

AUDIT COMMITTEE

MINUTES OF MEETING OF 20 JUNE 2014

1400, Boardroom, Sighthill Campus

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

In attendance: C Brown (Scott-Moncrieff); P MacPherson (Acting Clerk); J Thomson (Scott Moncrieff); D Watt (KPMG); A Williamson.

1 APOLOGIES

- 1.1 Apologies had been received from Mandy Exley and Ian McKay.
- 1.2 The Committee Chair welcomed the Governance Administrator who would be acting as Committee Clerk in the absence of the Governance Advisor.

2 DECLARATIONS OF INTEREST

- 2.1 N Paul NOTED that he is the chairman of APUC (Advanced Procurement for Universities and Colleges).

3 MINUTES OF PREVIOUS MEETING

- 3.1 The Committee APPROVED the minutes from the meeting of 2 April 2014.

4 MATTERS ARISING

- 4.1 It was noted that all actions had been duly completed.

5 FINANCIAL ACCOUNTS TO 31 MARCH 2014

- 5.1 Director of Finance presented the main highlights from the financial accounts.
- 5.2 Director of Finance AGREED to include a section in this year's report that shows how the college has addressed risk over the last year.
- 5.3 Members AGREED a minor change of wording in the last paragraph on page seven.

- 5.4 Members AGREED that the Principal should be removed from related party transactions as she does not become a member of Edinburgh University's Court until 1 August 2014.
- 5.5 Director of Finance AGREED to update WSUM target figure in the financial accounts.
- 5.6 *Paragraph presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.*
- 5.7 External Auditor advised Members that there are some useful points identified in the financial accounts:
- The college continues to make progress against the business case;
 - The financial environment remains challenging;
 - Pay harmonisation costs were above budgeted levels.
- 5.8 External Auditor informed Members that he was comfortable with the arrangements for establishing a charitable foundation.
- 5.9 The Committee APPROVED the financial accounts for recommendation to the Board in September. The Committee Chair NOTED that he was pleased to receive such a positive report and thanked the Director of Finance and his team for all of their hard work over the past year.

Director of Finance and Acting Clerk were asked to leave the room to allow the Committee to discuss the performance of the Director of Finance in private.

Director of Finance and Acting Clerk re-entered the room.

6 MANAGEMENT ACCOUNTS

- 6.1 Director of Finance advised Members that actions were being taken to help reduce the college's deficit and that the college is looking to increase its commercial income.

7 RISK MANAGEMENT UPDATE

- 7.1 The Committee NOTED an update on the 2013/14 Top Risk Register.
- 7.2 *Paragraph presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.*
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8 RISK APPETITE STATEMENT

- 8.1 Director of Finance reported that the risk appetite statement had been reviewed by all of the Committees and the Executive Team. The main changes were:
- Commercial moved up to 9 on the risk appetite scale.
 - Risk moved from low to moderate.
 - Risk appetite statement is more generic.
- 8.2 Members asked if there was a tolerance limit that would explicitly identify when a risk should be red flagged for attention to the Board.
- 8.3 The Committee Chair AGREED that another flag should be added to the register to show individual risks against a tolerance scale. Red risks should identify when they are getting close to or have exceeded the risk appetite limit.
- 8.4 The Committee APPROVED the risk appetite statement and asked the Executive Team to find a way to incorporate tolerance levels into the risk appetite matrix.

9 PROCUREMENT STRATEGY

- 9.1 Director of Finance advised Members that the college is starting to see higher usage of the procurement system.
- 9.2 Members NOTED that the college needs to look at 3 things in its procurement strategy:
- Annual benefits
 - Influence (handle on spend)
 - Percentage of collaborative spend
- 9.3 Director of Finance was confident that the college would be able to improve on its current position of 23% collaborative contracts.

10 COMMERCIAL REVIEW

- 10.1 Internal Auditors advised Members that the Director of Finance had asked them to carry out the commercial review. The college are keen to ensure that any funds transferred to a charitable trust come solely from commercial activity. Commercial activity needs to be costed correctly to ensure that public funds are not subsidising this activity.
- 10.2 The Committee NOTED that this was a good report and recommended that only funds raised from commercial activity should be transferred to the Development Trust.

