

## AUDIT COMMITTEE

### MINUTES OF MEETING OF 14 MAY 2013

4.00pm, Room 4-20E, Milton Road Campus

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

**In attendance:** P Davis (Clerk); A Gray (Wylie & Bisset); L Feeney (Interim Administrator); A Shaw (KPMG); A Williamson

#### 1 APOLOGIES

1.1 There was none.

#### 2 DECLARATIONS OF INTEREST

2.1 There was none. It was noted, however, that Item 10, Internal Audit Services Tender, would be held over to the end of the meeting to allow both auditors to leave prior to this discussion.

#### 3 MINUTES OF PREVIOUS MEETING

#### PAPER A

3.1 It was noted that the Director of Finance had updated the Treasury Policy to reflect the minor amendments highlighted at point 7.1.2.

**Decision:** The Committee approved the minutes from the meeting of 20 February 2013.

#### 4 MATTERS ARISING

#### PAPER B

4.1 Point 6.2, 20.02.13 – The Director of Finance felt that the SFC should be invited to a meeting towards the end of the year, having carried out a recent six month post-merger review.

4.2 Point 7.1.2, 20.02.13 – The Director of Finance reported that the SFC expected the College to have a VFM policy and would not look for a Best Value Policy as well.

4.3 Point 13.4, 20.02.13 – It was noted that the Audit Committee would like to see the Development Trust Deed if time permitted before it was submitted to the Board.

4.4 All other actions were completed and items were on the agenda.

**5 COMMITTEE OPERATIONAL REVIEW PAPER C**

5.1 Committee Members were asked to review operation/performance by completing the form provided and passing all comments to the Clerk by Friday 17 May 2013. The results would be collated and circulated.

**6 MANAGEMENT ACCOUNTS PAPER D**

6.1 The Director of Finance reported on the management accounts for the eight months to March 2013, explaining the challenges remained much the same as those reported previously. He confirmed that a weekly WSUMs validation check was carried out, but this has been done manually at the Sighthill Campus which has caused some of the inconsistency in reporting. However, going forward into next year, this would all be on the one system.

Following discussion, it was agreed that the Director of Finance would arrange for an internal audit of the Unit-e system in next year's audit schedule.

**7 BUDGET PAPER E**

7.1 The Director of Finance presented the Budget for 2013/14, explaining that more detailed information was provided under Reasons for Variances.

The Committee approved and noted the content of the paper.

**8 RISK MANAGEMENT PAPER F**

**8.1 Top Risks**

The Director of Finance provided an update, highlighting the following:-

8.1.1 There had been no movement since the last report, however, in relation to TR3 Industrial Action, the Clerk advised of recent developments that had increased the likelihood of action within the next 4-6 weeks.

**8.2 Consolidated Main Risks**

8.2.1 It was noted that now that the Senior Management Team were in place, they would be progressing many of the issues covered in the risk register report.

**8.3 Risk Management Policy**

8.3.1 The Director of Finance presented the Risk Management Policy and Procedure, and confirmed that this approach had been based on the one previously used at Milton Road Campus.

8.3.2 The Director of Finance reported that a Risk Management Committee would be set up as a sub-committee of the Audit Committee. The Committee Chair agreed to serve on the Committee, which would meet quarterly. The Director of Finance would forward a schedule of meetings to the Committee Chair.

- 8.3.3 The Director of Finance confirmed that there would likely be a Health & Safety representative on each campus, but he will confirm accordingly.
- 8.3.4 The Director of Finance reported that there would be risk management awareness training for leadership team and staff responsible for risk management.
- 8.3.5 NP would forward a document to the Director of Finance to assist with drafting a document on risk appetite to present to the Board.
- 8.3.6 **Decision:** The Committee approved the Policy

## 9 INTERNAL AUDIT

## PAPER G

### 9.1 Audit Recommendations Follow Up Review

- 9.1.1 The Director of Finance presented the summary he had prepared of the Review Paper, which highlighted the issues and whether they were complete or ongoing.
- 9.1.2 The Internal Auditor highlighted the grading differences between campuses and the recommendations still to be dealt with.
- 9.1.3 The Internal Auditor stated that the majority of issues were there due to the merger and many would be completed and removed very quickly.
- 9.1.4 The Committee Chair thanked the Internal Auditors for their work.

### 9.2 Risk Management Audit Report

- 9.2.1 The Internal Auditor presented the full Risk Management Audit Report, highlighting that the overall conclusion was Strong, and this was very good.
- 9.2.2 The Internal Auditor wished to draw attention to the observation on page 9 of the report, regarding the format of the Risk Register, and following some discussion, the Committee agreed it would be useful to have unmitigated risk scoring shown.

