

**Meeting of the Audit and Risk Committee Meeting
Held on Tuesday 23 November 2021
Via Video Conference using Zoom**

Present:

Steven Wallace	(Chair)
Steve Graham	(Vice Chair)
Elaine Anderson	Non-Executive Board Member
Matthew Wilson	Non-Executive Board Member
Alison Sutherland	Non-Executive Board Member

In attendance:

Pauline Donald	Board Governance Advisor (Minutes)
Yvonne Melvin	Board Administrative Officer
Michael Breen	Vice Principal – Finance
Anne Campbell	Vice Principal – Curriculum
James Thomson	Assistant Principal – Finance, Student Funding & Estates
Clare Robertson	BDO – Internal Auditors
Lucy Nutley	Mazars – External Auditors

1. Welcome and Declarations of Interest

The Chair welcomed everyone to the meeting.

There were no declarations of interest presented.

2. Apologies

Apologies were recorded from Chloe Ridley, Manager, BDO Internal Auditor and from Joanne Buchanan, Mazars – External Auditors.

The meeting was confirmed as quorate.

3. Committee Development Session: Role of Audit

As part of a development session for committee members and as per Action ARCC33:A01, J Thomson provided a presentation on the role of the audit function, both internal and external audit. The Committee noted the added value of the audit process as well as its role as part of a robust governance and control process.

The Chair thanked J Thomson for an informative presentation.

4. Minutes of the Previous Meeting held on (Paper 1) C/P

The minutes were approved as a correct record.

Proposed: Elaine Anderson **Seconded:** Steve Graham

Audit Action Tracker (Paper 1A) (P)

The Committee noted the update on all actions as recorded on the action tracker.

A Campbell advised that the Learning, Teaching and Quality Committee had approved the recommendation to focus the 5-day curriculum-based review audit on the student voice as part of the 2021-22 audit programme. A Campbell advised that this aligns to Aim 1 of the Strategic Ambition and will provide a review of how students are supported to engage with their learning experience.

The above recommendation was fully supported by the Audit and Risk Committee and the corresponding action will be recorded as complete.

5. Matters Arising

There were no outstanding matters arising from the minutes.

6. Internal Audit

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

C Robertson introduced Paper 2 as presented.

The internal audit review examines the adequacy and reliability of the sub-systems used by the College to complete the student data returns.

The Committee noted that there were no significant findings but were advised of two areas where the College can improve its existing arrangements, ie:

- the need for better communications between relevant departments when students are not progressing
- to ensure engagement on distance learning courses is captured and retained for audit purposes.

In terms of the management response to audit recommendation No 2 related to student engagement, the Committee noted that management had accepted the recommendation in principle but that an alternative approach to delivery will be adopted. Internal Audit confirmed that they would be content with an alternative delivery approach; the overall aim being to evidence effective engagement.

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

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

C Robertson introduced Paper 3 as presented.

The internal audit review examined the sub-systems used by the College in relation to the management of Education Maintenance Allowance (EMA) funds in the context of the SFC audit guidance.

The Committee noted that the audit concluded that the College's systems and procedures were "sufficiently adequate" which represents the highest level of assurance that the Internal Auditors can provide. 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)

C Robertson introduced Paper 4 as presented.

The internal audit review examines the systems used by the College in relation to student support funds.

The Committee noted that the audit concludes that the College's systems and procedures were "sufficiently adequate" which represents the highest level of assurance that the Internal Auditors can provide. The audit identified no areas for improvement.

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

The Committee commended the work undertaken to achieve the positive outcomes reported through the Internal Audit reports.

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

C Robertson introduced Paper 5 as presented.

The Committee noted that Internal Audit undertakes an annual follow-up audit. This audit report provides the committee with independent assurance that the agreed audit recommendations are being actioned within a timely manner. The Committee noted that of the 14 actions due for completion, 12 (86%) have been completed. Two (14%) are considered partially implemented.

Of the two outstanding actions, the Committee was advised that the College was continually pursuing definite timescales from Local Authorities as related to data sharing agreements. The second action was due to be completed in December 2021.

The Committee noted that Internal Audit concludes that "good progress" has been made by the College with clear evidence of timely implementation, strong commitment, sound evidence of effective internal controls. The Committee noted the Internal Auditors' view that the College's progress compared favourably with peer clients.

The Committee commended the credible performance by the College and the level of assurance received.

v. Internal Audit Annual report (Paper 6) (P)

C Robertson took the Committee through Paper 6 as presented.

The Committee noted:

- the Internal Audit Annual report details the audit work undertaken as reflected in the 2020-21 internal audit plan.
- 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 nine internal audits carried out during 2020-21 with no reported high-level findings and no high-level ratings for any of the nine reports, all nine audits provided substantial or moderate assurance.

The Chair acknowledged the significant amount of work undertaken by management to achieve this reported position and expressed the thanks of the Committee for a very positive report which reflected a robust control environment.

Decision ARC34:D01 The Committee recommended the Internal Audit Report for approval by the Board on 8 December 2021.

vi. 2021-22 Proposed Internal Audit (*Verbal*)

C Robertson summarised the key points from the proposed 2021-22 Internal Audit plan.

The Committee noted that the plan included five days of audit time that had yet to be allocated. C Robertson advised of the recommendation the days are used for a review of the College's complaints processes. The Committee noted that management is supportive of this proposal.

