# **logo_colourBOARD OF MANAGEMENT**

**Audit and Risk Committee**

Tuesday 4 June 2024 at 5.00pm via MS Teams

Minute of the Audit & Risk Committee meeting held on Tuesday 4 June 2024 at 5.00pm via Microsoft Teams.

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| **PRESENT:** | Helen Honeyman (Chair) | Margo Williamson |
|  | Derek Smith | Matthew Beattie |

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| **IN ATTENDANCE:** | Steve Taylor (Vice Principal Support Service and Operations) | |
|  | Stuart Inglis (Henderson Loggie) | Michael Speight (Mazars) |
|  | Nicky Anderson (Director of Finance) | Bridget Mauro (Mazars) |
|  | Penny Muir (Board Administrator) |  |

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|  | **WELCOME**  H Honeyman welcomed D Smith and M Beattie as new members of the Committee and B Mauro (Audit Manager) from Mazars to her first Audit & Risk Committee. |
|  | **APOLOGIES**  Apologies were received from Roy McLellan, Sally Middleton, and Jackie Buchanan. |
|  | **DECLARATIONS OF CONNECTION & INTEREST**  There were no declarations or interest. |
|  | **MINUTE OF THE PREVIOUS MEETING** – 5 March 2024  The meeting held on the 5th of March 2024 has been approved as an accurate minute. |
|  | **MATTERS ARISING**  The matters arising are now closed. |
|  | **INTERNAL AUDIT**   * 1. **Procurement and Creditors / Purchasing**   S Inglis presented the Procurement and Creditors/Purchasing report.  He summarised the background in the report noting that the Head of Procurement requested funding for an additional full-time staff member. However, the Senior Leadership Team noted that this request could not be supported due to the financial constraints and necessary cuts across all services to maintain the College's financial sustainability.  S Inglis highlighted internal controls and the payment of invoices, emphasising the importance of adhering to the procurement strategy to ensure best value and overall assurance. While some areas showed improvement, he highlighted the procurement strategy's strengths and areas for attention. S Inglis noted the latest Procurement and Commercial Improvement Programme (PCIP) assessment completed for the College in January 2024 scored 77%, placing the College in the highest possible performance band of 'Gold.' This marked a significant improvement over the previous assessment conducted in 2019, reflecting improvement to monitor compliance.  S Inglis noted the strengths from the report which included effective collaborative procurement frameworks. However, weaknesses were identified where it was noted that 35% of the procurement exercises did not fully comply with College procedures.  Training issues were highlighted, with induction or refresher training provided for new budget holders identified as an area for improvement. Standalone testing showed that out of 20 purchases, 8 were not fully compliant with current procedures and purchase orders were not always completed where relevant.  S Inglis highlighted that supplier data procedures required evidence during changes and control checks. Currently, changes could occur without proper checking, creating an area of potential risk.  M Williamson welcomed the report and noted that it was less positive than the usual reports received and asked if this had come as a surprise to the College. S Taylor acknowledged the issues and noted ongoing efforts to address them, including discussions about additional staffing and procurement processes. S Taylor stated that the findings were not a surprise, but were useful in identifying areas and priorities for improvement, he also mentioned challenges with the current procurement approaches and relationships, emphasising the need for a more efficient framework and collegiate working from the College and procurement team.  M Williamson raised concerns about training, questioning whether annual training was required and recorded for procurement staff. N Anderson responded that plans were in place to reintroduce training and to record it, highlighting collaboration was progressing with the senior APUC team to develop a more sustainable procurement strategy that maximises practical impact within current financial constraints. N Anderson stated a meeting with APUC executives was planned to finalise this plan moving forward.  H Honeyman noted that these were the first amber audits seen in a long time, emphasising the importance of making training user-friendly and creative to encourage engagement.  M Williamson enquired about the financial controls action. N Anderson responded that the College is reviewing its current processes, including a simple method to better manage changes to suppliers and the appropriate authorisation levels. Internal controls have been identified and are being worked on, with discussions on how to maintain organisational and individual safety through training.  S Inglis added that the procurement process includes raising purchase orders, approval, and verifying receipt of goods or services at the invoice stage and noted that there was no concern that goods or services were being paid for in error or in an uncontrolled way.  N Anderson stressed the importance of initiating purchase orders from the beginning and supporting managers to ensure compliance. They are considering a "No PO, No Pay" approach to tighten the process. H Honeyman acknowledged the challenges but emphasised the need for action without burdening the College with significant additional bureaucracy. N Anderson agreed, noting the necessity and importance of moving forward with these changes and having practical and pragmatic discussions and outcomes.  H Honeyman thanked everyone involved and stressed the need to improve compliance with purchase orders. S Inglis noted that whilst 10 out of 20 transactions lacked purchase orders, and 35% of expenditures did not fully comply with current procurement procedures, there were good reasons for this in most cases.  H Honeyman asked if the changes planned could be implemented without additional procurement resources or staffing. S Taylor responded that while more resources might be needed, the focus should be on balancing the system's rigor and supporting practical procurement activities in the first instance, ultimately aiming to save through effective procurement without overspending on gold standard ‘back of house’ services.  M Williamson expressed concern about familiar issues and slippages in the report, suggesting a refocus on procurement practices without needing significant resources. S Inglis acknowledged the need for improvements, especially in procurement processes that did not go through the proper channels. An example of which was a £22K purchase that bypassed the procurement team, highlighting the need for clearer procedures and awareness.  The discussion included the importance of behavioural changes in procurement practices, with S Taylor mentioning ongoing conversations about operational improvements and resource challenges. Ensuring the right arrangements are in place alongside APUC and finding the right balance to address these challenges is crucial.  