

**NOTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON 22 NOVEMBER 2023 AT 4.30PM.**

The meeting was held at Langside Campus.

PRESENT:

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| David Watt | Committee Chair |
| Lindsey Paterson | Committee Member |
| Rena McAdam | Committee Member |
| Stuart Porteous | Committee Member |

IN ATTENDANCE:

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| Jon Vincent | Principal |
| Tracy Elliott | Acting Vice Principal, Resources & College Development |
| David Archibald | Henderson Loggie, Internal Auditor |
| Alison Turner | Audit Scotland, External Auditor (via Teams) |
| Dafydd Jones | Audit Scotland, External Auditor (via Teams) |
| Scott Renton | Head of ICT (via teams for Item 23.58 only) |
| Kirsty Mavor | Clerk to the Board (Minute Taker) |

ACTION

23.47 WELCOME AND APOLOGIES

D Watt welcomed everyone to the meeting. Apologies were noted from M Payne, A Jack, J Olatoke and S Nugent.

23.48 DECLARATIONS OF INTEREST

D Watt declared an interest in relation to an advisory role with Advanced Procurement for Universities and Colleges (APUC). There were no further declarations of interest.

23.49 MINUTES OF MEETING HELD 27 SEPTEMBER 2023

The Minutes were agreed to be an accurate record of the meeting.

23.50 MATTERS ARISING – ACTION GRID

The Committee noted the updates on the Action Grid with most of the actions either complete or on the agenda. With regard to 21.38, J Vincent confirmed that a formal letter will be sent to the Trade Unions advising of the risk associated with using staff email addresses for trade union business. A follow up email will also be sent to all staff.

Items for Discussion/ Decision

23.58 CYBER SECURITY RISKS

This item was considered at the start of the meeting to allow S Renton to join via teams and provide his update. He provided details of a recent DDoS attack on 4 September which potentially could have disrupted key services that the College depends upon to maintain business continuity. JISC's Foundation DDoS mitigation service successfully detected and fully mitigated against this attack which lasted only

33 minutes. Since this report was written there has been an email hacking incident which was closed down within 15 minutes. S Renton advised the Committee that the response to these incidents provides confidence in the processes in place.

S Renton confirmed that the College has made cyber security training a mandatory requirement for all staff with the first set of training material currently being completed by staff. The Committee requested that further detail be provided at the next meeting of what the training covered, the levels of participation and what follow up steps have been taken for those that did not complete the training. **SR**

The College is currently renewing its cyber insurance and exploring the option to put in place a 1-hour SLA response from a company that specialises in cyber incident response. It was noted that, if this is separate to the insurance cover, the procurement process would need to be followed.

Steps have been taken to start the process to re-certify the College's Cyber Essentials accreditation, which is the self-certification element, before proceeding to the Cyber Essentials Plus element which involves the active testing of the College's infrastructure

The Committee thanked S Renton for attending the meeting and looked forward to hearing more detail about the mandatory training at the March meeting.

Systems of Internal Control

23.51 FINAL INTERNAL AUDIT ANNUAL REPORT 2022/23

D Archibald spoke to this item and confirmed Henderson Loggie's independence from the College and the requirement as internal auditors to provide a summary of the work undertaken in the closing financial year including conclusions and recommendations

As well as summarising the internal audit work completed during the year, Henderson Loggie provided their overall opinion that the College has adequate and effective arrangements for risk management, control and governance and proper arrangements are in place to promote and secure value for money. This is based on the work undertaken in the year and in the previous years since the initial appointment.

D Archibald confirmed that all of the internal auditor's work conducted in 2022/23 assessed systems was classified as either 'Good' or 'Satisfactory' and provided an unqualified audit opinion. However, an observation was referred to in the Education Maintenance Allowance (EMA) year-end return report which related to a minor over-claim in 2022/23 of £480 which was corrected by the College after the year end.

The Committee welcomed the internal audit report and the positive comments about the level of engagement from the finance team and other staff across the College.

