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Regional Board Report

BORDERS COLLEGE REGIONAL BOARD

Subject: Report from Audit Committee	**Purpose:** **For Approval** ☐ **For Discussion** ☐ **For Information** ☒
Prepared by: Ingrid Earp	**Date of Committee:** 9 March 2023

Purpose:
To report on the most recent Audit Committee Meeting.

Executive Summary:
The Chair of Audit will give a verbal update. The approved minutes from the November Audit Committee Meeting are attached here.

Key items:

Questions that Members should ask themselves when reading the paper:

Paper is for information.

Linked to Strategic Ambition(s):
Take a leading role in enabling an inclusive, resilient and sustainable Scotland

Proactively engage with our community and stakeholders to ensure our practice reflects their needs

Performance Measures:
Recogise nationally as a progressive organisation

Recognised as national leaders in sustainable practice

Linked to Strategic Risk Register:
4b - Governance
Choose an item.

Recommendation:
Members note the report.

Previous Committee Approvals:

No

For publication ☒	**Not for publication** ☐ **If not, why not?**

Audit Committee

Meeting at 17:30 on Thursday 24 November 2022

MS Teams

Actions

Item	Action	Responsibility and Date	Action Status
22/22	**Final Draft of Annual Accounts - Paper B** Amendments to be made (see minute page 3 and 4)	VP F&CS December 2022	Amendments made. Paper s submitted to Board and SFC
26/22	**Internal Audit Assignment – Student Support Funds - Paper F** Discrepancy on Page 10 in the summary returns figures which did not add up to the total, to be corrected.	SB (W&B Internal Auditors)	Completed. Attached for information.
28/22	**Internal Audit Assignment – Payroll - Paper H** The financial regulations require updating by September 2022. VP F&CS will follow this up and report back	VP F&CS December 2022	Financial regulations update to be included on the agenda for at the next meeting on 11th May.
30/22	**Cyber Security Update (Standing Item) - Paper J** Essentials Plus criteria – clarity to be sought around how soon the College can meet this.	VP F&CS	College can reapply at any time.
32/22	**Register of Corporate Gifts - Paper K** Committee members to review the financial regulations around gifts at the next meeting.	VP F&CS	Relevant policies on agenda and Financial regulations update to be tabled at next meeting.

Audit Committee

Meeting at 17:30 on Thursday 24 November 2022

MS Teams

MINUTES

ITEM	MINUTES
Present	Carol Gillie (Chair) David Peace Ann McKerracher Vernice Key F&GP Committee member, L Parkes was present for the first item – Final Draft of Annual Accounts.
In Attendance	Pete Smith, Principal Kirsty Robb (Vice Principal, Finance & Corporate Services) Ingrid Earp (Board Secretary) David Eardley, Azets Susan Brook, Wylie & Bisset Suzie Hartley (Minutes)
16/22	**Chair's Welcome** The Chair welcomed everyone to the meeting and noted that this is the first 'in person' meeting since 2020. Introductions were made and a welcome was extended to Susan Brook, attending in place of Scott McCready who she is set to take over from.
17/22	**Declaration of Conflict of Interest** No conflicts were noted.
18/22	**Register of Members' Interest** Nothing was noted.
19/22	**Apologies for Absence** Apologies were received from Ray McCowan, Scott McCready, Bernie Quinn, Ugonna Mbaezue, Lynn Mirley
20/22	**Minutes of Previous Meeting held on 12 May 2022 – Paper A** The Principal corrected that he attended for the whole of the last meeting in September. The rest of the minutes from the last meeting were approved as an accurate representation of the meeting.

	The following updates to actions were provided; 23/22 Timeline for internal audit tender process – the current contract runs until July 2024 and a plan of action will be drafted prior to going out to tender. To be discussed at future committees in the new year. 25/22 Board Secretary to ensure Board have a discussion regarding the Risk Register after new members are in place – it was agreed to put this back to a later board meeting so the new VP Finance and Corporate Services (VP F&CS) could become familiar, likely around April 2023. VP F&CS advised that this is being updated. 30/22 Governance arrangements for cyber security to be reviewed as part of update of Terms of Reference. – now agreed and to be ratified at Board next week. 22/22 Finance Directors Group to be contacted to see if there are issues of general concern – guidance has been received from the Finance Directors Group and will be incorporated into the Annual Report. 29/22 Firewall Audit - The audit recommendation to undertake a quarterly review of the Firewall rules has been implemented. 31/22 Register of Corporate Gifts – Staff's responsibility around this has been highlighted at SLT to be cascaded down to all staff. A formal register continues to be kept and maintained. Action VP F&CS agreed to request email confirmation that the register of corporate gifts policy has been circulated to all staff 22/22 Amendments have been made to the annual accounts. V Key arrived to the meeting.
21/22	**<u>Matters Arising</u>** There were no matters arising.
SECTION A – ITEMS FOR APPROVAL	
22/22	**<u>Final Draft of Annual Accounts - Paper B</u>** VP F&CS informed that the draft version was sent for comment two weeks ago in light of the tight turnaround to Board and that amendments have been made in response to comments received. Members highlighted the following further comments; • Contrary to the report, there was a Remuneration Committee held this year in June 2022. • Some of the font sizes are not uniform. • Discussion was had around the visibility of external auditors' recommendations to the Board and a suggestion made to add the whole report as an appendix to the Board. • A member will send VP F&CS an email detailing typing mistakes. • Page 7- Profile and positioning, doesn't say who awarded the College Computing Digital Transformation of the year. VP F&CS will find out and add in.

