

Glasgow Kelvin College

Board of Management

Audit and Risk Committee

Minute

Minute of the meeting held on Tuesday 14 May 2024 at 5pm in room WG1 Springburn Campus

1. Sederunt

Dermot Grenham, Chair;
Michael O'Donnell (Vice Chair);
Dr Elaine Clafferty;
Jennifer Lavery, Support Staff Member;
John Hogg; and
Natalie Philips.

In attendance:

Derek Smeall, Principal and Chief Executive;
Linda Ellison, Secretary to the Board;
Jeanette Evans, Vice Principal Operations;
Lisa Clark, Director of Estates and Corporate Services;
Alan Carr, Head of Finance;
David Archibald, Henderson Loggie;
Stuart Nugent, Audit Scotland;
Kirsty McCartney, Audit Scotland;
Lorraine McGovern, Senior Accountant; and
Roddy MacKenzie, Regulations and Compliance Manager (for recording purposes).

2. Apologies

Michele Stevenson.

The Chair welcomed L McGovern to the meeting and informed members that she was attending as part of her professional development.

3. Audit and Risk Terms of Reference

The meeting was quorate with six members in attendance.

4. Declarations of Interest

- a) Interest**
- b) Connection**

D Archibald declared an interest in item 9 to the Chair: it was agreed that D Archibald would leave the meeting for this item, as requested by the Chair, returning to the meeting following conclusion of discussion of the item; connections are not minuted. The Chair reminded members that they could raise these at any point throughout the meeting.

5. Minute of the Previous Meeting held on 20 February 2024

Members accepted the minute as an accurate record of the business conducted at the meeting held on 20 February 2024.

6. a) Matters arising from Minute of Previous Meetings held on 20 February 2024

There were no matters arising from the previous minute.

bi) Action List, Audit and Risk Committee Action List as at May 2024

Members noted the completed actions which were denoted in green and agreed that these should be removed from the Action Log.

7. Internal Audit Reports

a) Student Fees and Contracts/Registry

D Archibald took members through the content of the report.

He reminded members that the main purpose of the review was to ensure that the policies, procedures and processes in place within MIS and Finance for the recording, processing, invoicing and receipt of student fees are operating effectively.

He was pleased to inform member that the College had demonstrated a 'Good' level of assurance. All the fundamental checks and balances were in place and there were no weaknesses to report.

Members of the Audit and Risk Committee agreed to approve the content of the Internal Audit Report.

b) Systems Development/Implementation

D Archibald took members through the content of the report.

The review focused on the controls in place to mitigate the following risk on the Glasgow Kelvin College ('the College') Risk Register:

Risk 9 – Digital Transformation: Inability to deliver Digital Transformation Strategy & Programme (Residual Risk Score – 6: Medium).

Through discussion with the Director of Digital and Information Services, and other relevant College managers and staff, and review of project documentation for a sample of recent IT projects, the auditors considered whether the above objectives were being met.

The Auditors concluded that the College had demonstrated a 'Satisfactory' level of assurance where the "system met control objectives with some weaknesses present".

While many elements of project management were in place, such as, project management training; the creation of a Project Team with involvement of relevant College staff and external contractors where necessary; the preparation of a functional specification; testing; the creation of operational guides, user manuals and system support; there were areas for improvement.

D Archibald advised that the College had not developed a formal suite of systems development project documents, which were aligned with a recognised project management methodology, such as Agile or PRINCE2. The methodology applied must be proportionate, and the College must be able to demonstrate that all checks have been implemented. To ensure that staff are aware of the College's requirements for initiating and managing projects there should be guidance available to staff that provides a high-level summary of the minimum documentation that must be prepared for different projects, details the methodology that should be applied and the circumstances in which it should be applied.

J Hogg opined that he was not surprised by the recommendation of the report. He clarified that this was not meant as a criticism of the College, but rather a recognition of a sector-

wide issue. He extended an invitation to the College to visit the University of Strathclyde to explore the methodology employed by the Project Governance Office at the University.

The Vice Principal welcomed the invitation and would liaise with J Quinn, Director of Digital and Information Services.

The Chair noted the audit action that a suite of management documents would be produced to ensure a consistent and clear approach is adopted by the College when undertaking digital projects, and that this be actioned by the Director of Digital and Information Services no later than 31 July 2024

Members of the Audit and Risk Committee agreed to approve the content of the Internal Audit Report.

