

Board of Management

Meeting of the Audit and Assurance Committee

MINUTE OF 1st MEETING HELD ON WEDNESDAY 16 SEPTEMBER 2020 AT 1500 HRS
(AAC1)

Present	
Lorna Hamilton (LH)	Graham Mitchell (GM) Convener
Paul Hillard (PH)	Ronnie Quinn (RQ)
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	
George Galloway (GG)	

Item AAC1-1	Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	Apologies were received from GG.	

Item AAC1-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None.	

Item AAC1-3	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 AAC1-4.1	Minute of the Meeting held on 13 May 2020	
Paper No: AAC1-A	Lead: Convener	Action requested: Approve
Decision/Noted	That the minute be approved.	

Item AAC1-4.2		Committee Annual Report 2019-20
Paper No: AAC1-B	Lead: P Clark	Action requested: Approve
Discussion	<p>PC provided the Committee with a brief overview of the Audit Committee Annual Report which includes a summary of activities undertaken throughout 2019-20 including a list of Internal Audit (IA) Reports and their recommendations and, the External Audit (EA) Report for 2018-19. It was noted that the EA report for 2019-20 will be included within the College Annual Report. Members were assured that the release of information on the alleged fraud investigation had been legally supported. Reference to the recommendations and improvement actions will be included. The overall record of attendance was noted as 85%.</p> <p>Reference to the appropriate management and actions taken in relation to the high risks identified following the Coronavirus crisis will also be made within the College Annual Report.</p> <p>GM advised on the option to extend the appointment of Internal Audit for 1 year (until 22 09 21) which has now been agreed. Provision of this extension is highlighted within the current 4 year contract. The tender process for IA will commence at the end of 2020. This will be added to the Committee Programme of Work.</p> <p>GD confirmed that that Audit Scotland has also extended the External Audit contract for another year. This will be communicated to public bodies in due course.</p>	
Decision/Noted	To approve the Report, subject to agreed changes.	

Item AAC1-4.3		Committee Programme of Work 2020-21
Paper No: AAC1-C	Lead: P Clark	Action requested: Approve
Decision/Noted	To approve the Programme of Work 2020-21 subject to the additional item agreed under Item 4.2.	

Item AAC1-4.4		Draft Governance Statement
Paper No: AAC1-D	Lead: P Clark	Action requested: Approve
Discussion	<p>The draft Governance Statement for 2019-20 for inclusion within the Accountability Report for the full College Annual Report 2019-20 was reviewed. The following revision (page 2) was agreed:</p> <p><i>'To the best of the Board's knowledge and belief, the External Auditors have been informed of all relevant details pertinent to the independent audit'.</i></p>	
Decision/Noted	Subject to the agreed amendment, the Statement was approved.	

Item AAC1-4.5	Whistleblowing Policy	
Paper No: AAC1-E	Lead: P Clark	Action requested: Approve
Discussion	<p>PC advised that the Whistleblowing Policy has now been reviewed with no proposed alterations. The Policy is made publically available on the College website and members were assured that the Procedural document further recognises that should any concern be raised against the College Principal, this would be referred to the Audit and Assurance Committee.</p> <p>Following some discussion, it was agreed that the following points would be further considered:</p> <ul style="list-style-type: none"> • Provision of a discrete contact mechanism ie a generic whistleblowing email address. • Application of Point 4.5.1 ie '<i>disclosures expressed anonymously will only be considered at the discretion of the College</i>' will be further examined. <p>Members suggested that a Whistleblowing Champion at Board level should be considered. It was agreed that this should be within the remit of the Senior Independent Person. This matter, along with involvement of an external independent source, will be further discussed with LW.</p> <p>Members noted that College Policies are approved by the Board of Management with Procedural documents being agreed by relevant Executive and Senior Management Team members.</p>	
Decision/Noted	<ul style="list-style-type: none"> • Subject to consideration of the points highlighted above, the Policy was approved. • To further discuss a Whistleblowing Champion with Vice Chair of the Board. 	

Items 5.5 and 5.6 were taken jointly at this time.