H Honeyman thanked S Inglis for the report and noted that , given the audit scoring, it would be appropriate for an update on action to be brought to the next Audit & Risk committee. **S Taylor to progress.**   * 1. **Environmental Sustainability**   S Inglis presented a more positive report on the College's current position concerning strategic plans and relevant legislation, noting progress towards the College’s net-zero ambitions and targets. S Inglis stated that all objectives have been met without any recommendations. He highlighted the College's positive commitment to achieving the infrastructure vision and sustainability in line with good practice, as well as compliance with Scottish Government reporting requirements, with significant progress made.  S Inglis also highlighted that sustainability is being embedded in curriculum and the College has met its emissions reduction target. By 2023, the College had achieved a 47% reduction in CO2 emissions but it is evident that, due to the age of the current estate, significant improvements in energy conservation and carbon reduction will require substantial capital investment. S Inglis noted the reconciliation of these significant future achievements will come down to funding and the amount invested to make necessary changes.  H Honeyman acknowledged the tension between delivering objectives and budget constraints, noting the significant financial issues involved. S Taylor highlighted opportunities available for bidding for funds related to net zero and carbon reduction, such as replacing lighting at the Gardyne campus to reduce electricity use. He emphasised the need for big investments to make substantial changes in the campus infrastructure but noted ongoing efforts to improve energy efficiencies across the College. He praised the team's efforts in embedding sustainability within the curriculum.  H Honeyman expressed gratitude to those involved, noting the importance of the estates' team role and asked that these thanks be shared with the team involved. **S Taylor to progress.**  M Williamson commended the report, acknowledging the College's good work and its sustainable budget management as a great achievement.  S Taylor informed the committee that B Grace, Head of Estates, will present a new climate emergency action plan to the Board of Management in October 2024.   * 1. **2023/24** **Progress Report**   S Inglis apologised for the outstanding Sports Centre Operations report, which has been delayed. He highlighted that the closure meeting has been held and will present this report at the Audit & Risk Committee in September 2024. All other audit activity was on schedule.   * 1. **Follow Up Summary**   S Taylor summarised the range of actions from previous audits, noting no actions behind schedule. He highlighted that points arising from the procurement audit will be addressed over the summer and early next academic year.  H Honeyman questioned an audit recommendation dated March 2024 and asked if this should be removed from the list. S Taylor stated any outstanding items marked as ‘complete’ are removed from the report once reviewed by the members of the Committee.  H Honeyman thanked S Taylor for the report and the Committee noted its progress. |
|  | **STRATEGIC RISK REGISTER**  S Taylor summarised the Risk Register paper and Strategic Risk Register for approval.  S Taylor summarised the change proposed to the Strategic Risk Register and inclusion of reference to the capital – revenue issue.  Following previous updates regarding the reduction in full-time student recruitment in 2021/22 and 2022/23, activity levels in 2023/24 have ensured there is no risk of funding clawback, as activity targets will be achieved. This aspect will remain under review, but it is not anticipated that it will need to feature in future Strategic Risk Register updates unless there is a further substantive change in student demand or credit targets.  Financial sustainability remains a red risk and is an item on the agenda of every Board meeting and through underpinning discussions at the Finance & Property and HR & Development Committees.  S Taylor highlighted significant activities were reported regarding the Thrive with D&A project to support students and staff with the challenges posed by the cost-of-living crisis. This work has continued throughout 2023/24, and a decision on arrangements for the 2024/25 academic year will be made before the end of the current academic year.  In respect of the RAAC present within the Kingsway Campus, there is no change in respect of the needs or arrangements associated with the monitoring of condition. The infrastructure vision will be presented to the Board meeting in June.  The Committee approved the changes proposed in the Strategic Risk Register. |
|  | **2023/24 EXTERNAL AUDIT PLAN**  M Speight provided the annual audit plan, highlighting some changes since the last audit; however, the document remains similar to last year's report.  M Speight introduced B Mauro as the Audit Manager.  Audit planning commenced earlier this year within the finance team, allowing for more time to work on the audit. Three main areas were considered significant risks: override controls, revenue recognition, and the local government pension fund. Revenue recognition was identified as a mandatory risk that could potentially be mitigated from one year to the next.  The local government pension fund was recognised as a significant factor, with a focus on the liability aspect, particularly early retirement within the liability section of the report. For valuation of land and buildings, the approach this year will require an indexing rather than full revaluation review,  M Speight stated there were no additional issues identified in respect of financial sustainability but it remains a consideration and would include an element of review of procurement given the internal audit finding reported  S Inglis noted that procurement from a financial management perspective involves low-level items, which should not represent significant issues. M Speight also stated the extent of single tenement waivers will be considered to ensure compliance with legislation.  M Speight highlighted that the audit fees are included within the report as per Audit Scotland's directives. He stated the fees have increased slightly.  H Honeyman thanked B Mauro and M Speight for their report. |
|  | **DATE OF NEXT MEETING**  Tuesday 17 September 2024 at 5.00pm in Room A625, Kingsway Campus |

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| **Action Point Summary** |  |  |
| **Action** | **Responsibility** | **Date** |
| Update on actions arising from the Procurement and Creditors / Purchasing report. | S Taylor / N Anderson | 17 Sept 2024 |
| Committee thanks to be expressed to staff involved in the work underpinning the Environmental Sustainability Audit | S Taylor | 14 June 2024 |