

**MINUTE OF THE TENTH MEETING OF THE AUDIT COMMITTEE  
HELD ON WEDNESDAY 9 MARCH 2016  
BOARDROOM, LANGSIDE CAMPUS, GLASGOW CLYDE COLLEGE**

**PRESENT:**

M Yuille	Chair
S Heidinger	Board Member
G McGuinness	Board Member
Claire Walker	Support Staff Member

**IN ATTENDANCE:**

S Walsh	Principal
J Thomson	Vice Principal, Resources
B Hughes	Depute Principal
A Linkston	Chairman of the Board
T Elliott	Director of Finance
D Forsyth	College Accountant
P Howard	Wylie & Bisset
S Inglis	Henderson Loggie

**APOLOGIES**

G Troup	Board Member
Micaela Ibis	Student Representative

**ACTION**

**16.01 WELCOME AND APOLOGIES**

The Committee Chair welcomed everyone to the meeting.. S Inglis was in attendance from Henderson Loggie and P Howard from Wylie & Bisset.

Apologies were noted from G Troup and M Ibis.

**16.02 DECLARATIONS OF INTEREST**

There were no declarations of interest other than that Henderson & Loggie are Internal Auditors to other Colleges in the Region.

**16.03 MINUTES OF THE AUDIT COMMITTEE MEETING OF 25 NOVEMBER 2015**

The minutes of the previous Audit Committee, 25 November 2015, were approved, subject to amendment of some minor typographical errors.

JT

16.04

#### **MATTERS ARISING – ACTION GRID**

M Yuille referred to the matrix issued with the agenda and noted that all actions from the previous meeting had been completed.

JT circulated papers referred to in the matrix at items 15.08 and 15.14.

**It was agreed that Agenda Items 16.05, 16.06, 16.09 and 16.10 would all be considered together as all formed reports from the College’s Internal Auditors, Henderson Loggie.**

16.05

#### **INTERNAL AUDIT NEEDS ASSESSMENT AND STRATEGIC PLAN 2015 TO 2018**

M Yuille invited S Inglis, Henderson Loggie to talk to the paper entitled ‘Internal Audit Needs Assessment and Strategic Plan 2015 to 2016’.

S Inglis explained how the report had been prepared and spoke to its format. It was explained that pages 1 and 2 set out the background to the report. S Inglis informed the meeting that interviews had taken place to help prepare the Audit Needs Assessment that was also driven by the College’s risk register.

S Inglis explained that the Executive Summary on page 3 sets out the main strategic, operational and financial issues facing the College at this time. S Inglis then explained that the risk analysis is set out on pages 4 to 9. The risks have been split into 8 categories. Where an item does not have a risk reference in brackets this means that it is not on the College’s Risk Register. It was explained that for each risk the report identified the impact of the risk, the likelihood of failure and the present controls followed by an overall priority rating. The report then goes on to summarise the risks from page 11 onwards and concludes with the strategic plan on pages 17 and 18.

Discussion took place around the report and the proposed coverage. M Yuille queried the lack of coverage in respect

of two items noted on page 11 of the report. S Inglis explained that these items are presently with the Board.

A Linkston identified a further area of risk being the staff cash handling procedures and policies. T Elliot noted that a review had been carried out last year. S Inglis agreed that the internal procedures could be looked at again by Henderson Loggie from a risk perspective.

G McGuinness queried if the future plans relating to IT risks and controls were ambitious enough. M Yuille queried the IT risk as being 'low'. After some discussion it was agreed that this score should be amended to high.

**SI**

S Inglis discussed Publicity and Communications and explained that some work could be done to ensure a policy is in place for the dissemination of news.

The Report was approved.

#### **16.06 INTERNAL AUDIT PLAN**

S Inglis spoke to the Internal Audit Plan. He explained that the proposed internal audit areas are Student Recruitment, Payroll, Budgetary Control and Risk Management as well as a review of College Financial Regulations.

The Internal Audit Plan was approved.

#### **16.09 INTERNAL AUDIT REPORTS: - STUDENT RECRUITMENT**

S Inglis spoke to the Internal Audit Report on Student Recruitment. He explained that the report gave a 'Good' level of assurance with the system meeting the control objectives. The Report was open for discussion with Henderson Loggie seeking feedback on the style of report.

It was noted that the report covered a wide range of departments within the College. The report considered various funding streams.

There was only one recommendation within the report, that relating to student communication during the admissions process. It was noted that more could be done to keep in touch with students from the time of them being accepted on

to a course and them starting. S Inglis suggested that a standard approach is used across all departments.

