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Audit & Risk Committee

Meeting at 17:00 Tuesday 2 December 2025

In the Boardroom

ACTIONS

Item	Action	Responsibility and Date	Action Status
68/25	Positive feedback from this committee to be shared with the IT team.	VP F&CS	



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In the Boardroom

MINUTES

ITEM	MINUTE
Present	Dave Roberts (Chair) Gordon Donald (online) Mark Cockburn Robert Punton Sonia Phythian (online) Vernice Key Hilary Broatch
In Attendance	Kirsty Robb (Vice Principal, Finance & Corporate Services) Ray McCowan (Board Chair) Ingrid Earp (Board Secretary) Graham Gillespie (WBG) Suzie Hartley (Minutes)
61/25	<u>Chair's Welcome</u> D Roberts welcomed everyone to the meeting, in particular Robert Punton (Student Vice President – Well-being & Activities) and Hilary Broatch (Equalities, Diversities & Inclusion Officer) who were attending for the first time.
62/25	<u>Declaration of Conflict of Interest</u> No conflicts of interest were noted.
63/25	<u>Register of Members' Interest</u> No changes/additions to the Register of Interest were raised.
64/25	<u>Apologies for Absence</u> Apologies were noted from Lindsey Hastie and Pete Smith.
65/25	<u>Minutes of Previous Meeting held on 9 October 2025 (Paper A)</u> The minutes were agreed as an accurate representation of discussions.
66/25	<u>Matters Arising</u> No actions and no matters arising.
SECTION A – ITEMS FOR DECISION	
67/25	<u>External Audit Report & Management Letter (K Robb, Paper B)</u> The Committee were asked to review the External Audit Report and Management Letter and recommend approval of the final accounts to the Board on 11 December. Final sign off by the Board Chair and Principal will then conclude the Audit. Members were reminded that they have the opportunity to review the accounts in detail prior to making their recommendation.

C Brown, Azets, reported that the audit had gone very well, consistent with previous years. The report provides assurance to support the recommendation to the Board and covers the wider scope required, including an opinion on the financial statements and a review of financial management and sustainability. Financial sustainability remains the most significant issue, reflecting the challenging financial environment faced by this and other colleges across the UK. The accounts and supporting papers were considered to be of high quality, and responses to audit queries were prompt. Only minor adjustments were required, with one recommendation relating to tidying up the depreciation of assets. The most significant finding relates to financial sustainability, rated as an amber risk. The report reflects how colleges are managing this through planning, forecasting, and responding to tight financial circumstances. No concerns were identified in the College's arrangements to mitigate risk, and the audit opinion is clean.

In response to a question on the rating being amber as opposed to red, C Brown explained that a red rating would only apply if the College were not taking a responsible approach to the situation and were in a potentially unsustainable position. Whilst the current financial position is challenging, the College is actively mitigating risks. It was confirmed that the report will eventually be published on Audit Scotland's website and highlighted to the Scottish Government. VP for Finance & Corporate Services advised that the College had met with the Scottish Funding Council to ensure consistency in reporting across the sector. Publication will not occur until all colleges' accounts are finalised, likely around April.

The lifecycle maintenance fund was raised, which will cease once the partnership with Heriot-Watt University concludes. At that point, the remaining funds will be returned and split between the two organisations in accordance with legal agreements (55%/45% based on shared and sole-use areas). Approximately £1.5 million remains in the fund, which is held in a separate bank account as part of cash balances. The College has declined a request from Heriot-Watt to return their share early, as there is no legal obligation to do so. When the fund closes in October 2026, the College intends to allocate its share to campus refurbishment and redevelopment.

The Committee Chair recognised that the Student Association budget is now incorporated into the College's normal budget and asked if there are likely to be any unexpected commitments surfacing in future in relation to this. VP for Finance & Corporate Services confirmed that to her knowledge, there is nothing and that any legal or partnership agreements must be signed by the Executive. Despite this mitigation however, there is potential for things to slip through.

