

West Lothian College

8 March 2017

Audit Committee

Minute of Meeting of the Audit Committee held on **Thursday 30 November 2017** at 9.30am in the Barbour Suite.

Present: Graham Hope (Chair)
 Simon Ashpool
 Sue Cook
 Colin Miller
 Norman Ross

In attendance: Mhairi Harrington (Principal & Chief Executive)
 Jennifer McLaren (Vice Principal, Finance & Curriculum Services)
 George Hotchkiss (Vice Principal, Curriculum & Planning)
 David Eardley (Scott-Moncrieff, Internal Auditors)
 Lucy Nutley (Mazars, External Auditors)
 Karine McNair (Board Secretary)
 Paula White (Facilities Manager) Part Only
 Simon Earp (Vice Principal, Curriculum & Enterprise)

17.45 Welcome/Apologies

The Chair welcomed Colin Miller and Karine McNair to the meeting as this was their first meeting of the Audit Committee.

The Chair also informed the Committee that Agenda item 17.55 Health & Safety Quarterly Report would be taken first.

17.46 Declarations of Interest

There were no declarations of interest.

17.47 Minute of Meeting of 7 September 2017

The Minute of the meeting of the Audit Committee of 7 September 2017 was approved as a correct record.

17.48 Matters Arising from Minute of Meeting of 7 September 2017

All actions were duly completed and noted.

17.49 External Audit

(i) Annual Report & Financial Statements 2016-17

The Vice Principal, Finance & Curriculum Services informed the Committee that the Annual Report & Financial Statements 2016-17 had been presented to the Finance & General Purposes and recommended to the Audit Committee for approval.

The Financial statements had been prepared in accordance with the Statement of Recommended Practice (SORP), the Financial Reporting Standards FRS102 and complied with the Governments Reporting Manual (FReM).

The Committee noted that there had been changes to the presentation of the accounts in line with the requirements of the Accounts Direction. In addition the impact of the interim valuation performed as at 31 July 2017 was incorporated into the financial statements. This had resulted in a revaluation gain of £2.2m and impairment loss of £1.9m, leading to a net revaluation gain of £300k in the financial statements. However the impairment loss of £1.9m was as a result of a desk based interim valuation and did not imply that the College was not maintaining its assets.

Colleges were also now required to include a statement at the foot of the SOCI and a note to the accounts explaining the impact of the non-cash budget given for depreciation.

To help the Committee understand the information presented the Secretary to the Board handed out a summary of the Management Accounts containing information on the budget for the year, variances and the trading position for the College versus the budget.

The Committee also noted the table of cash budget for priorities and the underlying operating position.

After discussion the Audit Committee recommended the approval of the Annual Report & Financial Statements to the Board of Governors.

Action 1: Vice Principal, Finance & Curriculum Services

(ii) Annual Report of the Board & Auditor General

The External Auditor for Mazars gave explanations where necessary on the above report informing the Committee that the purpose of their audit

was to provide reasonable assurance to users that the financial statements were free from material error and conducted in accordance with the requirements of the Code of Practice issued by Audit Scotland.

Mazars confirmed that the opinions given on the financial statements would be unqualified. As part of the Wider Scope work, Mazars stated the following conclusions:-

Financial management – The College had effective arrangements, including budgetary control, that help Board members scrutinise finances.

Financial sustainability – The College had adequate financial planning arrangements in place.

Governance & Transparency – The College had governance arrangements in place that provided appropriate scrutiny of decisions made by the Board.

Value for Money – the College had an effective performance management framework in place that supported progress towards the achievement of value for money.

No major control weaknesses had been identified and the conclusion of the report was that the accounting systems operated overall effectively.

Discussion took place on details of the materiality levels applied in the audit of the financial statements for the year ended 31 July 2017 and the Committee were content that Mazars approach and concept was appropriate.

Mazars Auditor thanked the College Team for all their efforts working with them throughout the year.

Audit Committee were content with the report presented.

iii) **Letter of Representation**

The letter of representation provided assurance to the College's external Auditors Mazars that the Board was aware of its responsibilities in relation to the audit of the Annual Financial Statements for the year ended 31 July 2017. Mazars informed the Committee that no adjustments had been made therefore this was a clean statement.

The Audit Committee recommended that the Chair of the Board of Governors and the Principal sign the letter of representation.

