

Meeting: Audit Committee	Venue: Virtual via Zoom	Date: Thursday, 13 May 2021	Time: 11.00am
Minute Taken By: Jackie Kane	Sederunt: Gill Hogg (Chair), Marian Docherty, Joyce Clark, Pete Smith, Richard Butt, Jan Polley, Jamie Davidson (Henderson Loggie) and Ben Wood (University of Edinburgh)	Apologies: Andy McGoff	Absences:

No.	Agenda Item	Action	When	By Whom	Status
1.	Apologies	The committee welcomed Jan Polley to her first Audit Meeting.	13.5.21	Audit	Complete
		Apologies were received from Andy McGoff.	13.5.21	JK	Complete

FOR DECISION

2.	Minute of Previous Meeting (Paper 1)	The Minute of the Meeting held on 4 February 2021 was approved as an accurate record.	13.5.21	Audit	Complete
		However, the Chair noted there were a few items that needed to be finished off from the Minute of 4 February 2021.	13.5.21	Audit	Complete
		Zurich, the college's Insurance Company do not include cyber cover in their renewal. The committee agreed to look at this during the digital transformation going forward. The Business & Resource Manager advised that at present the college had two firewalls which would minimise the risk of the college being hacked. It was agreed to weigh up the risk against the cost.	13.5.21	JC	Ongoing
		Zurich believe that the wording in their policy is robust enough to cover business interruption insurance. The committee agreed to monitor if any claims from other parties were successful and learn from their success.	13.5.21	JC	Ongoing

FOR DISCUSSION

3.	Matters Arising				
	Update from Principal	The Principal updated the committee and the following was noted:	13.5.21	MD	Information

	Trustees	<p>The Trustees have requested a “worse case financial scenario” between now and the end of July 2021 and for 2021-2022. They have asked for an outline by 14 May 2021. The Principal and Business & Resource Manager are producing a report which will be circulated to PARC prior to the next Trustees Meeting.</p> <p>The committee discussed the request by the Trustees on the college’s long-term financial sustainability. The report will include the commercial activity from Wisconsin and International Language School; funding received from SFC including the capital funding and how the funding has been used to improve the college for both commercial and curriculum activities.</p>	21.5.21	MD/JC	Ongoing
	SFC	<p>SFC have announced an increase of indicative funding across the sector for 2021/2022. This means for Newbattle an increase of £200K for core funding. Following a meeting with the college’s Outcome Agreement Manager, it was noted that the college could assume that this would continue beyond 2021/2022 but the Outcome Agreement Manager would seek clarity from the Finance Team at SFC.</p> <p>Details of the short-term loan were also discussed with SFC. Unfortunately, SFC were unable to answer this question and advised that they would arrange a follow-up meeting after the Easter break to go through repayment arrangements. To date the college has not received any response regarding a follow-up meeting. However, the Principal is chasing this up and awaits a response.</p>	13.5.21	MD	Ongoing
	Capital Funding 2019/2020 and 2020/2021	<p>The tendering process has commenced for the capital project 2020/2021.</p> <p>The Business & Resource Manager outlined the plans on ICT Development that is being carried out by external consultants, Agenor. It is hoped that a report from Agenor will be available by late July and fully operational by January 2022.</p> <p>The committee agreed that the IT project be put on the Risk Register to reflect the challenges going forward as the ICT develops.</p>	13.5.21 13.5.21 13.5.21	MD SMT JC	Ongoing Ongoing Ongoing

4.	Risk Register (Paper 2)	<p>It was noted that the Risk Register had not been updated since March 2021 and is due to be discussed by SMT. Finance and ICT remain the two big risks.</p> <p>The committee asked that Covid should be on the Risk Register.</p> <p>Andy McGoff's comments were noted:</p> <ol style="list-style-type: none"> 1. Current SFC (phase 3) review should be prominent on risk register. Depending on outcome it could have a material impact on environment in which we operate. 2. An update on the ICT consultancy work would be of interest as this impacts our student experience, user satisfaction, operating environment and cyber-security. <p>The committee discussed the loss of key personnel and the processes that are in place for a small college team.</p>	13.5.21	Audit	Ongoing
5.	Internal Audit 2020/2021 (Paper 3)	<p>The Internal Auditor spoke to his audit and the following was noted:</p> <p>Executive Summary of Key Findings and Observations</p> <p>Of the 235 relevant key controls expected to be in place across the financial control framework, the assessment highlighted that:</p> <ul style="list-style-type: none"> • 193 (82%) are assessed as in place • 25 (11%) are assessed as partly in place • 17 (7%) are assessed as not in place. <p>In general, the results are broadly positive and reflect an established internal control environment where key responsibilities and required controls are understood. A table and graph to this effect had been noted by the committee.</p> <p>The four recommendations were noted along with the management</p>	13.5.21	BW	Information

responses:

- Key person reliance
- Control improvements
- Update and maintenance of policies and procedures
- Quote level

The committee agreed that the Procurement Policy that was updated in 2020 needed to be reviewed when requesting quotes. The committee agreed to change the arrangement for 3 quotes from £5K down to £3K. The committee agreed to recommend this change to the Board.

The Business & Resource Manager highlighted that she had requested the establishment of a Finance Committee that would meet on a monthly basis. The committee agreed that this was not a discussion for audit but one that needed to be discussed with the Chair of Board as they thought that a Finance Committee should be on a management level and not at a Board level.

The following point was noted from Andy McGoff:

The audit highlights reliance on small team. Perhaps resilience can be built in with reciprocal arrangements with other colleges/ Universities/ etc who could provide resource/back up if key staff unavailable. Limited training could be provided so they have background knowledge.

The committee agreed that they had no concerns around the Internal Audit and would recommend the report to the Board.

It was noted that the University of Edinburgh were unable to continue their role as Internal Auditors beyond this session. The Business & Resource Manager agreed to look at the APUC framework and present her recommendation to the Board at their next meeting in June.

The committee thanked the Internal Auditor for his work carried out over the past years.

6.	Committee Self-Evaluation (Paper 4)	Following discussions with other sub committees, it was agreed that the structure of the committee self-evaluation be reviewed at the next Chairs' Committee Meeting on 10 June 2021. However, it was agreed that committee members should complete the evaluation and submit to the Secretary to the Board.	13.5.21	Audit	Ongoing
FOR INFORMATION					
7.	AOCB	<p>External Audit The committee noted the External Audit Plan for year ended 31 July 2021.</p> <p>Andy McGoff raised the following point:</p> <p>Surprised that pensions affordability and valuation not highlighted as key audit area.</p> <p>Following a discussion by the committee, it was agreed that there was adequate mention of pensions highlighted in the report.</p> <p>The committee approved the plan and timetable.</p>	13.5.21	Audit	Ongoing
8.	Date of Next Meeting	Date of Next Meeting to be circulated once dates for 2021/2022 have been confirmed by the Board.	13.5.21	JK	Ongoing