

**Minutes of the Audit Committee Meeting held via MS Teams on
Wednesday 10th November 2021 at 4pm**

Present: Carla Kennaugh (Committee Chair)
Laura Bell
Alex Gamil
Diane Hutchinson
Mo Kundi

In Attendance: Jonathan Creed (ICCA)
Lisa Farnhill (Clerk)
Kevin Williams (Director of Finance and Funding)
Andrew Winrow (Head of Finance)

Apologies: Claire Dalrymple (Wylie and Bisset) (invited but not in attendance)

Absent: **None**

Minute No.	Minutes	Action
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A.22.01 Item 1: Apologies for absence

The Chair opened the meeting by welcoming everyone to the first meeting of the academic year, explaining the rationale for the division of the Committee's autumn work across the two meetings, commenting on how well that this had worked in the previous year.

The Clerk confirmed that no apologies for absence had been provided by members, however, the external auditors had submitted apologies for Claire Dalrymple with there being no items relating to external audit on the agenda.

Item 1 – Noted

A.22.02 Item 2: Declarations of Interest

The Clerk invited members to declare any interests. The Clerk declared an interest in relation to her role as the Clerk to the Governing Board at St Mary's College.

Item 2 - Noted: The Committee noted the declaration.

A.22.03 Item 3: Appointment of a Committee Vice Chair

The Clerk advised the Committee that Mo Kundi had expressed an interest in continuing in the role of Committee vice Chair, asking if any other member wished to put themselves forward. With no further nominations, the Committee

offered their approval for the nomination.

Item 3 - Approved: The Committee approved the appointment of Mo Kundi as Audit Committee Vice Chair for 2021/2022.

A.22.04 Item 4: Approval of the Minutes Of The Audit Committee Held By Video Conference On 23rd June 2021

The Clerk was thanked for the accurate record of the meeting. With no suggested amendments, the minutes were considered a true record of the meeting and were approved unanimously.

Item 4: Approved: The Committee resolved to approve the minutes of the Audit Committee meeting held on 23rd June 2021.

A.22.05 Item 5: Matters Arising / Actions Summary

The Clerk provided an overview of the action summary report, noting that the actions were fully or partially completed. It was noted that the executive summaries for the IA did not provide an overview of the findings sufficient enough for members to gain insight and analysis by reading this alone and these could be further improved for the next meeting if timing would allow.

Clarification was provided over the actions relating to training for procurement. The Clerk explained that there had been crossover with similar discussions at the Resources Committee, with further consideration given to the need for training and planning in relation to procurement. The Clerk advised the Committee that the action, which had stemmed from issues relating to the tender process for the asbestos work, had not been as a result of a training issue with current staff, but considered to be due to the timing of the handover with former staff. The Clerk explained that it was considered that staff in place now, with the support Tenet, a contractor utilised to support the process would prevent further issues. The Chair clarified that the discussions had highlighted a need for focus on quality and reputation in addition to price, with the Dir. Finance and Facilities confirming this had been incorporated into the tendering policy for audit services.

The Dir. Finance and Facilities updated the action further, advising that the volume and complexities surrounding College contracts would make a Gantt chart ineffective, with follow up discussions with the Resources Chair resulting in a spreadsheet being used as an alternative to enable additional information to be recorded and offering more flexibility and functionality. Members questioned whether this would alleviate future issues regarding timing and concluded they were assured that procurement was being well managed and that training would not be necessary.

Item 5 - Noted: The Committee noted the update.

A.22.06 Item 6: Confidential Items

The Committee noted the update from the action summary relating to the position of the Resources Committee on the publication of minutes relating to asbestos, agreeing that further review and discussions at the June meeting and subsequently had led to the

Committee agreeing that the processes were well managed and this did not present any concerns for recruitment or need redaction. The Committee concluded that no items within the agenda or approved minutes were considered confidential. The Committee Chair asked members to draw attention to any information considered confidential as the meeting progressed.

Item 6 – Approved: The Committee resolved to approve the minutes for publication.

