

West Lothian College

7 March 2019

Audit Committee

Minute of Meeting of the Audit Committee held on **Thursday 29 November** at 9.30am in the Barbour Suite.

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

In attendance: Jackie Galbraith (Principal & Chief Executive) to item 18.57
 Jennifer McLaren (Vice Principal, Finance & Curriculum Services) to item 18.57
 George Hotchkiss (Vice Principal, Curriculum & Planning) to item 18.57
 Simon Earp (Vice Principal, Curriculum & Enterprise) to item 18.57
 Ruth Weir (Scott-Moncrieff, Internal Auditors)
 Lucy Nutley (Mazars, External Auditors)
 Emily Purdie (Health & Safety Officer) item 18.55 only
 Karine McNair (Board Secretary)

18.46 Welcome/Apologies

The Chair welcomed Ruth Weir from Scott-Moncrieff.

Apologies were received from Sue Cook.

18.47 Declarations of Interest

There were no declarations of interest.

18.48 Minute of Meeting of 6 September 2018

The Minute of the meeting of the Audit Committee of 6 September 2018 was approved as a correct record.

18.49 Matters Arising from Minute of Meeting of 6 September 2018

All other actions were duly completed and noted.

18.50 External Audit**(i) Annual Report & Financial Statements 2017-18**

Vice Principal, Finance & Curriculum Services, presented the Annual Report & Financial Statements 2017-18 highlighting that they were prepared in accordance with all regulatory requirements. The requirements had not significantly changed from 2016-17 however the Committee noted the addition information relating to Trade Union activity which is now a reporting requirement for all public bodies and the information will be published on the College website.

Vice Principal, Finance & Curriculum Services, highlighted that the additional £1m of staff costs compared to 2016-17 included some pension revaluation costs however they mainly related to the impact of pay harmonisation for lecturing staff.

It was noted that as a result of the good trading position the college had been able to undertake investment projects in the College and Vice Principal, Finance & Curriculum Services, confirmed that the Fiscal Year position is monitored to ensure that any surplus forecast at the end of March is re-invested in the college.

The Committee noted the requirement for the Board to confirm that the College is a 'Going Concern'. The External Auditor confirmed that the definition of 'Going Concern' for the purposes of a College is that there is no indication that the Scottish Funding Council would cease funding in the 12 months past the point of signing.

The Committee discussed the commentary on page 23 regarding the malware attack and noted that the Strategic Risk is still classified as 'very high' for IT Security. Vice Principal, Finance & Curriculum Services, confirmed that the commentary outlined steps that were taken at the time to mitigate against any further attacks but further action needs to be taken to secure the College against the continuous threat of malware attacks and this is highlighted in the risk register.

The Committee recommended the Annual Report & Financial Statements 2017-18 for approval by the Board.

Action 1: Board Secretary

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(ii) Annual Report to the Board of Governors & Auditor General

The External Auditors presented paper 4 commenting that the report gave an unqualified opinion on all 3 requirements. The External Auditors were content that the College had a stable financial position and once any external volatile movements were removed, e.g. pension revaluations, they were satisfied that the College was operating sustainably within its funding allocation.

It was noted that the Financial Forecast Return had been resubmitted to the Scottish Funding Council after a request by the Scottish Funding Council. Vice Principal, Finance & Curriculum Services, commented that the request had been made after the last Board meeting but that the resubmission deadline was before the next Board meeting. Governance procedures had been followed to allow approval of the resubmitted version by the Finance & General Purposes and the Chair of the Board used delegated powers to approve the document on behalf of the Board. The resubmitted Financial Forecast Return would be presented at the next Board meeting for information.

Action 2: Board Secretary

The External Auditors/Vice Principal, Finance & Curriculum Services, commented that the resubmission of the Financial Forecast Return had been requested so that the Scottish Funding Council was able to produce a consolidated college sector position using the assumptions contained within the guidance issued with the Financial Forecast Return. The Committee queried if the resubmitted version was realistic given the growing young population in West Lothian and the College's desire for growth. It was noted that the resubmitted version of the Financial Forecast Return was one scenario but the College was hopeful for growth funding.

The Committee recommended the report to the Board for approval.

Action 3: Board Secretary**(iii) Letter of Representation to Mazars**

Vice Principal, Finance & Curriculum Services, presented paper 5 which the Committee were satisfied with. However, the Committee requested that the wording on page 2 is changed to 'adequate'.

Action 4: Vice Principal, Finance & Curriculum Services.

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The Committee recommended the Letter of Representation be signed by the Chair of the Board on behalf of the Board.

Action 5: Board Secretary**18.51 Internal Audit Reports****(i) Student Support Funds & Educational Maintenance Allowances (EMA) 2017-18**

The Internal Auditor presented paper 6 noting one recommendation. Regarding that recommendation, Vice Principal, Finance & Curriculum Services, confirmed that the team were in discussion with Capita who provide the software to request a change to the software which would prevent any potential redirection of funds.

It was also noted that currently the risk of redirection is low given the small team who control the information and the likelihood that any students would alert the team if funds had not been received. However, Vice Principal, Finance & Curriculum Services, appreciated that the current situation was not ideal and would work with Capita to resolve the software issue as soon as possible.

The Committee noted the report.

(ii) Review of 2017-18 Credit Return

The Internal Auditor presented paper 7 highlighting that 3% above the Credit target was an encouraging position. Vice Principal, Finance & Curriculum Services commented that following the audit, the Credit position had been adjusted by only 10 Credits compared to 300 Credits in previous years. The work by the Student Systems Manager in keeping accurate records was commended by the Committee.