Financial Reporting

23.52 DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2023.

T Elliott took the Committee through the various elements of the draft report and financial statements for the year to 31 July 2023. The Committee also considered the Executive Summary Report which provides explanations for significant financial movements between 2021/22 and 2022/23.

For the 12-month period from August 2022 to July 2023, the College is reporting a deficit of £964k. There was an unrealised surplus of £5,108k on revaluation of land and buildings and an asset impairment of £4,394k has been recognised in the financial statements in respect of the Anniesland campus windows and the RAAC which was identified at the Cardonald campus. Actuarial losses on defined benefit pension plans for the period were £11,357k. Therefore, the total comprehensive income for the year is reported as negative £11,607k.

After adjusting for non-cash items that are outwith the control of the College, such as pensions and net depreciation, the adjusted operating position for 2022/23 is a deficit of £496k, the equivalent of 0.9% of total income.

T Elliott drew the Committee's attention to considerations which remained ongoing around the value of the pension fund asset as at 31 July 2023.

The Committee discussed the detail of some of the wording in the report and suggested some changes. In particular, the accuracy of the Committee membership and related party transactions should be checked. Subject to the suggested changes being made, it was agreed that the report and financial statements should be submitted to the next Board meeting for approval.

KM/TE

The Committee expressed its thanks to T Elliott and the rest of the finance team for all the work behind the report and financial statements.

23.53 KEY ACCOUNTING JUDGEMENTS

T Elliott took the Committee through the report which provided information in relation to the key accounting judgements in the 2022/23 financial statements and, other than in relation to accounting for participation in the Strathclyde Pension Fund, expressed itself satisfied with these.

T Elliott confirmed that the College's financial plan is based on a range of underlying assumptions. Due to uncertainty in respect of pay and non-pay inflation and other wider economic factors, the College will require to keep the budgetary assumptions under review on an ongoing basis.

The Committee discussed in detail the assessment of the going concern basis in the financial statements. It was agreed that this section should be amended to ensure that the distinction between application of the going concern concept and the College's financial sustainability is clear to the

TE

reader.

With regard to the Strathclyde Pension Fund, the Committee noted the July 2023 actuarial position resulted in an initial net asset of £33.2million, resulting in a favourable movement of £13million. Through the 2023 reporting process, the College had commissioned an additional asset ceiling report from the Fund actuaries. Based on the information in this report, it was agreed with Regional Partners and the external auditor, that, for the purposes of the financial statements, the pension asset value would be capped at zero as at 31 July 2023. Applying the same methodology, comparative information in the for the prior year had been restated. This has resulted in an adverse movement of £24.655million.

The Committee discussed the approach of capping the pension asset value at zero for 2022/23 and restating the 2021/22 figures in the draft financial statements. The Committee expressed its comfort with the assumptions in the actuarial report and the implications on the funding of the pension scheme. However, after considering the asset ceiling report and the actuarial report (agenda item 23.61), the Committee reached the view that the criteria for restating the 2021/22 figures had not been met. The Committee was aware that this approach was not aligned with the other Glasgow Colleges and GCRB (albeit the Committee was not aware of the methodology which those bodies had applied in 2021/22. It was agreed that the Chair would discuss the approach with the Chair of Finance and Resources Committee and GCRB should also be notified of the intended position. A meeting between the actuaries, other Glasgow colleges and Audit Scotland had been arranged for the next week where this will be discussed further.

DW/TE

23.54 DRAFT EXTERNAL AUDIT ANNUAL REPORT FOR YEAR ENDED 31 JULY 2023

A Turner presented the draft report which was prepared by Audit Scotland as the College's external auditors. The Committee noted that the report proposes an unqualified audit opinion on the 2022/23 financial statements, on regularity and on other prescribed matters.

Audit Scotland drew the Committee's attention to the approach taken to asset impairment and the net pension asset. A Turner confirmed to the Committee that she will continue to liaise with T Elliott on any appropriate adjustments in relation to pension accounting.