Action 2: Secretary to the Board**17.50 Internal Audit Reports****(i) Organisational Wellbeing**

The Internal Auditor for Scott Moncreiff presented the findings on the above report stating that the College was developing arrangements over the future strategic workforce requirements, although it had not yet implemented controls that ensured a full understanding of the necessary capacity and skills in place to meet the strategic and operational objectives.

There were six minor to moderate recommendations, three of which were opportunities for improvement in workforce planning arrangements; staff development exercise/levels of participation and absence management processes.

Discussion took place on Return to Work Interviews and the value of this process in general on whether this process had made a difference with the level of staff absences. This was noted by Management. A process had now been agreed to ensure that all return to work interviews were carried out which would be implemented immediately.

As a follow up to the survey on staff engagement there was a series of Town Hall meetings, a Campaign on No Waste and Twinning Centres being set up across Centres for best practice.

The Audit Committee were content with the report presented.

(ii) Student Support Funds

The Internal Auditor for Scott Moncreiff informed the Audit Committee that they had conducted the above audits in August 2017 in accordance set out in the SFC's Guidance.

Three issues had been identified two of which were procedural in connection with application forms being consistently signed off and the importance of completing attendance registers.

The third was a recommendation to Management to develop a Strategy to target and support priority groups when allocation student funds.

Vice Principal – Finance & Curriculum Services stated that the recommendations presented had been made and accepted by Management.

The Committee asked that the risk paragraph in section 1.3 of the report be reworded as it was inaccurate to say that this could result in a decrease in students from vulnerable groups given that numbers were increasing at the College.

Subject to the above amendment the Audit Committee were content with the report presented.

Action 3 – Internal Auditors – Scott Moncreiff

(iii) Credits Return

The Internal Auditors Scott Moncrieff presented the findings from the review of 2016-17 Credits Return and their opinion that controls over the collection of data and the preparation of the Credits return were adequate and effective. The College had delivered slightly over their target of around 1.3%.

There were four recommendations and management had accepted these and actions had been completed.

Audit Committee content with the information presented.

17.51 College Audit Committee Rolling Plan

The above plan showed progress in implementing previously agreed internal audit recommendations which were all now completed.

The Chair of the Audit Committee stated that it was good to get all the recommendations finally resolved.

The Audit Committee were content with the information presented.

17.52 Audit Committee Report to the Board of Governors

The above report was a requirement of the Financial Memorandum and consistent with previous years report which covered Administrative Matters, Internal Audit External Audit, Risk Management and Health & Safety.

After discussion the External Auditor for Mazars asked that 4.4 on page 4 be amended to state that “Mazars will provide an unqualified Audit Report instead of “provided”.

It was also noted that on Page 3 – 4.3 paragraph 2 – should say “see note 16” in the financial statements. It was agreed that the budget v actual costs

should align with PI section as both were on target, delivered on time and within budget.

The Audit Committee approved the report subject to the above amendments.

Action 4 Vice Principal, Finance & Curriculum Services

17.53 Strategic Risk Register update

The Principal gave an update on the key risks and challenges for the College which had been reviewed in light of the College's Regional Plan 2017-20, previous Performance, National Bargaining and Legislative changes follows:

Risk 1 Developing the Young Workforce – risk maintained as medium due to some challenges in recruiting to the extended suite of Foundation Apprenticeship programmes. The risk was less about financial or credit impact but more about reputation.

Key risk 2 – Developing Scotland's Workforce – risk maintained at high although the year had been very successful with recruitment to all the full time vocational programmes and in terms of Success and Learner attainment for 2016-17 – Further Education Full Time (FEFT) success had declined by 2% to 62% and continued to be cause of concern.

Performance Indicators – The Principal informed the Committee about an issue which had come to light with regard to the College's PIs for 2015-16. The issue related to the coding of "success" for Higher National Students and this was highlighted through a new process where the Scottish Funding Council matched results from the FES database with the National Articulation Database. The SFC had advised the Chief Statistician of the Scottish Government about the issue without prior consultation with the Principal.

After investigation into the issue it appeared that the College's Unit-e system had coded students as successful if they had achieved 70% of the units but not the Group Award. This had affected 27 students and the impact from removing these students resulted in a reduced Higher Education Full Time (HEFT) Success Performance Indicator reducing it from 70% to 66%. It was important to note that no students had actually graduated. The College was not the only one affected the SFC had identified 13 in total but due to the size of our College the impact on the PI was greater.

