

**West College Scotland
AUDIT COMMITTEE**

**Thursday 14 March 2019 at 4.00 p.m. in
Room 1, Abercorn Centre, Paisley Campus**

AGENDA

General Business

- | | | |
|--|-----------|----|
| 1. Apologies | | |
| 2. Declaration of Interests | | |
| 3. Minutes of the meeting held on 13 December 2018 | Enclosed | JM |
| Actions from the Minutes | Enclosed | JM |
| 4. Matters arising from the minutes
(and not otherwise on the agenda) | | |
| .1 AM381 Other audit work contract update | Verbal | AR |
| .2 AM384 Audit Committee remit | Paper 4.2 | GM |
| .3 SFC Indicative Funding 2019-20 | Verbal | DA |

Main Items for Discussion and/or Approval

- | | | |
|-------------------------------------|---------|----|
| 5. Audit Assurance Framework Update | Paper 5 | GM |
|-------------------------------------|---------|----|

Internal Audit

- | | | |
|--|---------|----|
| 6. Internal Audit Report – Fraud Prevention | Paper 6 | EY |
| 7. Rolling Audit Action Plan | Paper 7 | AR |
| 8. Internal Audit Annual Plan 2018-19 Update | Paper 8 | EY |
| 9. Draft Internal Audit Plan 2019-20 | Paper 9 | EY |

Other

- | | | |
|--|----------|----|
| 10. Annual Effectiveness Review of Audit Committee | Paper 10 | GM |
| 11. Strategic Risk Register Review | Paper 11 | AR |
| 12. Modern Slavery Statement | Paper 12 | DA |
| 13. College Governance / Ministerial Statement | Paper 13 | GM |

Items for Information (to note only)

14. Schedule of Business 2018-19

Paper 14 AR

15. Any other business

Next meeting: Thursday 23 May 2019 at 4.00 pm, in Room 1, Abercorn Centre, Paisley Campus.

Gwen McArthur
Secretary to the Committee

AUDIT COMMITTEE

MINUTES: 13 December 2018

Present: John McMillan (in the Chair)
Graeme Bold, Stephen Vere.

Attending: Liz Connolly (Principal), David Alexander (Vice Principal Operations), Alan Ritchie (Director of Finance and Estates), Gwen McArthur (Secretary to the Committee).

Attending by

invitation: Elizabeth Young and Claire Stevenson, Scott-Moncrieff, Internal Auditors.

Apologies: Andrew Hetherington, Lucy Nutley, Joanne Buchanan.

AM377 WELCOME

The Chair welcomed Liz Connolly, the Principal, to her first meeting of the Committee.

AM378 DECLARATION OF INTERESTS

John McMillan and David Alexander declared an interest as Trustees of West College Scotland Foundation. David Alexander declared an interest as a Board member of the Scottish Funding Council and as Chair of the Scottish Funding Council Audit and Compliance Committee. Stephen Vere declared an interest as a Director of C3 Investments in Ayrshire College Education Limited.

AM379 MINUTES

The minutes of the meeting held on 6 September 2018 were approved.

AM380 ACTIONS FROM THE MINUTES

The Committee noted a report on the actions taken since the last meeting.

AM381 OTHER AUDIT WORK (AM353)

The Committee had previously appointed Scott-Moncrieff to conduct the other audit work required for the completion of the year end process. This appointment had been for the year ending 31 July 2018 only, as APUC were in the process of updating their tendering framework. Now that the new framework was in place it was the intention to invite tenders for this work through the APUC framework with the contract being for more than one year. Further information on this would be brought to the next meeting.

[Action: AR]

AM382 JOINT AUDIT AND FINANCE AND GENERAL PURPOSES MEETING

The minutes of the Joint meeting of the Audit and the Finance and General Purposes Committees held on 20 November 2018 were approved.

AM383 SCOTTISH GOVERNMENT AUDIT AND ASSURANCE COMMITTEE HANDBOOK (AM359)

The Committee noted and discussed the updated Audit and Assurance Committee Handbook that had been issued by the Scottish Government. It was noted that a number of changes had been made to this Handbook and consideration needed to be given to how best to address these. One major change in the revised Handbook placed an increased responsibility on the Audit Committee to develop an assurance framework and to understand the various sources of assurance it received and the role that each assurance provider played. The Director of Finance and Estates and the Board Secretary had met with Claire Stevenson, Scott Moncrieff, to discuss how best to progress this matter. It was proposed that:

- A workshop and training session facilitated by Scott Moncrieff be held in early 2019;
- The College would look to develop the assurance framework in one area first with assistance from Scott Moncrieff;
- Once the model was established (see above) then this would be rolled out to other areas for inclusion in the assurance framework;
- An update on progress would be provided to Audit Committee at its next meeting in March 2019;
- Scott Moncrieff would review progress with the development of the assurance framework and provide feedback;
- An outline assurance framework would be provided to Audit Committee at its June 2019 meeting;
- The aim was to present the final assurance framework to Audit Committee by the end of 2019.