It was queried whether other colleges are taking measures to address financial sustainability that the College could potentially adopt. C Brown advised that, based on Azets' experience with four Scottish colleges, he wasn't aware of anything and that the College appear to be taking all reasonable steps. Members expressed confidence that everything possible is being done by the College to take the matter seriously. C Brown commended the Finance Team, noting the challenges of recruiting and retaining skilled staff in a small, rural college, and praised the team's handling of the loss of a key member, recognising that if this

	<p>hadn't been addressed as well, it could potentially have presented a much higher risk.</p> <p>Members were content to approve the External Audit report and letter for submission to Board.</p>
<p>68/25</p>	<p><u>Internal Audit Report – Cyber (K Robb, Paper C)</u></p> <p>The Colleges Cyber Security Audit resulted in a substantial level of assurance, which is positive result. The audit scope was based on the NCSC's Ten Steps to Cyber Security, with scoring across ten areas on a scale of 0–1. Only two areas achieved a score of 1: incident management and logging, both of which carry a medium risk rating. These risks are increasingly common, and the College has playbooks in place to exercise incident response. Monitoring and alerting arrangements were reviewed and found to be satisfactory, with a positive report overall.</p> <p>Members were invited to comment but did not raise any significant concerns. It was noted that the College has begun working through the playbooks and intends to collaborate with Jisc and other colleges to undertake joint exercises. This approach will support shared learning and best practice. The College's IT staff were commended for their work, and VP for Finance & Corporate Services advised she will be feed this back to the team.</p> <p style="text-align: right;">ACTION: VP F&CS</p> <p>Committee members were content to approve the report.</p>
<p>69/25</p>	<p><u>Final Annual Accounts including Corporate Governance Statement (K Robb, ToR 2.1 / 2.2, Paper D)</u></p> <p>The Committee reviewed the final set of annual accounts, including the Corporate Governance Statement, and was asked to recommend these to the Board for approval.</p> <p>Discussion focused on the tone of the introductory statement, which had been debated in the previous year. Members agreed that the current version strikes the right balance and tone, with no concerns raised. It was confirmed that the contents and structure comply with the Accounts Direction from the Scottish Funding Council and the Financial Reporting Manual (FRoM). The statement on financial position was considered balanced, acknowledging financial sustainability as the most significant issue without being overly positive.</p> <p>It was noted that there were no material variations from the October presentation. One adjustment had been made to the balance sheet regarding an asset that should have been removed; this and any other changes will be reflected in the audit report as approved. The end-of-year position remains unchanged, with both adjustments relating to the balance sheet, the fixed asset note and Tweedbank dilapidations. These were correctly allocated within the balance sheet.</p> <p>The Committee confirmed their agreement with the final version of the Annual Accounts and recommended approval to the Board.</p>

70/25	<p><u>Committee Annual Report to Regional Board (K Robb, ToR 2.15 / 2.14 / 2.11, Paper E)</u></p> <p>The report demonstrates that the Committee has fulfilled its obligations during the year. Key areas of activity are highlighted, noting that attendance has been strong and papers have been provided on time. Positive feedback from internal and external audit reviews is noted and the report forms part of the accounts package required for submission. A draft version was reviewed at the previous meeting, and minor amendments have since been incorporated.</p> <p>Members expressed satisfaction with the final version and agreed to recommend it to the Board. The Chair extended thanks to all members for their commitment and attendance, noting that previous years had experienced challenges in this regard.</p>
SECTION B – ITEMS FOR DISCUSSION	
71/25	<p><u>Strategic Risk Register (K Robb, ToR 2.9, Paper F)</u></p> <p>VP for Finance & Corporate Services highlighted the key updates from the Risk Register from the last quarter and developments since the previous meeting. Outcomes from the recent Board Development Day, had identified three areas for further action - Cyber Security has been elevated to a standalone risk, separate from IT and data, following a recent training event. This will be presented to the Board for approval of the associated risk appetite. A new reputational risk has been proposed and discussed by the Senior Leadership Team (SLT), which will also be considered by the Board and thirdly, estate-related risks were reviewed to ensure facilities remain fit for purpose and aligned with future delivery requirements; this will similarly be subject to risk appetite scoring. These matters have also been discussed at the Finance & Resources Committee. The risk scores remain unchanged, with no new mitigating actions identified. Commercial income risk was highlighted, with a tightened approach to income generation and a requirement to replenish funds, given a current gap of £466k. All risks continue to be monitored as a standing item at SLT meetings, with actions progressing and significant work underway.</p> <p>In response to a query on transparency, it was confirmed that discussions are recorded in the minutes from SLT, Committee, and Board meetings, ensuring visibility. Financial risks relating to liquidity and cash flow were also discussed; these are referenced in risk 1.2 and reported regularly to the Finance & Resources Committee. The College also shares monthly cash flow updates with the Scottish Funding Council.</p> <p>The Committee noted the updates to the Strategic Risk Register.</p>
72/25	<p><u>Audit Recommendations Monitoring (K Robb, ToR 2.8, Paper G)</u></p> <p>The report provided Committee with an update on the monitoring and progress of audit recommendations from both internal and external audits. Appendix One details internal audit recommendations, with most actions now complete and on track to address the outstanding items. Two new recommendations arising from the recent cyber audit will remain open until fully implemented. The credit audit was not included this year but will be incorporated into the next cycle, and comments added to reflect this.</p>