Item 7: Risk Management

A.22.07 Item 7.1: Review of High Risk Action Plan and full Risk Register

The Dir. Finance and Facilities presented the updated risk register as drafted with the support of ICCA, explaining that the move to a spreadsheet provided advanced functionality. The Committee were reminded that the revision, as recommended by the Committee and FEC team, incorporated an updated 5 x 5 scoring system for increased flexibility, with 11 of the 25 risks linked to financial sustainability.

The Dir. Finance and Facilities invited comments, questions and feedback on the updated format and content which resulted in 6 high risks, reduced to four with mitigation. These were detailed, with further clarity and information provided around the risk relating to clawback for the tuition fund, added as a new risk. Members discussed the new risk in detail, with the Dir Finance and Facilities explaining that there could be no carry forward next year, and limited time remaining to address the issue and improve the position. Members asked for details of the financial impact, however, figures relating to the potential worst case scenario could not be provided at this stage. Members clarified that the carry forward within the current year had been permissible and that no clawback was incorporated into the audited accounts, with reassurance that the auditors were aware and the College had opted in for carry forward into 2021/2022.

Members questioned whether the risks had been revised along with the format, with reassurance given that all of the original risks were initially loaded into the new system, then reviewed in detail, with three merged and one removed. The Committee were advised that all changes were tracked and incorporated into the review with the internal auditors, who had supported the process. Members queried the contradiction of risks relating to staffing, with risks linked to high staffing costs against risks of being unable to recruit. The Dir. Finance and Facilities acknowledged the need to balance the contradictory issues, with work to engage and motivate staff whilst and continuing to make curriculum savings and reflecting on benchmarking data.

Members concluded that the updated format presented information clearly, with colour coding highlighting areas of concern and increased scrutiny. Members agreed to maintain the two risks that upon mitigation were no longer scored as high on the high risk action plan for regular review.

Item 7.1 - Approved: The Committee resolved to accept the report and the new format for the risk register, agreeing to recommend this to the Corporation for approval.

A.22.08 Item 7.2: Risk Assurance Framework

The Dir. Finance and Facilities presented the framework, with the Clerk explaining that this required approval from the Corporation, however, the usual timing of review in June and approval in July as documented within the framework had not been possible due to the need to overhaul the individual

elements. The Dir. Finance and Facilities highlighted his intention to revert to June presentation and approval, therefore this would be included again at the final meeting of the year. The Committee agreed that there was no need to reissue the risk sensitivity analysis as reviewed by the Resources Committee within the presentation for approval by the Corporation in December, agreeing to highlight to the Corporation that this had been reviewed and presented to the Corporation in July.

Item 7.2 – Approved: The Committee resolved to recommend the Risk Assessment Framework to the Corporation for approval, highlighting the intention to revert to annual approval in July.

A.22.09 Item 7.3: Risk Assurance Mapping

The Dir Finance and Facilities explained that the risks had been mapped against the strategic objectives to support with the action summary reports as presented by the SLT to the Committees. This highlighted an increased number of risks against SO4 and SO5, with higher risk ratings against SO4, financial sustainability.

Item 7.3 – Noted: The Committee resolved to not the mapping of risks to the strategic objectives.

A.22.10 Item 7.4: Risk Management Policy

The Dir Finance and Facilities presented the policy for approval, highlighting how this supported the proposed processes and provided strategic focus and oversight of risks. Approval was given unanimously.

Item 7.4 – Approved: The Committee resolved to recommend the Risk Management Policy to the Corporation for approval, highlighting the intention to revert to annual approval in July as part of the overarching Risk Management Plan.

Item 7 - Resolved: The Committee resolved to accept and recommend for approval the Risk Management Plan to the Corporation in December, subject to a return to summer review and approval. The Committee will remind the Corporation that the Risk Sensitivity Analysis as an integral part of the overarching Plan has been received and accepted in July.