8. External Audit Plan

S Nugent spoke to the content of the Annual Audit Plan 2023-24. He confirmed that the main elements of the audit included:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement;
- an audit opinion on regularity and other statutory information published within the annual report and financial statements, including the performance report, governance statement, and the remuneration and staff report;
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes;
- provision of an Independent Auditor's Report expressing my opinions on the different elements of the annual report and financial statements and an Annual Audit Report setting out conclusions on the wide scope areas.

The Audit plan employed the concept of 'Materiality' which was applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. Materiality was measured at different levels:

- *Planning Materiality* – the figure calculated to assess overall impact of audit adjustment on the financial statements, For the year ended 31 July 2024, this had been set at 2% of gross expenditure (£0.69 million)
- *Performance Materiality* - a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. This had been set at 65% of Planning Materiality (£0.45 million)
- *Reporting Threshold* – auditors were required to report to those charged with governance on all unadjusted misstatements more than the reporting threshold amount. This was set at £35,000.

Based on their risk assessment process, auditors identified any potential risks that might have the greatest impact on the planned audit procedures:

- Risk of material misstatement due to fraud caused by management override controls;
- Estimation in the valuation of land and buildings;
- Estimation in the valuation of pension asset/liability.

Auditors rebutted that there might be a risk that the College make a material misstatement in the financial statements, given that the majority of income is from Government sources.

Similarly, auditors rebutted the risk that expenditure might be greater than revenue. The auditors recognised that the College, as a public sector body, was a net spending body (the main expenditure stream being staff costs, and high volumes of relatively low value items). Consequently, work in these two areas had not been incorporated into work in the audit plan.

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. Four wider scope areas would be examined:

- Financial Management
- Financial sustainability
- Vision, leadership and governance
- Use of resources to improve outcomes

S Nugent confirmed that the auditors planned to issue the Independent Auditor's Report and Annual Audit Report by 19 November 2024. The proposed audit fee for 2023/24 is £64,350.

J Evans confirmed that the College enjoyed a good relationship with Audit Scotland, and that she had met S Nugent and K McCartney to discuss Pensions and the disposal of the West End Campus. Notwithstanding, it was noted that some 67% of Colleges had failed to meet the target 31 December submission deadline in 2023 set by the Scottish Funding Council. Interim audit would begin at the College next month.

The Chair queried the 2023/24 audit fee of £64,350.

J Evans was also very concerned that the proposed fee was disproportionate in terms of the size of the College in comparison with other Colleges in the sector and Glasgow Region. She confirmed that the matter was being explored.

Members of the Audit and Risk Committee agreed to approve the content of the External Audit Plan.

9. Internal Audit Contract

Having earlier declared a conflict of interest in this item, D Archibald left the meeting for discussion of the Internal Audit Contract.

The Vice Principal Operations spoke to the content of the report that sought to provide members with an update on the recent activity undertaken to appoint Internal Auditors for the College and to obtain approval on the proposed way forward.

The College's current Internal Audit contract with Henderson Loggie commenced on 1 August 2019 for a period of three years and was extended on 17 May 2022 for a further period of two years to 31 July 2024.

At the Audit and Risk Committee on 20 February 2024 it was noted that this contract was coming to an end and that the Vice Principal Operations would consult with the Procurement Manager and the Chair of the Audit and Risk Committee to discuss and agree the most appropriate option to procure this service.

The new Internal Audit Framework went live on 29 February 2024 and BDO only signed the Framework terms and conditions on 25 April 2024. The six companies on the new Framework companies are presented below in order:

- 1 Henderson Loggie
- 2 Wylie & Bissett
- 3 BDO
- 4 Azets
- 5 Price Waterhouse Coopers (PWC)
- 6 KPMG

Current Internal Auditor, Henderson Loggie is No.1 on the Framework. Consequently, the College could choose to directly appoint them. However, while the College is satisfied with Henderson Loggie, given the length of time the College has been obtaining this service from the same organisation, and following discussions with the Chair of the Audit and Risk Committee, the Director of Estates and Corporate Services and the Procurement Manager, it was agreed that some Pre-Market Engagement would take place, to consider whether the College may benefit from a different approach and perspective.