There had been no falsification of records and none of the students identified had been awarded a certificate by SQA.

The Principal had contacted the SFC requesting a meeting as a matter of some urgency as this had the potential for reputational damage for the

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College. The Learning & Teaching Committee had been appraised of the issue at their recent meeting.

The meeting would take place on 5 December. The Principal would update the Board of Governors at their meeting of 12 December 2017 and would attach a full report to the Principal & Chief Executive's Report.

Action 5 – Principal & Chief Executive

Key risk 3 – Widening Access – risk reduced to medium – the College had made good progress in the last three years with activity and delivered to learners within SIMD postcodes. However the College was addressing gender under representation on particular courses where there had been little progress.

Risk 4 – maintained as medium – due to the performance of the Workforce Department and Commercial Team. The risk was maintained as medium as the College was awaiting the next phase of procurement in relation to the CHS contract. Another risk was the College's ability to deliver the Flexible Workforce Fund within very tight timescales.

Risk 5 – maintained as high – the rating remained high to reflect the risks associated with National Bargaining and any likelihood of industrial action.

The Chair thanked the Principal for a very thorough report.

17.54 Whistleblowing

The above policy had been updated in line with the introduction of the Enterprise and Regularity Reform Act 2013 and approved by the Audit Committee in September 2014. The policy had been reviewed as part of the 3 year cyclical review process and one minor change had been made to reflect the job title of the Senior HR Business Partner.

After discussion it was agreed that the Secretary to the Board review and update Section 5 – Reporting of Outcomes - inserting a statement of corrective action when reporting outcomes and how to mitigate them re-occurring.

Action 6 - Secretary to the Board of Governors

17.55 Health & Safety Quarterly Report

The Facilities Manager gave explanations where necessary on the above report and the following was noted:-

Health and Safety Management - which covered arrangements in place to control health and safety risks in order to meet legal requirements and show commitment to all stakeholders.

Scheduled events and training which covered – health and safety meetings, and a counter terrorist evacuation procedures and the development of a Health and Safety package on Moodle.

Discussion took place on Health & Safety Training and whether this required to be mandatory and also when and how managers identify training needs for staff through the learning and development process. It was agreed that this process be reviewed to ensure that all training needs identified were met.

Action 7 – Vice Principal, Finance & Curriculum Services/Facilities Manager

The Audit Committee noted the report

17.56 College Key Performance Indicators 2016-17

Vice Principal, Finance and Curriculum Services, introduced paper 14 showing the College's Key Financial and Non-Financial Performance Indicators (KPIs) for 2016-17.

Good progress being made in relation to three targets with Further Education Full Time requiring further improvement.

The Audit Committee noted the report.

The Chair thanked management and all the associated departments for producing evidence of good practice across the College and also the Vice Principal, Finance & Curriculum Services and other Officers for the immense amount of work over the year and also ensuring that it was all understandable for the Committee.

17.57 Meeting of the Committee Without Management

Members of the Management Team left the meeting before this item.

The Chair invited the opinion of the internal and external auditors of the College's approach to audit. They confirmed that the Management Team demonstrated an open and helpful approach and were fully engaged in the audit process. Any issues that had been identified through the audit process had been brought to the attention of the Committee.

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The Finance Team had demonstrated a great deal of diligence in the preparation of these accounts and ensuring that the reporting requirements were met.

It was acknowledged that since this was the external auditor's first year working with the College there had been a learning curve on both sides but a debrief meeting is being set up to ensure that feedback is shared to ensure a smoother process next year.

The Chair thanked the internal and external auditors for their experience, insight and work.

17.58 Any Other Business

There were no other items of business.

17.59 Review of Meeting, Supporting Papers and Training Needs

The Audit Committee was content with the meeting and supporting papers presented. It was felt that some additional training on the layout and requirements of the Financial Statements would be helpful.

Action 8: Board Secretary

The Chair thanked members for their contributions and attention to what had been a very full set of papers.

17.60 Date of Next Meeting

The next meeting would take place on Thursday 8 March at 9.30am.

Note: There were no matters discussed during the meeting, during which Members declared any conflict of interest, or the Secretary to the Board was aware from the Register of Interests that discussion could give rise to such a conflict.

Signed
Chair, Audit Committee

Date