A.22.11 Item 8: INTERNAL AUDIT REPORTS

Jonathan Creed of ICCA explained that all reviews for 2020/2021 had now concluded, with the timing of meetings preventing presentation of some reviews to the Audit Committee in their final meeting of 2020/21. The Committee were advised that the follow up of previous recommendations required some additional clarity and management comments, and this would conclude the work for 2020/2021 with the presentation of the annual report scheduled for the second meeting of the Committee on November 24th.

A.22.11 Item 8.1 Rescheduled Timetable of Reviews

The Dir Finance and Facilities presented the updated timetable, highlighting the amendments for the information of the Committee.

The Dir Finance and Facilities highlighted the importance of the apprenticeship review, advising the Committee that the terms of reference were being drafted, with consideration being given for an additional day on this key area, noted as integral for the College's financial health, with the intention being to identify

areas to improve and streamline processes.

The Committee thanked the Dir. of Finance and Facilities for the update and acknowledged that this had met with their request to bring forward areas of key priority whilst not overburdening staff at key times in the academic year.

Item 8.1 – Approved: The Committee provided retrospective approval for the updated timing of the planned reviews.

A.22.12 Item 8.2: Internal Audit Report on Financial Controls

The Committee were advised that the work completed over summer provided the Committee with substantial assurance of the financial controls, noting they were well designed with consistent application. The recommendations were explained in full, with further assurance relating to the nature of the recommendations as housekeeping issues, noting that all records had been available, however, in recognising capacity in the system for uploading quotes, this should be utilised to further improve processes.

Reassuring the Committee over the recommendation relating to the credit card transaction log, context was provided, highlighting only one transaction did not have a receipt, reminding the Committee that this had been during the time when staff had been working from home and indicated that this did not present any cause for concern.

The Head of Finance informed the Committee of actions in progress to embed the suggested improvements.

Item 8.2 – Noted: The Committee noted the reassurance provided by the review of Financial Controls and resolved to oversee the implementation of the recommendations.

A.22.13 Item 8.3 Internal Audit Report on IT Data Security

Jonathan Creed of ICCA informed the Committee that the 2020/2021 review had been delayed to allow staff to achieve the Cyber Security Essentials accreditation ahead of commencing the review to prevent duplication of recommendations.

The Committee were advised the review provided substantial assurance, noting that although 7 recommendations were included, higher numbers are usually expected when this review is completed for the first time. Committee members were informed that generally processes for IT data security were robust, with policies in place to meet requirements, however, they could be streamlined and cross referenced to avoid duplication.

The issue of system testing was discussed in detail by members, considering the resources required and benefits of testing against minimising disruption and offsetting this against the risk and consequences of a cyber-attack. Members agreed that the recommendation to build resilience into the system needed to be prioritised, with the sequencing of bringing systems back thoroughly

planned for following a series of testing and suggested that the timing should be reconsidered.

The Committee were assured by the Dir Finance and Facilities that this had been considered, however, to minimise disruption to staff and students the proposed timing was suggested as the most suitable earliest opportunity. The Dir. Finance and Facilities indicated that where possible, some could be completed earlier, perhaps during the Easter break, however, this would only be if it did not compromise systems during the period in which students would be preparing for exams.

Members questioned the link to the risk register based on the potential for extended impact following a cyber attack, with details given of the mitigations, including the recruitment of a Cyber Security Officer. Members clarified that ongoing oversight would fall within the remit of the Audit Committee under GDPR, with Jonathan confirming that a review of compliance against GDPR regulations had already taken place, which had been more focused on policies and processes, with Cyber Security focusing on infrastructure and testing.

Item 8.3 – Resolved: The Committee resolved to note the report and oversee the implementation of recommendations.

A.22.14 Item 8.4: Internal Audit Report on Commercial Income Review

The Committee were informed that this review was the first of the works completed for 2021/2022, and provided the Committee with substantial assurance overall. The context and background to the review was summarised, noting it had been delayed in previous years to allow works on areas considered to be of higher strategic priority to be undertaken, and then considered to be of less benefit during the Pandemic due to limited commercial activity.