The Vice Principal Operations, the Directors of Estates and Corporate Services and the Procurement Manager had Teams calls with:

- Wylie & Bisset – 17 April 2024;
- Azets – 26 April 2024; and
- BDO – 30 April 2024.

The College did not meet with PWC or KPMG due to the indicative cost of these organisations, which was transparent in the Framework. There was no need to meet Henderson Loggie as the College understands that organisation and the service it provides.

The calls with all three companies were informative, with one company's responses being particularly impressive.

Members considered a series of options, as detailed in the report:

- i) Direct Award under Internal Audit Framework to Henderson Loggie who are first ranked. This could be for three years, with an option to extend for a further two, or for a shorter period.
- ii) Carry out a desktop exercise, using one of two Framework approved methods, to re-evaluate the Framework submissions. One method allows for a change of scoring weightings and the other allows for focussing only on the scores of the key questions – both revisions to be decided by the evaluating organisation.
- iii) Carry out a Mini-comp under Internal Audit Framework with the three companies listed above.
- iv) Given the results of the Pre-Market engagement and the length of time that the College has worked with Henderson Loggie, the recommendation is that the College carries out a Mini-comp under the Framework. However, to ensure that there is continuation of Audit Service while this exercise takes place, the recommendation is to reappoint Henderson Loggie via a Direct Award under the Framework for a year to 31 July 2025.

During discussion, the Vice Principal Operations tabled a fifth option:

- v) The College reappoints Henderson Loggie via Direct Award to carry out a full annual audit programme for a year to 31 July 2025 and then appoints Henderson Loggie via Direct Award for a further 2 years (plus a further potential 2 years) to carry out the annual Credit and Student Funding Audits. The College will carry out a Mini-comp for Internal Audit Services under the Framework for appointment at 31 July 2025.

Following discussion, members of the Audit and Risk Committee agreed to:

- i) reappoint Henderson Loggie via Direct Award to carry out a full annual audit programme for a year to 31 July 2025, and then appoint Henderson Loggie via Direct Award for a further 2 years (plus a further potential 2 years) to carry out the annual Credit and Student Funding Audits.; and
- ii) approve that the College will carry out a Mini-comp for Internal Audit Services under the Framework for appointment at 31 July 2025.

The Chair invited D Archibald to rejoin the meeting.

10. Audit Action Plan

The Director of Estates and Corporate Services spoke to the content of the report that sought to provide members with the current Audit Action Plan that monitors progress made in implementing recommendations made by the Internal and External Auditors.

L Clark drew member's attention to the current Audit Action Plan, appendix 1, (accessed via a link in the report). She noted the 1 medium priority recommendation and 20 low level priority recommendations; she further advised that, in relation to the 20 low level priority recommendations, that the College considers 9 of these to be fully implemented and 6 are partially implemented. She added that the Audit Action Plan is reviewed fortnightly by members of the Senior Management Team.

Members of the Audit and Risk Committee agreed to:

- i) note the contents of this report and its appendices; and
- ii) approve the Audit Action Plan.

11. Risk Management Update and College Risk Register

The Vice Principal Operations spoke to the content of the comprehensive report and reminded members that the College's Risk Register is considered at every meeting of the Committee.

J Evans highlighted the following:

Henderson Loggie Risk Audit – Recommendations: in reference to the audit recommendations following on from the risk audit conducted by Henderson Loggie, most of the work had been undertaken. The College had been asked to include a strategic objectives column in the College's Strategic Risk Register, and this had been done; committee members viewed how this would look.

Comments from members on this matter were welcome.

Further update of the Risk Management Framework would be completed following the conclusion of the Risk Appetite and Risk Category Session by the Board of Management. Consequently, the updates Risk Management Framework would be presented to the first Audit and Risk Committee meeting of Academic Year 2024/25.

J Hogg welcomed the positive report from UMAL regarding Health and Safety and Property Risk Management. L Clark confirmed that safety inspections had been carried out across the College in January 2024 and, the Health and Safety Actions were all complete and the Property Actions were underway. Members would be advised when these actions were completed.

The Chair thanked L Clark and J Evans for the very thorough report.

