

## Board of Management

### Meeting of the Audit and Assurance Committee

MINUTE OF 5<sup>th</sup> MEETING HELD ON WEDNESDAY 24 MAY 2022 AT 1500 HRS (AAC5)

Present	
Graham Mitchell (GM) Convener	Ronnie Quinn (RQ)
Lorna Hamilton (LH)	
In attendance	
Karen Acheson (KA)	Paul Little (PL)
David Archibald (Henderson Loggie) (DA)	Sheila Lodge (SL)
Michael Cross, Interim College Secretary (MC)	Stuart Thompson (ST)
Gary Devlin (GD)	
Mark Drummond (MD)	Ann Butcher (Minute)
Apologies for absence	
Paul Hillard (PH)	

Item AAC5-1	Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	Apologies were received from PH.	

Item AAC5-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	There were no declarations of interest.	

Item AAC5-3	Items to be Discussed Privately with Auditors	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	It was agreed that a private closed session with the auditors would be held directly following the meeting.	

Item AAC5-4.1	Minute of the Meeting held on 23 11 21	
Paper No: AAC5-A	Lead: Convener	Action requested: Approve
Decision/Noted	Subject to one minor amendment, the minute was approved.	
	<b>Matters Arising</b>	

### **Covid Impact Report**

SL reported that the draft report is near completion. GM requested that the Committee have advanced sight of the document prior to the next meeting of the full Board. Subject to AAC review, the report will be submitted at the June Board meeting.

### **IT + Finance Effectiveness Reports**

ST confirmed that all Finance actions are all now complete. One outstanding IT action re the new Helpdesk is currently out to tender and will be complete before the year end External Audit. ST will send GD the completed Finance Effectiveness Report.

### **IT + Finance Effectiveness Lessons Learned Reports**

Draft Lessons Learned reports are almost complete and are currently under review.

All other outstanding actions were reviewed and updated.

<b>Item AAC5-4.2</b>		<b>Internal Audit Plan 2021-22</b>
<b>Paper No:</b> AAC5-B	Lead: D Archibald	Action requested: Approve
<b>Discussion</b>	As agreed at the previous meeting, the Internal Audit Plan 2021-22 had been updated to reflect discussions and was submitted for approval. DA informed that fieldwork timings and Committee reportage dates have now been included.	
<b>Decision/Noted</b>	To approve the Internal Audit Plan 2021-22.	

<b>Item AAC5-5.1</b>		<b>Assurance Framework Review</b>
<b>Paper No:</b> AAC5-C	Lead: K Acheson	Action requested: Discuss
<b>Discussion</b>	KA presented a plan showing how the Assurance Framework will be reviewed. The plan will capture controls currently in place to mitigate any perceived risks, and will detail how assurance providers report on these controls. Any gaps in assurance will also be highlighted and an action plan will be formed to mitigate future risks.  Members were content with the process and noted that an annual review process would be undertaken at September AAC meetings.	
<b>Decision/Noted</b>	To note the proposed plan.	

<b>Item AAC5-5.2</b>		<b>Internal Audit Overview</b>
<b>Paper No:</b> AAC5-D	Lead: K Acheson	Action requested: Discuss
<b>Discussion</b>	KA reported that a full review of all outstanding actions relating to Internal Audit reports had been undertaken. The report provided the Committee with an overview of compliance with agreed actions in advance of the Internal Audit annual follow up report. A proactive approach to ensure all actions are fully implemented is now being undertaken.	

	GM noted that a number of actions showed multiple revised completion dates with some now overdue. KA reassured the Committee that follow up meetings are being undertaken with Owners and the revised dates were considered achievable by December. GM requested that an update report be submitted at the next meeting and any potential shortcomings or revised timescales should be highlighted. RQ also requested additional information on timeline of revision dates including staff authorisation. This was agreed.
<b>Decision/Noted</b>	<ul style="list-style-type: none"> <li>• That the Internal Audit Overview update will be included on the agenda as a standing item.</li> <li>• To update the report as agreed.</li> </ul>

<b>Item AAC5-5.3</b>	<b>Data Protection Officer Report</b>	
<b>Paper No: AAC5-E</b>	Lead: S Lodge	Action requested: Discuss
<b>Discussion</b>	<p>SL presented the action plan and DPO's assessment of the College's level of accountability with the ICO's accountability framework. An update on data subject requests, security incidents and DPIAs completed were also submitted. SL reported that significant progress has been made however a number of actions are yet to be completed.</p> <p>The Committee acknowledged the progress made and requested additional information on the methodology for evaluation of actions against the ICO themes. Potential grading beyond 'meets requirements' (ie 'best practice') will also be confirmed.</p>	
<b>Decision/Noted</b>	<ul style="list-style-type: none"> <li>• To clarify methodology of evaluation.</li> <li>• To clarify higher level gradings.</li> </ul>	

