

Board of Management

Meeting of the Audit and Assurance Committee

MINUTE OF 2nd MEETING HELD ON WEDNESDAY 24 NOVEMBER 2020 AT 1500 HRS (AAC2)

Present	
Lorna Hamilton (LH)	Graham Mitchell (GM) Convener
Paul Hillard (PH)	Ronnie Quinn (RQ)
In attendance	
David Archibald (Henderson Loggie) (DA)	Sheila Lodge (SL)
Paul Clark, College Secretary (PC)	Alex Stewart (AS)
Gary Devlin (Azets) (GD)	Stuart Thompson (ST)
Paul Little (PL)	Ann Butcher (Minute)
Apologies for absence	
George Galloway (GG)	

Item AAC2-1	Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None received.	

Item AAC2-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None.	

Item AAC2-3	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 AAC2-4.1	Minute of the Meeting held on 16 September 2020	
Paper No: AAC2-A	Lead: Convener	Action requested: Approve
Decision/Noted	That subject to additional clarification under Point AAC1-4.4, the minute be approved.	
	Matters Arising	

Whistleblowing Policy

PC informed that the Vice Chair has agreed that the position of Senior Independent Member (SIM) of the Board would be the appropriate level to undertake the role of Whistleblowing Champion. Members agreed that any whistleblowing disclosures expressed anonymously that are not progressed by management ie for vexatious reasons, etc would be screened by the SIM. PC will update the Policy to reflect this agreement.

Effectiveness Review Reports

An update report will be submitted at the next meeting.

Item AAC2-4.2		Annual Report and Accounts 2019-20
Paper No: AAC2-B	Lead: P Clark	Action requested: Approve
Discussion	<p>PC introduced the narrative for the Annual Report 2019-20 which has been developed with reference to individual Committee Annual Reports which serves as a record of governance for the year. Following guidance received from External Auditors, and agreement of the Committee and Board, this year's report is shorter than previous years. Subject to Committee approval, the final designed version will be submitted at the forthcoming meetings of the FPRC and the full Board. The full financial statements were also included.</p> <p>The narrative was reviewed and points of clarification on Cash Budget Priorities spend, staff absence figures for 2019-20 and consultancy expenditure (which are further disclosed within the FR Authorised Limits Report) were provided. Members highlighted various minor amendments and requested additional information on courses not transferred to online learning. RQ will provide PC with a further substantive point outwith the meeting.</p>	
Decision/Noted	Subject to inclusion of the External Audit Report 2019-20 and agreed amendments, the Report was approved.	

Item AAC2-5.1		Strategic Risk Review
Paper No: AAC2-C	Lead: P Clark	Action requested: Discuss
Discussion	<p>An update on the risks that have been identified as highest scoring risks ie Risks 1, 7, 10, 11, 12, 15, 16 and 27 and updated mitigations and commentary were reviewed by the Committee. The following Risks were particularly highlighted and discussed:</p> <p>Risk 7 '<i>Failure to achieve improved business development performance with stakeholders</i>'. PL suggested that, given the progress made on the development of various initiatives with partner organisations, including the proactive development of online activity during lockdown, and considering that this position would continue to improve, the likelihood be reduced. Following some discussion, members agreed that the likelihood of failure be reduced to 4 with a further review to be undertaken at the next meeting. The new Risk Score 4 x 5 = 20 (RED) was noted.</p> <p>Risk 27 '<i>Failure to manage acute threats relating to coronavirus outbreak</i>'. The Committee referred to the PNC agreement to increase the likelihood</p>	

	<p>to 4 and suggested that whilst the potential of further restrictions still remained, as this Risk was being successfully managed, the likelihood should be reduced. It was agreed that the likelihood of failure be reduced to 3. The new Risk Score of 3 x 4 (AMBER) was noted.</p> <p>RQ referred to Risk 24 '<i>Failure of Compliance with the General Data Protection Regulations (GDPR)</i>' and suggested that this should not be impacted by the current Covid crisis and queried why this was still scored at a high level of 16 (RED). SL explained that the position of Data Protection Officer is in the process of recruitment and the full service will be running by mid- December. Members agreed that in the interim, the current Risk Score would remain.</p>
Decision/Noted	<ul style="list-style-type: none"> That the proposed revised risk scores were approved. That the associated Risk Management Actions Plans were approved.

Item AAC2-5.2	Register of Interests Report	
Paper No: Verbal	Lead: P Clark	Action requested: Discuss
Discussion	PC reported that all Board members' Register of Interests have now been updated and are posted on the College website.	
Decision/Noted	To note the update.	