Members of the Audit and Risk Committee agreed to:

- i) note the contents of this report, appendix and links;
- ii) approve the College's Strategic Risk Register, including the changes;
- iii) the inclusion of a strategic objectives column in the College's Strategic Risk Register as per the Risk Management audit recommendation; and
- iv) note that the Risk Management Framework will be finalised following the Board of Management's conclusion on the Risk Appetite and Risk Categories so that this can be inserted into this Framework and will be presented to the Audit and Risk Committee at their first meeting in Academic Year 2024/25.

12. Internal Audit Progress Report

D Archibald spoke to the content of the report that sought to provide members with an update on progress made on the Internal Audit Plan for 2023/24. He informed members that all was on track to deliver the Plan as agreed. He confirmed that follow-up reviews would be considered in September 2024 prior to Credits Audits and Student Support Funds audits in November 2024.

Members of the Audit and Risk Committee agreed to note the content of the Internal Audit Progress Report.

13. Deep Dives – Future Meetings

The Chair proposed that the Committee consider exploring wider issues that may be of interest to members and of significance to the future business of the College. Such 'deep dives' would assist members in understanding the risks associated with a particular field, for example, the impact of Artificial Intelligence (AI) on the College, digital transformation, cyber-security, student support and student experience. **Members agreed that a series of presentations on these matters would be welcome at future meetings. D Smeall agreed to liaise with Jason Quinn about a presentation on digital transformation.**

14. Governance Update

The Director of Estates and Corporate Services spoke to the content of the report that sought to provide members with an update in relation to areas of corporate governance.

L Clark highlighted the following:

- UMAL Safety Inspection Visits - conducted on 11 and 12 January, the visits had identified a series of actions detailed in the Property Risk Management Report and the Health and Safety Report.
- Trade Union Nominees on Boards – a nominee from EIS (FELA) and one from UNISON had been ratified at the meeting of the Board held on 20 March 2024.
- West End Campus – the offer to purchase had been considered by the Scottish Funding Council/Scottish Government and the College has been advised that that offer has been accepted.

- Audit Scotland Fees – the College had again written to Audit Scotland regarding the imbalance of Audit Fees across the sector. A response from Audit Scotland had since been received but did not answer the matter in question.
- Land at Springburn – College Solicitors had written to Hydepark Residents' Association regarding College action proposed for the parcel of land at Springburn. A response is awaited; the solicitor had sent a reminder to Hydepark Residents' Association.
- Insurance – the College would renew its contract with UMAL for a further three years.
- Business Continuity Plan – the Plan was being renewed in the light of numerous changes including: new security arrangements at East End and Easterhouse campuses; the disposal of the West End Campus; consultation on Martyn's Law and its impact on the College.
- Scottish Government Energy Efficiency Grant Project - following continual delays and uncertainties with the contractor appointed to undertake this work, Ameresco, the College had to advise the Scottish Government that a key element of this project was not going to work as expected. Following discussions with the Scottish Government, the project was brought to a close; costs incurred to date and in good faith were covered by the Scottish Government.
- WorldPay – following the withdrawal of credit facilities arranged with WorldPay used for e.g. the collection of student fees, the College had secured the services of another provider (Royal Bank of Scotland). The action ensued due to a request from WorldPay for personal information from senior management members, all members of the Board of Management and the Secretary to the Board. The College had consulted with the College Data Protection Officer before deciding on the appropriate action.
- Board of Management Members – recruitment and retention of Board members across the sector noted as being challenging.
- New security arrangements at East End and Easterhouse campuses – due to ongoing financial constraints, security coverage at both campuses has been reviewed and replaced with a new, cost-effective, and robust security system introduced on 29 April 2024.
- Resource implications – it was anticipated that new security arrangements would save in the region of £200k per annum; reductions offered by the College insurance provider would bring budget continuity; following the withdrawal of the Scottish Government Energy Efficiency grant, the College was seeking other sources of funding to address Net Zero targets; the College was developing a comprehensive business plan to retain the proceeds of the disposal of West Campus; and, the disproportionate level of Audit Scotland fee was being investigated.

The Chair thanked L Clark for presenting a comprehensive report.

Members agreed:

- i) note the content of this report and links; and
- ii) that the matter relating to the Scottish Government Energy Efficiency grant had been fully documented and reported on to the Board of Management and these full records were retained by the College; it was therefore considered that there was no perceived benefit in SMT members taking any further action in relation to this matter.

