

**Minute of the Audit and Risk Committee
Held by Hybrid Attendance at Kilmarnock Campus and
via Video Conference Using Zoom
on Tuesday 22 November 2022**

Present:

Steve Graham	Acting Chair
Steven Wallace	Acting Vice-Chair
Matthew Wilson	Non-Executive Board Member
Alison Sutherland	Non-Executive Board Member

In attendance:

Pauline Donald	Board Governance Advisor
Yvonne Melvin	Board Administrative Officer (Minutes)
Anne Campbell	Vice Principal – Curriculum
James Thomson	Interim Vice Principal - Finance, Student Funding & Estates
Sean Morrison	BDO – Internal Auditors
Lucy Nutley	Mazars – External Auditors
Graham Gillespie	Wylie & Bisset – Internal Auditors

1. Welcome and Declarations of Interest

The Vice Chair, Steve Graham, welcomed all present to the meeting. The Chair was present at the meeting, but the meeting was chaired by the Vice-Chair due to ill-health of the Chair.

The Acting Chair welcomed everyone to the meeting and extended the congratulations of the Committee to James Thomson on his appointment as Interim Vice Principal – Finance.

The meeting was confirmed as quorate.

There were no declarations of interest presented.

2. Apologies

Apologies were recorded from Claire Robertson and Chloe Main, BDO - Internal Auditors, Joanne Buchanan, Mazars - External Auditors and Stephen Pringle, Wylie & Bisset – Internal Auditors.

3. Minutes of the Previous Meeting held on 7 June 2022 (Paper 1) C/P

The minutes were approved as a correct record.

Proposed: Alison Sutherland

Seconded: Matthew Wilson

ARC Action & Decision Tracker (Paper 1A) (P)

The Committee noted the completion of all actions as recorded on the action tracker, apart from one:

Action: ARC37: A02 - J Thomson advised that this action was now completed and would be covered at agenda item 9.

4. Matters Arising

There were no outstanding matters arising from the minutes.

5. Internal Audit – BDO

i. FES Internal Audit Report (Paper 2) (P)

S Morrison introduced Paper 2 as presented.

The internal audit review examined the adequacy and reliability of the sub-systems used by the College in relation to the Credit Guidance, the audit guidance and associated guidance to complete the student data returns.

The Committee noted:

- the report was very positive and there were no significant findings.
- one low recommendation had been identified in the area of distance learning.
- the issue in the area of distance learning was an isolated incident and was addressed to ensure there would be no reoccurrence.

In response to a query, the Committee was assured that the College had a number of processes in place to adequately evidence engagement and participation on distance learning courses.

The Committee noted the report and the level of assurance received.

ii. EMA Internal Audit Report (Paper 3) (P)

S Morrison introduced Paper 3 as presented.

The internal audit review examined the student data returns in accordance with the Education Maintenance Allowance (EMA) Audit Guidance Notes for 2021-22.

The Committee noted that the audit concluded that the College's systems and procedures were "adequate", and that substantial assurance had been provided. The audit identified no areas for improvement.

The Committee noted the report and the level of assurance received.

iii. Student Support Funds Internal Audit Report (Paper 4) (P)

S Morrison introduced Paper 4 as presented.

The internal audit review examined the systems used by the College in relation to student data returns in accordance with the Student Support Fund Audit Guidance Notes for 2021-22.

The Committee noted that the audit concluded that the College's systems and procedures were "adequate", and that substantial assurance had been provided. The audit identified no areas for improvement.

The Committee noted the report and the level of assurance received.

iv. 2021-22 Internal Audit Follow-up Report (Paper 5) (P)

S Morrison introduced Paper 5 as presented.

The Committee noted that Internal Audit undertakes an annual follow-up audit, which provides the Committee with independent assurance that the agreed audit recommendations are being actioned within a timely manner.

The Committee noted that, of the 15 recommendations due to be implemented, 14 (93%) have been categorised as fully implemented and 1 (7%) considered as partially implemented. There were 5 recommendations not due for implementation at the commencement of fieldwork.

J Thomson provided the Committee with an update on the outstanding action, advising that further details would be provided later in the agenda (item 9). It was therefore proposed that the report be updated by BDO to show full implementation of recommendations prior to the Board meeting in December. The Committee discussed the proposal and agreed that the report would be revised accordingly by BDO.

