

EDINBURGH COLLEGE BOARD OF MANAGEMENT

AUDIT COMMITTEE

MINUTES OF MEETING OF 20 FEBRUARY 2013

4.00 pm, Rm 4-20, Milton Road Campus

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

In attendance: A Cowan (Wylie & Bisset); P Davis (Clerk); I McKay; A Williamson; D Watt (KPMG)

1 APOLOGIES

1.1 There was none.

1.2 The Chair welcomed N Paul to his first meeting of the Committee.

2 DECLARATIONS OF INTEREST

2.1 There was none.

3 MINUTES OF PREVIOUS MEETING

PAPER A

3.1 **Decision:** The Committee approved the minutes from the meeting of 29 November 2012.

4 MATTERS ARISING

PAPER B

4.1 Actions from the previous meeting were either complete or on the agenda.

5 JEC YEAR END ACCOUNTS, 31 JULY 2012

PAPER C

5.1 Members noted the Accounts, which had been signed off prior to Vesting Date.

5.2 The Committee Chair observed that the layout was good and might be adopted as a template for this year's annual accounts.

6 MANAGEMENT ACCOUNTS

PAPER D

- 6.1 The Director of Finance reported on the management accounts for the six months to January 2013, explaining that it would be possible to identify a level of expected turnover once the curriculum structure was in place. Based on levels previously targeted at the individual colleges this might be around 2%. Account would be taken of the Government commissioned Griggs report with regard to surpluses.
- 6.2 It was agreed that the Committee should consider inviting a representative of the SFC to a future meeting to discuss the above and other audit-related issues.
- 6.3 The Committee Chair had discussed reporting requirements by the Committee to the Board with the Chair and Director of Finance. It was agreed by the Committee that the level of reporting was appropriate and that additional reporting to the Board would be on an exception basis.

7 DRAFT FINANCE POLICIES

7.1 Treasury Management

PAPER E

- 7.1.1 The Director of Finance explained that a CIPFA policy structure had been adapted to suit the College.
- 7.1.2 **Decision:** The Policy was approved with the following minor amendments.
- 7.1.2.1 p6 TMP9 Money Laundering: this should contain more detail.
 - 7.1.2.2 p7 TMP1(e) Credit and Counterparty Risk Management: lending institutions should be specified.

7.1 Value For Money

PAPER F

- 7.1.1 It was Audit Scotland's expectation that colleges should have value for money policies in place.
- 7.1.2 The Chair asked whether a Best Value policy was more useful than VFM. The External Auditor advised that the SFC would expect the College to have a VFM policy but there was nothing to prevent the College adopting a Best Value policy. The Director of Finance would check on current SFC guidance in this area.
- 7.1.3 **Decision:** The Policy was approved.

8 RISK MANAGEMENT

8.1 Risk Register Update and Business Continuity Update PAPER G

The Director of Finance provided an update, highlighting the following.

8.1.1 There had been one move since the last report: TR3 Industrial Action had been upgraded to red.

8.1.2 TR2 Loss of senior staff was due to be upgraded, to amber.

8.1.3 TR6 Student numbers would also be upgraded to amber.

8.1.4 Management of the risk register would be rolled out to Campus Directors.

8.1.5 N Paul pointed out the need to define the College's appetite for risk in the context of international development, particularly given its first mover advantage as a brand overseas.

9 FRS6: ACQUISITIONS & MERGERS PAPER H

9.1 Members discussed the proposed preparation of the 2012-13 financial accounts on the basis of merger accounting under the requirements of Financial Reporting Standard 6.

9.2 It was noted that some of the wording (eg, reference to 'shareholders') was not applicable to an FE College.

9.3 The Chair suggested that FRS6 would also apply to others in the sector and could be included in a discussion with the SFC in the interests of sharing useful information and practice. The Director of Finance would take this forward.

9.4 **Decision:** The adoption of FRS6 for 2012-13 was approved.

10 INTERNAL AUDIT PAPER I

10.1 Financial Controls

10.1.1 The Internal Auditor reported on the recent audit of Financial Controls, highlighting one medium recommendation (the other five having been graded low) relating to procedures not being in place at Granton campus for changing the payment details of a supplier.

10.1.2 A follow-up audit would be carried out closer to the end of the calendar year once staff were all in place and used to new structures.

10.2 **Internal Audit Follow-up Review**

10.2.1 The Internal Auditor advised that the Follow-up Review would be brought to the next meeting of the Committee. Recommendations were largely merger-related.

10.2.2 The Director of Finance added that one issue relating to Health & Safety procedure needed to be followed through.

11 **AUDIT CHECKLIST**

PAPER J

11.1 **Decision:** The Committee approved the use of a checklist based on the Code on Corporate Governance to assist with financial reporting.

11.2 The Chair suggested that the forthcoming Code on University Governance may also be useful as a reference document/template. It was agreed the Committee should review this document when available.

11.3 The Director of Finance would look out a risk checklist that was used at year end, for inclusion in any review of guidance on monitoring and reporting by the Committee.

12 **COMPLAINTS POLICY**

PAPER K

12.1 The Committee reviewed the revised Complaints Policy, and commented as follows.

12.1.1 Article 3.7 should say no appeal “after Stage 2” as stage 2 is an appeal.

12.1.2 Articles 4.4/4.5 should be clearer about ownership at each stage and who has oversight of whole system as both Campus Directors and Head of Quality have responsibility.

12.1.3 More clarity is needed for the benefit of complainants who receive this document in order to understand what steps they must take and what steps the college will take. One suggestion was a flowchart.

12.1.4 Complaints documents should be cross-referenced with the grievance procedure.

12.1.5 It should also be made clear that there is a separate process for academic complaints in order to direct complainants there as required.

12.1.6 The committee should see the procedures as adopted by Edinburgh College, with wording and references aligned as appropriate, rather than the SPSO version which was provided.

12.2 It was agreed that the Director of Finance and the Clerk would pass on the Committee's comments to the Head of Quality and Information Services, and bring the policy back to the Committee in May for approval.

13 **AOCB**

External Audit Strategy

13.1 The External Auditor tabled an audit strategy and plan overview for the year ending 31 July 2013. Audit focus areas were:

- Financial position
- Accounting for the combination of the three colleges
- Pensions valuation – FRS17 assumptions
- Residences provision
- Eskbank litigation
- Group organisations (subsidiaries)

13.2 It was agreed that proposed accounting policies for the year ahead would be brought to the Committee's May meeting, highlighting changes and the basis for these.

13.3 The External Auditor drew the Committee's attention to mandatory communications relating to fraud, related party transactions and materiality. With regard to the latter the Committee agreed that a satisfactory level.

13.4 Audit and financial reporting in relation to the proposed Development Trust would be discussed at the Committee's May.

The meeting closed at 1800 hrs.