The focus of the review was summarised and the four recommendations detailed, with members discussing further the actions relating to benchmarking fees for Gas Safe Testing, asking if other similar provision for electrical testing also required review. Members were advised that other provision formed part of AEB or 16-18 provision with tariffs set for those, with this being the only full cost commercial offer. Members again asked for the timing of the actions to be reconsidered under the backdrop of the College's financial position and potential benefits of increased revenue. The Committee were informed that although the full review had not yet been undertaken in recent years, staff had undertaken a limited review of local providers to ensure that the prices were comparable. This provided limited information due to few providers offering the course and therefore a full review, including the cost benefit analysis as outlined in a further action still needed to be undertaken and the timeframe for this remained realistic, with cost benefit analysis in January ahead of reviewing the pricing by February.

Members were informed that the lapse of audits of the float and stock takes in the Salon had been as a result of staffing issues, with consideration being given to streamlining processes through utilisation of technology. The auditors reassured the Committee that these were low risk in terms of materiality with recommended actions ones that were previously in place and simple to reinstate.

The final recommendation, related to a full cost benefit analysis of the gas safe provision, to ensure that if market analysis indicated there was no opportunity for increasing the fees, that the cost base was fully covered when taking into account indirect costs, suggesting that as a significant part of limited commercial activity, this needed further and more detailed consideration.

Item 8.4 – Resolved: The Committee resolved to note the report and oversee the implementation of recommendations.

A.22.15 Item 9: REVIEW OF OTHER AUDIT SERVICES 2021/22

The Dir. of Finance and Facilities provided a verbal update to confirm that no other services outside of the scope of work as outlined in the engagement letters has been undertaken by either the external or internal audit services.

Item 9 - Noted: *The Committee noted and accepted the details of the report*

A.22.16 Item 10: EXTERNAL REVIEW OF GOVERNANCE

The Clerk informed the Committee that the review provided the Committee with assurance of effective practice and specific actions to improve areas identified within the review. The Clerk summarised the findings, indicating integrity and a strong focus on decisions that benefit students, strong Board Composition with good interaction, effective procedural arrangements and excellent constitutional documentation. The recommendations for further improvements were summarised, which focused on placing increased emphasis on strategic responsibilities and carrying out effective financial planning, including training for members, with most actions underway with good progress to date.

Committee members thanked the Clerk for the summary and asked for their thanks to be passed on to all involved in the process.

Item 10 - Noted: *The Committee resolved to note the assurances provided by the external review of governance.*

A.22.17 Item 11: IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Head of Finance summarised the termly report, highlighting the progress made against some of the older outstanding recommendations.

The Committee were given details of actions against the only remaining recommendation, to complete GDPR walks as a recommendation of the GDPR review. Assurances were provided that completion was imminent, with a report on findings and recommendations to be presented to SLT, with it hoped that the findings would be available to present to the Audit Committee at their meeting on 24th November.

Members were informed of a newly appointed Vice Principal for apprenticeships and MIS that would then undertake the outstanding actions relating to apprenticeships. The remaining actions were noted as not yet due, with 13 added as a result of the reviews presented to the Committee under item 8.

The Head of Finance was thanked for his work in chasing the outstanding

actions with it acknowledged that the implementation dates on the new reviews were set by the staff responsible, and were more realistic to prevent delays and missed deadlines. The Committee members asked for staff to be held accountable for adhering to the deadlines.

Item 11 - Resolved: *The Committee resolved to note the update and continue to monitor the timely implementation of recommendations.*

A.22.18 Item 12: POLICY FOR THE RE-TENDERING OF AUDITORS

The Dir Finance and Facilities informed the Committee that the policy had been formed following guidance from the Committee Chair, ACOP, and the Clerk, having informed the Internal Auditors of the timeframe for the tendering process which would be implemented for the internal service ahead of the 2022/2023 academic year.

