

EDINBURGH COLLEGE BOARD OF MANAGEMENT

AUDIT COMMITTEE

MINUTES OF MEETING OF 29 NOVEMBER 2012

4.00 pm, Board Room, Milton Road Campus

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

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

1 APOLOGIES

- 1.1 It was noted that Nigel Paul, who would be joining the Committee as a co-opted member, had been invited to attend the meeting but had sent apologies.

2 DECLARATIONS OF INTEREST

None.

3 COMMITTEE TERMS OF REFERENCE

PAPER A

- 3.1 **Decision:** The Board approved the draft terms of reference with the following amendments:

3.1.1 The third bullet point of the general remit should read *“review the College operational strategies to ensure they take account of the changing context”*.

3.1.2 Item 2.8, which duplicated information in item 5.1, would be removed.

4 DRAFT FINANCIAL REGULATIONS

PAPER B

- 4.1 The Director of Finance advised the Committee that the former ETC Regulations were undergoing a process of review to fit the purposes of the merged College, and summarised changes made to date. Taking account of ongoing restructuring and harmonisation processes, it was anticipated that the review would be complete in six months' time. The

Committee noted the proposed timescale and work done to date, and added the following comments.

- 4.1.1 In article 1.2, “Charities Act 1993” should be replaced with “Charities and Trustees Investment (Scotland) Act 2005”.
- 4.1.2 Under 15.4, the period to which write-off of debts applied should be specified as one financial year.
- 4.1.3 The first paragraph under 19.5 should refer to approval by a Director rather than the Director of Finance.
- 4.1.4 Under 22.5, the need for a College seal would need to be determined and this article amended as required.

5 AUDITED ACCOUNTS ETC/SCE (KPMG)

PAPER C

- 5.1 The External Auditor reminded Members that JEC accounts had been approved prior to 1 October 2012, therefore the Committee was asked to consider the consolidated audit report and approve accounts for SCE and ETC.
- 5.2 In both cases, accounts were satisfactory overall and the Auditors had been happy with the voluntary severance processes being implemented by both Colleges, elements of which were covered by the merger budget.
- 5.3 The assumptions adopted by the Colleges in respect of their participation in the Lothian Pension Fund had been found to be outside the Auditors’ acceptable range. The Director of Finance had sought advice from Hymans Robertson, pension consultants, and explained the rationale for the assumptions.

Decision: The Committee agreed that an audit adjustment would be made. It was noted that the position may change and that assumptions may be adjusted again next year.
- 5.4 Two audit differences had been identified but there was no net impact on the College’s results.
- 5.5 Members’ attention was drawn to the lack of clarity surrounding a specific decision (ref. page 13 of the Audit Report) arising from the merger arrangements. It was agreed that this would be brought to the attention of the Board and clarification would be sought as to the basis for the decision.
- 5.6 Members noted a provision in relation to onerous lease conditions at Granton Campus. The Director of Finance would confirm the College’s position to the Scottish Funding Council as appropriate. Options for future development and financial sustainability were discussed.

5.7 Proposed reforms of the Local Government Pension Scheme were discussed. The Auditor would adjust provisions as required and provide the amended report for the Board.

5.8 **Decision:** Taking account of points above, the Committee approved the accounts of Edinburgh's Telford and Stevenson Colleges for recommendation to the Board of Governors at its meeting on 11 December 2012.

6 MANAGEMENT ACCOUNTS

PAPER D

The Director of Finance reported on the three months to October 2012, drawing several items to the Committee's attention.

6.1 Income

6.1.1 Lower than expected enrolments of international students had impacted adversely on income.

6.1.2 Curriculum staff were working to address a current shortfall in the number of enrolments onto Skills Development Scotland programmes.

6.1.3 Planning was also underway to address a forecast shortfall in the take-up of nursery places at Granton Campus.

6.1.4 A review of short courses and other contracts would seek to address an identified income gap.

6.2 Expenditure

6.2.1 Overall expenditure was reported to be in line with expectations.

6.2.2 Work was continuing towards the non-salary budget reduction target.

6.3 Balance Sheet

The Director of Finance drew Members' attention to the net asset position and the forecast reduction in working capital which efforts were being made to address.

7 INTERNAL AUDIT (Wylie & Bisset)

7.1 Outstanding Audit Recommendations

PAPER E

Members noted audit recommendations outstanding from the three colleges prior to merger, a review of which would be undertaken by the Internal Auditor.

7.2 **Audit Plan 2012-13**

PAPER F

- 7.1 The Internal Auditor presented an Audit Needs Assessment, highlighting, in addition to required reviews, planned audits of Risk Management, Complaints Handling Procedure, and Working Together – One Organisation which would focus on the College's management of the impact of merger on staff.
- 7.2 Members noted key dates for 2013 which had been aligned to Audit Committee meeting dates.
- 7.3 **Decision:** The Committee approved the Internal Audit Plan.

8 **UPDATE ON OTHER MATTERS**

8.1 **Consolidated Risk Register**

PAPER G

The Director of Finance gave an update on progress towards a consolidated risk register and presented a summary of the Top 10 Risks. Members commented as follows.

- 8.1.1 There should be consistency in job title for the Principal/Chief Executive.
- 8.1.2 It would be important to ensure that risk management was cascaded through the organisation so that all staff understood their role in relation to risk.
- 8.1.3 It would be helpful to have movement of risks monitored within the report.
- 8.1.4 A list of acronyms used would also be helpful to the Committee.

9 **AOCB**

Two additional papers had been circulated prior to the meeting.

9.1 **Tuition Fees**

- 9.1.1 The Director of Finance summarised the College's Tuition Fees policy.
- 9.1.2 **Decision:** The Committee approved the policy for recommendation to the Board at its meeting on 11 December 2012.

9.2 **Complaints**

- 9.2.1 The Committee considered a Complaints Policy that had been approved by the Interim Leadership Group.
- 9.2.2 **Decision:** The Committee felt it would be necessary to see the procedure to which the policy referred before approval could be given and on that basis did not approve the Complaints Policy.

9.3 The External Auditor raised a sector wide issue concerning accounting dates. It had become apparent that there was no legislative basis for Colleges producing accounts to end July. Audit Scotland and the Government were progressing the matter and an announcement would be made in due course.

9.4 The Director of Finance advised Members of the settlement of litigation fees in the recent matter relating to Telford College. This would be brought to the Board at its meeting on 11 December.

10 **DATE OF NEXT MEETING:** 19 February 2013.

The meeting closed at 18.20 pm.

Action List - 29 November 2012

Ref	Action	Responsible	Completion
3.1/29.11.12	Amend Terms of Reference for Board approval.	Clerk	11.12.12
4.1/29.11.12	Take account of Committee comments in progressing revision of Financial Regulations	AW	14.05.13
5.5/29.11.12	Advise Board re Audit Report p13	Chair/AW	11.12.12
5.7/29.11.12	KPMG to adjust LGPS provision prior to Board approval of accounts.	DW	11.12.12
8.1/29.11.12	Take account of Committee comments in developing risk register.	AW	28.02.13
9.2.2/29.11.12	Bring complaints policy to Committee with clarification of procedures.	Clerk	28.02.13
9.4/29.11.12	Advise Board re litigation fees.	Chair/AW	11.12.12