S Heidinger questioned the viability of the breadth of courses being offered. S Walsh advised that the courses were reviewed annually and that this was done taking consideration of regional and national trends.

In general, the members of the committee thought the format of the report was good.

#### 16.10 **INTERNAL AUDIT PROGRESS REPORT**

S Inglis spoke to the Internal Audit Progress Report. Its contents were noted.

It was noted that the Budgetary Control work had started and that the Payroll work has been set up for the next week.

#### 16.07 **APPROVAL OF ACCOUNTING POLICIES**

M Yuille invited T Elliot to talk to the paper titled 'Approval of Accounting Policies'. T Elliot explained that the paper presented the College Statement of Accounting Policies for approval and subsequent inclusion in the College Financial Statements for the period ending 31 July 2016. IT was further explained that the paper outlined key changes in accounting policies that are required following the issue of the Statement of Recommended Practice (SORP) for further and higher education 2015. T Elliot invited D Forsyth to outline the key changes in accounting policies which will impact on government grants.

D Forsyth explained that the College is required to comply with the new further and higher education Statement of Recommended Practice that reflects the changes in accounting standards from the introduction of the Financial Reporting Standard FRS102 by the Financial Reporting Council. D Forsyth explained that the new SORP requires all government grants to be treated either using the accruals model or the performance model. Government grants are classified separately as revenue grant or capital grant. D Forsyth explained that the College had to decide whether to use the accruals model or performance model and that the proposal is to use the accruals model.

In order to demonstrate the effects of the different models, D Forsyth distributed an example Statement of Comprehensive Income and Expenditure (SOCIE) and Statement of Financial Position. The examples had three columns, one showing the previous SORP, one showing the position if the accruals model is adopted and one showing the position if the performance model is adopted.

D Forsyth explained that under the accruals model government grants would be treated as income over the period in which the entity recognises the related costs for the grants intended use. Where the income from a grant is to be deferred it would now be recorded as deferred income under the creditors section of the balance sheet for both capital and revenue grants. It was explained that if the College chooses to use the accruals model for government capital grants, this would result in the deferred capital grants being transferred from the reserves section of the balance sheet to the creditors section. This will, in effect, reduce both the net assets and reserves by the total value of the deferred capital grants.

In contrast, D Forsyth explained the performance model and outlined that income from government grants would be recognised in the SOCIE when the performance related condition attached to the grant is met. Where a grant is received but has not yet met the performance related condition, the related income will be held as deferred income and be recognised in the SOCIE once the performance condition has been met. It was explained that, under this model, the College's net asset position would not be affected. The deferred capital grants will be recognised under accumulated income within the College's reserves. However, going forward, all income from government grants would require to be recognised as income in the SOCIE when the performance conditions attaching to the grant are met. D Forsyth explained that this would result in more volatility in terms of the operating position reported in each financial year.

T Elliot explained that the accruals model would result in some volatility but not as much volatility as the performance model.

C Walker noted that she did not feel qualified to make a decision on this. It was further explained that both models were correct but that the status quo was not an option, a decision had to be made. Consideration was given to the

impact on the SOCIE and the importance of having meaningful figures in the Income and Expenditure.

It was agreed that the accruals model would be approved and recommended to the Board in June. It was noted that this decision required consideration of complex accounting models and so clear communication to the Board was vital. **TE**

16.08 **STUDENT SUPPORT FUNDS AUDIT 2014/15**  
**(a) Student Support Funds**  
**(b) Education Maintenance Allowance**

M Yuille invited P Howard to talk to the Student Support Funds Audit 2014/15.

P Howard explained that the reports had been completed in September and October 2015. It was explained that these had been submitted to the Scottish Funding Council in time and that there were no issues in that regard to report.

P Howard explained that three recommendations had been made following the audit. One of those recommendations was a medium risk with the other two being low risk. It was noted that the previous year had three low risk recommendations with one of those still outstanding.

S Walsh noted that it was a concern that they had a high level of recommendations in comparison to other Colleges, even if they were low priority. P Howard explained that this was in comparison to the other Colleges audited by Wylie & Bisset and not across the sector generally.

M Yuille raised his concern that the report had been issued in draft in October 2015 and was only now being circulated. B Hughes explained that this had been an error and that this will be picked up in future. B Hughes also advised that all recommendations had now been addressed.

16.11 **GOVERNANCE ACTION PLAN**

J Thomson provided an update on the Governance Action Plan. She advised that there were 23 action points and of those 14 had now been completed with the remaining 9 ongoing. She explained that the appointment of the new Clerk to the Board will help to move these to a conclusion.

