

## Board of Management

### Meeting of the Audit Committee

MINUTE OF 2<sup>nd</sup> MEETING HELD ON WEDNESDAY 14 NOVEMBER 2018 AT 1700 HRS  
(AC2)

Present	
George Black (GB)	Anne Peters (AP)
Graham Mitchell (GM) (Convener)	
In attendance	
David Archibald (Henderson Loggie) (DA)	Alex Stewart (AS)
Paul Clark, College Secretary (PC)	Stuart Thompson (ST)
Gary Devlin (Scott Moncrieff) (GD)	
Claire Gardiner (Scott Moncrieff) (CG)	Ann Butcher (Minute)
Apologies for absence	
Paul Little (PL)	Eric Tottman-Trayner (ETT)
Colin McMurray (CM)	

Item AC2-1	Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	Apologies were received from PL, CM and ETT. GM chaired the meeting in the absence of CM.	

Item AC2-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None.	

Item AC2-3	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 AC2-4	Minute of the Audit Committee meeting held on 12 September 2018	
Paper No: AC2-A	Lead: Convener	Action requested: Approve
Decision/Noted	That the minute be approved.	

Item AC2-5		Annual Report and Accounts 2017-18	
Paper No: AC2-B	Lead: P Clark/S Thompson	Action requested: Approve	
Discussion/ Matters Arising	<p>PC introduced the narrative section within the Annual Report and Accounts 2017-18 which has been developed with reference to the individual Board Committee Annual Reports, and also includes examples from each Faculty of student and staff successes during 2017-18. The narrative section (excluding the financial statements, summary Performance Overview and Governance Statements) will be published as the College Annual Review 2017-18. A fully designed version will be progressed following final approval.</p> <p>ST provided a review of the Financial Statements. He confirmed that whilst the statements record a deficit of £2.244 m, the full financial statements show an underlying operating position with a surplus of £698k. The College continues to operate in a challenging financial climate with significant increase in staff costs anticipated over the next 2 years mainly due to harmonisation of pay levels across the sector. Discussion followed on the significant impact of depreciation and pension adjustments on the balance sheet. The changes in pension assumptions were reviewed.</p> <p>GB referred to the highest scoring strategic risks, in particular, Risk 23 – <i>Failure to agree a sustainable model and level of grant funding within Glasgow Region</i>, and questioned the reason why this was considered as one of the highest risk areas. ST advised that this was due to the high level of uncertainty regarding the value of future funding linked to the SFC and GCRB funding methodology. He further informed that whilst this risk still exists, the new credit model has not yet been fully embedded and as such, the SFC grant allocation for 18-19 reflects the previous year's allocation. This has now been rolled over by GCRB. The risk score has since been reviewed and rated lower (from RED to AMBER). It was agreed that appropriate update commentary be provided within the report.</p> <p>Members also agreed the following:</p> <ul style="list-style-type: none"> <li>• That the Chair's name be provided at the end of the Chair's Statement (Page 6).</li> <li>• That 2016-17 comparison figures be provided under the Finance Year Resource Position (Page 13).</li> <li>• To provide relevant update commentary regarding Risk 23 (Page 48).</li> <li>• That additional notes of explanation be provided for J Carson's remuneration and pension entitlement including leaving date (Page 107).</li> </ul>		
Decision/Noted	That subject to agreed amendment, the Annual Report 2017-18 be approved.		

Item AC2-6		Risk Management Policy	
Paper No: AC2-C	Lead: P Clark	Action requested: Approve	
Discussion/ Matters Arising	A revised Risk Management Policy, which proposes only minor changes, including a revision to the Risk Tolerance section as it relates to Business		

Continuity, was submitted and reviewed by members.

