Minute of the Audit and Risk Committee
Held by Microsoft Teams
Thursday 04 June 2024

Present:

Steven Wallace	Chair
Sharon Morrow	Vice – Chair
Jason Currie	Non-Executive Board Member
Alison Sutherland	Non-Executive Board Member
Matthew Wilson	Non-Executive Board Member

In attendance:

Anne Campbell	Vice Principal, Skills and Enterprise
David Davidson	Vice Principal, People, Performance and Transformation
Hilary Denholm	Board Governance Advisor & Minutes
Alan Ritchie	Vice Principal, Finance & Infrastructure
Liz Walker	Head of Financial Services
Stephen Pringle	Wylie & Bisset – Internal Auditors
Adrian Kolodziej	Azets – External Auditors
Fiona McQueen	Chair, Board of Management (Shadowing from Item 6)

1. Meeting with external auditors

No College staff were present for this discussion around the list of regulatory questions that the External Auditor needed to ask members of ARC in advance of the audit starting. To assist in the process, questions were circulated before the meeting to the Non-Executive Board members within the ARC Committee.

2. Welcome and Declarations of Interest

The Chair, Steven Wallace, welcomed all present to the meeting, including to their first ARC meeting, Jason Currie, new Non-Executive Board Member.

There were no Declarations of Interest presented.

The meeting was confirmed as quorate.

3. Apologies

Apologies were received from Andy Reid Director from Azets, who was only present for the private meeting before the full Committee meeting took place.

4. Minutes of the Previous Meeting held on 19 March 2024 *(Paper 1)* C/P

The minutes were approved as a correct record, with one small change of date.

Proposed: Alison Sutherland   **Seconded:** Matthew Wilson

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

The Committee noted there were no outstanding actions.

5. Matters Arising

There were no other outstanding matters arising from the minutes.

7i. Internal Audit Report – IT Security *(Paper 3) (P)*

S Pringle introduced Paper 3 as presented which provided an overview of the recently conducted internal audit review into IT Security.

The Committee was requested to consider and approve the report.

The Committee noted:

- The purpose of this audit was to review cyber security arrangements in place to ensure appropriate controls were in place to mitigate loss of business-critical information due to cyber-attack or failure of key systems/suppliers.
- The overall assurance was substantial (2nd highest rating), with eleven areas of good practice highlighted.
- The College accepted 3 medium and 1 low grade recommendations which will be added to the Rolling Audit Action Plan.

Discussion and questioning took place around some of the recommendations, and the actions, systems and processes in place to address them. A Ritchie advised of ongoing cyber security exercises and future business continuity testing that is planned. In addition, the onboarding and learning & development processes and monitoring for cyber security were discussed.

Action: ARC44-A01 Arrangement for presentation of a cyber security report to be organised for a future Committee meeting.

The Committee noted the report and gave their approval.

Decision: ARC44-D02 The Committee approved the Internal Audit Report – IT Security

7ii. Internal Audit Report – Corporate Governance *(Paper 4) (P)*

S Pringle introduced Paper 4 as presented which provided an overview of the recently conducted internal audit review into Corporate Governance.

The Committee was requested to consider and approve the report.

The Committee noted:

- The purpose of the audit was to ensure the College has appropriate governance arrangements in place and that these are embedded throughout the whole College.
- The review looked to provide assurance that the College's Corporate Governance arrangements were appropriate and represent good practice.

- The overall assurance was strong, with several areas of good practice identified.
- There were no recommendations raised.
- The amount of excellent work by staff, including the Board Governance Adviser, was acknowledged.

The Committee noted the positive report and gave their approval.

Decision: ARC44-D03 The Committee approved the Internal Audit Report – Corporate Governance

7iii. Internal Audit Report – Overall Financial Controls *(Paper 5) (P)*

S Pringle introduced Paper 5 as presented which gave an overview of recently conducted internal audit review into the Overall Financial Controls in operation at the College.

The Committee was requested to consider and approve the report.

The Committee noted:

- The purpose of the audit was to perform high-level review of key financial controls in place at the College, to provide assurance that key financial controls were suitably designed and operated effectively.
- The review sought to assess processes relating to purchasing, income, cash and banking, payroll, and fixed assets.
- The overall assurance was strong.
- The College accepted 3 low grade recommendations which will be added to the Rolling Audit Action Plan
- The amount of excellent work by the Finance Team was acknowledged.

The Committee noted the positive report and gave their approval.

Decision: ARC44-D04 The Committee approved the Internal Audit Report – Overall Financial Controls

7iv. 2023-24 Internal Audit Progress Report as at June 2024 *(Paper 6) (P)*

S Pringle introduced Paper 6 as presented which summarised the audits already completed, and those still planned, with key dates agreed.

The Committee noted:
- Detailed assignment plans are prepared for each audit undertaken, setting out the scope and objectives of the work, allocating resources and establishing target dates for the completion of the work.
- Each assignment plan is agreed and signed off by an appropriate sponsor from the College.
- All audits had been completed with exception of the three funding audits planned for the Autumn which will be reported on at the September Committee meeting.

The Committee noted the report.

7v.2024-25 Internal Audit Plan *(Paper 7) (P)*

A Ritchie introduced Paper 7 which presented to the Audit and Risk Committee the final 2024-25 Internal Audit Plan for approval.

The Committee noted:
- The draft plan had been discussed at the March Committee meeting.
- The areas of high (red) risk are subject to either an internal audit assignment during the 5-year planning cycle, or alternative assurance will be provided to the Committee.
- Financial systems auditing will always be included annually due to the risk level.

Decision: ARC44-D05 The Committee reviewed and approved the final 2024-25 Internal Audit Plan for consideration and approval to the Board, and welcomed the risk based approach.

8. External Audit Annual Plan 2023-24 *(Paper 8) (P)*

A Kolodziej introduced Paper 8 giving an overview of the external auditor's audit planning and approach in relation to the financial statements of the College for year ended 31 July 2024, and an overview of significant risks and key judgement areas.

The Committee was requested to consider and approve the 2023-24 External Audit Annual Plan.

The Committee noted:
- The Plan largely follows last year's plan.
- Significant risks are management override of controls; fraud in revenue recognition and in expenditure recognition; valuation of land and buildings; pension net asset/liability, and valuation of PFI provision.
- Valuation of PFI provision is a new risk as the College's PFI contract for the Kilwinning Campus is due to expire in June 2025.
- Financial sustainability is a standard risk for all colleges.
- The proposed timetable for presentation of the audit reports.
- Azets have set their 2023-24 fee at £54,030 (2022-23: £50,970) a 6% increase, which is within the range set by Audit Scotland.
- Materiality is slightly up from last year.

The Committee noted the very comprehensive plan and gave their approval.

Decision: ARC44-D06 The Committee approved the External Audit Annual Plan 2023-24

13. AOB

It was noted that this was the last Committee meeting for the current Chair, Steven Wallace. Thanks were given for his dedication, professionalism, wisdom and experience.

The new Committee Chair will be the current Vice Chair of the Committee, Sharon Morrow.

Date of Next Meeting – Tuesday 24 September 2024 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