The Committee noted that Internal Audit concluded that “very good progress” has been made by the College with clear evidence of timely implementation, strong commitment and sound evidence of effective internal controls.

M Wilson highlighted that the job title on page 6 of the report was incorrect and should be amended.

The Committee noted the report and the level of assurance received.

Action: ARC38-A01 – The 2021-22 Internal Audit Follow-up Report to be updated by BDO to show full implementation of the recommendations and the amendment to the job title on page 6.

v. 2021-22 Internal Audit Annual Report (Paper 6) (P)

S Morrison took the Committee through Paper 6 as presented.

The internal audit annual report reviewed the control policies and procedures employed by the College to manage risks in business areas identified by management set out in the 2021-22 Annual Internal Audit Plan.

The Committee noted:

- management was prudent in selecting audits to identify areas of improvement and to seek assurance of controls and practices in place.
- the report summarises the audits previously reported to the Committee, the number of audit recommendations made and the overall conclusions of each report.
- there were six internal audits carried out during 2021-22 with no reported high-level findings and no high-level ratings for any of the six reports. All six audits provided substantial assurance.

Further information on the use of benchmarking in the audit plan was sought. S Morrison advised that he would confirm the stance of BDO and would provide further details to the Principal.

The Committee acknowledged the significant amount of work undertaken by management to achieve this very positive report which reflected a robust control environment. The Committee also thanked BDO for their service and commitment over the past four years.

Action: ARC38-A02 – S Morrison to confirm the stance of BDO in benchmarking as part of the audit process and provide further details to the Principal.

Decision: ARC38:D01 The Committee recommended the 2021-22 Internal Annual Audit Report for approval by the Board on 8 December 2022.

6. External Audit - Mazars - 2021-22 Financial Statements

i. BOM Report & Financial Statements 2021-22 (*Paper 7*) (*P*)

J Thomson introduced Paper 7 as presented.

The Committee noted:

- the Board of Management Report details the College's performance and key events that took place during 2021-22.
- the Financial statements detail the Statement of Comprehensive Income, Statement on Changes in Reserves, Balance and Cash Flow Statement, and detailed notes to the accounts.
- accounts were prepared on assumed SFC clawback of credit funding with a drawdown of additional referred students funding of £711k.
- the Financial statements were considered and approved by BRIC at their meeting on 15 November 2022.
- the figures presented were updated following BRIC to reflect correspondence received from SFC in November confirming their position in respect of credit clawback for the sector.

J Thomson asked members to take the opportunity to review the BOM Report & Financial Statements 2021-22 prior to the Board meeting on 8 December, and to provide any feedback before Thursday 1 December.

The Committee commended the management team on the work undertaken to achieve a positive and clear set of accounts.

Decision: ARC38:D02 – The Committee recommended the BOM Report & Financial Statements 2021-22 for approval by the Board on 8 December 2022.

ii. Annual Audit Report to the BOM and Auditor General (*Paper 8*) (*P*)

L Nutley introduced Paper 8 as presented.

The Committee noted that the report:

- summarises the findings of the auditors' work and summarises the auditors' conclusions.
- details the key areas covered by the auditors, including standard risk areas that are considered as part of all their audits in the college sector.
- sets out the auditors' opinions on the College's financial statements, regulatory arrangements, matters required to be covered by the Auditor General and the auditors' opinion on wider scope work.

L Nutley advised on the following points:

- an unqualified opinion, without modification, is anticipated to be issued in relation to the 2021-22 Financial Statements.
- the status of the audit work, as noted on Page 6, advises that no internal control recommendations were raised.
- satisfactory assurance was gained in all risk areas as well in valuation of land and buildings and pension liabilities.
- the adjustment to the Summary of Misstatements, as noted on page 18, was reflective of the recent SFC announcement on credit clawback for the sector.
- supporting appendices will be finalised but should not materially change prior to final signatories.

L Nutley expressed her appreciation to the management team, and in particular the College's Finance Team, for the level of cooperation received which had resulted in an effective audit process and a good quality annual report and accounts.

The Chair expressed the thanks of the Committee for a comprehensive report and the associated context provided. The Committee also thanked Mazars for their service and commitment over the past six years.

Decision: ARC38:D03 - The Committee recommended the Annual Audit Report to the Board of Management and the Auditor General for Scotland year ended 31 July 2022 for approval by the Board on 8 December 2022.

iii. Letter of Representation 2021-22 (Paper 9) (P)

J Thomson introduced Paper 9 as presented.