AT/TE

The Committee considered the content of the draft Annual Report and asked for further detail of how Audit Scotland considered the College's arrangements in relation to Best Value could be strengthened (point 9 of report). It was agreed that further detail would be provided. Also, it was agreed that the wording around asset impairment should be amended to ensure it is clear that the College was aware of the position and had taken appropriate steps. It was also agreed that the management response to

AT/TE

workforce planning comments should be re-ordered so the steps taken by College management comes first and the limitations second.

Audit Scotland confirmed that there were no other matters to draw to the College's attention and their view was that, overall, the College was well governed and well managed.

A Turner confirmed that the College's finance team provided high quality draft financial statements and working papers in a timely manner. As this was Audit Scotland's first year as auditors of the College, gratitude was extended to the finance team for its support and patience. There will be a follow up meeting in the New Year to discuss what worked well in 2022/23 and how the process could be improved.

The Committee noted that it was content with the draft report, subject to some minor changes being made.

Subject to these minor adjustments being made and the position with regard to pensions being revised, the Committee endorsed the signing of the related letter of representation by the Chair of the Board of Management and the Principal.

22.55 STUDENT ACTIVITY DATA AUDIT REPORT 2022/23

It is a requirement that an audit of student activity data is completed for every College after the end of the academic session to verify student activity data against the SFC target. D Archibald was pleased to provide a positive report which contains no recommendations.

22.56 STUDENT SUPPORT FUNDS AUDIT REPORT 2022/23

D Archibald confirmed that Henderson Loggie were able to certify all fund statements for the year and submit them to the appropriate bodies. All statements were submitted without reservation or qualification except for an observation in respect of the EMA return in relation to a low value claim adjustment which was rectified by the College after the year end. There are two low priority recommendations in the report and the related auditor letters and supporting returns were provided to the Committee.

Overall, in relation to items 22.55 and 22.56, D Archibald commended the standard of management oversight within the College.

Governance and Risk Management

23.57 DRAFT ANNUAL REPORT FROM AUDIT COMMITTEE TO BOARD OF MANAGEMENT

The Committee confirmed that it was satisfied as to the adequacy and effectiveness of the College's internal financial and management systems as reviewed by internal audit and external audit for the financial period 2022/23. Subject to the report being updated to reflect earlier discussions, particularly in relation to pension accounting and the outcome of the

external audit process, the Committee approved the report for submission to the Board of Management

23.58 CYBER SECURITY UPDATE

This item was considered at the start of the meeting.

23.59 CLIMATE CHANGE ACTION PLAN

T Elliott presented this item and updated the Committee on progress to 13 November 2023. A key development since the previous Committee update is the submission of a Scottish Government Energy Efficiency Grant scheme pre-capital funding application for £60k to progress the feasibility stage to enable the College to plan for future sustainability projects. An update will be provided to the Committee on whether this submission is successful.

The Committee agreed that the presentation of this report should be amended so that the journey is clearly tracked and achievements recorded. **TE**

The Committee thanked T Elliott for the update on progress.

**23.60 ITEMS FOR INFORMATION AND NOTING
INTERNAL AND EXTERNAL AUDIT ROLLING ACTION PLAN**

The Committee noted the report.

**23.61 STRATHCLYDE PENSION FUND ACTUARIAL VALUATION REPORT
JULY 2023 – ACCOUNTING ASSUMPTIONS**

The Committee noted the report which informed discussions earlier in the Agenda.

23.62 NATIONAL FRAUD INITIATIVE 2022/23 EXERCISE

The Committee noted the report on the approach adopted by the College in relation to the submission of data, investigation and response to the queries raised during the 2022/23 National Fraud Initiative (NFI) exercise.

23.63 AUDIT COMMITTEE SCHEDULE OF WORK 2023/24

The Committee noted the proposed schedule of work.

23.64 PRIVATE MEETING WITH INTERNAL AND EXTERNAL AUDITORS

J Vincent and T Elliott left the meeting whilst the Committee met with the Internal and External Auditors. D Watt agreed to discuss with the Principal the importance of the auditors being informed if any key contacts leave the College.

23.65 ANY OTHER BUSINESS

There was no other business.

DATE OF NEXT MEETING

4.30pm on Wednesday 6 March 2023.
via Teams.