Vice Principal, Finance & Curriculum Services, confirmed that following completion of the Internal Auditor's report, actions 1 and 4 had been completed. Regarding actions 2 and 3, weekly reports to Centre Heads had been implemented showing absences and withdrawals from which Centre Heads were taking action.

The Committee noted the paper.

(iii) Annual Internal Audit Report 2017-18

The Internal Auditor presented paper 8, commenting that 'reasonable assurance' was the highest possible level of assurance.

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The Committee noted the paper and commented on the positive report.

18.52 College Audit Rolling Action Plan

Vice Principal, Curriculum & Enterprise, commented on paper 9 highlighting that the Commercial and Corporate Engagement Strategy was drafted and in the final stages of internal approval. It was confirmed that a number of actions are already underway and the team are still working towards the 2018-19 targets, which are on track. The Strategy has taken into account many views from around the College and should therefore be in the final stages to be finalised in the New Year.

The Committee commented that the Commercial and Corporate Engagement Strategy should align with any other college strategies. Vice Principal, Curriculum & Enterprise, confirmed that the other strategies had been taken into account as well as the Outcome Agreement.

The Committee noted the plan.

18.53 Audit Committee's Annual Report to the Board of Governors

Vice Principal, Finance & Curriculum Services, presented paper 10 noting that the format is prescribed by the Scottish Funding Council and the content is very similar to last year.

The Committee approved the report for presentation to the Board.

Action 6: Chair of the Audit Committee

18.54 Strategic Risk Register

Vice Principal, Finance & Curriculum Services, presented paper 11 commenting that the majority of risks have been maintained at their original risk category.

Regarding Risk 4, the Principal undertook to share her email to staff regarding the potential industrial action ballot with the Board.

Action 7: Principal

Regarding Risk 5, the Principal confirmed that the Finance & General Purposes Committee had recommended that the Senior Team produce an ambitious Infrastructure Strategy and encouraged the Senior Team to

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continue to seek funding from the Scottish Funding Council. It was agreed that the College needed modernisation in all areas of infrastructure to enhance the student experience. Following feedback from staff and students, it was clear that the Street Building was the priority area and plans are underway to consider how best to use the space for the benefit of all staff and students.

The Committee concurred with the Finance & General Purposes Committee and encouraged the Senior Team to consider all funding options such as partnerships with employers and West Lothian Council as well as possible corporate sponsorship.

Regarding Risk 6, Vice Principal, Finance & Curriculum Services, confirmed that the risk had been raised to 'very high' following the late guidance issued regarding TQFE holders. The guidance had been issued after the Budget for 2018-19 had been agreed and has a significant financial impact on the College. The Principal and Vice Principal, Finance & Curriculum Services, have approached the Scottish Funding Council for additional funding to help with the increased costs as a result of the guidance.

Regarding Risk 8, Vice Principal, Finance & Curriculum Services, confirmed that the risk had been raised to 'very high' as a result of issues which had been identified by Edinburgh Napier University and the need to have a fundamental upgrade of the College's IT systems.

The Committee agreed to note the report.

18.55 Health & Safety Quarterly Report

The Health & Safety Officer, presented paper 12 noting that the reported incidents in the quarter had reduced compared to the prior year. The start of the academic year was typically when students began showing their medical conditions and the majority of reported incidents related to a small number of individuals.

The Committee noted that reported incidents with sharp implements had reduced. The Health & Safety Officer expanded on the incidents which related to one student and explained the unique circumstances which had contributed to the number of reported incidents involving that student. The Committee were satisfied that safeguards were in place to prevent future incidents and noted that the Annual Report would be presented at the next meeting.

The Committee thanked the Health & Safety Officer for the report.

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18.56 Key Performance Indicators 2017-18

Vice Principal, Finance & Curriculum Services, presented paper 13 and the Committee noted the improvement in all non-financial KPIs over 3 years. It was acknowledged that there had been some year to year declines in the period despite the overall improvement in 3 years.

The Committee noted the paper.

18.57 Review of IT Service

Vice Principal, Finance & Curriculum Services, presented paper 14 highlighting that after their initial review, Edinburgh Napier University had presented their conclusion and options for enhancing the IT service. The College had requested information about the associated costs.

The Principal confirmed that after the initial review, steps had been taken to ensure that the system was as safe as possible and now the College was focussing on a strategy to ensure that the IT infrastructure was as robust as possible and also fit for purpose in the high technology environment in which students operate.

Vice Principal, Finance & Curriculum, confirmed that in the unlikely event a malware attack was to affect the launch of applications, a paper contingency plan was in place and had been discussed with all Centres.

The Committee encouraged the Senior Team to consider all the IT support options available including West Lothian Council and private sector providers.

The Committee noted the report.

18.58 Meeting of the Committee without Management

The Management Team left the meeting.

The Internal Auditors confirmed that they had not experienced any issues working with College staff when compiling their reports.

The External Auditors commented that accounts were not available to them on the first planned day of the audit. This was unusual for the College team and could be explained by some late guidance adjustments which had been issued by Audit Scotland.

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The Committee commented that they would monitor whether the Finance team were compliant with the agreed audit timetable in future years.

The Committee thanked the Internal and External auditors for their input.

18.59 Any Other Business

There were no items of other business.

18.60 Review of Meeting, Supporting Papers and Training Needs

The Audit Committee requested a visit to see the Engineering and Construction Centres at the next meeting.

Action 8: Board Secretary

The Audit Committee was content with the meeting and supporting papers

18.61 Date of Next Meeting

The next meeting would take place on Thursday 7 March 2019 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