Item AAC1-5.5	Review of the Effectiveness of the Finance Function	
Item AAC1-5.6	Review of IT Effectiveness	
Paper No: AAC1-M + AAC1-N	Lead: P Little, Principal	Action requested: Discuss
Discussion	<p>PL advised that following the discovery by College staff of a potential fraud during 2019, a number of recommendations on the appropriateness of the financial control environment and the effectiveness of controls over key IT processes were raised. As a result, he commissioned separate independent External Audit reviews of both the finance function and IT effectiveness. The main findings, including areas of good practice and key areas for improvement with recommendations were submitted for review.</p> <p>GD thanked PL and ST for their open engagement and support in undertaking the reviews and their willingness to reflect on recommended improvements.</p>	

RQ noted the senior level of hierarchy involved and suggested that there may be some disconnect with operational staff. GD confirmed that these were strategic reports focussed on how senior leaders viewed the various functions however a small number of additional interviews with operational staff were undertaken. PL informed that the challenges found were largely due to interfaces between levels of management however EA were provided with full reign to interview all members of staff.

PH commented on the need to ensure that budget holders are aware of their financial management responsibilities and this was not evidenced within the recommendations. GD agreed that this could have been more explicit however will be addressed through implementation of the recommendations made.

Members sought some assurance that the actions would be achieved within the agreed timescales and that action plans for both reviews, detailing completed actions would be provided. ST assured that actions would be delivered within the set timescales. PC will coordinate the mechanism for reporting back to the Committee.

GD added that in terms of the IT review, some of the actions identified had already been diagnosed by the IT Director internally, and was confident that the issues raised would be addressed.

GM considered that whilst the Finance Function report highlighted a clear need to review cultures, behaviours and approach within the finance team, this was not a balanced view considering the achievements made by the finance team over recent years. GM highlighted the commendable financial planning and budget setting, that had placed the College in a relatively secure position in the current crisis. He further suggested that the finance structure would be further improved with the addition of a Finance Director. PL confirmed that a review of the Finance Structure is being discussed.

Decision/Noted

- To note the recommendations and subsequent actions.
- To coordinate a response report for review by the Committee.

Item AAC1-5.1	Strategic Risk Review	
Paper No: AAC1-F	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 1, 6, 7, 10, 11, 12, 15 and 16. Updated mitigations and commentary for each were also submitted. All Risks have been continuously reviewed in light of the Covid-19 crisis.</p> <p>The following Risks were particularly highlighted and discussed:</p> <p>Risk 1 '<i>Failure to support student success</i>'. PC highlighted to the Committee that due to the potential increase in withdrawal rates, the Board of Management had agreed an increase in likelihood to 3. This resulted in a Risk Score of 15 (RED).</p> <p>Risk 7 '<i>Failure to achieve improved business development performance with stakeholders</i>'. Members noted that Business Development forecasts</p>	

for 2019-20 will not achieve the set targets. The Development Committee agreed an increase in Risk score to 5 x 5 = 25 (RED).

Risk 10 '*Negative impact of statutory compliance failure*'. A potential compliance failure has been identified with regard to public sector website and mobile applications accessibility standards. To provide assurance and ensure a consistent approach, an audit of accessibility compliance in respect of applicable legislation, ie Public Sector Bodies (Websites and Mobile Applications) (No 2) Accessibility Regulations 2018 will be undertaken. It was recognised that responsibility for this requirement is held with the Depute Principal. PC will further discuss this matter with SL for progression. The current Risk Score 10 (AMBER) was noted.

RQ referred to Risk 26 '*Failure to achieve taught degree awarding powers*' and considered that given there was no significant financial impact reported, queried the need for an impact score of 4. PL advised that achievement of tDAP was now a medium-term aspiration and failure to achieve successful assessment for award bearing powers may have a significant negative impact on the long term finances, and influence the development of partnerships. Failure to deliver degree programs both domestically and internationally would also have a negative impact on the learner journey. Taking on board the comments made, members agreed that the impact should remain at 4 however the likelihood of failure should be reduced to 3. The new Risk Score 12 (AMBER) was agreed.

Decision/Noted

- That the proposed increased risk scores were approved.
- That the Risk Score for Risk 26 be reduced to 12 (AMBER).
- That the associated Risk Management Actions Plans were approved.

