

**AUDIT COMMITTEE
MINUTES OF MEETING OF 27 NOVEMBER 2014**

1600, Boardroom, Milton Road

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

In attendance: C Brown (Scott-Moncrieff); E McMahon; M Walker (Clerk); A Williamson.

1 WELCOME & APOLOGIES

- 1.1 Apologies had been received from Moira Frizzell and Hugh Harvie (KPMG)
- 1.2 The Committee Chair welcomed the Interim Principal, Dr Elaine McMahon.
- 1.3 The Committee Chair welcomed Niki McKenzie to the Committee, as a Co-opted Member.

2 DECLARATIONS OF INTEREST

- 2.1 None.

3 MINUTES OF PREVIOUS MEETING

- 3.1 The Committee APPROVED the minutes from the meeting of 25 September 2014.

4 MATTERS ARISING

- 4.1 All actions from the previous meeting were either complete or on the agenda.
- 4.2 REVIEW OF THE 2013-18 STRATEGIC PLAN OBJECTIVES (*minutes 10.3/25.09.14 refers*)

The Committee NOTED that a revised version of the *2013-18 Strategic Plan Objectives* related to 'Growth and Funding Our Plan' were considered and APPROVED outwith the Committee meeting. The Committee Chair confirmed that the Objectives had now been incorporated into the Strategic Plan.

5 TERMS OF REFERENCE

- 5.1 The Committee NOTED the Policy & Resource Committee's Terms of Reference, approved by the Board in November 2014. The Committee Chair highlighted to Members that the new Committee's remit included the review of matters relating to public funding and financial management.
- 5.2 The Committee DISCUSSED the Audit Committee's Terms of Reference, and its alignment with the remit of the Policy & Resource Committee.
- 5.3 Members NOTED the Audit Committee's responsibility to the Board for the consideration and assessment of strategic risks. The significance of risk assurance and the duties of the Committee were DISCUSSED by Members.

Members AGREED that '*Audit & Risk Assurance Committee*' would be recommended to the Board, as a new Committee title.

- 5.4 The Internal Auditor queried the Committee's role in reviewing the College's Operational Strategies. Members NOTED the potential conflict of interest that existed with a view to the Committee approving and monitoring its own Strategy.

The Committee AGREED that in future the Policy & Resources Committee should approve a Financial Strategy for the Audit Committee to monitor.

- 5.5 The Committee AGREED that the Internal Auditors should consider the Committee's Terms of Reference against the Scottish Government's Audit Committee Handbook, and feedback comments to the Director of Finance and the Clerk.

6 FINANCIAL UPDATE

6.1 MANAGEMENT ACCOUNTS TO OCTOBER 2014

- 6.1.1 The Committee NOTED the *Management Accounts to October 2014*.
- 6.1.2 *Paragraph 6.1.2 presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.*
- 6.1.3 The Committee NOTED recent income within both commercial and international areas, and the revenues (to date) associated with in-house catering and the College nursery. The Director Finance also updated Members on the recent efficiency saving across the College.

6.2 CASH FLOW & SFC RESOURCE RETURN

- 6.2.1 The Committee NOTED narratives on the *Management Accounts Cash Flow to July 2015* and on *SFC Cash Flow to March 2015*.
- 6.2.2 The Committee NOTED an SFC Forecast Resource Return, which showed a deficit lower than originally forecast. The Director of Finance

informed Members that the Return had been aligned to identify efficiency savings, and was subject to management within the budget.

6.2.3 The Committee DISCUSSED a *Monthly Cash Flow Forecast for November 2014*, and asked for further clarification on the information provided. The Director of Finance informed the Committee that format of the document was dictated by the SFC, to whom the Forecast was provided on a monthly basis for cash drawdown purposes.

6.2.4 The Committee welcomed the information provided, and AGREED that a more forensic oversight of cash flow and the impact of budgetary cuts across departments should be provided to the next meeting.