	• Page 9 - Future priorities, last bullet point should read *financially* not financial sustainable. • Page 25 - 1st bullet point – "the 5-year financial plan will be developed by end September 2022. A member asked if this has happened. VP F&CS will amend to reflect that it hasn't been developed yet. • Page 10 and 11 – "detailed action plans are in place to improve success rates", a member asked whether the detail could be included. It was noted that there are a lot of detailed actions and that it may be too much to include this all. VP F&CS will look at expanding this slightly. • P20 of 85 – "virtual learning environments have become second nature for most students", a member commented that they wouldn't regard this as a positive and that it infers that the virtual learning environment is good for all. • P52 – an increase in sickness absence from 4.77 days last year to 17.7 days last this year was recognised as significant and queried. VP F&CS explained that this is reflected across the sector and is due to long-term sickness and Covid and compared with an unusually low figure last year attributed to staff not taking sick days whilst working from home. It was agreed a comment should be added in the report. • The chair asked if something should be added to the narrative regarding pension liability. VP F&CS explained that the figures produced aren't realistic due to considerable fluctuations year on year. There are currently three pages of narrative around this and therefore committee were content to leave it as it is. **ACTION: VP F&CS** Committee were happy to recommend the report, pending corrections, for approval at the Regional Board.
23/22	**<u>Final Draft of Annual Report to Regional Board – Paper C</u>** The report covers all main areas and all governance requirements have been met. Meetings between members and the auditors will continue to be held at the start or end of each Audit Committee meeting. A member queried the list of responsibilities in relation to looking into fraud and impropriety and what issues this incapsulates. The Principal informed that the college have tightened up on inappropriate acceptance of gifts and ensuring full procedure is followed in the procurement of large contracts. Further to this, any suspected fraud is brought to this Committee and SFC are informed, as per the financial regulations. Committee member D Peace highlighted that overseeing this is part of his role as a senior independent member. Members were happy to approve the report for submission to Board.
24/22	**<u>External Audit Report – Annual Report - Paper D</u>** Moved to first on the agenda This is the final year of the Audit Scotland appointment and D Eardley announced that Azets have been re-reappointed to Borders College for the next five years. The current audit continues but is mostly complete. Azets carry out their audit as per the code of audit practice and have a wide remit, including governance and financial sustainability and proposed opinions are unqualified. The key personnel changes within

	the college were acknowledged thanks extended to the Borders team in recognition of the progress made despite the challenges. Significant risk areas are set out in the plan and include a notable reduction in pension liability compared with previous years. The Audit differences adjusted and unadjusted on page 26 and 27 and relate to job evaluation and the difference in an accrual or a provision. Financial sustainability continues to be a significant challenge and is not unique to the Borders. The report draws attention to the stark financial challenges. . The following points were made in response to members questions; • Estates valuation - the date is noted as 31 July 2021 in report when it should read this year 31st July 2022. • The orange rating is reflective of the difficult decisions the college faces and the outlook as driven by the SFC and likely future settlements. This is reflected in the risk assessment. VP F&CS and the Principal acknowledged that the financial outlook is not positive and are content that the rating gives the right impression that colleges are facing enormous risk and difficulties and that this aligns with the college statements. • A number of audit recommendations from previous years have not yet been fully closed down. Staffing arrangements and the vacancy of the VP F&CS post were attributed to this. Dates have since been agreed and work implemented for a number of the recommendations already and further planning will commence in the New Year to ensure these issues don't arise again. • A number of new recommendations were also highlighted in the report. Members were happy to note the report and for the Letter of Representation and Annual Accounts to go to Board.
25/22	**<u>Internal Audit Assignment – Credits - Paper E</u>** The Student Data returns annual review was a clean report with no recommendations. All systems were found to be satisfactory and no clawback is due. It was highlighted that the College is currently below target on credits and queried whether anything can be done to avoid this from happening. It was recognised that the College needs more students and that a lot of work is being done to maximise this and achieve more credits. The Principal noted that it is very small difference in the credit target, that they have improved their early withdrawals figures and were awarded additional credits last year. Overall, there is no concern. Committee were happy to approve the report.
26/22	**<u>Internal Audit Assignment – Student Support Funds - Paper F</u>** The report concluded that the College's systems of controls and disbursement of funds is adequate and that the Audit Certificate was

