

Board of Management

Meeting of the Audit and Assurance Committee

MINUTE OF 4th MEETING HELD ON WEDNESDAY 13 MAY 2020 AT 1630 HRS (AAC4)

Present	
George Galloway (GG)	Graham Mitchell (GM) Convener
Lorna Hamilton (LH)	Ronnie Quinn (RQ)
Paul Hillard (PH)	
In attendance	
David Archibald (Henderson Loggie) (DA)	Alex Stewart (AS)
Paul Clark, College Secretary (PC)	Stuart Thompson (ST)
Gary Devlin (Scott Moncrieff) (GD)	
Paul Little (PL)	Ann Butcher (Minute)
Apologies for absence	
None	

Item AAC4-1	Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	There were no apologies.	

Item AAC4-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None.	

Item AAC4-3	Items to be Discussed Privately with Auditors	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	There were no items raised to be discussed privately with the auditors.	

Item AAC4-4.1	Minute of the Meeting held on 19 February 2020	
Paper No: AAC4-A	Lead: Convener	Action requested: Approve
Decision/Noted	That the minute be approved subject to one amendment.	
	Matters Arising Anti-Bribery and Corruption Policy	

Further suggested amendments were provided at the Board meeting held on 11 March 2020. A final draft will be submitted at the next meeting of the full Board.

Item AAC4-5.1	Strategic Risk Review	
Paper No: AAC4-B	Lead: P Clark	Action requested: Discuss
Discussion	<p>PC provided the Committee with an update on the risks that have been identified as highest scoring risks ie Risks 6, 7, 10, 11, 12, 15 and 16. Updated mitigations and commentary for each were also submitted. All Risks have been reviewed in light of the Covid-19 crisis with increases to risk scores for Risks 6, 7, 12, 15 and 16 proposed.</p> <p>PC further informed that a new risk, Risk 27 <i>'Failure to manage acute threats relating to coronavirus outbreak'</i> has been proposed for inclusion as a Level 1 Risk on the Risk Register. Commentaries across various aspects of College responsibility and concern are represented within this Risk. The key issues and priorities were provided. A score of 3 x 4 = 12 was suggested for consideration at the last meeting of the PNC. This was agreed by the Committee.</p> <p>ST provided an update on Risk 15 <i>'Failure to achieve operating surplus via control of costs and achievement of income targets'</i>. Following building closure and subsequent cancellation or delay of courses, the current financial projection for 2019-20 currently shows an underlying operating deficit of £4m. Access to potential funding from the Government Coronavirus Job Retention Scheme was approved by the SSEC last week and this may provide significant financial assistance to the end of June 2020. A consultation process has now commenced with unions.</p> <p>The College is also forecasting a shortfall in ESF income due to a forecasted 2 000 credit shortfall in session 2019-20 as many courses have now been cancelled. ELT are working to mitigate this shortfall. There has also been an additional ESF clawback of £41k from AY 15-16 by the SFC. Substantial reductions in FWDF funding, commercial and international course income and, catering and student accommodation are also anticipated. The College's cash balance is also forecast to decrease by £2.7m in 2019-20.</p> <p>GG added that following his attendance at a recent international team meeting, he had been encouraged by the ongoing work to continue to obtain and deliver overseas courses, with additional income for programmes planned for 20-21 being secured.</p> <p>Whilst the Executive are working to reduce the current deficit, based on the current projections and financial risks for 2019-20, the recommendation to increase the Risk Score to 25 (for Risk 15) was considered and agreed.</p> <p>PL assured that lines of communication continue with the SFC and Scottish Government and a request to repurpose the capital funding underspend to digital support for students and assist with the overall College sector deficit has been submitted.</p>	

Decision/Noted	<ul style="list-style-type: none"> • The proposed increased risk scores were approved. • The associated Risk Management Actions Plans were approved. • The updated Risk Register including additional Risk 27 was approved.
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Item AAC4-5.2 Assurance Framework Progress Report	
Paper No: Verbal	Lead: P Clark Action requested: Discuss
Discussion	PC advised that due to additional priorities arising from the ongoing Covid-19 crisis, progress has been delayed. The matter will now be progressed into the next academic session 2020-21.
Decision/Noted	A progress report will be provided at the next meeting.

Item AAC4-5.3 Internal Audit Review Report(s)	
Item AAC4-5.3.1 Risk Management	
Paper No: AAC4-C	Lead: D Archibald Action requested: Discuss
Discussion	<p>DA reported on the review of the College's Risk Management arrangements. Findings showed that a robust risk management framework is in place including the Risk Management Policy, Procedure and Guidance, with the Strategic Risk Register and Risk Management Action Plans. The overall level of assurance was noted as Good.</p> <p>Two Priority 3 opportunities for improvement identified were introduction of additional staff training on risk management techniques and routine assessment of all significant projects.</p>
Decision/Noted	To note the overall level of assurance as Good.

Item AAC4-5.3.2 Procurement and Creditors/Purchasing	
Paper No: AAC4-D	Lead: D Archibald Action requested: Discuss
Discussion	<p>DA informed on the outcomes following the review of the procurement framework and, purchasing and payment systems. This review was added to the Annual Internal Audit plan for 2019-20 at the request of the AAC following the fraud identified during 2019.</p> <p>Strengths showed that an appropriate procurement framework is in place, including the provision of a Procurement Strategy, Policy, guidance and information on the College website. The PECOS system also provides a robust system for requesting and authorisation of purchase orders. A range of controls are also in place for checking accuracy of invoices and online payments.</p> <p>Areas of improvement include checking of procurement evaluation scoring by an independent person (ie via a staff member not involved in the original tender process) and monitoring of actual contract spend. Minor areas of improvement around cash advances, petty cash flow and</p>

	<p>procedures on payment and authorisation of sign off processes were also identified.</p> <p>Discussion followed on secure processes for small purchases. ST informed that the volume of cash transactions has reduced dramatically and bank transfers are being used where possible however some cash transactions eg for students experiencing hardship, may still be necessary.</p>
Decision/Noted	To note the overall level of assurance as Satisfactory.