### 9.3 Review of Financial Controls

- 9.3.1 The Committee noted that all items had been actioned and completed, with the exception of the Financial Regulations, which would be updated when the new organisational structure is finalised at the end of June/July 2013.

- 11      **FINANCIAL SYSTEMS TENDER UPDATE**      **PAPER I**
- 11.1    The Director of Finance advised that Unit 4 had been selected following a mini-tendering process. It was noted that the implementation date was quite challenging.
- 11.2    The External Auditor, added that they had implemented a similar system through Unit 4 and the implementation process had been very good.
- 12      **FRS18 – ACCOUNTING POLICIES**      **PAPER J**
- 12.1    The Director of Finance commented that FRS6 – Mergers and Acquisitions – should have been included in the policies and he would correct this for the next meeting.
- 12.2    The Director of Finance confirmed that bursary funding was on an annual basis.
- 12.3    The External Auditor, would submit any comments on this paper directly to the Director of Finance.
- 12.4    **Decision:** The Committee approved the Accounting Policies.
- 13      **LOTHIAN PENSION FUNDS REVISION TO FRS17 VALUATION**      **PAPER K**
- 13.1    The Committee noted the impact of the revised FRS17 report for the Jewel & Esk College statutory accounts to 31 July 2012 on the opening position for the 2012/13 Edinburgh College accounts.
- 14      **FIXED ASSET POLICY**      **PAPER L**
- 14.1    The Director of Finance presented the reviewed Tangible Fixed Assets Policy for the Committee to approve.
- 14.2    There was some discussion about the methodology used in the fixed asset accounting policies and whether this should have been on a historical or revaluation basis.
- 14.3    The External Auditor, reported that new UK GAAP guidance to be introduced in the next few years would affect the way fixed assets are rated.
- 14.4    **Decision:** The Committee approved the Policy.
- 15      **EFFICIENT GOVERNMENT**      **PAPER M**
- 15.1    The Director of Finance reported that the bulk of the efficiencies shown in the paper arose from voluntary severance.
- 15.2    The Director of Finance agreed to revisit this report, inserting collaborative benefits, and recirculate it with updated information.

- 16      **OVERSEAS TRAVEL INSURANCE**      **PAPER N**
- 16.1      Following discussion, it was agreed that the Director of Finance would produce a report for the next meeting of the Committee showing a breakdown of Public Liability Insurance for the three campuses.

- 17      **COMPLAINTS POLICY**      **PAPER O**
- 17.1      **Decision:** The Committee approved the Edinburgh College Complaints Policy.

- 18      **UNIVERSITY CODE ON GOVERNANCE**      **PAPER P**
- 18.1      NP outlined the content of the new Code, highlighting that it had been written to apply to various institutions, and that a consultation process was ongoing.
- 18.2      It was noted that the College did not need to be party to the consultation.
- 18.3      It was agreed that the final version should be presented to the Board for wider discussion, in the context of the proposed development of an FE Code on Governance.

- 19      **AOCB**
- 19.1      **TUITION FEES AND CHARGES & FEE WAIVER POLICY 2013/14**  
**Additional Paper**
- 19.1.1      The Director of Finance presented the paper, highlighting the fact that in order to apply consistency across the four campuses, the applied “common” fee had been adopted at the higher rate. It was proposed that fees would be increased by up to 3%, subject to market sensitivity.
- 19.1.2      **Decision:** The Committee approved the schedule of standard fees and charges & fee waiver policy for 2013/14.

*A Gray, Wylie Bisset, and A Shaw, KPMG, left the meeting at this point.*

- 10      **INTERNAL AUDIT SERVICES TENDER 2013-14**      **PAPER H**
- 10.1      The Director of Finance presented a paper regarding the procurement options for Internal Audit services for the College for 2013/14.
- 10.2      **Decision:** The Committee approved the Director of Finance’s recommendation (Option 2).
- 10.3      The Director of Finance agreed to circulate the tender papers when they became available.
- 10.4      The Committee Chair noted that spending on internal audit for the new College was lower than it had been at Edinburgh’s Telford College previously, and asked that this point be revisited in future.

19 **AOCB**

19.2 **OFFICE FOR NATIONAL STATISTICS RECLASSIFICATION OF COLLEGES**

19.2.1 The Director of Finance reported on a presentation he had attended by the Cabinet Secretary regarding the reclassification of FE colleges to central government control.

19.2.2 Committee noted the significance of the issue and the impact this may have on the College. There would be an opportunity for full Board discussion on 28 May 2013.

The meeting closed at 1800 hrs