<b>Item AAC5-5.4</b>	<b>Internal Audit Report(s)</b>	
<b>Item AAC5-5.4.1</b>	<b>Corporate Planning</b>	
<b>Paper No: AAC5-F</b>	Lead: D Archibald	Action requested: Discuss
<b>Discussion</b>	<p>DA advised members on the positive feedback received from senior managers on the structured and inclusive process for review of the Strategic Plan which was completed and approved by the Board in June 2021. The eight existing strategic priorities had been considered valid and the new Strategic Plan 2021-30 now contains a Strategic Map setting out these priorities and underpinning strategic aims. A recommendation to include direct engagement with Trade Unions in the process was noted.</p> <p>Review of operational plans for 2021-22 demonstrated that a significant number of recommendations including some with multiple actions, had not been prioritised. In some cases, responsibility for delivery and target completion dates had also not been set. These issues have been recognised in the new operational planning guidance developed for 2022-23 with draft plans scheduled for completion by early June 2022. As part of this process, a review of risk tolerances and risk appetite to reflect issues around financial pressures was also recommended.</p>	

The recommendation to develop key performance indicators for each of the five strategies and a new suite of high-level College wide performance measures in advance of next academic year (2022-23) was also reported.

PL advised that a revised Performance Framework which now includes a reduced number of PIs, was approved by PNC on 23 May for submission at the next Board meeting on 15 June 2022. GM referred to the 2020-21 External Audit recommendations and suggested that the diligent approach taken to enhance performance monitoring be considered during the 2021-22 audit. GD acknowledged the rigorous review process being undertaken however reminded that the new PIs were not currently in place. He was not in a position to comment on the findings from this year's audit report.

**Decision/Noted** To note the report.

**Item AAC5-5.5 Internal Audit Progress Report**

<b>Paper No: AAC5-G</b>	Lead: D Archibald	Action requested: Discuss
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**Discussion**

DA introduced current progress in delivering the annual plan for 2021/22. Fieldwork for audit reviews have now been scheduled and the majority of reports will be submitted at the September meeting. Any outstanding reviews will be submitted in November.

GM referred to the assurances required by External Audit on internal controls and requested that all necessary work be completed in a timely manner, in advance of this year's external audit.

**Decision/Noted** To note the report.

**Item AAC5-5.6 External Audit Plan 2021-22**

<b>Paper No: AAC5-H</b>	Lead: G Devlin	Action requested: Discuss
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**Discussion**

GD informed the Committee that the Auditor General has now approved the appointment of Audit Scotland as the College's External Auditor (for financial years 2022/23 to 2026/27). Under the current cycle, this year's audit will be undertaken by Azets.

GD provided a brief summary of the framework for review including key audit risks in the financial statements, fraud in recognition of expenditure, estates valuation and pension liability. The impact of COVID-19 on the financial statements will also be monitored. Two risks to the wider scope relate to financial sustainability and recovery of non-SFC income (which has been significantly impacted throughout the pandemic) and value for money relating to assessment of the College's performance management framework and key performance indicators. The schedule of audit outputs, timetables and proposed fees were noted.

GM referred to the review of the College's medium-term financial plans and asked that any significant findings be brought to the attention of the Committee in advance of the formal report. GD acknowledged the tight financial parameters and uncertainties faced particularly over the medium

term and confirmed that the Committee would be alerted to any significant issues.

GD confirmed that previous feedback received on the format of the report had been taken on board. A new style report with a more simplified traffic light approach and clearer findings/recommendations has been agreed and will be presented.

Decision/Noted

To note the report.

Item AAC5-5.7	Strategic Risk Review	
Paper No: AAC5-I	Lead: S Lodge	Action requested: Discuss
Discussion	<p>SL advised that all Risk MAPs have now been reviewed and updated. Significant updates were highlighted under Risks 11 and 14 however no proposed changes to risk scores were proposed. A new Risk 30 - <i>Failure to secure sufficient capital investment</i>, has also been added. The following risks were discussed:</p> <p>Risk 6 - <i>Negative impact upon College reputation</i>. RQ referred to inconsistency between reference to the College's 'excellent' reputation and the Likelihood scoring (3). A change to the wording or scoring will be considered by the Risk Owner.</p> <p>Risk 11 - <i>Failure of Corporate Governance</i>. RQ referred to full-time replacement of the College Secretary which has yet to be resolved and suggested that the Likelihood be increased until the position is filled. PL considered that whilst there was a short hiatus in specialist expertise, responsibility of corporate governance was well supported by the executive and Board members. GM agreed that effective Corporate Governance was dependant on a series of individuals and input from senior management and any gaps in governance would be sought from external sources. It was recognised that protracted replacement of the position would heighten exposure however it was agreed that the current Risk Score remain unchanged 5 (GREEN).</p> <p>Risk 22 – <i>Negative Impact of Brexit</i>. RQ suggested that given the UK had left the European Union last January, the Likelihood should now be reduced. PL considered that the impact of Brexit was only now becoming apparent (ie labour shortages and delays in supply chain) and the overall risk has not yet diminished. ST informed that an additional SFC strategic impact report is also continually reviewed. This scoring outcome is currently at 2.9 and is directly linked Risk 22 Score.</p> <p>Whilst a more generalised risk approach covering all market conditions and their effect on the economy may be considered, it was agreed that Risk 22 remain on the Register for further review at the February 2023 meeting. The risk score remained unchanged 9 (AMBER).</p> <p>RQ suggested that Risk 27 - <i>Failure to manage acute threats relating to coronavirus outbreak</i> be reviewed after release of the COVID Impact Report. This was agreed.</p>	