In discussion it was noted that public bodies were approaching this matter in a number of different ways and it was essential that the College should develop an assurance framework that best met its own needs. Scott Moncrieff would work closely with the College and would develop an assurance map which would help articulate what the College's assurance needs were. This would be linked to the Internal Audit Plan. It was noted that there was no timescale set for when public bodies had to have their assurance frameworks in place, but the proposed timescale set out above appeared to be in line with other public sector bodies.

The Committee **agreed** the actions set out above. **[Action: AR; GM; EY]**

AM384 COMMITTEE REMIT (AM359)

It was noted that the changes made to the Scottish Government Audit and Assurance Committee Handbook had implications for the remit and operation of the Committee. In considering its remit the Committee also considered its name. It was **agreed** that no change be proposed to the name of the Committee. The Committee

RECOMMENDS to the Board that its remit and membership listing be amended as proposed in Annex 1. **[Action: GM]**

AM385 INTERNAL AUDIT REPORTS

The Internal Auditors presented the findings and recommendations from the following reports:

.1 Internal Communications

The Committee noted the Internal Audit report on Internal Communications. This was a positive report which confirmed that the College used a range of appropriate methods to communicate with staff and has controls in place to ensure that information provided to staff is appropriate and timely. The report highlighted areas of good practice and proposed four recommendations for improvement which would further strengthen the process, all of which were currently being actioned by management.

The Committee discussed one of the recommendations, namely that an all staff internal communication survey should be undertaken annually. The Committee noted that consideration would be given to conducting a staff survey on internal communications before the end of the current academic session. However, there were wider issues that needed to be taken into account, namely the current position on staff relations and the possibility of industrial action being taken by members of the EIS, which could have a negative impact on undertaking this survey. Consideration would be given to the scope and timing of the survey and the Committee would be informed of progress. **[Action: LC]**

The Committee welcomed and **approved** the report which would now be forwarded to the Corporate Development Committee for information and follow-up as necessary. **[Action: GM]**

.2 Financial Planning and Monitoring

The Committee noted the Internal Audit report on Financial Planning and Monitoring. This was a positive report which confirmed that the College had robust processes in place for financial planning and was taking proactive steps to address the current financial challenges it faced. The report highlighted areas of good practice and identified two areas where opportunities for improvement could be taken.

The Committee welcomed this report and the assurance that it brought. The Committee **approved** this report which would now be forwarded to the Finance and General Purposes Committee for information.

[Action: AR]

AM386 ROLLING AUDIT ACTION PLAN (AM365)

The Director of Finance and Estates presented the updated Rolling Audit Action Plan. The Committee welcomed the new reporting format which it found very clear and helpful. In consideration of this Plan the Committee expressed the view that health and safety training for staff (Recommendation 7 – General Health and Safety Refresher Training) was essential and consideration should be given to making this a mandatory requirement.

The Committee **approved** the Rolling Audit Action Plan, including the removal of 3 prior year external audit recommendations (following agreement at the Joint meeting of the Audit and Finance and General Purposes Committee meeting held on 20 November 2018); 14 completed recommendations; and the extensions of time to 4 of the anticipated dates of completion.

AM387 INTERNAL AUDIT ANNUAL PLAN 2018-19 UPDATE (AM366)

The Committee received an update on progress with the implementation of the Internal Audit Annual Plan 2018-19. It was noted that the timing of some of the audit reports had been changed but all the planned audits would be undertaken during the session. The Committee noted this information and the progress made to date.

AM388 RISK MANAGEMENT (AM374)

.1 Strategic Risk Register

The Committee noted the College Strategic Risk Register which had been updated since the last meeting. It was noted that the highest rated five risks hadn't changed. The most significant risk facing the College was its funding position due to *'the inability to clearly forecast the volatility and impact of SFC funding and funding methodology changes in relation to core grant-in-aid, credit activity model, reduction in European funding, student support funding and estates maintenance funding'*. While the Internal Auditors had confirmed that the College had robust financial planning and monitoring processes in place (see AM385.2 above) the College had no control over the processes used and allocations made by the SFC, it could only manage the allocations made to the College.