**Decision/Noted** To approve the revised Risk Management Policy.

<b>Item AC2-7</b>		<b>Strategic Risk Review</b>	
<b>Paper No: AC2-D</b>	Lead: P Clark	Action requested: Discuss	
<b>Discussion/ Matters Arising</b>	<p>PC highlighted the most recent Risk Score changes within the current review cycle to September 2018 with no further changes to risk scores being proposed at this time. A revised Risk Register was also submitted.</p> <p>PC referred to Risk 12 '<i>Failure of Business Continuity</i>' and highlighted that following the external review of activities and operations of the College, including its current recovery capability (undertaken by Ashton Resilience in March 2018), the report's recommendation to conduct a business impact analysis and service impact analysis for key processes across the College would now need to be progressed. ST advised that the Principal was in support of this approach, and that the matter will be further considered by SMT in order to agree appropriate resources and timescales.</p> <p>ST further referred to Risk 25 '<i>Failure of IT System Security</i>', in particular the proposal to pursue adoption of the UK Government Cyber Essentials Plus certification by the end of October 2018. An external provider has now completed a pre-assessment with 7 recommendations being made. An action plan has since been produced with a timescale for completion by March 2019. Weekly progress meetings will be undertaken and additional resources are required and will be secured. ST reported that whilst the College was not fully compliant at present, it was generally well protected, and more robust processes will be in place by March. PC suggested that the Risk Score may need to be reviewed. This was agreed.</p> <p>The Committee considered the overall impact of the current leadership reorganisation, particularly in relation to student outcomes and progression and whether any impact should be considered throughout the risk register. Members were advised that the reorganisation provides a more robust and coherent structure with clear management lines, and that this will support an improvement in the overall student outcomes. The Committee was also informed that Faculty curriculum performance reviews will be undertaken over the next week, which will review the previous year to date, along with consideration of forward planning.</p>		
<b>Decision/Noted</b>	<ul style="list-style-type: none"><li>• To agree resources and timescales for business impact analysis through SMT.</li><li>• To review Risk 25 score (from AMBER to RED).</li><li>• To approve the updated Risk Register.</li></ul>		

<b>Item AC2-8</b>		<b>Register of Interests Update Report</b>	
<b>Paper No: Verbal</b>	Lead: P Clark	Action requested: Discuss	
<b>Discussion/ Matters Arising</b>	<p>PC referred to the issue identified within the External Audit report regarding information not disclosed within Board members' Register of Interests. He reported that these have now been updated and the Register is now accurate, up to date, and published on the College website.</p>		

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

<b>Item AC2-9</b>	<b>Internal Audit Review Reports</b>	
<b>Item AC2-9.1</b>	<b>Learning Support – Access and Inclusion</b>	
<b>Paper No: AC2-E</b>	Lead: D Archibald	Action requested: Discuss
<b>Discussion/ Matters Arising</b>	DA apologised for his absence at the previous meeting of the Committee.  A review of the College's process for identifying students with support needs and the provision of appropriate support was undertaken with 5 low level, priority 3 recommendations identified. The main area of weakness centred around improvement in overall communication both with students and academic staff, on the role of the Learning Support Lecturer in following up students that are not on track.  The overall level of assurance was noted as 'Satisfactory'.	
<b>Decision/Noted</b>	To note the Report.	

<b>Item AC2-9.2</b>	<b>Infrastructure Contract Management/Help Desk</b>	
<b>Paper No: AC2-F</b>	Lead: D Archibald	Action requested: Discuss
<b>Discussion/ Matters Arising</b>	The review of College arrangements which are in place to monitor the performance of GLQ against the terms of contract was noted.  The 3 low level, priority 3 areas of recommendation regarding enhancement of existing arrangements of Paymech checking, closing off helpdesk issues and improved trend analysis were identified. Management responses have been agreed and will be actioned.  The overall level of assurance was noted as 'Good'.	
<b>Decision/Noted</b>	To note the Report.	

