

## **Audit Committee**

Minute of Meeting of the Audit Committee held on **Thursday 1 December 2016** at 9.30am in the Barbour Suite.

Present:               Graham Hope (Chair)  
                              Simon Ashpool  
                              Sue Cook  
                              Cynthia Guthrie  
                              Norman Ross

In attendance:       Mhairi Harrington (Principal & Chief Executive)  
                              Jennifer McLaren (Assistant Principal, Curriculum Support & Finance)  
                              George Hotchkiss (Assistant Principal, Curriculum & Innovation)  
                              Colin Miller (Head of Essential Skills and Progression)  
                              Paula White (Facilities Manager, Item 16.50)  
                              Emily Purdue (Health and Safety Officer, Item 16.50)  
                              Scott Gillon (Wylie Bisset, External Auditors)  
                              David Eardley (Scott-Moncrieff, Internal Auditors)  
                              John McLeod (Mazars, incoming External Auditors)  
                              Joanna Paterson (Board Secretary)

### **16.41 Welcome/Apologies**

The Chair welcomed all to the meeting. A warm welcome was extended in particular to Simon Ashpool, new Board member, Emily Purdue who had joined the College this week as Health and Safety Officer and John McLeod from Mazars who would be taking over as external auditors in 2017.

### **16.42 Declarations of Interest**

There were no declarations of interest.

### **16.43 Minute of Meeting of 1 September 2016**

The Minute of the meeting of the Audit Committee of 1 September 2016 was approved as a correct record.

### **16.44 Matters Arising from Minute of Meeting of 1 September 2016**

Members noted paper 2 detailing actions duly completed following the meeting of 1 September 2016.

There were no other matters arising.

**16.45 External Audit**

**i) Annual Report & Financial Statements 2015-16**

Assistant Principal, Curriculum Support & Finance introduced the Annual Report and Financial Statements for 2015-16.

The Committee noted that there were several changes to the presentation of the accounts resulting from the adoption of the new Statement of Recommended Practice (SORP) and Financial Reporting Standards FRS102 as well as compliance with the Government Financial Reporting Manual (FReM).

The Committee noted the arguments set out supporting the proposal to adopt the Accruals Model and agreed that the accounts should be presented on this basis.

A copy of the figures laid out as in the management accounts format was circulated to members to demonstrate that the College had achieved a trading surplus when the impact of the pension revaluation was stripped out. Members commented that it was very helpful to see the information presented in this way.

The Committee noted the difficulties in reading the accounts that the new requirements presented.

Members noted that the Finance and General Purposes had recommended strengthening paragraph 10 of the Annual Report ('Going Concern') to make reference to the auditors' opinion supporting the Board's assessment that the College was operating on a going concern basis, and that a form or words to that effect had been agreed with the auditors.

It was noted that similar presentation issues associated with the new requirements were affecting many other colleges and universities. The Principal advised that she would raise at the next meeting of Principals the importance of taking a sector-wide approach to explaining and presenting the issues flowing from the new presentation to the media and politicians.

There was some discussion about the potential impact on commercial work of having a negative balance sheet. It was noted that there was no potential impact on the ability to borrow since the College had no power to borrow without the consent of Scottish Ministers; likewise, banking arrangements would not be affected since the College was transferring to the Scottish Government banking contract.

Members noted the argument that the College would be recognised as part of the Scottish Government finances and therefore not considered a financial risk.

There were however some concerns that the position might adversely affect the opinion of private sector organisations who might be at an early stage of discussion with the College and it was agreed that this issue should be kept under review.

There was some discussion of the pension revaluation and the potential impact of fluctuations in market value and assessment in future years. It was noted that the next full revaluation would take place in 2017.

Members noted the requirements around disclosure and that the agreement of staff members affected had been secured and appropriately minuted.

Two minor changes to the wording of the report were agreed, to update the population figure quoted on page 5, and to adjust the ordering of the highlights on page 11 to put learner attainment at the top of the list.

#### **Action 1: Assistant Principal, Curriculum Support & Finance**

The Committee agreed to recommend approval of the Annual Report and Financial Statements to the Board.