The Committee **approved** the revised Strategic Risk Register and had no changes or additions to make to it.

.2 Development of Risk Management Framework

The Director of Finance and Estates tabled a paper which proposed the next steps in developing the Risk Management Framework. These development proposals followed on from the discussion at the risk development workshop held in March 2018. Four matters had been highlighted for action as follows:

- Prioritisation of risk management on Board and Committee agendas: this had been actioned.
- The introduction of a target risk score: it was **agreed** that further development and integration of existing risk management processes was required before this could be achieved.
- Revisions to the Strategic Risk Register following finalisation of the College Corporate Plan: this will be actioned once the Corporate Plan is finalised.
- The introduction of a formal risk management appetite statement.

In relation to this latter point, the development of a risk management appetite statement, the Board had yet to take a view on this. At the Board meeting earlier in the week the Chair had indicated that it was the intention to hold a strategic session in early 2019, possibly February. It was not yet known what the agenda for the strategic session would be but it might include finalisation of the Corporate Plan and could also include consideration of a risk management appetite statement.

In discussion of the tabled paper the Committee considered that some further explanation around some of the activities and the acceptable risk for them could be clarified, e.g. the Committee would not take any risk with its core finances but might consider some risk if appropriate opportunities arose. Further information around risk and opportunity across the activities might help provide a better understanding of the risk management appetite.

The Committee **agreed** that it would be helpful if the Board strategic session in early 2019 could consider the introduction of a formal risk management appetite statement and what this statement might be.

[Action: DA; AR; GM]

AM389 REGISTER OF INTERESTS FOR BOARD AND COMMITTEE MEMBERS (AM373, 316)

The Committee noted the updated Register of Interests for Board and Committee members. This information was also publicly available on the College website.

AM390 SCHEDULE OF BUSINESS 2018-19

The Committee noted its Schedule of Business 2018-19.

AM391 CLAIRE STEVENSON

The Committee was informed that Claire Stevenson would shortly be leaving Scott Moncrieff to take up a new post elsewhere. The Committee thanked Claire for her contributions to the work of the Committee and wished her well in her new post.

AM392 STEPHEN VERE

It was noted that this was Stephen Vere's last meeting as he had decided to step down from Committee membership. The Committee thanked Stephen for his various and invaluable contributions to the work and understanding of the Committee and wished him well in the future.

AM393 NEXT MEETING

Thursday 14 March 2019 at 4.00 p.m. at the Paisley campus.

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Audit Committee: Meeting of 13 December 2018

Actions from the Minutes

Date of Meeting	Min Ref	Matter for Action	Responsible Person	Action Taken	Timescale (where applicable)
13 Dec 2018	AM381 353	Other Audit Work – further information on progress with tenders for other audit work to be brought to next meeting	A Ritchie		March meeting
	AM383 359	SG Audit & Assurance Committee Handbook – a series of actions have been agreed to develop an assurance framework, with a report on progress to be made to the next meeting	A Ritchie G McArthur E Young	A workshop and training session with SMT has been arranged for 31 January with Scott-Moncrieff facilitating. An update on progress will be provided to next meeting.	March meeting
	AM384 359	Committee Remit – revised remit agreed and forwarded to Board for consideration and approval at its meeting on 4 February 2019	G McArthur	Board decision to be reported to March meeting	March meeting
	AM385.1	Internal Audit Report: Internal Communications – i. Consideration to be given to scope and timing of an all staff internal communication survey. ii. Report to be forwarded to Corporate Development Committee	i. L Connolly ii. G McArthur	Report to be considered at February meeting of Corporate Development Committee. Consideration to be given to scope and timing of survey with report back to Audit Committee	Future meeting
	AM385.2	Internal Audit Report: Financial Planning and Monitoring – report to be forwarded to Finance and General Purposes Committee	A Ritchie	Report to be considered at FGP Committee meeting on 5 March 2019	Complete
	AM388.2 374	Development of Risk Management Framework – Board to consider the introduction of a formal risk management appetite statement	D Alexander A Ritchie G McArthur	Board will consider this matter further, possibly as part of the strategic session with SMT	Future meeting

		Actions from previous minutes			
6 Sep 2018	AM363.2	Internal Audit Report: Workforce Planning – ODHR Committee to report back once all recommendations have been implemented (May 2019)	D Gunn G McArthur	Workforce Plan 2019-2024 was discussed and approved by the Board at its December 2018 meeting.	May 2019
24 May 2018	AM341.1	Internal Audit Report: Student Experience – to be forwarded to LTQ Committee	G McArthur	Considered by LTQ Committee at its October meeting	Complete
	AM346.1 329	Effectiveness Review of Audit Committee – Internal & External Auditors to be invited to take part next year	G McArthur		April/May 2019

GMcA/29.01.19/updated 6.03.19

TITLE: AUDIT COMMITTEE REMIT

Background: At its last meeting the Committee agreed a number of revisions that it wished to make to its remit. The revised remit was considered and approved by the Board at its meeting on 4 February 2019. The revised remit is attached for information.