15. Governance Action Plan Update

The Secretary to the Board of Management spoke to the content of the report that sought to update members on the progress against the Governance Action Plan (GAP), attached as Appendix 1 to the report.

She informed members that the items highlighted in green had been completed and would be removed from the document.

Members of the Audit and Risk Committee agreed to:

- i) note the content of this report and its appendix;
- ii) consider and note progress against the Governance Action Plan in Appendix 1.
- iii) note that this update will be presented to the Board of Management meeting to be held on 12 June 2024.

16. Standards Commission – Advice Note and Guidance

The Secretary to the Board of Management spoke to the content of the report. Members recalled that the College had received from the Standards Commission some proposed revisions to the Model Code of Conduct as well as an advice note on the Role of a Standards Officer in respect of the Ethical Standards Framework.

She confirmed that the Director of Estates and Corporate Services had attended the Standards Commission Workshop held on 19 March 2024 to discuss the Revisions to the Guidance on the Model Code of Conduct. Full liaison with the Secretary to the Board of Management had taken place.

The amended guidance on the Model Code amounted to a restatement of the code with some changes and clarification of certain points. The guidance detailed some scenarios in addition to some actions to be implemented by Standards Officers as a consequence of the changes. The actions included:

- Ensuring that training is given to members at induction and that regular training on various aspects of the Code will be provided;
- Training opportunities are circulated to members whenever they become available;
- Notes of the Register of Interest completion are updated and accurate;
- Future induction sessions to clarify the position of representative members on boards;
- To ensure compliance with the Code, the Secretary to the Board of Management will continue to provide advice and support to members as appropriate;
- Members are required to inform the Secretary to the Board of Management of any changes to their Register of Interests within one month;
- At the start of the agenda, members will be asked to declare any interest or connections;
- The Secretary to the Board of Management will continue to circulate relevant documentation from the Standards Commission.

The Secretary to the Board of Management was pleased to report that most of the measures in the Amended Guidance had already been put in place at the College.

While there were no changes to the Code of Conduct itself, the Guidance provided more information and clarification on matters such as: the composition of boards; the requirement for members to act in the best interest of the public body (the Board) as opposed to the interest of any individual constituency and when the Code applies.

L Clark reported that she had met with a Director at the Standards Commission who reported that she was satisfied with the way in which the Code had been implemented at the College.

Members of the Audit and Risk Committee agreed to note the content of the report and links.

17. Correspondence

- a) **Correspondence from Unison re. Industrial Action – 29 April 2024**
- b) **Correspondence from EIS. FELA re. Industrial Action Dates – 1 May 2024**
- c) **Correspondence from Unison re. Industrial Action Dates – 3 May 2024**
- d) **GKC Certificate of Assurance to GCRB 290324**

Members of the Audit and Risk Committee agreed to note the content of items 17a – 17d provided for their information.

18. Audit Scotland

- a) **Technical Guidance Note TGN/SFI/24 Reports on Summary Financial Information 2023/24**
- b) **Technical Bulletin 2024/1 Technical Developments and Emerging Risks from January to March 2024**

Members of the Audit and Risk Committee agreed to note the content of items 18a – 18b provided for their information.

19. Impact on Students, Issues to be considered as a consequence of the consideration of the above agenda items.

Members agreed that no issues had arisen as a consequence of the business conducted at the meeting.

20. Risk Management, Issues to be considered as a consequence of the consideration of the above agenda items.

Members agreed that no issues had arisen as a consequence of the business conducted at the meeting.

21. Equality Management – Issues to be considered as a consequence of the consideration of the above agenda items.

Members agreed that no issues had arisen as a consequence of the business conducted at the meeting.

22. Data Protection – Issues to be considered as a consequence of the consideration of the above agenda item.

Members agreed that no issues had arisen as a consequence of the business conducted at the meeting.

23. Environmental and Sustainability – Issues to be considered as a consequence of the consideration of the above agenda items.

Members agreed that no issues had arisen as a consequence of the business conducted at the meeting.

24. Closure

The meeting closed at 6.10pm

The annual informal meeting with committee members and Internal and External Auditors was held at this point; college staff left the meeting.

25. Date of Next Meeting

Date and venue to be confirmed.