The Committee recorded its appreciation for the work of the finance team in preparing these accounts in line with these new requirements and the detailed explanations that had been provided.

#### **ii) Annual Report to the Board of Governors and the Auditor General for Scotland 2015-16**

Assistant Principal, Curriculum Support & Finance introduced the annual report from the External Auditors to the Board of Governors and the Auditor General for the period 2015-16. Scott Gillon, Wylie Bisset, provided a detailed presentation of the report.

The Committee noted that no control weaknesses were identified and that the conclusion of the report is that accounting systems operated effectively.

In noting the report the Committee expressed their appreciation for the clear and concise nature of the report and for the work carried out by the external auditors over the last five years.

**iii) Letter of Representation**

Assistant Principal, Curriculum Support & Finance introduced the draft Letter of Representation to Wylie Bisset, External Auditors.

The Committee agreed to recommend that the letter be signed by the Chairman of the Board of Governors on behalf of the Board.

**16.46 Internal Audit Plan Reports**

**i) Student Support Funds Audit 2015-16**

David Eardley presented the findings from the Internal Audit review of Student Support Funds for 2015-16 in line with guidance issued by the SFC. The Committee noted that this audit is a mandatory requirement of SFC.

Members noted that in carrying out the audit the internal auditors had identified the need for consistent completion of attendance records to avoid reliance on verbal checks and follow ups. This recommendation had been agreed by management and an improved system was being put in place to flag up the non-completion of registers to managers for action.

The Committee agreed to note the report.

**ii) Credit Audit Report 2015-16**

David Eardley presented the findings from the Internal Audit review of the student data returns for the Credit Audit Report. It was noted that the audit had been completed in line with the guidance notes issued by the SFC.

The Committee noted the two recommendations that had been identified, both with a limited risk exposure, and the management response that had been agreed in response.

It was noted that there was no risk of clawback and that the College had in fact over-delivered against the targets.

The Committee agreed to note the report.

**iii) Annual Internal Audit Report 2015-16**

David Eardley presented the Internal Audit Annual Report for 2015-16. In reviewing the work of the year the internal auditors expressed their appreciation of the willingness of the College team to engage fully and openly with the audit process.

The Committee noted that the report had been prepared in September and that actions identified as outstanding in relation to business continuity had now been completed.

In noting the report members expressed their appreciation for the high quality work that had been carried out during the last year and the briefings that had been offered to the Committee.

**iv) Internal Audit Plan 2014-17 Risk Assessments**

Assistant Principal, Curriculum Support & Finance introduced a summary table of controls or external assurance systems for the risk assessments made of potential auditable areas. This followed discussion at the last meeting of the Committee.

It was agreed that it would be helpful to provide further detail in the table to provide a fuller picture to members. This would then feed into the planning process for the identification of future audit work.

**Action 2: Assistant Principal, Curriculum Support & Finance**

**16.47 College Audit Rolling Action Plan**

Assistant Principal, Curriculum Support and Finance, introduced paper 10, showing progress in implementing recommendations previously agreed.

In relation to Workforce Management, it was noted that work was underway to refresh those policies that fell outwith the scope of national bargaining. It was noted that there was a risk that those policies within the scope of national bargaining might become out of date and this had been raised with the Employers' Association.

There was some discussion of ways in which reporting on HR issues was shared with the Board. It was noted that in addition to the reports from the Committee at the Board meeting, all members have access to the HR reports that are considered by the Finance and General Purposes Committee and are also welcome to attend meetings of that and other Committees. It was agreed that it would be helpful to ask the F&GP Committee if there were other approaches that could also be considered to provide Board members with a suitable overview.

**Action 3: Board Secretary**

In relation to Business Continuity, it was noted that server renewal and the installation of a second line connection to mitigate against the single point of connection risk was scheduled for February 2017.

The Committee noted the report.

**16.48 Audit Committee Report to the Board of Governors**

Assistant Principal, Curriculum Support and Finance, introduced the draft report from the Committee to the Board of Governors.

The Committee asked that the wording of the paragraph in relation to Health and Safety reports be reconsidered in the context of the remit of the Committee in this area, and any proposed rewording circulated by email to the Committee for comment.