Also the membership listing has been updated, as Stephen Vere has now completed his period of office and Wai Wong has joined the Committee.

Action: The Committee is asked to note its revised remit and membership.

Lead: Gwen McArthur, Secretary to the Committee

Status: Open

TITLE: AUDIT ASSURANCE FRAMEWORK UPDATE

Background: The Scottish Government issued a revised Audit and Assurance Committee Handbook in April 2018 to replace the previous Audit Committee Handbook published in July 2008. The purpose of this report is to update the Committee on the actions the College has taken and intends to take, in conjunction with Scott Moncrieff, to address the requirements to implement the audit assurance framework and other amendments required by the updated handbook.

Action: The Audit Committee is requested to note the content of the report, the work undertaken to date and the intended actions being taken by the College to address the requirements of the revised Audit and Assurance Committee Handbook.

Lead: Gwen McArthur, Secretary to the Board

Status: Open

TITLE: **INTERNAL AUDIT REPORT – FRAUD PREVENTION**

Background: As part of the internal audit programme for 2018-19 Scott Moncrieff conducted a review of the process and policies in place to prevent and respond to fraud and corruption. This report presents the findings of that review along with the management response to the recommendations made in the report.

Action: The Audit Committee is requested to approve the contents of this report.

Lead: Elizabeth Young, Director
Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: ROLLING AUDIT ACTION PLAN

Background: The purpose of this report is to update the Audit Committee on the status of the recommendations made by both the internal and external auditors from:

- a) internal audit reports received by the Committee; and
- b) external auditor management letters received as part of the year end reports made to the Joint Audit / Finance and General Purposes Committee.

Action: The Audit Committee is requested to review the RAAP report and to approve the:

- Removal of six internal audit recommendations; and
- Overall Rolling Audit Action Plan.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: INTERNAL AUDIT ANNUAL PLAN 2018-19 UPDATE

Background: The Audit Committee approved the 2018-19 internal audit plan in September 2018 and noted the development of the plan for 2019-20.

This paper provides the Audit Committee with a summary of internal audit activity to date. The internal auditors have, in line with the agreed programme of work, completed one further review in the period since the previous Committee meeting - Fraud Prevention.

The fieldwork for the Student Experience assignment has been completed and the draft report is now being compiled. The final two reviews of the 2018-19 internal audit plan are due to commence in the next period, the outcomes of which will be reported to the next meeting of the Audit Committee in May 2019:

- Freedom of Information; and
- Safeguarding.

Action: The Audit Committee is requested to note the contents of this report.

Lead: Elizabeth Young, Director – Scott Moncrieff

Status: Open

TITLE: DRAFT INTERNAL AUDIT PLAN 2019-20

Background: Following approval by the Audit Committee in 2018 to extend the contract with Scott Moncrieff for a final two-year period, the attached draft internal audit plan covers the final year of their contract to 31 July 2020.

The proposed Internal Audit Plan has been updated based on the College Strategic Risk Register, Corporate Plan and through discussions with the College Senior Management Team. The 2019-20 internal plan is now presented to the Audit Committee for consideration. Further discussion will be held with the College Senior Management Team based on the considerations of the Audit Committee. The final internal audit plan for 2019-20 will be presented to the Audit Committee for approval in May 2019.

Action: The Audit Committee is requested to consider the draft 2019-20 internal audit plan. Following the Committee considerations the College will further review the plan with the intention to present a final 2019-20 internal audit plan to the May 2019 Audit Committee meeting for approval.

Lead: Elizabeth Young, Director
Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: ANNUAL REVIEW OF EFFECTIVENESS OF THE COMMITTEE

Background:

The Committee remit states that it will '*review its own effectiveness at least annually and to report the results of that review to the Board*'. In order to start this process the Committee is invited to consider the following:

1. Questionnaires

It is proposed that the questionnaires used in previous years be used again this year.

