

**Minute of the Audit Committee Meeting
Held on Tuesday 20 March 2018
at the Ayr Campus**



Present: Alan Walker (Chair) (Paper 1)
Gordon James
Fiona Fawdry
Barbara Graham
Alan McGregor
Marri Welsh

In attendance: Brendan Ferguson (Board Secretary)
Michael Breen
Lucy Nutley (Mazars – External Auditors)
Clair Stevenson (Scott Moncrieff – Internal Auditors)
Elizabeth Young (Scott Moncrieff – Internal Auditors)
Chris Brown (Scott – Moncrieff – Internal Auditors)

1 Welcome and Introductions

The Chair welcomed everyone to the meeting.

2 Apologies

Apologies were received from EMT members Jackie Galbraith, Jane McKie and Donna Vallance, and from James Thomson, Director of Finance and Student Funding, who were attending the Principal's staff campus meetings.

3 Declarations of Interest

The internal auditors present declared an interest in Item 9, *Tender for Internal Audit Services*, and stated that they would leave the meeting at that point. The external auditors also stated they would leave the meeting prior to this agenda item.

4 Minutes of the Previous Meeting held on 5 December 2017 (Paper 1) P

The minutes were approved as a correct record.

Proposed: Alan McGregor. Seconded: Barbara Graham

5 Matters Arising

Paper 1A, (Action Tracker), Item 1 – The Chair queried progress on the matter of cross representation with the Business, Resources and Infrastructure Committee, as raised at the first meeting of the Committee on 19 September 2017. The Board Secretary replied that this issue was currently being considered as part of the review of the new committee structure and a recommendation would be made in a report being submitted to the Board of Management meeting on 21 June 2018.

Item 6, Page 2 – The Letter of Representation, as amended following discussion, was approved by the Board at its December 2017 meeting.

Item 6, Page 3 – At the Board Strategy day attended by John Kemp, Interim CEO of SFC in February 2018, A Walker, as Chair of the Audit Committee, had expressed the Committee's concern around the instructed use of the "*Cash Budget for Government Directed Priorities*" section within the annual financial statements. Mr Kemp had replied that he noted the concerns expressed, but stated that this SFC instruction would remain in place for the foreseeable future.

6 Completed Internal Audit Reports 2017-18:

- **Business Continuity Planning (BCP) (Paper 2) P**

C Brown, on behalf of Scott-Moncrief, introduced the BCP Internal Audit Report and stated that the Internal Audit had concluded that no major issues existed and that the planning undertaken by the College was sound. However, a number of minor actions and one amber action had been identified which would help to improve the BCP processes further.

C Brown continued that the College had undertaken significant work in developing the current BCP, however, a Business Impact Analysis (BIA) had not yet been conducted. This was considered an important process in establishing key services/critical activities in addition to recovery strategies. As part of its next review, the College agreed that it would undertake a BIA to confirm whether there are any gaps within the current BCP.

Similarly, the review process should also be used to assess recovery strategies within the plan. The focus of this review should be to gain assurance that the recovery strategies were appropriately designed around the return of identified key services and include details of supporting activities and resources. To assist with this review, the College's BCP would benefit from understanding, calculating and documenting recovery time objectives, recovery point objectives and maximum tolerable periods of disruption for each key service/process. This supported the development of optimal recovery strategies and allowed recovery allocation priorities to be set.

It would also be important for the College to develop and implement a risk-based programme of testing to allow assurance to be gained that they are capable of supporting responses to business disruptions.

M Breen updated Members on the recent bomb scare evacuation at the Kilmarnock campus and that the BCP processes had worked well and the emergency services agreed with this assessment. M Breen did however note that some areas for improvement had been identified including temporary accommodation requirements should the building be unavailable for a period of time.

The Committee noted the above report from C Brown and welcomed the positive nature of the report's findings. A number of questions of clarification were asked and satisfactory responses received.

M Breen added that the College would work through the recommendations within the Report and report back progress to the Audit Committee.

The Committee welcomed and approved the above Report.

The Committee noted that the College would report back to the Committee and the Board on its progress in September 2018.

- **Risk Management (*Paper 3*) P**

C Brown, on behalf of Scott-Moncrief, introduced the Risk Management Internal Audit Report and stated that the Internal Audit had concluded that no major issues existed with the operation of Risk Management within the College. Two minor actions for improvement were identified, and one amber one in relation to the cascading of operational risk registers down through the management structure of the College

C Brown concluded by stating that Ayrshire College operated one of the best strategic risk registers that Scott-Moncrief had experienced.

The Committee welcomed the above endorsement from the internal auditors. In doing so the Committee agreed that progress should now be made on cascading operational risk registers down through the management structure of the College and would be seeking reports on the progress being made in this respect.

The Committee noted and approved the above Report.

The Committee agreed that progress should now be made in cascading operational risk registers down through the management structure of the College. In this respect the committee asked that it be kept updated on the progress being made during 2018-19.

- **Internal Audit 2017-18 Progress Report (*Paper 4*) P**

C Brown, on behalf of Scott-Moncrief (SM), introduced Internal Audit 2017-18 Progress Report and stated that SM were on track to deliver the audit plan as agreed with College Management and the Audit Committee.

The Committee noted the above report.

7 Proposed Amendment to the 2017-18 Audit Action Plan (Paper 4a) P

M Breen introduced Paper 4a and set out the rationale for the proposed postponement of the scheduled internal audit of the College's Estates Strategy. This was to allow any forthcoming audit to be informed by the recently approved Infrastructure Strategy, as well as the national conditions survey work being taken forward by SFC.

The Committee noted the rationale contained in Paper 4a and agreed that it was appropriate. The Committee, therefore, approved the postponement of the scheduled internal audit of the College's Estates Strategy until 2018-19

8 2017-18 Internal Audit Rolling Action Plan at February 2018 (Paper 5) P

M Breen introduced the above paper and stated that the points in relation to the Risk Register had been addressed above.

Points in relation to Asset Management and Key Financial Systems would be addressed prior to the next meeting of the Committee.

The Committee noted and approved Paper 5.

9 Date of Next Meeting – Monday 18 June 2018 in Ayr Campus

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

A/P - Already published on the College Website

C/P - Confirmed minutes will be published on the College Website

Reserved Items on the next Page.