	submitted in time by 30 September 2022. A member highlighted a discrepancy on Page 10 in the summary returns figures which did not add up to the total. S Brook will review and update as necessary. **ACTION: SB** Members were happy to approve the report.
27/22	**<u>Internal Audit Assignment – Educational Maintenance Allowance - Paper G</u>** The report concluded that the college used funds in accordance with SFC guidelines. An action regarding engagement reports last year was followed up and no issues were identified this year. It was noted that additional staff have been allocated to process and check payments. A member highlighted that on Page 6 in relation to benchmarking, no figures are quoted and asked if these are missing. S Brooks will update to either add in numbers or change the statement. Members confirmed they are content to approve the report pending the requested amendments being made.
28/22	**<u>Internal Audit Assignment – Payroll - Paper H</u>** This report is presented in a new format. The purpose is to ensure that the College is operating as expected in the areas linked to payroll noted on Page 2. The results of the report provided a strong assurance that deductions and additions to salaries are properly calculated. A member queried that there is no comment regarding whether the College captured all that should be going through payroll. S Brook advised that they check that new starts and leavers are paid accordingly and that information further to this would be a different audit, we have flowchart for checking these things, possibly for future. It was highlighted that the financial regulations are noted as requiring to be updated by September 2022. VP F&CS will follow this up and report back. **ACTION: VP F&CS** Committee were happy to approve the report.
SECTION B – ITEMS FOR DISCUSSION	
29/22	**<u>Strategic Risk Register - Paper I</u>** The Strategic Risk Register was presented at F&GP Committee last week. The following points were noted following comments; • 2 typing mistakes to be amended, 4C should read 4 – this was downgraded after appointing staff. • 2 ratings have changed – 3b rating has reduced from 9 to 6. Full valuation exercise completed on assets. Strong rating gained from internal audit review of budget controls and procedures. 4c – rating has reduced from 9 to 4 Executive posts now fully filled and key actions completed. • SLT are considering whether Climate change and its impact should be a feature on the risk on our register.

	• Cyber Security continues to be a high-risk. VP F&CS will look at linking the information more between the cyber report and the Risk Register. • The highest risk is in relation to the Colleges financial plan and targets. SLT are currently considering a 5-year budget and the process and timetable around this and are also looking at ways to generate more income. Following the release of the Autumn statement and preparatory work, a revised budget is due to be brought back to committee in February. There is concern around the level of potential funding coming into sector and the significant deficit this may cause and the impact on staff. Ongoing action around this should therefore be noted in the report going forward. Committee were happy to note the Risk Register.
SECTION C – ITEMS FOR INFORMATION	
30/22	**<u>Cyber Security Update (Standing Item) - Paper J</u>** The college continue to take cyber security seriously and ensure that staff are up to date. Two members of staff recently attended the JISC Security Conference to look at good practice. Cyber Essentials accreditation is due for renewal in January 2023. The College may not be able to meet the new criteria to achieve a Cyber Essentials Plus rating due to not replacing some existing laptops and people using their own devices. This presents a risk of not receiving full funding so the College are keen to get this in place by the summer. A member queried how soon the college would be able to meet the Essentials Plus criteria. This will be looked into and an update provided. **ACTION: VP F&CS** The committee noted the Cyber Security update.
31/22	**<u>Committee Papers for Publication (Standing Item)</u>** The Cyber Security update is for publication. The Annual accounts and the Annual Audit report are not for publication.
32/22	**<u>Register of Corporate Gifts - Paper K</u>** The Register is fully up to date with the addition of several rugby tickets and a gift of a quantity of timber, since noting the last Register in September. The Principal confirmed that the timber does not need noted. A member suggested whether a minimum value could be set, for example, anything under £10 and to differentiate between sponsorship and gifts. A potential conflict of interest was raised regarding the distribution of one of the pairs of rugby tickets and whether to consider sharing these more fairly across the staff base by way of a draw or offering as a fundraising prize. It was noted that BT have been transparent about sharing the tickets and are able to do so now since entering a post contractual phase with the College. The chair proposed that committee members review the financial regulations around gifts. **ACTION: VPF&CS** Members noted the report.
33/22	**<u>Any Other Business</u>** Nothing was noted.

34/22	**<u>Date of Next Meeting</u>** Thursday 9 February 2023 via Teams.
Board members met with the auditors separately after the meeting concluded.	

Signed…… **Signed…….**

Chairman **Board Secretary**