	<p>Azets confirmed that the IT and security password recommendation has been fully completed, and a new recommendation relating to the asset register has been added.</p> <p>No data breaches have occurred; the main issue identified relates to email etiquette, specifically selecting incorrect recipients. Training has been provided, and measures such as clearing dropdown lists have been introduced to minimise errors.</p> <p>The Committee noted that of the 19 recommendations, 15 have been closed and only four remain in progress, all of which are newly raised items.</p>
<p>73/25</p>	<p><u>Focus on Governance (K Robb, ToR 2.10, Paper H)</u></p> <p>The Committee Chair acknowledged the increasing focus on governance within colleges and universities across Scotland, noting that this is currently being discussed at both executive and Board level, with a view to preparing a response to the Scottish Funding Council (SFC).</p> <p>Members were advised that papers had been produced for today's committee but were withdrawn following agreement that further discussion is required outwith this meeting, prior to submitting a paper to Board.</p>
<p>SECTION C – ITEMS FOR INFORMATION</p>	
<p>74/25</p>	<p><u>Stock Discrepancies (K Robb, Paper I)</u></p> <p>The paper sets out the investigation into stock discrepancies identified within the Hair & Beauty department. Concerns were raised after the summer break when items were found to be missing. It has been difficult to determine when the loss occurred and the investigation revealed that procedures had not been followed, with equipment not checked on return and cupboards left unlocked. In response, an additional CCTV camera has been installed in the area, although cameras will not be placed inside rooms to maintain privacy. The team is now adhering to correct procedures. The total value of missing items was £982, and no evidence could be found regarding when, how, or by whom the loss occurred. The approach taken mirrors that of a recent investigation into cash discrepancies, focusing on implementing robust processes and controls.</p> <p>Members discussed the need for proactive measures to prevent a recurrence, given that this is the second such incident this year. It was noted that the cost of implementing extensive controls would likely outweigh the value of losses, but reputational considerations were acknowledged. The Wider Leadership Team will continue to emphasise staff responsibilities and adherence to procedures. Measures introduced to reduce cash handling risks, such as implementing a 'cashless campus', were cited as examples of proportionate controls. Suggestions included spot checks and requesting signatures for parcel deliveries. The importance of balancing the openness of the campus with security was highlighted, and the installation of additional cameras around the campus was noted. The Committee Chair suggested Staff are made aware of these measures, including the increased camera presence.</p>

75/25	<p><u>Information Update (K Robb / I Earp, Paper J)</u> The Committee received a brief update confirming that the Accounts Direction has already been implemented. Additional guidance has been incorporated into the annual accounts process, which will now operate on a quarterly basis.</p>
76/25	<p><u>Papers for Publication</u> It was confirmed that the annual accounts and Paper H (Focus on Governance) are not for publication.</p>
77/25	<p><u>Any Other Business</u> There were no further matters raised for discussion.</p>
78/24	<p><u>Date of Next Meeting</u> The next meeting is set to take place on Thursday 12 February 2025 on Teams. A short meeting between the Chair/Members and Auditors will be held immediately prior to this.</p>

Signed.....
Chair

Signed.....
Board Secretary