Item AAC1-5.2	Assurance Framework Progress Report	
Paper No: Verbal	Lead: P Clark	Action requested: Discuss
Discussion	PC reported on the delay in progress largely due to the priorities arising from the Covid-19 crisis. It has been agreed that assurance owners (ELT) will populate the checklist by the end of October.	
Decision/Noted	To note the update report.	

Item AAC1-5.3	Internal Audit Review Report(s)	
Item AAC1-5.3.1	IT Systems Development/Implementation	
Paper No: AAC1-G	Lead: D Archibald	Action requested: Discuss
Discussion	DA reported that following a review of the ICT project management controls and the ICT strategic planning process within the College, one Priority 2 weakness was identified ie the absence of a formal suite of system development project documents aligned with recognised methodology. This is also evident across other reviewed objectives.	
	Whilst it is not practical to expect application of full project management methodology for smaller projects, it was highlighted that guidance which sets out the minimum requirements for projects of different sizes and	

Decision/Noted

basic information for all projects should be produced. This will ensure a consistent approach to project management across the organisation.

RQ commended management for the proposed implementation of a scaled approach which is proportionate to the project.

- To note the overall level of assurance as Satisfactory.
- To note the agreed timescale for completion ie 28 02 21 which was reaffirmed by ST.

Item AAC1-5.3.2 Budgetary Control	
Paper No: AAC1-H	Lead: D Archibald Action requested: Discuss
Discussion	<p>DA provided a review on the outcomes following the review of the College budgetary control practices and protocols. Budget monitoring procedures both centrally and within Faculties and Support Service areas and cash flow reporting were specifically considered. One Priority 2 and three Priority 3 weaknesses were identified.</p> <p>Whilst there is an established budget setting process, this needs to be formally documented. Scope for further reductions for goods and services within revenue budgets was also identified and a more robust challenge process within cost centres will be adopted to maximise further potential savings. To further secure future financial sustainability, it was also agreed that potential savings both in terms of reductions in expenditure and changes in delivery will be identified.</p> <p>A training programme for budget holders, including use of the BluQube system will also be developed.</p>
Decision/Noted	To note the overall level of assurance as Satisfactory.

PL left the meeting during the following discussion.

Item AAC1-5.3.3 External Communications and Marketing	
Paper No: AAC1-I	Lead: D Archibald Action requested: Discuss
Discussion	<p>DA reported that following the review of the systems in place for the management of positive and negative publicity externally, two Priority 3 weaknesses were identified.</p> <p>Whilst a framework for external communications, including procedures and guidelines, is in place this currently needs reviewed and updated. Members were also informed that a clear Communications Plan for students will also be developed to ensure that students have a clear idea on the frequency and type of communication they will receive at each stage of their studies.</p> <p>It was noted that Communications and Marketing are proactive in maximising the benefits of positive publicity through a Communications Calendar.</p>
Decision/Noted	To note the overall level of assurance as Satisfactory.

PH left the meeting during the following discussion.

Item AAC1-5.3.4		Staff Recruitment and Retention
Paper No: AAC1-J	Lead: D Archibald	Action requested: Discuss
Discussion	<p>DA advised that a review of adequacy and effectiveness of policies and procedures for staff recruitment and selection was undertaken with one Priority 3 weakness identified. The College's Recruitment and Selection Policy and Procedures are in place and are being followed in practice however these also require updating. The processes are aligned to the College's Equality and Diversity Policy and the Equality Act 2010. Workforce planning is active within the College however a more collaborative approach is being investigated.</p> <p>A robust authorisation process for the creation of new posts and new starts is also in place. The Personal Development Review process has recently been reviewed and updated following research from a staff member perspective.</p>	
Decision/Noted	To note the overall level of assurance as Satisfactory.	