Item AAC2-5.3	FOISA Report 2019-20	
Paper No: AAC2-D	Lead: P Clark	Action requested: Discuss
Discussion	<p>PC provided a brief overview of the volume and nature of requests received in relation to the Freedom of Information (Scotland) Act 2002 (FOISA). Members noted that whilst the volume of requests have fallen since 2018-19, progression of responses are often complex and time-consuming and do not necessarily reflect the overall demands on the College.</p> <p>The Committee suggested that an audit of staff costs, etc should be undertaken with a view to charging a requestor fees. PC reminded that the College is required to respond to all requests and considered that in most cases, it would not be worthwhile charging for staff time unless this exceeds the appropriate limit as determined within the FOISA Act. This issue had been analysed previously, and that this conclusion had been reached. Member agreed that an audit would not be required at this time.</p> <p>It was noted that the new College Company would not be subject to the same legislation.</p>	
Decision/Noted	To note the report.	

Item AAC2-5.4	Assurance Framework (Update)	
Paper No: AAC2-E	Lead: P Clark	Action requested: Discuss

Discussion	<p>PC reminded the Committee on its responsibility for oversight of the College internal control and governance systems which includes the development of an Assurance Framework as approved by the Committee in February. The Framework checklist was now complete and was submitted for consideration. PC further highlighted the proposal for the development of an additional College Assurance and Compliance function, designed to provide an enhanced model, via a “fourth Line” of assurance.</p> <p>Members were reassured that the checklist had been progressed and agreed to review the detail within the report and provide any feedback to PC prior to the next meeting in February 2021. An update on progress of the ‘fourth line assurance’ and, dedicated project and programme management will also be provided.</p> <p>The report will be regularly reviewed by the Committee (twice per year).</p>
Decision/Noted	<ul style="list-style-type: none"> To note the report. To provide a further update at the next meeting.

Item AAC2-5.5	Internal Audit Review Report(s)	
Item AAC2-5.5.1	2019-20 Student Activity Data	
Paper No: AAC2-F	Lead: D Archibald	Action requested: Discuss
Discussion	<p>DA reported that following completion of the Internal Audit review of the 2019-20 data return (which was submitted to the SFC on 14 10 20), their audit opinion was that:</p> <ul style="list-style-type: none"> the student data returns have been compiled in accordance with all relevant guidance. adequate procedures are in place to ensure the accurate collection and recording of the data; and on the basis of our testing we can provide reasonable assurance that the FES return contains no material misstatement. <p>One minor adjustment was advised.</p>	
Decision/Noted	To note the report.	

Item AAC2-5.5.2	Leadership Reorganisation	
Paper No: AAC2-G	Lead: D Archibald	Action requested: Discuss
Discussion	<p>DA reported on the outcome of the IA review of the Leadership Reorganisation exercise conducted within the College to assess the extent to which the intended aims and objectives of the restructuring exercise had been achieved. As a result of the organisational changes, the College has reduced its managerial operating costs and has delivered a range of training and development to the new post-holders which is ongoing.</p> <p>Four minor Priority 3 recommendations were identified including the review and assessment of completed organisational change programmes</p>	

	and identification of lessons learned to ensure future programmes are effectively delivered. Development and implementation of project management methodology to ensure that sufficient resources are allocated to programmes, will be addressed through the creation of a Project Management Office. Post training evaluation will also be undertaken.
Decision/Noted	To note the overall level of assurance as Satisfactory.

Item AAC2-5.5.3	Follow Up Reviews	
Paper No: AAC2-H	Lead: D Archibald	Action requested: Discuss
Discussion	<p>DA informed that the College has made some progress in implementing the recommendations made in the Internal Audit reports finalised during 2019/20 (to date) and reports from earlier years where previous follow-up identified recommendations outstanding.</p> <p>The Committee noted that 18 (33%) of the 54 recommendations which were past their completion date were classified as 'fully implemented'. 21 recommendations (39%) were assessed as 'partially implemented' and six were classified as 'little or no progress made'. Six had not yet reached their due completion date. These 41 recommendations will be subject to follow-up at a later date. A further three recommendations were considered as no longer relevant by management and were not implemented.</p> <p>ST reported that the vast majority of recommendations have been implemented however due to the impact of COVID-19 and turnover of staff, some recommendations have yet to be progressed and are now being addressed. Members requested that an update on progress be provided at the next meeting.</p>	
Decision/Noted	<ul style="list-style-type: none"> To note the report. To provide an update on progress at the next meeting. 	

