

## **AUDIT COMMITTEE**

### **MINUTES OF MEETING OF 22 JANUARY 2014**

**1600, Boardroom, Milton Road Campus**

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

**In attendance:** C Brown (Scott-Moncrieff); P Davis; I McKay; J Thomson (Scott Moncrieff); D Watt (KPMG); M Walker (Clerk); A Williamson.

#### **1 WELCOME AND APOLOGIES**

1.1 No apologies were received.

1.2 The Committee Chair and members welcomed Marcus Walker, the new Clerk to the Audit Committee.

#### **2 DECLARATIONS OF POTENTIAL CONFLICT[S] OF INTEREST**

2.1 None.

#### **3 DETERMINATION OF OTHER COMPETENT BUSINESS**

3.1 There were four items of other competent business, as noted under Item 13.

#### **4 MINUTES OF PREVIOUS MEETING**

4.1 The Committee APPROVED the minutes from the meeting of 24 October 2013.

#### **5 MATTERS ARISING**

5.1 Actions from the previous meeting were either complete or on the agenda, with the exception of the following two items:

5.2 The Director of Finance confirmed that Martin Fairbairn (Executive Director, SFC) had accepted an invitation to the Committee meeting, but had been unable to attend. The Director of Finance confirmed that the SFC Director had agreed to attend a future meeting of the Committee.

5.2.1 Members were asked to give an indication of future topics for discussion with Mr Fairbairn. The Committee Chair requested an overview of factors affecting the college sector and the appointment status of a new SFC Chief Executive. Members also wished to query

the effects on the College of a 'needs based' funding model, and the move from WSUMs to Credits.

- 5.3 The Clerk provided an SPSO definition of 'customer' in the context of the College's complaints procedure. Members NOTED that the College supports individuals and organisations wishing to complain about an aspect of service, but the complaints procedure is not applicable to staff.

## 6 MANAGEMENT ACCOUNTS TO SEPTEMBER 2013

- 6.1 *Paragraph 6.1 presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.*
- 6.2 *Paragraph 6.2 presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 33, Commercial Interests and the Economy.*
- 6.3 The Director of Finance AGREED to present updated Management Accounts to the next meeting of the Board of Management on 04 February 2014.

## 7 MONITORING OUR PERFORMANCE

- 7.1 The Director of Finance reported to members the status of Key Performance Indicators related to audit and financial matters, as of January 2014.
- 7.2 *Paragraph 7.2 presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.*

***The Chair joined the meeting at 16:30***

## 8 FINANCIAL REGULATIONS UPDATE

- 8.1 The Director of Finance presented updates to the Financial Regulations for the consideration of Committee members.

Changes highlighted in the paper included modifications to the committee structure and remit, with regards to the Academic Council, Capital & Infrastructure Committee and the Commercial & International Committee.

Figures in the Financial Regulations now showed revised tender limits. Information on payments of invoices had also been developed to include more detail on electronic payments.

- 8.2 The Committee DISCUSSED the Financial Regulations and the inclusion of the ECSA's protocol within the document. The Director of Finance responded by highlighting that the College and ECSA were separate organisations, although it was recognised that the relationship between the two would not be finalised until a draft Partnership Agreement had been confirmed by the Board.

The Director of Finance AGREED to consider the inclusion of the ECSA protocol in future drafts of the Financial Regulations.

- 8.3 Members APPROVED the Financial Regulations, and were content for the next meeting of the Board to consider the approved version on 04 February 2014. The Clerk AGREED to provide electronic and/or hard copies of the full Financial Regulations to Committee members – on request.

## 9 RISK MANAGEMENT UPDATE

### 9.1 RISK MANAGEMENT UPDATE

9.1.1 *Paragraph 9.1.1 presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.*

9.1.2 *Paragraph 9.1.2 presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.*

9.1.3 The Committee received an overview from the Director of Finance on the Risk Management Training provided by the College's insurer, Zurich Municipal. The Committee Chair also provided verbal feedback on the training session. The training had been received positively, and it was advised that an abridged version of the training be provided to the Board of Management, prior to a meeting of the Board. Members DISCUSSED the training and AGREED that the Director of Finance should make arrangements for a 30 minute session prior to the Board's meeting in June 2014.

The Committee confirmed that it would be desirable for all Board members to attend the training, but NOTED it was not a statutory requirement.

### 9.2 RISK APPETITE

9.2.1 The Committee considered a paper on risk appetite presented by the Director of Finance. To support the paper an additional summary sheet was tabled, which included guidance notes on developing risk appetite/tolerance and a proposed Risk Appetite Statement and 'Grid'.

Members welcomed the paper and DISCUSSED the target audience for the document, and the focus of the Statement for general use. The Committee AGREED that a Risk Appetite Statement was required to set out risk boundaries for the Leadership Team and others within the organisation.

9.2.2 The Risk Appetite Grid provided was also deemed a useful tool to support the statement, as it encouraged risk taking within agreed parameters. The Internal Auditors queried the low rating of 'major change activities' on the Grid, as major change had inherent high risks.