Item AAC1-5.3.5		Asset Management
Paper No: AAC1-K	Lead: D Archibald	Action requested: Discuss
Discussion	<p>Following the review the College's asset registers, four low Priority 3 weaknesses were identified.</p> <p>DA reassured that the College has updated its approach to the management of assets with a new policy and defined procedures now in place including a robust register of assets, asset tagging and bar coding. Quarterly checks are also undertaken to reconcile College purchases against the register. Security measures for the receipt, tracking and recording of IT equipment delivered to the College has also been established. An annual audit of physical assets will be undertaken by the Estates team. A consistent approach for managing equipment on loan is also in place.</p> <p>GD advised that laptops are provided to university students as part of their course and suggested that this arrangement might be considered rather than providing equipment on loan. ST advised that the current level of investment would not be maintained going forward however some courses may have this requirement embedded.</p> <p>The risk of significant financial loss if enforcement on recovery or costs to repair damaged devices was highlighted within the Report. It was agreed that realistic targets will be set for the recovery of loaned devices. Recovery rates will be costed to inform the process.</p> <p>The recommendation to develop a long-term software solution for managing College assets in a devolved manner has also been agreed. A single repository to record all software licences for the IT systems in use across the College will also be progressed.</p>	
Decision/Noted	To note the overall level of assurance as Satisfactory.	

Item AAC1-5.4	Internal Audit Progress Report	
Paper No: AAC1-L	Lead: D Archibald	Action requested: Discuss
Discussion	The summary of progress made in the delivery of the annual plan for 2019/20 including forthcoming audit areas scheduled for November i.e. Leadership Reorganisation, General Ledger and Credits Audit were noted.	
Decision/Noted	To note the progress on the Internal Audit report as at September 2020.	

Item AAC1-5.7	External Audit Plan 2019-20	
Paper No: AAC1-O	Lead: G Devlin	Action requested: Discuss
Discussion	<p>The External Audit Plan for 2019-20 was taken as read. GD provided a brief overview of the key audit risks within the financial statements, in particular, the Estates Evaluation, Pension Assumptions and the number of unprecedented challenges to the operation, financial management and governance of the College due to the Covid-19 pandemic.</p> <p>Due to these challenges, extent of the impact on the preparation and audit of the 2019-20 annual report and financial statements remains unknown however External Audit will adapt their audit approach as required.</p> <p>GD further advised that given the impact of Covid-19, additional audit procedures (laid out within the plan) will be in place. As a result the audit fee has been set at 5% above the expected fee level.</p>	
Decision/Noted	To note the External Audit Plan 2019-20.	

Item AAC1-6.1	Data Breaches 2019-20	
Paper No: AAC1-P	Lead: P Clark (on behalf of S Lodge)	Action requested: Note
Decision/Noted	<ul style="list-style-type: none"> To note the data breaches which occurred in the College in academic year 2019-20. To note that the position of Data Protection Officer will be advertised shortly. 	

Item AAC1-7	Any Other Notified Business	
Item AAC1-7.1	Scott Moncrieff Rebranding	
Paper No: Verbal	Lead: G Devlin	Action requested: Note
Decision/Noted	To note that Scott Moncrieff had now rebranded as Azets.	

Item AAC1-7.2	AAC Follow Up Report	
Paper No: Verbal	Lead: G Mitchell	Action requested: Note
Discussion	GM reported that the follow-up report from Internal Audit, responding to a number of queries from the AAC which emerged from a closed session in respect of the fraud, has just been completed. GM will report on the findings to AAC members in due course.	
Decision/Noted	Noted	

Item AAC1-8	Disclosability of Papers	
Paper No: Verbal	Lead: P Clark	Action requested: Note
Decision/Noted	The disclosability status of all other papers as described on respective cover sheets were retained, with the exception of Paper AAC1-E which was considered non-disclosable, as the Policy will now be changed.	

Item AAC1-9	Date of Next Meeting	
Paper No:	Lead:	Action requested: Note
Decision/Noted	Wednesday 24 November 2020	

ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
AAC1-4.2	Committee Annual Report 2019-20: Update as agreed.	PC	ASAP
AAC1-4.3	Committee Programme of Work 2020-21: Update as agreed.	PC/ST	ASAP
AAC1-4.5	Whistleblowing Policy: Further consider as agreed and discuss Whistleblowing Champion with Vice Chair of the Board.	PC	ASAP
AAC1-5.5 AAC1-5.6	Reviews of Effectiveness: Coordinate a response report for review by the Committee	PL/ST	Ongoing
AAC1-5.1	Strategic Risk Review: Update as agreed.	PC	ASAP

ACTION POINTS ARISING FROM PREVIOUS MEETINGS

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 Complete
AAC4-5.2	Assurance Framework Progress Report: Provide a progress update at the next meeting.	PC	AAC 16 09 20 Complete