

## Board of Management

### Meeting of the Audit Committee

MINUTE OF 3<sup>rd</sup> MEETING HELD ON WEDNESDAY 20 FEBRUARY 2019 AT 1700 HRS  
(AC3)

Present	
Colin McMurray (CM) (Convener)	Graham Mitchell (GM)
In attendance	
Paul Clark, College Secretary (PC)	Stuart Thompson (ST)
Stuart Inglis (Henderson Loggie) (SI)	Cate Watson (CW)
Alex Stewart (AS)	Ann Butcher (Minute)
Apologies for absence	
George Black (GB)	George McVerry (GMcV)
Paul Little (PL)	

Members welcomed Professor Cate Watson, Principal Investigator of the Economic and Social Research Council who was in attendance as an observer for the Governance Research Project.

Item AC3-1	Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	<p>Apologies were received from GB, PL and GMcV. Apologies were also received from D Archibald and G Devlin.</p> <p>Members noted that although member attendance was low, the meeting was quorate. Additional membership will be addressed following completion of the current Board recruitment process.</p>	

Item AC3-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None.	

Item AC3-3	Items to be Discussed Privately with Auditors	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	There were no items raised to be discussed privately with the auditors.	

Item AC3-4	Minute of the Audit Committee meeting held on 14 November 2018	
Paper No: AC3-A	Lead: Convener	Action requested: Approve
Decision/Noted	That the minute be approved.	

Item AC3-5		Accounting Policies	
Paper No: AC3-B	Lead: A Stewart	Action requested: Approve	
Discussion/ Matters Arising	<p>AS advised that the College is required to approve a range of Accounting Policies that will be applied in the preparation of the annual financial statements. These Policies are routinely updated every 3 years. The revised Policies, which contained no material revisions, were submitted for review.</p> <p>GM referred to paragraph 4.2 'Going Concern' and queried the exact definition (in accounting terms) of 'foreseeable future'. SI advised that in audit terms, this would mean 12 months from the date of the signed financial statements, ie until the next period of audit. ST added that this is standard terminology set by external audit. GM considered that given the current funding constraints, this should be more prescriptive. It was agreed that the exact terminology be raised for consideration at the next meeting of the full Board.</p> <p>GM further referred to paragraph 4.5 Tangible Fixed Assets. He enquired whether additional information relating to vacant buildings and clawback of sale should be referred within 'Lands and Buildings'. ST advised that vacant buildings are covered under 'useful economic life'. Any sale clawback to the Scottish Government is out with Policy agreement.</p> <p>Subject to amendment of the Date of Completion and the addition of Version 4 under Revision Log, the Accounting Policies were endorsed for approval by the full Board.</p>		
Decision/Noted	<ul style="list-style-type: none"> <li>To endorse the Policies, subject to minor amendment and further consideration by the full Board on the terminology provided under 'Going Concern'.</li> </ul>		

Item AC3-6		Strategic Risk Review	
Paper No: AC3-C	Lead: P Clark	Action requested: Discuss	
Discussion/ Matters Arising	<p>PC highlighted the most recent Risk Score changes within the current review cycle. The following highest scoring risks and relevant Risk Management Actions Plans were discussed:</p> <p>Risk 12 – <i>Failure of Business Continuity</i>. PC informed that a Business Continuity specialist (Ashton Resilience) has now been engaged to conduct a full cross-College business impact analysis, and Business Recovery Plans development. Analysis will commence with the Faculty of Hospitality and Leisure and Human Resources which will then be used as exemplars throughout the College for completion by June. Until this is complete, the score will remain the same ie 15 (RED).</p> <p>As this is currently being undertaken, it was agreed that the Business Continuity Internal Audit be deferred until August 2019. The scope of audit will also be reviewed.</p> <p>Risk 25 – <i>Failure of IT System Security</i>. This was increased to 15 (RED)</p>		

	due to current non-compliance with the Cyber Essentials Plus standard. The new IT Director is working towards compliance by the end of March. Additional resources have been secured and external consultancies are currently undertaking penetration testing with feedback being provided by the end of this week.
Decision/Noted	<ul style="list-style-type: none"> <li>To agree the revised risk scores and associated MAPs.</li> <li>To approve the updated Risk Register.</li> <li>To undertake the Business Continuity Internal Audit during August.</li> </ul>

Item AC3-7		Committee Terms of Reference Review	
Paper No: AC3-D	Lead: P Clark	Action requested: Discuss	
Discussion/ Matters Arising	<p>The Committee's current Terms of Reference were submitted for review. PC reminded of the most recent amendment to maintain oversight of the management of Data Protection, including GDPR, which has now been added. CM considered that the Committee be provided with regular reporting on Data Breaches. This was agreed.</p> <p>Members also agreed that the Data Protection Internal Audit be undertaken within the next few weeks.</p> <p>No amendments were proposed.</p>		
Decision/Noted	<ul style="list-style-type: none"> <li>That the current Terms of Reference be endorsed.</li> <li>To provide a Data Breach Report at Audit Committee meetings.</li> <li>To undertake the Data Protection Internal Audit within the next few weeks.</li> </ul>		

Item AC3-8		Internal Audit Progress Report	
Paper No: AC3-E	Lead: P Clark	Action requested: Discuss	
Discussion/ Matters Arising	Progress with the Annual Plan for 2018-19 was reviewed.		
Decision/Noted	Subject to the previously agreed revisions, the planned reporting dates were noted.		