7 MONITORING OUR PERFORMANCE

7.1 The Committee NOTED the status of Key Performance Indicators related to financial perspectives, as of November 2014.

7.2 The Committee DISCUSSED the need to maintain an overview of the College's academic performance in-relation to financial matters. Members NOTED the existing connection between the Audit Committee and the Academic Council, through the latter Committee's Chair.

8 RISK MANAGEMENT UPDATE

8.1 The Committee received an update on the Top Risk Register to November 2014. Members NOTED that the *Change Indicators* for TR3 and TR8 remained 'Red', whilst TR13 had moved to 'Amber'. The Committee NOTED an individual *Action Plan Risk Log* for all three active risks.

8.2 The Committee DISCUSSED the risk tolerance indicators included on the Top Risk Register, and the appropriateness of the RAG indicators. Members welcomed the addition of risk tolerance to the document, but AGREED that the Director of Finance should re-consider the use of RAG indicators.

8.3 The Committee DISCUSSED risk appetite and the need to indicate (if appropriate) where a risk was beyond the Board's risk appetite. The Committee NOTED that the current financial standing of the College should be considered beyond the Board's risk appetite.

The Interim Principal informed the Committee that the Executive would consider the College's risk appetite further.

9 INTERNAL AUDIT

9.1 INTERNAL AUDIT PLAN 2014/15

9.1.1 The Committee NOTED the *Strategic and Annual Internal Audit Plan 2014/15*, as approved by the Committee at its last meeting.

9.1.2 Members DISCUSSED the inclusion of a severance audit in the annual plan. The Director of Finance AGREED to discuss this matter further with both the Internal and External Auditors, outwith the meeting, and report back to the Committee.

9.2 SUMS RETURN 2013/14

9.2.1 The Committee NOTED the findings of the Internal Auditors' Review of 2013/14 SUMs Returns. The Internal Auditor confirmed that controls over the collection of data and the preparations of the SUM's returns were adequate and effective.

9.2.2 The Committee NOTED the two recommendations highlighted below, and the Management responses:

(i) *Personal Learning Support Plan (PLSP)*

The need for a single PLSP format, to ensure all students enrolled on DPG 18 programmes, or for whom the College is claiming Extended Learning Support (ELS) SUMs, have a PSLP in-place.

(ii) *Fee Waiver Forms – Asylum Seekers*

The importance of ensuring that supporting paperwork is retained for all fee waivers. Members NOTED that in a small number of instances insufficient evidence had been retained in support of the fee waiver claim for students with asylum status.

9.2.3 The Committee Chair commended the outcome of the 2013/14 SUMs Returns Audit, and welcomed the improvements in performance made since 2012/13.

9.3 STUDENT FUNDING & NUMBERS RETURNS

9.3.1 The Committee NOTED four Audit Returns related to student funding and numbers, which confirmed the Internal Auditor's satisfaction that the College had used student funds in accordance with SFC conditions.

9.4 SUMMARY OF AUDIT RECOMMENDATIONS

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

9.4.2 The Committee DISCUSSED the potential for adverse risks arising from 'on-going' internal audit recommendations. The Committee AGREED that the Director of Finance should provide an update to Members at the next meeting, highlighting the risks (if any) associated with outstanding audit recommendations.

10 REPORTING TO BOARD

10.1 The Committee AGREED that the following matters would be reported at the next meeting of the Board on 09 December 2014:

- (i) the proposed change to the Committee title;
- (ii) the Committee's focus on cash flow and the impact of budgetary savings, as discussed under minute 6.2.4;
- (iii) the satisfactory outcome of the 2013/14 SUMs Returns Audit, as highlighted under 9.2.

11 ANY OTHER COMPETENT BUSINESS

None.

12 DATE OF NEXT MEETING

The next meeting will take place on Thursday, 05 March 2015 at 1600 in the Boardroom, Milton Road Campus.

The meeting closed at 17:50