

**Minute of the Audit Committee Meeting
Held on Tuesday 26 November 2019
At the Kilwinning Campus**

Present: Gordon James (Chair)
Hazel Murphy (Vice Chair)
Elaine Anderson
Scott Cooley
Steve Graham
Alison Sutherland

In attendance: Brendan Ferguson (Board Secretary)
Yvonne Melvin (Executive Assistant)
Michael Breen (Vice Principal - Finance)
Jane McKie (Vice Principal – People)
James Thomson (Director of Finance, Student Funding & Estates)
Tony Barrie (BDO – Internal Auditors)
Joanne Buchanan (Mazars – External Auditors)
Suzie Graham (Mazars – External Auditors)
Lucy Nutley (Mazars – External Auditors)

1 Welcome and Declarations of Interest

The Chair welcomed everyone to the meeting and asked that introductions be made for the benefit of the Auditors present.

There were no declarations of interest.

2 Apologies

Apologies were received from Committee member Margarette Bryan and Executive Leadership Team member Anne Campbell.

3 Minutes of the Previous Meeting held on 18 June 2019 (Paper 1) C/P

The minutes were approved as a correct record.

Proposed: Steve Graham
Seconded: Elaine Anderson

Audit Action Tracker (Paper 1A) (P)

Action 5 The Committee agreed this would be marked as Completed for 2019-20.

Action 11 The Committee agreed this would remain In Progress with an update provided to the Committee as and when required.

Action 12 The Committee agreed this would be marked as Completed.

Action 14 The Committee agreed this would remain In Progress and that the date would be moved to the Board Development Day on 30.01.20.

Action 15 The Committee agreed this would remain In Progress and a paper would be presented to the Board in March 2020.

4 Matters Arising

There were no matters arising not dealt with on the Agenda.

5 2018-19 Financial Statements to July 2019

i. BOM Report and Financial Statements 2018-19 (Paper 2) (P)

M Breen introduced Paper 2 and reminded Members that the financial section had been presented to the Business, Resources and Infrastructure Committee and a summary of the financial position and relevant disclosures was provided.

In terms of the Audit Committee's responsibilities, M Breen and J Thomson took the Committee through each of the main sections in Part 1 of the Paper. A number of questions of clarification were asked and answered.

ii. Annual Report to the BOM and the Auditor General (Paper 3) (P)

L Nutley provided a comprehensive overview of Paper 3. It was noted that, for each of the areas, an unqualified opinion had been proposed at this stage by Mazars.

L Nutley noted within the report Mazars conclusion that financial sustainability for the final two years of the five-year financial plan period remained a significant risk. The risk related to the uncertainty surrounding future SFC funding beyond academic year 2021-22, as identified by the College. L Nutley added that this opinion may change in the future following further discussions that would be held between the College and SFC.

Paper 3 was discussed in further detail by the Committee and a number of questions of clarification were asked and answered. In particular, members questioned the financial sustainability risk identified in the final two years of the five-year financial plan submitted to SFC. The Committee was advised by M Breen that the position remained the same as that previously discussed by the Board, i.e. that the information currently available from SFC indicated a reduction of funding at that point in the period. This reduction, if it occurred, would require some significant decisions to be made in relation to the future structure and management of the College. However, that remained an issue for the future and further discussion would be held to ensure that both the College and SFC were fully aware of all of the implications associated with future funding proposals. M Breen advised members that a meeting had been arranged with Lorna Macdonald, Director of SFC Finance Directorate, to begin the process of discussing the matter further, and updates would continue to be provided to the Board as further information became available.

iii. Letter of Representation (Paper 4) (P)

The Letter of Representation (Paper 4), that would be proposed for signing at the Board meeting on 12 December 2019 was considered. It was noted that the letter was standard and the Committee had no comment to make.

The Committee approved the BOM Report and Financial Statements 2018-19 for presentation to the Board of Management on 12 December 2019.

The Committee welcomed and approved the Annual Report to the BOM and the Auditor General for presentation to the Board of Management on 12 December 2019.

The Committee noted the proposed Letter of Representation that would be presented to the Board of Management for signature on 12 December 2019.

6 2019-20 Internal Audit Reports - BDO

6.1 Internal Audit Annual Report 2018-19 (Paper 5) (P)

T Barrie (BDO) introduced Paper 5 and advised members that the Internal Audit Annual Report 2018-19 summarised the recommendations and assessments for each of the individual Audit areas reviewed.

T Barrie also noted that the proposed audit of the Commercial Income Generating Programmes had been deferred to the 2019-20 audit plan, as agreed by the Committee.