Item AAC4-5.3.3 Web Based Services			
Paper No: AAC4-E	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Lead: D Archibald</td> <td style="width: 50%;">Action requested: Discuss</td> </tr> </table>	Lead: D Archibald	Action requested: Discuss
Lead: D Archibald	Action requested: Discuss		
Discussion	<p>DA reported that following the review of the College's web-based services, overall, positive staff reports were received on the range of systems and services available including training and guidance.</p> <p>Seven Priority 3 weaknesses were identified including staff feedback and identification of development opportunities for the College website, consideration of a single sign-on process, review of benefits and costs of moving to a new VLE system, controlled access to student data, resilience and knowledge-building of legacy reporting systems, establishment of formal IT Service Level Agreements and improved analysis of the IT Service Desk performance.</p> <p>PC suggested that the need to comply with the Website Accessibility Regulations 2018 should also be considered. ST advised that an independent accessibility review and audit was undertaken and a list of recommendations were provided. DA will raise the matter with the Report reviewer, who is experienced in this area. PC will further consider this matter with ST/DA.</p>		
Decision/Noted	To note the overall level of assurance as Satisfactory.		

Item AAC4-5.4 Internal Audit Progress Report			
Paper No: AAC4-F	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Lead: D Archibald</td> <td style="width: 50%;">Action requested: Discuss</td> </tr> </table>	Lead: D Archibald	Action requested: Discuss
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Discussion	<p>The forthcoming audit areas scheduled for September/November 2020 were noted. DA sought assurance that appropriate fieldwork, including access to relevant College data systems etc, could be undertaken remotely over the summer months. This matter will be further discussed with ST.</p>		
Decision/Noted	To note the progress on the Internal Audit report as at May 2020.		

Item AAC4-6.1 Auditor General Report: Section 22			
Paper No: AAC4-G	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Lead: P Little</td> <td style="width: 50%;">Action requested: Note</td> </tr> </table>	Lead: P Little	Action requested: Note
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Discussion	<p>PC advised that an Auditor General Section 22 Report has been received in relation to the fraud investigation. The report noted that for the</p>		

	<p>purposes of the annual accounts audit, the value of the identified fraud is not material in the year under audit or in total. The subsequent review and actions taken by the College were also recognised.</p> <p>GD informed that the matter will be kept under review and a further report is anticipated once legal proceedings are concluded.</p> <p>PL added that a copy of the forensic report has been provided to Audit Scotland.</p>
Decision/Noted	To note the report (dated April 2020) by the Auditor General, for the Public Audit Committee, made under Section 22 of the Public Finance and Accountability (Scotland) Act 2000.

Item AAC4-7	Any Other Notified Business
Item AAC4-7.1	Risk 12 – Failure of Business Continuity
Verbal	Lead: Convener/R Quinn Action requested: Discuss
Discussion	RQ stated that taking on board GG’s earlier comments re the continued work to secure commercial and international programmes and suggested that the likelihood Score of Risk 12 Failure of Business Continuity, should be further reviewed. Considering the steps taken to continue a review of delivery models and secure additional business, members agreed that the likelihood be changed to 3 with the impact remaining at 4.
Decision/Noted	<ul style="list-style-type: none"> To agree the revised Risk Score of 12 (AMBER). To further review the Score at the next meeting of the Committee.

Item AAC4-7.2	External Audit (EA) Update
Verbal	Lead: G Devlin Action requested: Note
Discussion	<p>GD advised that the timing and completion date (including sign off) for the Annual Report and Accounts 2019-20 has remained unchanged as a result of the current Covid-19 crisis. A planning meeting has been scheduled with ST to discuss fieldwork requirements including remote access to underlying evidence. Updated financial reporting advice and guidance from the Scottish Government and HM Treasury is anticipated. A key issue for consideration will be assurance of ‘going concern’. DA confirmed that the outstanding Internal Audit report will be provided to EA as soon as possible.</p> <p>GD further advised that the EA review of Finance and IT is almost complete and a draft report will be provided to the Principal and senior executives next week.</p>
Decision/Noted	To note the update report.

Item AAC4-8	Disclosability of Papers
Verbal	Lead: P Clark Action requested: Note

Decision/Noted	No changes proposed.
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Item AAC4-9	Date of Next Meeting	
Paper No:	Lead:	Action requested: Note
Decision/Noted	Wednesday 16 September 2020	

ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
AAC4-4.1	Matters Arising - Anti-Bribery and Corruption Policy: A final draft will be submitted at the next meeting of the full Board.	ST	BoM 03 06 20
AAC4-5.2	Assurance Framework Progress Report: Provide a progress update at the next meeting.	PC	AAC 16 09 20

ACTION POINTS ARISING FROM PREVIOUS MEETINGS

Item AC1-5	Description	Owner	Target Date
AC3-4.3	Anti-Bribery and Corruption Policy: Provide an appropriate hyperlink to the Corruption Perceptions Index	ST	ASAP Complete
AC3-5.2	Audit & Assurance Handbook Review: Seek Board approval for Committee name change to 'Audit and Assurance Committee'.	PC	11 03 20 Complete
AC3-5.4	Assurance Framework: Provide progress report at the next meeting.	PC/ELT/ SMT	13 05 20 Complete
AC3-5.4	Assurance Framework: Investigate providing information in Dashboard format.	PC	13 05 20 Complete