**Decision/Noted**

- To note the updated Risk MAPs and Risk Register dated 23 May 2022.
- To further review Risk 27 at the February 2022 meeting.

**Item AAC5-6.1      Accounting Policy Update**Paper No:  
AAC5-J

Lead: M Drummond

Action requested: Note

**Decision/Noted**

To note the biannual review of the Accounting Management Policy and proposed changes for formal approval at the next meeting of the FPRC.

**Item AAC5-6.2      Treasury Management Policy**Paper No:  
AAC5-K

Lead: M Drummond

Action requested: Note

**Decision/Noted**

To note the biannual review of the Treasury Management Policy with no changes proposed.

**Item AAC5-7      Any Other Notified Business**Paper No:  
Verbal

Lead: Convener

Action requested: Note

**Decision/Noted****North Hanover Street Sale**

Members noted that a request to the SFC and Scottish Government to retain the full compromise payment for NHS has been submitted.

**Item AAC5-8      Disclosability of Papers**Paper No:  
Verbal

Lead: M Cross

Action requested: Note

**Decision/Noted**

The disclosability status of all other papers as described on respective cover sheets were retained.

**Item AAC5-9      Date of Next Meeting**

Paper No:

Lead:

Action requested: Note

**Decision/Noted**

Tuesday 6 September 2022

*The meeting closed at 1630 hours.*

## ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
AAC5-4.1 24 05 22	<b>Matters Arising, COVID Impact Report:</b> Circulate to Committee in advance of Board meeting.	SL/MC	Prior to BoM Mtg 15 06 22
AAC5-4.1 24 05 22	<b>Matters Arising, Finance Effectiveness Report:</b> Circulate to GD.	ST	ASAP
AAC5-5.2 24 05 22	<b>Internal Audit Overview:</b> Include as a Standing Item.	MC	ASAP
AAC5-5.2 24 05 22	<b>Internal Audit Overview:</b> Update as agreed.	KA	06 09 22
AAC5-5.3 24 05 22	<b>Data Protection Officer Report:</b> Clarify methodology of evaluation and higher level gradings.	SL	06 09 22

## ACTION POINTS ARISING FROM PREVIOUS MEETINGS

Item	Description	Owner	Target Date
AAC4-A 02 03 22	<b>IT + Finance Effectiveness Reports:</b> Ensure all aspects are compliant.	KA	Ongoing
AAC4-C 02 03 22	<b>Committee Terms of Reference Review:</b> Update as agreed.	PC	BoM 15 06 22 <b>Complete</b>
AAC4-4.4 02 03 22	<b>Internal Audit Planning 2021-24:</b> Submit final Internal Audit Plan.	ST/DA	ASAP <b>Complete</b>
AAC4-5.1 02 03 22	<b>Assurance Framework Review:</b> Review and feedback.	KA	September AAC Meeting
AAC4-5.3 02 03 22	<b>Strategic Risk Review:</b> <ul style="list-style-type: none"> <li>Update as agreed (including additional College Group Risk).</li> <li>Reference ESG criteria and standards.</li> </ul>	PC	ASAP <b>Complete</b>
AAC2-4.1 23 11 21	<b>Matters Arising:</b> Covid Impact and management Report to be submitted at next meeting.	JG	<del>02-03-22</del> 25 05 22 <b>Complete</b> <b>BoM 15 06 22</b>
AAC2-5.4 23 11 21	<b>DPO Report:</b> Provide update report.	SL	25 05 22 <b>Complete</b>
AAC4-5.4 26 05 21	<b>IT Effectiveness Report Update:</b> Provide Lessons Learned Report.	ST	In Progress
AAC4-5.5	<b>Finance Effectiveness Report Update:</b> Provide Lessons Learned Report	ST	In Progress