The Dir Finance and Facilities highlighted the inclusion of priorities beyond pricing, to ensure quality and reputation as well as price were built into the scope and scoring following recent discussions and recommendations of both the Audit and Resources Committee's. Timeframes and the recommendation not to change both audit services in the same year were noted and the Committee agreed that a three year contract with the option to extend the contract met with the College's needs and was preferable to a five year contract.

The Clerk suggested the inclusion of regulatory requirements under the section that stated circumstances under which the tendering process would need to be initiated. Members agreed to the inclusion of this clarification and asked if auditors would still be subjected to annual appraisals of performance.

The Clerk confirmed that this was a requirement under the Committee's Terms of Reference, with the policy highlighting that unsatisfactory performance could also initiate the tendering process.

ICCA confirmed that they would still provide an annual opinion if they were not reappointed and this was an expectation within the industry, noting that failing to do so would be professionally negligent and discourteous.

Members were provided with a timeframe for the tendering process for the external auditors that would ensure they would not be tendered for or commence in the same academic year as the internal audit service.

The Dir of finance and Facilities was thanked for the policy, which was approved subject to the inclusion of a clarification statement relating to when the tender policy would need to be initiated.

Item 12 - Approved: *The Committee resolved to recommend the policy to the Corporation for approval subject to the inclusion of a clarification statement relating to when the tender policy would need to be utilised.*

A.22.19 Item 13: Committee Self-Evaluation

The report and recommended actions for improvement were summarised, with the Committee advised that the content would form the basis for the annual report of the audit committee.

The Clerk explained that the process itself could be improved through increased member input, which could be achieved through self-assessment forms circulated to members and attendees of the committee. The Clerk outlined the intention to utilise this process to self-assess for 2021-22 with example forms already gathered for review and consideration, to be approved in the spring term and circulated in the summer/early autumn for results to be analysed ahead of drafting the annual Audit Committee report for 2021/22.

Members asked who would hold the Committee accountable for the actions, with the Clerk confirming the progress would be reviewed at the Spring/Summer meeting of the Committee to ensure progress was being made, with all Committee Self-Assessments being presented to the Governance Committee. The Clerk clarified that the intention was for a follow up report of progress against actions to be undertaken in the summer and presented to the Governance Committee.

Item 13 - Approved: *The Committee resolved to approve the Audit Engagement Letters.*

A.22.20 Item 14: Items to be Reported to the Corporation

The Committee agreed to summarise the work of the committee through the circulation of the minutes, which would include information relating to the receipt of internal audit reports and recommendations, the progress against outstanding recommendations, as well as informing the Board of the approval of the self-assessment report for 2020/21 and intentions to re-tender the internal audit service for 2022/23 and external audit service for 2023/24.

The Committee agreed to circulate to the Corporation the following reports for approval:

- The Risk Management Plan, including the updated format for the risk register and updated risk assessment plan and policy
- Policy for the re-tendering of auditors

Item 14 – Approved: *The Committee resolved to recommend the information as outlined above to the Corporation at the meeting of 14th December 2021.*

A.22.21 Item 15: Next Meeting of the Committee and Closing Comments

The next meeting was confirmed as the 24th November, which would include the presentation of the findings of the External Audit, with the Committee asking the Dir Finance and Facilities for assurance that the work was progressing well. The Committee were assured it was on track with nothing material to declare at this stage, with the accounts and covering report being finalised.

Following a member question relating to the timetable for completion, the Dir. Finance and Facilities confirmed it would be completed in time for signing and submission ahead of the deadline.

The Clerk confirmed that the external and internal annual reports were required ahead of the paper circulation date to allow for the annual report of the Committee to be drafted, with ICCA agreeing to submit a draft report within the coming days. The Dir Finance and facilities indicated that the External Report may not be received until the circulation date.

Members and attendees were thanked for their contribution and preparations.

Item 15 – Noted: *The Committee resolved to note the date of the next meeting*

**Minute
No.**

Minutes

Action

and details of progress to date on the external audit work.

The meeting closed at 5.50pm