The Committee approved the proposal as presented.

7. External Audit

Board of Management Report & Financial Statement 2020-21 (*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 2020-21.
- 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.
- the Financial statements (from Page 39 onwards) were considered and approved by BRIC on 16 November 2021.
- the College is required to get SFC's approval on the Adjusted Operating Position. Whilst the College shared the information with SFC well in advance of the Committee, the College only received SFC's approval once the Audit and Risk Committee papers had been issued to members.

SFC requested one minor change to Note 5 of the financial statements. (Other Operating Income (Page 48):

- SFC requested that the College include a separate line in Note 5 showing the discretionary support from East Ayrshire Council - to show 56k from East Ayrshire Council discretionary fund.
- the above will be reflected in the report being submitted to the Board Meeting on 8 December 2021.

The Committee reflected the reference across the Financial Statements identifying the College as a 'Going Concern' and noted that the BRIC Committee, on

reviewing the Financial Statements, had commented on the importance of this statement being referenced and verified by the Auditors.

Minor changes to Appendix 1, point 1 were noted and will be amended.

The Committee commended the management team on the work undertaken to achieve an exemplary set of accounts.

Decision ARC34:D02 Subject to amendments to Note 5, the Committee recommended the adoption of the Board of Management Report & Financial Statement 2020-21 to the Board on 8 December 2021.

8. Annual Audit Report to the Board of Management and the Auditor General for Scotland year ended 31 July 2021 (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 (such as financial management and governance arrangements).

L Nutley advised on the following points:

- an unqualified opinion is anticipated to be issued in relation to the 2020-21 Financial Statements.
- Page 4 and 19 - Financial sustainability: modified conclusion will be reported on financial sustainability over the medium to longer term mainly related to macro sector issues around uncertainty on the quantum of future years funding.
- Third party confirmation on bank balance is required to complete the audit.
- Valuation of lands and buildings as noted on Page 9 – will include an 'Emphasis of Matter' paragraph in respect of this disclosure within the draft auditor's report set out in Appendix B. Noted that this is not a modification of opinion, and that other Colleges will be required to have this clause inserted in their statements. This matter relates to the inclusion by Rydens (the valuer) on a "material uncertainty" clause in its report.
- Management responses in relation to PFI follow-up recommendations have been received.
- SFC confirmation of adjusted operating position has been received.
- £1,000 has been billed in addition to the previously agreed Audit Fee for additional work undertaken re land and buildings valuation.
- supporting appendices will be finalised but should not materially change prior to final signatories.
- highlight to note on page 31 will be removed.

The Chair expressed the thanks of the Committee for a comprehensive report and the associated context provided.

In exploring the points as advised by L Nutley, the Committee confirmed the further level of assurance received.

Action ARC34:A01 In relation to the note on page 29 – Kilwinning Campus PFI Contract, it was agreed that this wording will be amended to reflect the recommendation from the BRIC meeting held on 16 November 2021. M Breen will action.

○ **Extract from BRIC draft minute of meeting 16.11.21**

Decision BRIC18-D03: *The BRIC Committee agreed in principle to recommend that the Board of Management (8 December 2021) pursues the option to purchase (Option One), subject to a future business case being presented at the appropriate time within the timeline set out in the contract.*

Decision ARC34:D03 The Committee recommended Annual Audit Report to the Board of Management and the Auditor General for Scotland year ended 31 July 2021 for approval by the Board on 8 December 2021.

9. Letter of representation (*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 is no additional information or circumstances, known to the Board but not the auditors, that would have a material impact on the financial statements or the College's ability to function as a going concern.

L Nutley, from Mazars 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.

Decision ARC34:D04 The Committee recommended the Letter of Representation for approval by the Board on 8 December 2021.

10. 2020-21 Audit and Risk Committee Draft Annual Report (*Paper 10*) (*P*)

S Wallace introduced Paper 10 as presented.

The Audit Committee Annual Report summarises the activity of the Committee during 2020-21. 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. The Chair advised that he was not in the post of Chair of the Audit and Risk Committee during the period reported. The Vice-Chair confirmed his approval of the report as an accurate record. (The Committee noted that the report will be signed electronically).

L Nutley from Mazars advised that in reference to Point 4.1, the Auditors will not issue their final opinion on the Financial Statements until after these have been signed by the Board of Management.

Decision ARC34:D05 The Committee recommended the 2020-21 Audit and Risk Committee Draft Annual Report for approval by the Board on 8 December 2021 (subject to the noted related to Point 4.1 as detailed above).

11. Internal Audit Rolling Action Plan as at November 2021 (Paper 11) (P)

J Thomson introduced Paper 11 as presented.

The Committee noted that this is the regular monitoring report to provide assurance to members that internal audit recommendations are being actioned timeously. There are two actions still to be completed, as is mirrored in the position set out in the Internal Audit follow-up report. (Paper 5).

The Committee noted the content of Paper 11.

12. Any other business

The Chair acknowledged the work undertaken by Management to achieve an exemplary set of accounts in what has been a significantly challenging year for the College; commenting also that the Audit and Risk Committee have the required level of assurance to be able to recommend that the Annual Accounts can be presented to the Board of Management for adoption.

13. Date of Next Meeting – Tuesday 15 March 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.