**Action 4: Board Secretary**

Subject to that one amendment the Committee agreed the annual report.

**16.49 Strategic Risk Register 2016-17**

The Principal presented paper 12 updating the Strategic Risk Register for 2016-17.

The Committee noted the risk levels in the five strategic risk areas and the mitigating actions which were being taken.

In relation to key risk 3, recruiting and developing high performing staff, it was noted that the risk remained at high due to the on-going challenge with National Bargaining. There was some discussion of the impact on morale and relationships within the College and it was noted that local communication and engagement was continuing to take place and that this had proved helpful.

In relation to risk 4, meeting legal and statutory needs and requirements, there was a brief discussion around the work on equalities that was being taken forward ahead of the Equalities Mainstreaming Report that was due for publication in April 2017.

There was a brief discussion of what if any role the other Committees might play in relation to the risk register. It was noted that actions brought forward for discussion or review with Committees should already take account of the assessments made by the Senior Team in the context of the strategic risks. It was agreed that it would be overly complex to involve Committees in a more direct way and that the overview of the work on risk properly sat with this Committee.

**16.50 Health & Safety Quarterly Report**

The Facilities Manager introduced the quarterly report to end September 2016.

She also reported that the Scottish Fire and Rescue Service had recently carried out a Fire Safety Audit of the College premises which had gone very well and as a result the College would not be issued with a report as there were no follow up actions.

The Committee noted that the new Health and Safety Officer would be carrying out an audit of the College in January and reviewing policies including those which had been carried forward for review, pending her appointment.

Members noted that completion of the Workrite DSE self-assessment tool was now approaching 100% with only six individuals left to complete the assessment. It was noted that there were now checking systems in place which should ensure that completion rates remained at these levels going forward.

There was some discussion of the relatively low numbers of near misses which suggested there might be an under-reporting issue. This would be further explored by the Health and Safety Officer to identify possible improvements such as training and awareness raising or simplification of the reporting procedure.

#### **Action 5: Health and Safety Officer**

Members agreed to express their appreciation for the work that had been taken forward by the Facilities Manager during this transitional period, including the delivery of improvements to the reporting format to the Committee and the significant progress with the Workrite self-assessment programme.

### **16.51 College Key Performance Indicators**

Assistant Principal, Curriculum Support and Finance, introduced paper 14 showing the College's Key Financial and Non-Financial Performance Indicators (KPIs) for 2013-14 to 2015-16. Members noted that the financial KPIs mirrored the information in the accounts.

In relation to the non-financial KPIs, Assistant Principal, Curriculum and Innovation reported that the latest data in relation to completion rates and action that was being taken forward to deliver improvements had been discussed fully at the recent meeting of the Learning and Teaching Committee.

Members noted the report.

**16.52 Meeting of the Committee Without Management**

Members of the Management Team left the meeting before this item.

The Board Secretary confirmed that provision for an annual meeting of the Committee without management was a requirement of the Code of Good Governance.

The Chair invited the opinion of the internal and external auditors of the College’s approach to audit. They confirmed that the management team demonstrated an open and helpful approach and were fully engaged in the audit process. Any issues that had been identified through the audit process had been brought to the attention of the Committee.

The finance team had demonstrated a great deal of diligence in the preparation of these accounts and ensuring that the reporting requirements were met. It was noted that arrangements were in hand to support a smooth handover between the external auditors.

It was noted that finance teams across the sector were making a very positive contribution and helping colleges to move through a number of complex transitional arrangements, not least the move to ONS.

**16.53 Any Other Business**

There were no other items of business.

**16.54 Review of Meeting, Supporting Papers and Training Needs**

The Audit Committee was content with the meeting and supporting papers presented. The Chair thanked members for their contributions and attention to what had been a very full set of papers.

**16.55 Date of Next Meeting**

The next meeting would take place on Thursday 9 March at 9.30am.

Note: There were no matters discussed during the meeting, during which Members declared any conflict of interest, or the Secretary to the Board was aware from the Register of Interests that discussion could give rise to such a conflict.

Signed .....  
Chair, Audit Committee

Date .....