

**AUDIT COMMITTEE
MINUTES OF MEETING OF 25 SEPTEMBER 2014**

1600, Boardroom, Milton Road

Present: D Rutherford (Committee Chair); M Frizzell; N Paul; R Stimpson

In attendance: C Brown (Scott-Moncrieff); J Van Herk; M Walker (Clerk); A Williamson.

1 WELCOME & APOLOGIES

- 1.1 Apologies had been received from Mandy Exley, Hugh Harvie (KPMG), Ian McKay and James Thompson (Scott-Moncrieff).
- 1.2 The Committee Chair welcomed the Student President to the meeting, as an observer.

2 DECLARATIONS OF INTEREST

- 2.1 None.

3 MINUTES OF PREVIOUS MEETING

- 3.1 The Committee APPROVED the minutes from the meeting of 20 June 2014, with the following exception:
 - 3.1.1 Members requested an amendment to paragraph 8.4, to state that tolerance levels would be incorporated into the risk appetite matrix, not the risk register.

4 MATTERS ARISING

- 4.1 All actions from the previous meeting were either complete or on the agenda, with the following exception:
 - 4.1.1 *RISK TOLERANCE SCALE* (minute 8.3/20.06.14 refers)

The Director of Finance informed the Committee that the incorporation of a risk tolerance level scale in the risk register matrix remained on-going.

5 FINAL BUDGET 2014/15

- 5.1 The Committee NOTED the *Annual Budget for 2014/15* and the *2015/16 Forecast Budget* approved by the Board of Management on 02 September 2014.
- 5.2 The Committee NOTED that the 2014/15 budget illustrated a deficit of £1.9m, and DISCUSSED factors relating to the College's financial situation, as raised at the September meeting of the Board, including;
- (i) the College's low WSUMs price;
 - (ii) the higher costs of harmonisation than anticipated;
 - (iii) the College's significant cash investment in its staff.
- 5.3 The Committee NOTED progress on the scheduling of a meeting between a Board delegation and the SFC to discuss the present financial standing of the College. The Committee AGREED that Board Members meeting with the SFC as part of the 'Post-Merger Evaluation' should be encouraged to highlight the on-going cost implications associated with the College's harmonisation.
- 5.4 The Committee NOTED the importance of maintaining the Board Members' awareness of key factors impacting upon the College's finance, including the current WSUMs price and the VS Scheme. The Committee AGREED that key financial matters, including Monitoring Our Performance data, would be presented at the front of the Audit Committee agenda.
- 5.5 The Director of Finance informed the Committee of the recent 'Stop the Clock' events held at all four campuses to discuss the College's financial situation with all staff. Members NOTED that staff engagement at the events had been positive, with a number of proposals for efficiencies across the College developed.

6 MANAGEMENT ACCOUNTS TO JULY 2014

- 6.1 The Committee NOTED the *Management Accounts to July 2014*.
- 6.2 *Paragraph 6.2 presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.*
- 6.3 The Committee AGREED that future Management Accounts would include information to illustrate progress against efficiency savings.

7 RISK MANAGEMENT UPDATE

- 7.1 The Committee received an update on the Top Risk Register for September 2014. Members NOTED the 'Change Indicators' for TR8 and TR13 were 'Red' and 'Amber', respectively.

The Committee NOTED an *Action Plan Risk Log* for TR8, and the Director of Finance informed Members that a risk log was currently under development for TR13, as agreed by the Risk Management Group.

- 7.2 The Committee NOTED an update on Risk Management and Business Continuity Planning.

8 INTERNAL AUDIT

8.1 INTERNAL AUDIT PLAN 2014/15

8.1.1 The Committee NOTED the *Strategic and Annual Internal Audit Plan 2014/15*, as presented by the Internal Auditor. The Committee NOTED the focus of audit resources and the systems and processes that manage the College's key risk areas.