<b>Item AC2-9.3</b>	<b>Internal Audit Follow Up Review</b>	
<b>Paper No: AC2-G</b>	Lead: D Archibald	Action requested: Discuss
<b>Discussion/ Matters Arising</b>	DA advised that the follow up review, to assess whether recommendations made in previous reports had been appropriately implemented, indicated good progress. 29 of 33 recommendations have been fully implemented, 3 recommendations were partially implemented and 1 showed little or no progress made. Outstanding recommendations will be subject to follow up at a later date.  AP referred to Recommendation 1 within the IT Network Arrangements/Security report which stated that the College has completed the network security steps to ensure compliance with the Cyber Essentials standard. With reference to the earlier discussion, AP suggested that the outstanding requirement to implement Cyber Essential Plus should be mentioned within the report.	
<b>Decision/Noted</b>	To note the follow-up report.	

<b>Item AC2-9.4</b>		<b>2017-18 Student Activity Data</b>	
<b>Paper No:</b> AC2-H	Lead: D Archibald	Action requested: Discuss	
<b>Discussion/ Matters Arising</b>	<p>DA confirmed that in line with Credits Audit Guidance, a review of systems and procedures used by the College in compiling the College student activity data return for 2017-18 was undertaken. The auditor's opinion confirmed that the returns had been compiled in accordance with all relevant guidance, and that adequate procedures were in place to ensure the accurate collection and recording of the data. On the basis of audit testing, the internal auditors have provided the SFC reasonable assurance that the FES return contains no material mis-statement.</p> <p>Based on the robust processes the report contains no recommendations.</p> <p>The Committee commended all staff involved in completing the return.</p>		
<b>Decision/Noted</b>	To note the Report.		

<b>Item AC2-10</b>		<b>Internal Audit Annual Report 2017-18</b>	
<b>Paper No:</b> AC2-I	Lead: D Archibald	Action requested: Discuss	
<b>Discussion/ Matters Arising</b>	<p>A summary of all work undertaken by Internal Audit during 2017-18 was submitted. The Committee noted that all assessed systems were either 'Good' or 'Satisfactory' with no significant issues or major internal control weaknesses identified.</p>		
<b>Decision/Noted</b>	<ul style="list-style-type: none"> <li>• That the 2017-18 Student Activity Data Recommendations on Page 3 be stated as 'none'.</li> <li>• To note the audit opinion that the College has adequate and effective arrangements for risk management, control and governance and that proper arrangements are in place to promote and secure Value for Money.</li> </ul>		

		<b>Cash Handling</b>	
<b>Paper No:</b>	Lead: G Black	Action requested: Discuss	
<b>Discussion/ Matters Arising</b>	<p>GB advised that the matter of a cash payment made by an international partner in China was raised at the last meeting of the Development Committee. Members had requested assurance that adequate procedures were in place to allow for this process. ST advised that enquiries would be made in relation to this matter, and an update report would be provided at the next meeting of the Development Committee.</p>		
<b>Decision/Noted</b>	That a report on any cash transactions between international partners and the College will be provided at the next meeting of the Development Committee.		