9.2.3 The Audit Committee acknowledged that the paper provided an excellent starting point for a wider discussion on risk appetite. Members DISCUSSED the importance of wording within the document to strike the right balance

between encouraging opportunities and innovation, whilst not promoting undue risk.

It was AGREED that the two page summary sheet should go forward to all Committees for noting, following revisions to the wording by the Director of Finance.

## 10 INTERNAL AUDIT

### 10.1 STRATEGIC INTERNAL AUDIT PLAN

10.1.1 The Internal Auditors presented the Strategic Internal Audit Plan 2013-15 to the Committee.

Members asked for clarification on whether changes to reporting (for example, ONS Reclassification) would affect cut-off data, and the implications for future data reporting. The Internal Auditors and the Director of Finance stated that the effects remained unknown, and agreed to continue monitoring for any potential negative impact.

The Committee APPROVED the proposed 2013-15 Strategic Internal Audit Plan, under the proviso that the Audit Committee may at any time decide to alter the direction of the plan to address any concerns that may arise during the financial year.

### 10.2 INTERNAL AUDIT REPORT: BEST VALUE PROCUREMENT

10.2.1 The Internal Auditors presented the Best Value Procurement Audit to the Committee. The Committee were provided with a number of examples of good practice across the College, and areas where controls required strengthening.

Members APPROVED the reports, which illustrated that many of the College's procurement procedures aligned with recognised good practice.

### 10.3 INTERNAL AUDIT REPORT 2012/13

10.3.1 The Director of Finance informed members of minor amendments to the 2012/13 Internal Audit Annual Report - conducted by Wylie & Bisset. The Report had previously been reviewed by the Audit Committee in October 2013.

Members NOTED the minor amendments incorporated to reflect the finalised version of the SUMs and Student Funding/EMA Funding reports.

### 10.4 SUMMARY OF AUDIT RECOMMENDATIONS

10.4.1 The Director of Finance presented to the Committee an updated summary of 2011/12 and 2012/13 audit recommendations, previously received by the Audit Committee in October 2013.

Members NOTED the status of audit recommendations provided by Wylie & Bisset. The Director of Finance informed members that the status for 2011/12 actions was on-going, and outlined progress made since the last update.

All recommendations in the 2012/13 report were marked complete, with the exception of the Corporate Governance Review. The Director of Governance explained that no action would be taken on the publishing of committee minutes online until a policy decision had been confirmed.

## 11 **EXTERNAL AUDIT**

### 11.1 **SUMS AUDIT**

11.1.1 The Committee received the College's student data returns carried out in accordance with the SUMs Guidance Notes issued in July 2012, and the Audit Guidance for Colleges issued July 2013.

The Director of Finance presented the 2012/13 Audit Reports for Jewel & Esk, Stevenson and Telford. Members NOTED the three recommendations for Jewel & Esk College and their similarity in nature.

*Paragraph exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.*

### 11.2 **STUDENT FUNDING/EMA FUNDING REPORT**

11.2.1 The Director of Finance presented a paper prepared by Wylie & Bisset on the audit of the 'Student Support Funds' and the 'Education Maintenance Allowance'.

The Committee NOTED the single recommendation provided within the report.

## 12 **ANTI FRAUD & CORRUPTION POLICY**

12.1 The Audit Committee received an Anti-Fraud and Corruption Policy introduced by the Director of Finance.

Members DISCUSSED the Policy and the inclusion of the unconfirmed Whistleblowing Policy. The Committee AGREED that once a Whistleblowing Policy had been confirmed (following consultation with the trade unions), then appropriate amendments should be included to the Anti-Fraud and Corruption Policy by the Director of Finance.

## 13 **AOCB**

### 13.1 **AUDIT COMMITTEE: EXECUTIVE TEAM ATTENDANCE**

Members AGREED that the attendance of Executive Team members at future meetings would be beneficial in-cases where financial and audit issues affecting Executives' areas of influence were discussed.

### 13.2 DELAYED BANKING TENDER

The Director of Finance suggested that the College delayed its banking tender to 2014/15, in order to increase the possibility of receiving beneficial rates. Members supported this idea, but AGREED that the Director of Finance would confirm that no tendering or procurement contracts were breached by this action.

### 13.3 SELF-INSURANCE

The Chair asked Audit Committee members to consider the need for practicing self-insurance, as put forward in the Scottish Public Finance Manual. The Chair considered the current guidance on self-insurance a 'grey area', and was wary of the effects on the College – as it does not currently practice self-insurance.

The Director of Finance confirmed that the SFC had been contacted, and colleges were advised (at present) to consider actions as deemed appropriate.

The Internal Auditors advised the Committee that a best course of action might be to contact the Scottish Government and describe the College's planned insurance arrangements.

### 13.4 AUDIT COMMITTEE CALENDAR

The Clerk presented a draft 2014 work-plan of Risk Management Group, Audit Committee and Board meetings to the Committee. Members were informed that the ONS Reclassification means that future Audit Committee dates could be altered, for the timely approval of business by the Board. The Director of Finance AGREED to liaise with the Clerk to confirm Committee dates for May/June 2014.

## 14 DATE OF NEXT MEETING

The next meeting will take place on Wednesday, 02 April 2014 at 16.00 at Milton Road Campus.

***The meeting closed at 18.20***