Item AC3-9		Potential Future BAE Systems Tender for Delivery in Saudi Arabia	
Paper No: VERBAL	Lead: P Clark	Action requested: Discuss	
Discussion/ Matters Arising	<p>ST informed the Committee of a potential training opportunity to deliver nautical training in Saudi Arabia. The tender submission and potential risks, are currently being considered and will be further discussed by the Executive Leadership Committee (ELT) next week. Establishment of a subsidiary Public Limited Company to separately undertake the delivery of training is also being investigated.</p> <p>Members raised a number of concerns and risks to the College, particularly in relation to employment issues, equalities matters relating to "male-only" terms and conditions and recruitment, safety of College personnel, potential reputational damage, and the overall financial viability of the proposal. The</p>		

	Committee agreed that the proposal should be further examined by ELT, with due consideration of these concerns.
<b>Decision/Noted</b>	To note the potential opportunity for further consideration by ELT.

<b>Item AC3-10</b>	<b>Report on Financial Regulations Authorised Limits</b>	
<b>Paper No: AC3-F</b>	Lead: S Thompson	Action requested: Note
<b>Discussion/ Matters Arising</b>	<p>College expenditure incurred by PR, overseas travel, hospitality and entertainment and external consultancy were submitted for 2017-18. The following issues were particularly highlighted and were discussed:</p> <p><b>New HR System Consultancy Costs</b> ST confirmed that the new system has been live since July 2018. The core functionality is working well, however further development is required to improve user interface and additional functions such as TOIL recording, and equalities data gathering to meet statutory reporting requirements. He further advised that the consultancy costs cover the overall implementation management of the project. Members agreed that the reason for consultancy costs need to be more clearly defined within the report.</p> <p><b>Hospitality and Entertainment</b> Members considered that the overall costs for hospitality in some areas were high. AS confirmed that hospitality covers a wide of College events including commercial business which are currently not defined within the report. It was agreed that an additional breakdown of hospitality and entertainment costs should be provided within future reports.</p>	
<b>Decision/Noted</b>	To provide additional detail as agreed within future reports.	

<b>Item AC3-11</b>	<b>Any Other Notified Business</b>	
<b>Paper No:</b>	Lead: Convener	Action requested: Discuss
<b>Decision/Noted</b>	None.	

<b>Item AC3-12</b>	<b>Disclosability of Papers</b>	
<b>Paper No:</b>	Lead: P Clark	Action requested: Note
<b>Decision/Noted</b>	It was agreed that Papers AC3-A and AC3-F were non-disclosable.	

<b>Item AC3-13</b>	<b>Date of Next Meeting</b>	
<b>Paper No:</b>	Lead:	Action requested: Note
<b>Decision/Noted</b>	Wednesday 15 May 2019	

*The meeting closed at 1835 hours*

### ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
AC3-5	<b>Accounting Policies:</b> Further consider terminology provided under 'Going Concern'.	ST	BoM Mtg 13 03 19
AC3-7	<b>Committee Terms of Reference Review:</b> Provide a Data Breach Report at future meetings.	PC to pass on action	Ongoing
AC3-8	<b>Internal Audit Progress Report:</b> Update as agreed.	Internal Audit	ASAP
AC3-10	<b>Report on Financial Regulations Authorised Limits:</b> Provide additional breakdown detail in future reports.	ST/AS	Ongoing

### ACTION POINTS ARISING FROM PREVIOUS MEETINGS

Item	Description	Owner	Target Date
AC2-5	<b>Annual Report and Accounts 2017-18:</b> Amend as agreed for submission at the next meeting of the full Board.	PC/ST	05 12 18 <b>Complete</b>
AC2-7	<b>Strategic Risk Review:</b> Agree resources and timescales for business impact analysis through SMT.	ST/PC	ASAP <b>Complete</b>
AC2-7	<b>Strategic Risk Review:</b> Review Risk 25 score.	ST/PC	ASAP <b>Complete</b>
Additional Item/ Discussion	<b>Cash Handling:</b> To provide a report of any cash transactions at the next meeting of the Development Committee.	ST/RG	DC 23 01 19 <b>Complete</b>