to date, no specific concerns have been raised. External Audit are currently undertaking a 'fit for purpose' review of Finance and IT. A full Lessons Learned report is also being prepared and will be presented to College Principals' and Community of Practice Finance Groups, and reported to TESS.	

ST reported on the actions, improvements and controls implemented as a result of the 6 recommendations raised within the Internal Audit Forensic Report. An action plan in response to recommendations was submitted and reviewed in detail. It was noted that all appropriate steps have been taken to reduce the chance of recurrence, with all relevant College procedures being updated to ensure tighter controls.

A physical asset verification has also been undertaken with a full comprehensive asset register now in place. An annual asset register verification process with in-year spot checks and ongoing monitoring will also now be undertaken.

Members were reassured that all relevant actions and controls were in now place to mitigate the risk of future fraud.

PL reported on the recent email received from UMAL regarding the outcome of the College insurance claim. ST tabled the email for information and advised that following a full review of the IA Forensic Report, the claim had been declined. DA added that any quotes were not directly linked to the Report. Subject to legal advice, the College will dispute the outcome.

Decision/Noted	To note the update report on the fraud response.

Item AC3-5.6	Internal Audit Review Report(s)	
Item AC3-5.6.1	**Payroll**	
Paper No: AC3-G	Lead: D Archibald	Action requested: Discuss
Discussion	DA reported that following the review of key internal controls in place over the spend on staff costs, including the current procedures in place within Human Resources and Finance, the overall level of assurance was noted as Good. The summary of strengths were noted with no weaknesses identified. One opportunity was highlighted to improve the efficiency of the payroll processes by operating one Support Staff payroll instead of the current configuration of two.	
Decision/Noted	To note the overall level of assurance as Good.	

Item AC3-5.7	Internal Audit Progress Report	
Paper No: AC3-H	Lead: D Archibald	Action requested: Discuss
Discussion	Further audits in the Asset Management and Procurement and Creditors/Purchasing areas will be held during May with the General Ledger audit taking place during September 2020.	
Decision/Noted	To note the progress on the Internal Audit report as at February 2020.	

Item AC3-6	Any Other Notified Business	
Verbal	Lead: Convener	Action requested: Discuss

Decision/Noted	**Education Scotland**
	PL advised on the complimentary initial report on the outcome of the Education Scotland Progress visit held in College last week. A full written report will be made available to members in due course.

Item AC3-7	Disclosability of Papers	
Verbal	Lead: P Clark	Action requested: Note
Decision/Noted	No changes proposed.	

Item AC3-8	Date of Next Meeting	
Paper No:	Lead:	Action requested: Note
Decision/Noted	Wednesday 13 May 2020	

The open part of this meeting closed at 1915 hours, following which the Committee members met in closed session with Internal Audit, with the College Secretary in attendance.

ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
AC3-4.3	**Anti-Bribery and Corruption Policy:** Provide an appropriate hyperlink to the Corruption Perceptions Index	ST	ASAP
AC3-5.2	**Audit & Assurance Handbook Review:** Seek Board approval for Committee name change to 'Audit and Assurance Committee'.	PC	11 03 20
AC3-5.4	**Assurance Framework:** Provide progress report at the next meeting.	PC/ELT/ SMT	13 05 20
AC3-5.4	**Assurance Framework:** Investigate providing information in Dashboard format.	PC	13 05 20

ACTION POINTS ARISING FROM PREVIOUS MEETINGS

Item AC1-5	Description	Owner	Target Date
AC2-5.5	**Internal Audit Forensic Report:** To provide a management response action plan.	PL/ST	ASAP **Complete**