<b>Item AC2-11</b>	<b>External Audit Annual Audit Report 2017-18</b>	
Paper No: AC2-J	Lead: G Devlin	Action requested: Discuss
Discussion/ Matters Arising	<p>GD introduced the Report and outlined the main elements of the external audit in 2017-18 including an audit of the financial statements and related matters and also consideration of the wider dimensions of financial management, financial sustainability, governance and transparency and, value for money.</p> <p>GD confirmed that External Audit (EA) intended to provide an unqualified opinion on the annual accounts, the regularity of transactions and other prescribed matters. GD also indicated that there were no matters which were required for report by exception. He further advised that the annual accounts and supporting schedules were of a high standard and thanked all staff involved for their assistance with their work.</p> <p>Following some discussion regarding financial sustainability, in particular the future financial challenges faced by the College, GB referred to a discussion at the recent meeting of the Development Committee and requested some further clarity and context in relation to commercial income made over the last few years. ST agreed that he would discuss this issue with VP Roy Gardner, and would also attend the next meeting of the Development Committee.</p> <p>GD further outlined the summary report findings action plan which provides details of weaknesses and opportunities for improvement. The findings identified were noted by the Committee.</p>	
Decision/Noted	To note the External Audit Annual Audit Report 2017-18.	
<b>Item AC2-12</b>	<b>External Audit Management Letter</b>	
Paper No: AC2-K	Lead: G Devlin	Action requested: Noted
Decision/Noted	To note the management letter issued by Scott Moncrieff which confirms that no additional representations were discovered during the audit.	
<b>Item AC2-13</b>	<b>Internal Audit Plan 2018-19</b>	
Paper No: AC2-L	Lead: D Archibald	Action requested: Note
Discussion/ Matters Arising	DA confirmed that all comments made at the previous meeting have now been integrated within the Plan. Timings for fieldwork will now be agreed.	
Decision/Noted	To note key changes to the allocation set out within the Plan.	
<b>Item AC2-14</b>	<b>Report on Staff Compensation Payments and Abandonment of Claims</b>	
Paper No: AC2-M	Lead:	Action requested: Discuss
Discussion/ Matters Arising	Details of the staff compensation payments made during 2017-18 were reviewed. Members were reminded that the College had received approval from GCRB and the SFC to open a Voluntary Severance (VS) Scheme which was compliant with the SFC Financial Memorandum. The VS	

	scheme enabled the implementation of the planned leadership reorganisation.
<b>Decision/Noted</b>	To note that the VS payments were fully compliant with the College VS scheme and were fully authorised.

<b>Item AC2-15</b>	<b>Any Other Notified Business</b>	
<b>Paper No: Verbal</b>	Lead: Convener	Action requested: Discuss
<b>Decision/Noted</b>	None.	

<b>Item AC2-16</b>	<b>Disclosability of Papers</b>	
<b>Paper No:</b>	Lead: P Clark	Action requested: Note
<b>Decision/Noted</b>	It was agreed that Papers AC2-A, AC2-K, AC2-L and AC2-M were non disclosable.	

<b>Item AC2-17</b>	<b>Date of Next Meeting</b>	
<b>Paper No:</b>	Lead:	Action requested: Note
<b>Decision/Noted</b>	Wednesday 20 February 2019	

*The meeting closed at 1915 hours*

## ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
AC2-5	<b>Annual Report and Accounts 2017-18:</b> Amend as agreed for submission at the next meeting of the full Board.	PC/ST	05 12 18
AC2-7	<b>Strategic Risk Review:</b> Agree resources and timescales for business impact analysis through SMT.	ST/PC	ASAP
AC2-7	<b>Strategic Risk Review:</b> Review Risk 25 score.	ST/PC	ASAP
Additional Item/ Discussion	<b>Cash Handling:</b> To provide a report of any cash transactions at the next meeting of the Development Committee.	ST/RG	DC 23 01 19

## ACTION POINTS ARISING FROM PREVIOUS MEETINGS

Item	Description	Owner	Target Date
AC1-5	<b>Committee Annual Report:</b> Amend as agreed.	PC	ASAP <b>Complete</b>
AC1-7	<b>Strategic Risk Review:</b> Seek advice on additional colour code from Auditors.	PC	ASAP <b>Complete</b>
AC1-9	<b>Internal Audit Reports:</b> Resubmit Papers AC1-F – AC1-H and take by exception at the next meeting.	PC/ALL	14 11 18 <b>Complete</b>
AC1-11	<b>Annual Internal Audit Plan 2018-19:</b> Advise Internal Audit on suggested changes.	ST	ASAP <b>Complete</b>
AC4-8.2	<b>IA Business Development/International Activities:</b> Submit report at next meeting of Development Committee.	PC	Dev Comm Mtg 31 10 18 <b>Complete</b>
AC4-10	<b>Business Continuity: External Review &amp; Report:</b> SMT to agree action dates for submission to the full Board.	FS/PC	BoM Mtg 22 08 18 <b>Complete</b>