The Committee agreed that the Review of Work Table, included as Page 7 of the Report, should include totals in future reports.

Action: The Review of Work Table included in the Internal Audit Annual Report include totals in future iterations.

6.2 Internal Audit Follow Up Report – June 2019 (Paper 6) (P)

T Barrie introduced Paper 6 and noted that, of the 12 Audit recommendations made, two were due for completion in 2018-19 and both had been fully implemented. The remainder were due for implementation in 2019-20.

Following discussion, the Committee agreed that the timing of follow up reports should be discussed and agreed between the College Management and BDO.

6.3 Student Recruitment Internal Audit Report (Paper 7) (P)

T Barrie introduced Paper 7 and noted that the internal audit had resulted in a total of 6 recommendations, none of which were of high significance.

M Breen suggested that it would be appropriate for the recommendations to be taken forward by the Learning and Teaching Committee (LTC) and that the findings would lead to real improvements for the College. The Committee agreed that the Chair of the Audit Committee discuss with the Chair of LTC the above Report and its conclusions, with a view to LTC taking these forward.

Action: G James to discuss the conclusions of the Student Recruitment Internal Audit Report with the LTC Chair with a view to LTC taking an overview of the implementation of the recommendations.

6.4 Corporate Governance Internal Audit Report (Paper 8) (P)

T Barrie introduced Paper 8 and noted that the internal audit had resulted in a total of 4 recommendations, all of which were of low significance. T Barrie also noted that a number of areas of good practice were highlighted during the review and that BDO were able to offer substantial assurance over the design and operational effectiveness of the corporate governance controls in place at the College.

The Committee welcomed the above Report and commended the work of the Board Office and the Board Chair in the positive outcome of this internal audit.

6.5 FES Return Internal Audit Report (Paper 9) (P)

T Barrie introduced Paper 9, and took the Committee through the report. T Barrie confirmed that no issues had been noted and there were no recommendations or adjustments attached to the report for the year ending July 2019.

6.6 EMA Internal Audit Report (Paper 10) (P)

T Barrie introduced Paper 10, advising members that there were no findings to note from the review.

6.7 Student Support Funds Internal Audit Report (Paper 11) (P)

T Barrie introduced Paper 11, advising members that there were no findings to note from the review.

6.8 Internal Audit Progress Report – November 2019 (Paper 12) (P)

T Barrie introduced Paper 12 and confirmed that progress was in line with the agreed schedule.

The Committee welcomed each of the above Reports and the content of each was noted and approved.

7 2018-19 Audit Committee Draft Annual Report (Paper 13) (P)

The Chair introduced Paper 13 as presented, advising members that this Report was part of the Audit Committee's Terms of Reference and included a summary of the reports produced by external Auditors Mazars and internal Auditors BDO in respect of the period 1 August 2018 to 31 July 2019. Section 4.1 of the report was highlighted to members and the Chair stated that Mazars proposed to issue an unqualified opinion in relation to the 2018-19 Annual Financial Statements for the College.

The Committee noted the content and approved the 2018-19 Audit Committee Draft Annual Report for presentation to the Board of Management on 12 December 2019.

8 Business Continuity Plan (Paper 14) (P)

J Thomson introduced Paper 14 as presented, highlighting that the College had established a Business Continuity Plan (BCP) Steering Group. The Committee was advised that the Group met on a quarterly basis and that membership included various staff from both curriculum and service areas, to give a cross-representation of the key areas of the College. The BCP Steering Group is chaired by the Director of Finance, Student Funding and Estates. The Business Continuity Plan had been updated on the basis of both testing and operational experience, with changes tracked to ensure that the Committee was fully cognisant of the updates made. J Thomson added that experience of business continuity issues presented had demonstrated the robustness of the plan in operation.

The Committee discussed the Plan and its operational experience. A number of questions of clarification were asked and answered. It was agreed that the Chair and M Breen discuss further how best to communicate the annual updates of the BCP to Board members.

The Committee noted and approved Paper 14.

Action: G James and M Breen to discuss how the annual update of the Ayrshire College Business Continuity Plan may best be communicated to Board Members

9 2019-20 Internal Audit Rolling Action Plan at November 2019 (Paper 15) (P)

J Thomson introduced Paper 15 and noted that a total of 6 audit recommendations and been actioned in the period and there were no outstanding actions.

The Committee noted Paper 15.

10 Date of Next Meeting – Tuesday 17 March 2020 at 4pm in the Kilmarnock 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.