The original questionnaire on the effectiveness of the Audit Committee was extracted from the Scottish Government Audit Committee Handbook 2008 and there has been no significant change in the wording of this questionnaire in the revised Handbook produced in 2018. However, in light of discussions held at the Committee in previous years, there has been an adjustment to the wording of the final question under the heading of 'Internal Control'. This relates to 'stewardship reports'. The Committee does not currently receive 'stewardship reports' but does receive feedback and assurances on these areas and their operations through the various reports and feedback provided by both the Internal and External Auditors. It is, therefore, proposed that this question be re-worded as follows: 'Does the audit committee receive sufficient assurance on the operations in the key business areas such as Finance, HR, ICT?'

No changes are proposed to the questionnaires evaluating the performance of the Internal and External Auditors.

Once agreed the Committee members will be issued with 3 questionnaires:

- Evaluation of the Audit Committee – attached at Paper 10 (a)
- Evaluation of the Internal Auditors – attached at paper 10 (b)
- Evaluation of the External Auditors – attached at Paper 10 (c).

The questionnaire evaluating the effectiveness of the Audit Committee has been partially completed to assist you (factual questions only). This approach has been used in previous years and the Committee was satisfied with this. However, you are free to change any of these answers if you wish to.

2. Circulation

If the Committee is satisfied with this approach then it is proposed that the questionnaires be issued to all members of the Committee, the Internal and External Auditors following this meeting. The Attending Officers will also be issued with the questionnaire regarding the Committee evaluation but they have slightly different questionnaires relating to the Internal and External Auditors evaluation. It is the intention that completed questionnaires should be returned by **15 April 2019** so that a report on the feedback obtained can be provided to the Committee for consideration and action as appropriate at

its next meeting. Thereafter the Committee will report to the Board at its meeting in June.

Action: The Committee is asked to consider and approve the wording of the questionnaires and approach to be taken and the timetable for this.

Lead: Gwen McArthur, Secretary to the Committee

Status: Open

TITLE: STRATEGIC RISK REGISTER REVIEW

Background: Under the Corporate Governance Code the Board of Management is tasked with ensuring a framework of risk management and control is in place. This paper presents the College Strategic Risk Register for the consideration of the Audit Committee.

Action: The Audit Committee is requested to review and approve the College Strategic Risk Register and in doing so consider:

- The risks included in the register;
- The revised risk rating both pre and post mitigation;
- Whether any other risks should be considered for removal;
- Whether any new risks should be considered for inclusion; and
- The further development of the College risk management framework

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: MODERN SLAVERY STATEMENT

Background: The Modern Slavery Act 2015 requires the College to produce a statement setting out the steps that it has taken to ensure there is no modern slavery in the organisation or its supply chains. The statement at Appendix B is made pursuant to the Modern Slavery Act 2015 and constitutes the College slavery and human trafficking statement for the financial year ending 31 July 2019.

The Board of Management meeting in February 2019 considered and approved the Statement. In considering, the Statement the Board was aware that it covered a range of College activities and was consistent with policies already in place – for example the Sustainability and Social Responsibility Statement and Equal Opportunities Procedure.

While the College could not provide absolute assurance on this matter it did make clear what it expected from its suppliers and wider partners. The Statement will be reviewed annually and any amendments made at that time to take account of wider contextual issues identified during the year. For the year ending 31 July 2019 the Board of Management has asked that Committees consider the statement in relation to the areas that fall within their remit. The Audit Committee are requested to review the Statement in this context.

Action: The Audit Committee is requested to consider and review the content of the College Modern Slavery Statement.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: COLLEGE GOVERNANCE/MINISTERIAL STATEMENT

Background: The Minister for Further Education, Higher Education and Science issued a letter to the sector recently on proposed changes to College governance. This follows on from the outcomes of the Good Governance Task Group report and the subsequent Scottish Government consultation that was conducted in relation to a number of points that had been raised. The letter from the Minister sets out the actions he proposes to take.

The actions identified in the letter have prompted further discussion across the sector with reaction from the Chair's Group, the Principal's Group and the Board Secretaries Group being provided to Colleges Scotland so that a number of concerns can be raised with the Minister before any final decision on how these actions are to be implemented is reached. Some of these actions also require a change in the legislation before they can be implemented. The sector is seeking further clarification from the Minister on the implementation of these actions.

Action: The Committee is asked to note the current position and will be kept informed of developments.

Lead: Gwen McArthur, Secretary to the Committee

Status: Open

TITLE: SCHEDULE OF BUSINESS 2018-19

Background: This paper outlines the remit of the Audit Committee and how the schedule of business assists in fulfilling this. The schedule of business is also used to inform the Annual Report of the Chair of the Audit Committee to the Board of Management.

Action: The Audit Committee is requested to note and comment upon the contents of the report.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open