8.1.2 The Committee DISCUSSED the Audit Plan 2014/15, and individual audits within the following key areas;

- (i) Key Financial Systems Reviews;
- (ii) Corporate Governance/Strategic Reviews;
- (iii) Operational Systems Reviews;
- (iv) IT Reviews;
- (v) Internal Audit Management.

Members NOTED that the outlined Audit Plan would remain flexible and could be altered at any time, subject to Committee approval.

8.1.3 The Committee APPROVED the Audit Plan 2014/15, but AGREED that the timescales for individual audits needed to be revisited. The Committee AGREED that a revised version of the Audit Plan 2014/15, following further discussions between the Internal Auditors and the Director of Finance on audit dates, would be brought back to the next meeting of the Committee.

8.1.4 The Committee NOTED during discussions around 'Key Financial Systems Reviews' that under ONS Reclassification the College was currently in a 16 month accounting year, to July 2015. Members welcomed this development, but recognised the potential difficulties comparing data from the current accounting year with that of the previous year.

8.1.5 Members DISCUSSED the implications of the 16 month accounting year on resource accounting, and AGREED that the Director of Finance would provide a summarised overview of cash flow forecast (to 31 March 2015) for the next meeting of the Committee.

8.2 SUMMARY OF AUDIT RECOMMENDATIONS

8.2.1 Members NOTED the current status of internal audit recommendations from 2011/12, 2012/13 and 2013/14, as previously reviewed by the Audit Committee.

8.2.2 The Committee AGREED that future summaries of the Internal Audit recommendations should provide an indication of timescales for completion on individual recommendations.

8.2.3 The Committee AGREED that it would welcome a future update on the development of HR systems listed in the Audit Recommendations for 2011/12, including a timescale for the new HR systems full implementation.

9 MONITORING OUR PERFORMANCE

9.1 The Committee NOTED the final Monitoring Our Performance (MOP) out-turns related to audit and financial matters for 2013/14, and APPROVED the Red Indicators Plan for the Audit Committee.

9.2 The Committee NOTED the Outcomes Agreement Audit Committee Measures 2014-15 and the MOP 2014-15. The Director of Finance confirmed that a full MOP 2014-15 would be presented at the next meeting of the Committee.

9.3 Members NOTED the timetable and process for the negotiation of 2015/16 Outcome Agreements.

10 REVIEW OF THE 2013-18 STRATEGIC PLAN OBJECTIVES

10.1 The Committee NOTED the *2013-18 Strategic Plan Objectives* related to 'Growth and Funding Our Plan', as part of the on-going review of objectives.

10.2 Members DISCUSSED the Strategic Plan Review and the associated KPIs for each revised objective. The Committee queried the context of the KPIs presented and requested further information prior to approval.

10.3 The Committee AGREED that the Clerk would clarify the Strategic Plan Review with the VP Strategy & Operations, and that a revised Review document would be circulated to Members for approval.

11 REPORTING TO BOARD

11.1 The Committee AGREED that the following matters would be reported at the next meeting of the Board on 04 November 2014;

(i) the Committee's areas of focus relating to the College's financial position, as highlighted under minute 5.4;

- (ii) an updated version of the Internal Audit Plan 2014/15, accounting for the changes requested by Members (under minute 8.1.4). The Internal Auditor AGREED to provide the Clerk with an update Audit Plan prior to the Board meeting;
- (iii) the changes to the College's financial year, and the 16 month reporting period.

12 ANY OTHER COMPETENT BUSINESS

12.1 REVISED DELEGATED LIMITS FOR INCORPORATED COLLEGES

12.1.1 The Committee NOTED a tabled letter from the SFC to college principals regarding the revised delegated limits for incorporated colleges.

12.1.2 The Committee NOTED the reduced number of delegated limits and the level of revised limits. The Director of Finance informed Members that in the case of items relating to 'Operating Leases' the revised delegation limit remained low.

13 DATE OF NEXT MEETING

The next meeting will take place on Thursday 27 November at 1600 in the Boardroom, Milton Road Campus.

The meeting closed at 18:00