Item AAC2-5.6	Internal Audit Annual Report 2019-20	
Paper No: AAC2-I	Lead: D Archibald	Action requested: Discuss
Discussion	<p>DA highlighted the work undertaken during 2019-20 as set out in the Strategic Plan for 2019/20, with the exception of the deferral of the General Ledger review, which was deferred due to restrictions around access to information arising from the Covid-19 pandemic. This will now be completed within the annual plan for 2020-21. The Committee noted the following Internal Audit opinion:</p> <p><i>'... the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2019/20. This included follow-up of recommendations made by the College's previous internal auditors'</i></p>	

	DA referred to the Committee's agreement to extend their appointment for an additional 1 year period and highlighted the proposed audit plan within the report. Members agreed the proposed programme subject to final agreement with Executive on scope and objectives, etc.
Decision/Noted	To note the Internal Audit Annual Report 2019-20.

Item AAC2-5.7	External Audit Annual Report 2019-20	
Paper No: AAC2-J	Lead: G Devlin	Action requested: Discuss
Discussion	<p>GD presented the External Audit Report and outlined the main elements and key findings for 2019-20. He thanked ST and the finance team for their support during the audit and the high quality delivery of accounts.</p> <p>The Committee noted the operating deficit of £4.720million for 2019-20 with an adjusted underlying operating deficit of £0.360million. They further noted that the forecast underlying operating position is improved for 2021/22 with a smaller underlying operating deficit of £0.499million and a small surplus is forecast for 2022/23 of £0.104million. The College has incorporated the financial impact of the Covid-19 pandemic into its financial forecasts and continues to monitor the overall impact on its financial position.</p> <p>Governance arrangements were found to be satisfactory and appropriate, including throughout the Covid-19 pandemic to date. Effective arrangements are in place regarding financial control, prevention and detection of fraud and irregularity, and standards of conduct.</p> <p>Appropriate performance management processes in also place to support the achievement of value for money. Performance in 2019/20 has improved from the previous year.</p> <p>The External Audit assessment of six risks of material misstatement and their responses were highlighted.</p> <p>GD confirmed that External Audit intended to provide an unqualified opinion on the financial statements, the regularity of transactions and other prescribed matters. They were also satisfied that there are no matters which were required for report by exception.</p> <p>GM commended the management process to move to a position of a small deficit particularly during an extremely difficult year and the many challenges faced. The next two financial years will be extremely challenging for the College.</p>	
Decision/Noted	To note the report.	

Item AAC2-6.1	FR Authorised Limits Report	
Paper No: AAC2-K	Lead: S Thompson	Action requested: Note
Decision/Noted	To note the statement of expenditure incurred during 2019-20 in connection with public relations, overseas travel, hospitality and entertainment and external consultancy.	

Item AAC2-6.2	Report on Staff Compensation Payments	
Paper No: AAC2-L	Lead: S Thompson	Action requested: Note
Decision/Noted	To note the details of the staff compensation payments made during 2019-20.	

Item AAC2-6.3	Update on Fraud Response	
Paper No: AAC2-M	Lead: S Thompson	Action requested: Note
Discussion	<p>ST provided the Committee with an update report on the actions, improvements and controls implemented as a result of the IT equipment fraud. The College is continuing to work with the Scottish Police to support the criminal investigation and is also working with its solicitors to achieve an acceptable agreement with the insurer, UMAL. Constructive discussions with UMAL are ongoing.</p> <p>PL confirmed that the independent effectiveness reports for Finance and IT functions have now been shared with the GCRB Audit Committee.</p>	
Decision/Noted	To note the update report.	

Item AAC2-7	Any Other Notified Business	
Paper No: Verbal	Lead: Convener	Action requested: Note
Decision/Noted	GM thanked the management team for the successful achievements made both from a financial and student perspective, particularly over the last 9 months. The outcome of these are now borne through both the Internal and External Audit reportage provided at the meeting. This has offered the Committee an added level of assurance.	

Item AAC2-8	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.	

Item AAC2-9	Date of Next Meeting	
Paper No:	Lead:	Action requested: Note
Decision/Noted	Wednesday 24 February 2021	

ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
AAC2-4.1	Whistleblowing Policy: Update as agreed.	PC	ASAP
AAC2-4.1	Effectiveness Review Reports: Provide an update on progress.	PL/ST	24 02 21
AAC2-5.4	Assurance Framework: Provide a further update at the next meeting.	PC	24 02 21
AAC2-5.5.3	Internal Audit Follow-up Reviews: Provide update on progress.	SL/ST	24 02 21

ACTION POINTS ARISING FROM PREVIOUS MEETINGS

Item	Description	Owner	Target Date
AAC1-4.2	Committee Annual Report 2019-20: Update as agreed.	PC	ASAP Complete
AAC1-4.3	Committee Programme of Work 2020-21: Update as agreed.	PC/ST	ASAP Complete
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 Complete