11 FINANCIAL MEMORANDUM AND ASSOCIATED DELEGATED AUTHORITY

- 11.1 Director of Finance advised Members that the paper summarises the changes coming into force due to ONS reclassification. The paper also links to the request from the Commercial & International Committee for more delegated authority.
- 11.2 Director of Finance AGREED to circulate the letter sent from Colleges Scotland to Laurence Howells on the 6 June that outlined their concerns about the financial memorandum.
- 11.3 Members NOTED that there was no point in changing the financial regulations until the financial memorandum came into force.
- 11.4 The Committee Chair NOTED that this issue would be discussed further at the Chairs meeting on the 31st July.
- 11.5 Internal Auditors advised Members that they are the internal auditors for the SFC and their audit will advise how well placed the SFC are to cope with the implications of the financial memorandum.

12 INTERNAL AUDIT

12.1 PERFORMANCE MANAGEMENT

- 12.1.1 Internal Auditors advised Members that no major weaknesses had been found with the performance management arrangements. They had identified a robust framework and reported that the strategic aims were linked to the regional outcome agreement. Areas for improvement included introducing SMART targets
- 12.1.2 The Committee Chair was pleased with the report.

12.2 STUDENT RECORDS

- 12.2.1 Internal Auditors advised Members that 12.2 and 12.3 reports were linked.
- 12.2.2 Internal Auditors identified no major weaknesses in the student records.
- 12.2.3 The central database is automatically integrated to reduce the risk for human error. However, there is still a need for weekly spot checks.
- 12.2.4 Members NOTED that staff may need reassurance that lessons had been learnt from last year and that the system was now working properly.
- 12.2.5 Director of Finance reported that students are now being enrolled earlier and that the college currently has 5,000 more applications than it had at the same time last year.

12.3 STUDENT EXPERIENCE

12.3.1 Internal Auditors advised Members that there were no major weaknesses in the students' experience of registration. However, an important part of the process is to recognise common issues and feed back to students what the college is doing to resolve these issues.

12.3.2 Members NOTED that it was good to see there were no major problems with student records and the student experience reports. The Committee AGREED that both reports should be distributed to the Academic Council.

12.3.3 The Committee Chair NOTED that he was happy with the report and AGREED to point out its positive aspects at the next Board meeting.

12.4 FOLLOW-UP REPORT

12.4.1 Internal Auditors advised Members that over 40% of recommendations had been completed. They added that it was possible to achieve a success rate of 80% but that sensible deadlines would need to be set.

12.4.2 Director of Finance AGREED to set targets around the Audit Committee meeting dates.

12.5 ANNUAL REPORT

12.5.1 Internal Auditors advised Members that the annual report summarises all activity over the course of the year (8 months) and no major weaknesses were found. They added that the report provides reasonable assurances.

12.5.2 The Committee Chair thanked the auditors for their excellent work in providing the report in such a short timescale.

12.6 SUMMARY OF AUDIT RECOMMENDATIONS

12.6.1 Director of Finance presented an update on the status of the audit recommendations and AGREED to include the audit subject titles in the next summary report.

12.6.2 Members were happy with the work plan update.

12.6.3 Members NOTED that there was still an outstanding issue for corporate governance and there were two outstanding issues on the financial systems health check.

12.6.4 The Committee Chair NOTED that he was encouraged by the report.

13 MONITORING OUR PERFORMANCE

13.1 The Committee Chair AGREED to remove the target on cash reserves and report this change to the Board.

13.2 Director of Finance advised Members that commercial activity produced a turnover of £150,000. He added that the college now has a reasonable

costing model and is making headway in achieving its target of 72 APUC framework agreements.

13.3 The Committee Chair NOTED that he was happy with this update.

14 REVIEW OF COMMITTEE OPERATION

14.1 Acting Clerk AGREED to update the committee operation document with all comments received from Committee Members.

14.2 The Committee AGREED to add a standing item to the agenda that would identify the 3 main points to be reported at the Board meeting.

14.3 Members NOTED that it may be necessary to put in place processes of assurance for next year. Internal Auditors AGREED to look at this in next year's internal audit plan.

Members NOTED that this should form part of the Governance Director's responsibilities to support both the Principal and Director of Finance in providing assurance to the Audit Committee.

15 ANY OTHER COMPETENT BUSINESS

15.1 The Committee AGREED that the three main points from the meeting were:

- Financial memorandum
- 3 internal audit reports
- Importance of student records and student experience reports

Members AGREED that the Annual Report and Management Report would also be reported at the next Board meeting.

15.2 The Committee Chair NOTED that this would be D Watt's last Audit Committee meeting and thanked him for all of his excellent work for the Committee.

16 DATE OF NEXT MEETING

The next meeting will take place on Thursday 25 September at 1600 in the Boardroom, Milton Road Campus.

The meeting closed at 16:30