

**Minute of the Audit and Risk Committee
Held by Hybrid Attendance at Kilmarnock Campus and
via Video Conference Using Microsoft Teams
on Tuesday 6 June 2023**

Present:

Steve Graham	Acting Chair
Matthew Wilson	Non-Executive Board Member

In attendance:

Yvonne Melvin	Board Administrative Officer (Minutes)
James Thomson	Vice Principal – Finance (Interim)
David Eardley	Azets – External Auditors
Stephen Pringle	Wylie & Bisset – Internal Auditors
Hilary Denholm	Board Governance Advisor (Observer Only)

1. Welcome and Declarations of Interest

The Vice Chair, Steve Graham, welcomed all present to the meeting. The meeting was chaired by the Vice Chair in the absence of Steven Wallace, Committee Chair.

The Acting Chair welcomed everyone to the meeting, particularly the new Board Governance Advisor, Hilary Denholm, as an observer to the meeting.

There were no Declarations of Interest presented.

The meeting was confirmed as quorate.

2. Apologies

Apologies were recorded from Alison Sutherland and Steven Wallace, Non-Executive Board Members, Anne Campbell, Vice Principal – Curriculum, Adrian Kolodziej, Azets - External Auditors, and Graham Gillespie, Wylie & Bisset – Internal Auditors.

The meeting was confirmed as quorate.

3. Minutes of the Previous Meeting held on 14 March 2023 (*Paper 1*) C/P

The minutes were approved as a correct record.

Proposed: Matthew Wilson **Seconded:** Steve Graham

ARC Action & Decision Tracker (*Paper 1A*) (P)

The Committee noted the completion of all actions as recorded on the action tracker, apart from one:

Action: ARC39-A01 – S Pringle provided and update and advised that this action was now completed.

4. Matters Arising

There were no outstanding matters arising from the minutes.

5. Internal Audit – Wylie & Bisset

i) Internal Audit Report 2022-23 – Risk Management (*Paper 2*) (P)

S Pringle introduced Paper 2 as presented.

The purpose of the internal audit review was to ensure that the College has appropriate risk management arrangements in place and that these have been embedded throughout the whole College.

The Committee noted:

- A strong level of assurance had been provided.
- There were no identified areas for improvement.
- A number of areas of good practice had been identified.

The Committee also noted that this was second internal audit review conducted in risk management for the College where no recommendations for improvement had been identified. The Chair commended J Thomson and the Finance Team on the work carried out to achieve this.

In response to a query, J Thomson confirmed that any issues identified through the Colleges Operational Risk Registers would then be raised through the relevant Committee Risk Registers where necessary.

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

ii) Internal Audit Report 2022-23 – Fraud Awareness (*Paper 3*) (P)

S Pringle introduced Paper 3 as presented.

The internal audit review examined the current Fraud Policy in place for the College, and also reviewed some of the areas of fraud identified across the sector, and tested to ensure the controls in place to reduce the risk of fraud in these areas at the College were appropriate.

The Committee noted:

- A strong level of assurance had been provided.
- There was 1 low grade recommendation for improvement and 1 observation identified.
- A number of areas of good practice had been identified.

S Pringle advised that, during the review, it was found that the College had a detailed and robust Financial Regulations document. However, it was recommended that this be updated to include details for any Dormant Bank Accounts to ensure that the Financial Regulations adequately outline all financial processes within the College. It was noted that the College does not presently have any dormant bank accounts.

S Pringle also advised that, during the review, the Auditor observed that the College's Fraud Response Plan was included within the Financial Regulations and not as a separate Fraud, Theft and Bribery Policy. It was noted that this has been viewed as good practice across the sector.

The Committee noted the robust checks carried out in the review and the positive outcome of the report. The Committee also agreed that it would be useful for the Fraud, Theft and Bribery section of the Financial Regulations to be extracted as a separate document, inclusive of date and version number, which would allow ease of access for staff.

Action: ARC40-A01 – J Thomson to extract the Fraud, Theft and Bribery section of the Financial Regulations to a separate document, inclusive of date and version number, which will be accessible to staff.

