

MINUTES

Meeting: Audit and Risk Committee

Date: Thursday 1 June 2023 at 3.30pm

Location: Microsoft Teams

Present: Brian Fisher (Chair), Mike Boyle, Evelyn McPhail, Samantha Mowbray

In Attendance: Wendy Brymer, David Eardley (Azets), Jim Metcalfe, James Thomson, Marianne Philp

1 Welcome

The Chair welcomed those present to the meeting. A special welcome was extended to Jim Metcalfe and James Thomson who were attending for the first time. It was confirmed that Mazars were unable to attend this meeting due to prior commitments.

2 Minutes of the Previous Meeting: 7 March 2023

The minutes of the previous meeting were approved as an accurate record.

3 Matters Arising / Actions Outstanding

The contents of the paper that had been circulated were noted.

4 Emerging Themes

There was a discussion about the following emerging themes:

- An increased focus on commercial income was key due to the current financial challenges, with finance suggested as the biggest overall risk
- The impact of the reduction on credits meant curriculum cuts in key areas – but it was important that this was not to the detriment of other areas
- With so much focus on strategy and the new campus, were other things falling behind, eg culture, focus on softer issues, Levenmouth and other main campuses
- The requirement for the College to be above sector average in all KPIs as otherwise commercial activity would be unlikely to grow
- Should the Board understand more about the College's commitment to Net Zero/ environmental issues. It was suggested that the new Sustainability Team could be invited to present to the Board on this in due course.
- Was the Carnegie Conference Centre utilization sufficient

5 Strategic Risk Register Update

The contents of the paper that had been circulated were noted. It was noted that Risk 15 had been updated to give a shorter description as had been requested at the last meeting.

It was agreed that Risk 14 should be removed until such time as negotiations start for Year 8 or the re-tender for the SPS contract. It was noted that this contract was the largest commercial income contract held by the College, but was marginal in terms of profit. A detailed analysis and discussion would be required before deciding whether or not to re-tender.

Risks scoring outwith the tolerance levels were outlined and noted. These had not changed since the last meeting.

It was noted that risk 4 suggested winning recent awards as mitigations for the risk and this was queried. It was also suggested that the effort of applying for awards should be offset against the benefit of winning to ensure that time was being focused appropriately. It was also noted that the mitigations would be more focused moving forward, as had been suggested and agreed at the recent Board Strategy Day.

Decision: To remove Risk 14 from the Audit and Risk Committee's updates until such time as year 8 negotiations or re-tender exercise is underway.

Responsibility: Director: Planning and Performance **Deadline:** 7 September 2023

6 Internal Audit

6.1 Update on Internal Audit Actions: Exception Report

The contents of the paper that had been circulated were noted. It was confirmed that only one action was marked as open and this was not yet due for completion. The internal auditor confirmed that management were diligent at keeping on top of recommendations and ensuring these were progressed timeously.

6.2 Commercial Income and Business Strategy

The contents of the paper that had been circulated were noted. Good practice had been identified as outlined on page 26 of the Boardpack. No reportable weaknesses had been identified. As the report had no recommendations, additional text had been included to give Committee members a sense of why this was the case.

6.3 Estates Strategy: New Dunfermline Campus Project

The contents of the paper that had been circulated were noted. The internal auditor apologized for an error in the report. The amber flag on page 37 of the Boardpack should be yellow. The report would be corrected after the meeting. Good practice had been identified as outlined on page 38 of the Boardpack. Three grade 2 recommendations had been identified, as outlined on page 57 of the Boardpack.

Some concerns were noted at these recommendations, particularly given the size of the project. The internal auditor suggested that it was not uncommon for recommendations to be made in reports covering an area of work a College would not routinely be involved in. Recent and forthcoming changes to the Project Team were also highlighted.

Decision: To refer the Internal Audit report to the New Build Project Board for information and to highlight that recommendations require to be taken forward by the deadline.

Responsibility: Director: Governance and Compliance **Deadline:** 8 June 2023

6.4 Internal Communications

The contents of the paper that had been circulated were noted. Good practice had been identified as outlined on page 52 of the Boardpack. Two grade 2 recommendations had been identified, as outlined on page 52 of the Boardpack. Members commented that these recommendations appeared to align with feedback gathered by some Board members from staff and students on a recent tour of campuses.

7 External Audit Plan and Fee

It was confirmed that the external auditor had attended a Teams meeting with the Chair of the Committee and Director: Governance and Compliance and had highlighted the key points of this report. Main points arising from the meeting included:

- The fee was higher than in previous years and was unlikely to be reduced in future years of the contract. Assurances had been given that if additional work was required, it was unlikely this would result in an additional fee being requested.
- Assurance was given that the sectoral financial challenges would not result in red flagging in the report as had happened the previous year and would be referenced in an appropriate way.
- Due to this being the first year of the contract, materiality levels were lower and this may mean additional work for the auditor/college.
- The internal audit manager was still to be identified, and dates for the external work advised.

Decisions:

- To approve the external audit plan and fee.
- To circulate the name of the external audit manager and the dates for external audit work once available.

Responsibility: Director: Governance and Compliance **Deadline:** 31 July 2023

8 National Fraud Initiative Update

The contents of the paper that had been circulated were noted. It was confirmed that the exercise had not identified any instances of fraud. Members acknowledged the amount of work that participating in this initiative generates, and thanked staff for this.

9 Accounting Policies for Year End 31 July 2023

The contents of the paper that had been circulated were noted. There were no changes proposed to the accounting policies.

Decision: To approve the accounting policies for the year end 31 July 2023.

Responsibility: Director: Governance and Compliance **Deadline:** 31 July 2023

10 Self Evaluation 2022-23

The contents of the paper that had been circulated were noted. It was highlighted that the format of self-evaluation had been altered slightly to try to increase feedback from all Committee members. Other attendees would also be asked to contribute to this to give a more rounded view of the Committee's performance. It was also noted that this was an opportunity to review the remit of the Committee and recommend any changes that may be required to the Board of Governors for approval. The compliance document had been completed by the Director: Governance and Compliance and members were requested to review this and offer comment where they disagreed with or wished to query anything recorded.

Decisions:

- To issue the self-evaluation template by email to members and attendees.
Responsibility: Director: Governance and Compliance **Deadline:** 2 June 2023
- To complete and return the self-evaluation template.
Responsibility: All Committee members and attendees **Deadline:** 30 June 2023

11 Review of Meeting

No business was transacted.

12 Internal Auditor Appointment

The internal auditor declared an interest and withdrew from the meeting.

The contents of the paper that had been circulated were noted. It was confirmed that the paper was included for completeness as updates had been issued to members by email throughout the process. It was noted that price was the most significant factor in determining the outcome on this occasion.

It was noted that engagement between the internal auditors and management had commenced, with dates being agreed for the SFC areas of annual internal audit assurance.

It was confirmed that both Azets and Wylie & Bisset would be invited to the next meeting, and that this was normal practice when changing internal auditors and should not cause any issue.

13 Date of Next Meeting

Thursday 7 September 2023 at 3.30pm