The Committee noted that the Letter of Representation is from the College to Mazars. The letter confirms that the auditors have received all information relevant to the audit. It also confirms that there are no additional disclosures relating to the College's ability to continue as a going concern that need to be made in the financial statements.

Decision: ARC38:D04 - The Committee recommended the Letter of Representation for approval by the Board on 8 December 2022.

7. 2021-22 Audit and Risk Committee Chair's Draft Annual Report (Paper 10) (P)

J Thomson, on behalf of S Wallace, introduced Paper 10 as presented.

The Audit Committee Annual Report summarises all audit reports and activity of the Committee during 2021-22. The Report details the Committee's membership and frequency of meetings. The Report also summarises the work of the external and internal auditors, setting out their conclusions on the work carried out.

The Committee noted and approved the report for signature by the Chair of the Audit and Risk Committee and submission to the Board of Management for approval.

Decision: ARC38:D05 - The Committee recommended the 2021-22 Audit and Risk Committee Chair's Draft Annual Report for approval by the Board on 8 December 2022.

8. 2022-23 Business Continuity Plan (November 2022) (Paper 11) (R)

J Thomson introduced paper 11, advising that, due to Committee approval of Version 6 in March 2022, only minor changes and amendments were being reported in Version 7 of the report.

J Thomson further advised that the 2022-23 Business Continuity Plan was being reported at this November meeting in line with the Committee's Terms of Reference and Workplan. Going forward, it was proposed that reporting of the plan to the Committee take place every 2 years.

The Committee noted the following in relation to the proposal:

- the next date of committee review would be November 2024.
- meetings of the Business Continuity Steering Group would continue on a regular basis to review and consider any business continuity events that have taken place and to assess the College's response to the event
- the Group is responsible for updating the Business Continuity Plan, where relevant, after each meeting and conducts a full formal review of the Plan on an annual basis.
- any notable changes would be reported to the Committee

The Committee considered the proposal as presented. In response to a query, J Thomson provided assurance to the Committee that any ongoing risks identified would be captured in the Business Continuity Plan.

M Wilson highlighted an error in an email address contained in the key contacts section of the document.

Decision: ARC38:D06 - The Committee approved the proposal for reporting of the Business Continuity Plan to be moved to a 2-year cycle.

9. Internal Audit rolling Action Plan as at 18 October 2022 (Paper 12) (P)

J Thomson introduced Paper 12 as presented.

The Committee noted the one action due in the period remained outstanding in the area of Marketing and that an update was available in the area of Schools and Community Provision.

Schools and Community Provision

- The Committee was reminded of previous updates and discussions on this item. J Thomson confirmed to the Committee that the College and three local authorities were working to the arrangements set out in the data sharing agreements and advised that the ability for the College to drive through formal agreement would be a disproportionate level of resource. It was therefore proposed that members agree to close this audit action and that the relevant BDO Reports be updated accordingly.

The Committee confirmed that they supported the proposal and thanked management for the narrative outlining the rationale for closure.

Marketing

- J Thomson highlighted that the College has established a Short-Life Working Group to review the College's social media policies, which have been prepared and are due to be presented to the next policy review meeting with the trade unions. Subject to the outcome of this review meeting the policies would then be presented for approval, therefore, this audit action is shown as incomplete.

The Committee noted the actions being taken on the incomplete audit action and was assured by the measures in place to see this through to completion.

The Committee noted the content of Paper 12.

Action: ARC38: A03 - The action related to 'Schools and Community Provision' be closed off and the 2021-22 Internal Audit Annual report be updated accordingly.

10. AOB

The Acting Chair recognised that the agenda for the November meeting of the Committee was slightly heavier than at other points in the meeting cycle but enquired as to whether efficiencies could be made going forward, specifically in reference to the number of pages and content contained within the reports. J Thomson advised that he would work with the Auditors in streamlining the information provided where possible.

11. Date of Next Meeting – Tuesday 14 March 2023 at 4pm

P - Papers will be published on the College Website; R - Papers will not be published for reasons of commercial confidentiality or for reasons associated with data protection legislation; C/P - Confirmed minutes will be published on the College Website

RESERVED ITEMS ON THE NEXT PAGE