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

iii) 2022-23 Internal Audit Progress Report as at June 2023 (*Paper 4*) (P)

S Pringle introduced Paper 4 as presented.

The Committee noted that work is progressing and was in line for reporting to the Committee at their meeting in October 2023. All audits had been completed to date and the remaining audits will progress as scheduled.

The Management Team confirmed that they were content with progress and that there were no issues of concern to note.

The Committee noted the report and the progress to date.

iv) Internal Audit Plan 2023-24 (*Paper X*) (P)

S Pringle introduced the Internal Audit Plan 2023-24 as presented and provided an overview of the audit scopes and reports identified in the 2023-24 Plan.

The Committee noted that the plan was prepared in discussion with members of the Senior Leadership Team (SLT) and that all audit areas identified were targeted to seek assurance on current controls/processes in place or to identify potential areas for improvement.

In response to a query, J Thomson advised that the Auditors would report directly to the Principal following his departure from the College on 16 June 2023.

The Chair expressed an interest in the Training Topics outlined in Appendix D of the paper and their potential benefit to Board members. The Committee noted that the Training Topics offered may be of benefit to Board members as part of their induction/development and agreed that this should be highlighted to the Chair of the Board of Management.

Action: ARC40-A02 – Training Topics offered as part of the Internal Audit Plan 2023-24 to be highlighted to the Chair of the Board of Management as possible tools for the induction/development of Board members.

The Committee confirmed that they were content to receive the plan as presented.

6. External Audit – Azets

i) External Audit Annual Plan 2022-23 (Paper 5) (P)

D Eardley introduced Paper 5 as presented, advising that the Audit Plan summarises the work plan for the 2022-23 external audit.

The Committee noted:

- This is the first year of Azets appointment as external auditor to Ayrshire College.
- The scope of the audit, key audit risks, audit team and audit timetable as set out in the Paper.
- Revised Auditing Standards (ISA (UK) 315) have been introduced for the current year and the implications of this were outlined in Appendix 2 of the Plan.
- Audit Fees for the sector have been subject to an average increase of 57.5% for 2022-23.
- The proposed audit fee for the College for 2022-23 is 45.6% higher than the previous year but remains lower than the sector average.

J Thomson updated the Committee, advising that the audit team had engaged positively with the Team and that a number of areas for inclusion in the External Audit Annual Plan 2022-23 had been identified. J Thomson further advised that the significant increase in fees for the sector had been discussed by the Financial Directors Network and the disappointment and consequences of the for the sector had been communicated to Audit Scotland.

Further points clarified in response to questions from the Committee included:

- A number of factors had been considered in the increase of audit fees, including inflationary aspects, the increased scope of works required by Auditors and the year-on-year UK-wide increases.
- Duplication of efforts in some areas of audit, specifically in relation to ICT transformational work being undertaken, would be monitored and avoided where appropriate.
- The scope of work identified for the internal audits had been optimised to avoid duplication of effort where possible.

The Committee thanked Azets for their comprehensive report and noted their disappointment in the significant increase of fees for the sector for 2022-23.

Decision: ARC40-D01: The Committee approved the External Audit Annual Plan 2022-23, including the proposed Audit Fee.

7. Internal Audit Rolling Action Plan as at 26 May 2023 (Paper 6) (P)

J Thomson introduced Paper 6 as presented.

The Committee noted no actions were due for completion in the period and that all actions had been completed.

The Committee noted the content of Paper 6.

8. AOB

The Acting Chair advised members that this would be the final Committee Meeting for James Thomson, Interim Vice Principal – Finance, as he will be leaving the College for pastures new on 16 June 2023.

James's contribution and service to the College has been greatly received over the past 6 years. James has played an important role as a member of the Senior Leadership Team and will be greatly missed.

The Committee thanked James for his outstanding service and offered their best wishes for his future endeavours. The Acting Chair also passed on the thanks and best wishes to James from the Chair of the Committee, S Wallace, in his absence.

9. Date of Next Meeting – Tuesday 10 October 2023 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