A Linkston noted that this work had been approached diligently.

In relation to item 4 on the action plan, 'failure to discuss governance concerns of the principal' it was noted that a meeting was to take place between the Principal and D Newall to discuss those issues. S Walsh noted that she hoped to see a report on this with issues being articulated and risk assessed.

**SW**

#### 16.12 **ICT NETWORK PENETRATION SUMMARY REPORT**

M Yuille invited B Hughes to open discussions on the ICT Network Penetration testing which had been carried out in February 2015. B Hughes explained that the testing had taken place over two days and essentially consisted of the testers trying to hack into the system. A number of vulnerabilities had been identified and these had been addressed immediately.

C Walker queried if the same credential based security applied to the student funding system and whether further controls could be put in place, for example, to only allow access to the system based on a person's ordinary times of access. B Hughes advised that the same credential based system was in place and that questions could be asked about tightening up security. S Walsh noted that the ICT policy had recently been refreshed and that the College only gives access to certain systems and information where absolutely necessary. M Yuille noted that the College cannot be too careful when it comes to ICT security.

**BH**

A Linkston noted that the report referred to software posing a risk where it was no longer in use or unsupported. He queried whether the College needs to carry out more regular reviews of software. B Hughes advised that the out of date software issues had arisen as a result of the merger and that this will no longer be an issue.

B Hughes advised that further ICT Penetration Testing would be carried out this summer.

#### 16.13 **INTERNAL AND EXTERNAL AUDIT ROLLING ACTION PLAN**

M Yuille invited J Thomson to provide an update on the rolling action plan. J Thomson advised that of the twenty six recommendations, twenty are now implemented with the

remaining six either partially implemented or within timescale..

#### **16.14 AUDIT SCOTLAND SECTION 22 REPORT**

J Thomson advised the Committee that the draft Section 22 Report has been issued. The College has until Monday 14<sup>th</sup> March to advise of any factual inaccuracies. The draft will then be signed off and arrangements will be made for the accounts and final Section 22 Report to be laid before the Scottish Parliament and published.

#### **16.15 RISK MANAGEMENT DISCUSSION**

M Yuille opened discussions on risk management. He explained that the College currently has a risk management policy and Risk Register and that these should be reviewed to consider any potential improvements.

M Yuille posed the questions, what is the process for identifying risks within the College and what is the risk appetite?

J Thomson explained that the College has a risk policy and risk register to identify and address risk. She explained that risks are added to the Risk Register as and when appropriate, three new risks having been added since the merger. There are currently twenty-three risks on the register with each risk being owned by a member of the College Management Team.

M Yuille queried what the process was for getting a risk placed on the Risk Register. S Walsh explained that the engagement of staff was crucial to this process with EMT notifying the CMT. S Walsh identified that the College needs to ensure engagement of all staff. S Inglis suggested that a departmental risk register could be introduced to identify more minor risks that could then be fed up to the main Register. M Yuille noted that this would help to create a risk culture with the importance of risk being at the forefront of all staff. M Yuille noted that a single Risk Register could be viewed as a tick box exercise. A Linkston reiterated the view that there needs to be a risk culture and this could be achieved by having a risk register at departmental level.

S Walsh noted that there is risk awareness at department level but that is not necessarily codified. M Yuille suggested that risk champions are put in place to ensure risk is considered and fed up to the CMT.

It was agreed that a Risk Register needs to be developed at departmental level. **JT**

Discussions then focussed on what the College's risk appetite is. Consideration was given to the HM Treasury Guide on Thinking About Risk that had been circulated with the papers. A risk score was considered but it was agreed that the risk appetite varies depending on the subject matter. It was noted that a cautious approach to risk could thwart entrepreneurship whilst an averse approach would only be acceptable in some circumstances.

Following a lengthy discussion on risk it was agreed that this would be given further consideration following the Report into risk being prepared by Henderson Loggie.

**Committee**

**16.16 APPOINTMENT OF INTERNAL AUDITORS 2016/17 TO 2018/19**

J Thomson advised that the appointment of internal auditors would be progressed. An update is awaited from Audit Scotland on the appointment of external auditors following which this appointment can be taken forward.

**JT**

**16.17 REVIEW OF PAPERS**

Members agreed that the papers were good.

**16.18 EQUALITIES IMPACT ASSESSMENT ON DECISIONS MADE**

It was considered that there were no equality impacts arising from the decisions made.

**DATE OF NEXT MEETING**

M Yuille advised that the date of the next meeting would be circulated. The next meeting will no longer take place on 15 June. M Yuille advised that the start time of the next meeting would be 2pm.