

## Board of Management

### Meeting of the Audit Committee

MINUTE OF 2<sup>nd</sup> MEETING HELD ON 28 NOVEMBER 2016 AT 1700 HRS (AC2)

<b>Present</b>	
Colin McMurray (CM) (Convener)	Graham Mitchell (GM)
Joseph Hughes (JH)	Anne Peters (AP)
<b>In attendance</b>	
Paul Clark, College Secretary (PC, Minute)	David Archibald (Henderson Loggie; IAs)
Gary Devlin, Scott-Moncrieff (GD, EAs)	Stuart Thomson (ST)
Name (tbc), Scott-Moncrieff (EAs)	
Stuart Inglis (SI, Henderson Loggie; IAs)	
<b>Apologies for absence</b>	
Eric Tottman-Trayner (ETT)	Paul Little (Principal)
George Black (GB)	

<b>Item AC2-1</b>	<b>Apologies for Absence</b>	
<b>Paper No:</b>	Lead: C McMurray	Action requested: Note
<b>Decision/Noted</b>	Apologies for absence were received from ETT, GB, and PL.	

<b>Item AC2-2</b>	<b>Declarations of Interest</b>	
<b>Paper No:</b>	Lead: C McMurray	Action requested: Note
<b>Decision/Noted</b>	The Internal Auditors informed the Committee that they were also acting as Internal Auditors to the Regional Board, and two other Colleges; however the Committee agreed that this did not imply a conflict of interest	

<b>Item AC2-3</b>	<b>Items to be Discussed Privately with Auditors</b>	
<b>Paper No:</b>	Lead: C McMurray	Action requested: Note
<b>Decision/Noted</b>	There were no items raised for private discussion.	

<b>Item AC2-4</b>		<b>Minute of the Audit Committee meeting held on 14 September 2016</b>	
<b>Paper No:</b> AC2-A	Lead: C McMurray	Action requested: Approve	
<b>Discussion/ Matters Arising</b>	A number of paper numbering and lettering errors were noted.		
<b>Decision/Noted</b>	Approved		

<b>Item AC2-5</b>		<b>Annual Report and Accounts 2015-16</b>	
<b>Paper No:</b> AC2-B	Lead: P Clark	Action requested: Approve	
<b>Discussion/ Matters Arising</b>	<p>PC introduced the Annual Report which was being presented for consideration (not approval, which would be the responsibility of the full Board of Management). Noting the lateness of the paper (due to the Auditor's request for various changes to the financial statements in alignment with the NPD contract), it was noted that Committee members had been advised by email that an opportunity to comment/feedback via email will be permitted prior to the Board of Management's final approval of the document at its meeting on 7<sup>th</sup> December.</p> <p>PC indicated that the narrative section would be published separately as the College's Annual Review, and made publicly available in December/January, considerable sooner than the Accounts would be available. Both the Review, and the full Report and Accounts will be designed by the College's Design Unit, following approval by the Board on 7<sup>th</sup> December.</p> <p>ST presented the Report, outlining the requirements of the new accounting standard. The External Auditor had provided further advice to ensure full compliance with the accounts direction. ST described the essential differences in the reporting requirements with respect to various liabilities.</p> <p>The section relating to the activities of the Audit and Finance Committees were highlighted. ST noted the impact of accounting changes on the ratio of current assets to current liabilities, although highlighting that the underlying position is positive. Other financial performance measures were highlighted.</p> <p>Referring to the Financial Statements within the report, ST explained the statement of comprehensive income, and balance sheet, noting the impact of NPD. ST indicated that reporting difficulties has caused delays in finalising the Report. It was envisaged that the experience gained from preparing this report would enable a faster turnaround in future years. ST suggested that although compliant, the current accounting changes mask a healthy underlying College performance.</p> <p>The EA cautioned against reporting two different positions, however noting that it was acceptable to report in such a way as to be understandable in terms of previous reporting approaches.</p>		
<b>Decision/Noted</b>	ST to clarify NPD in the introduction. ST to mark items impacted by NPD contract in the Finance performance measures.		

Item AC2-6		Risk Management Policy Review	
Paper No: AC2-C	Lead: P Clark	Action requested: Approve	
Discussion/ Matters Arising	<p>PC introduced the draft revision of the College Risk Management Policy, highlighting the significant changes requiring Board Committee level approval.</p> <p>The Committee discussed various aspects of the revised Policy, and agreed that a further Tolerance Category – Business Continuity – should be added to the section on Risk Tolerance, and scored 1 (Low Tolerance).</p> <p>Textual amendments at 6.2 and 7.1.3 were agreed.</p> <p>The Policy was approved subject to the above amendments. (Action: PC)</p>		
Decision/Noted	Approved		

Item AC2-7		Strategic Risk Review	
Paper No: AC2-D	Lead: P Clark	Action requested: Approve	
Discussion/ Matters Arising	<p>PC introduced the review of Strategic Risks undertaken in October/November by Risk “owners”.</p> <p>Some inconsistencies were noted between risk owners in Risk MAPs and the Risk Register. This was largely due to interim arrangements due to staff movements and vacancies. PC to amend to ensure consistency.</p> <p>Noted that Risk 14 is scored 3x4 = 12. PC to amend Risk Register.</p> <p>The following changes were proposed::</p> <p>Consider rewording of Risk 19 referencing SFC guidance</p> <p>Include a new Strategic Risk: “Negative impact of Brexit”</p> <p>The potential negative impact of Cybercrime is to be included within Risk 12 – and present revised paper for Audit.</p>		
Decision/Noted	Approved subject to agreed changes (Action PC)		

<b>Item AC2-8</b>		<b>Internal Audit Annual Report 2015-16</b>	
<b>Paper No:</b> AC2-E	Lead: S Thompson	Action requested: Discuss	
<b>Discussion/ Matters Arising</b>	<p>ST introduced the report, which summarises the Internal Audit (IA) reports through the year, some of which reportage is included in the College Annual Report. It was noted that each IA report had been submitted in turn to the Audit Committee through 2015-16.</p> <p>The External Auditor (EA) and IA indicated that this represented a very good report. The EA indicated that they would not usually examine an IA report in detail, unless there was a particular EA focus upon a given area of activity.</p>		
<b>Decision/Noted</b>	To note the report.		

<b>Item AC2-9.1</b>		<b>Internal Audit Review Reports - FES Return Audit 2015-16</b>	
<b>Paper No:</b> AC2-F	Lead: S Thompson	Action requested: Discuss	
<b>Discussion/ Matters Arising</b>	<p>ST indicated that the paper reviews the systems and guidance to complete student data returns. The report notes that there are no recommendations emerging from the Credit audit, and that there were no adjusted errors as a result of the review.</p> <p>ST indicated that the over-recording of activity associated with individual students is a practice being closely monitored by SFC. This is now limited to 1% of activity.</p>		
<b>Decision/Noted</b>	To note the report.		

<b>Item AC2-10</b>		<b>Annual Internal Audit Plan 2016-17</b>	
<b>Paper No:</b> Verbal	Lead: S Thompson	Action requested: Discuss	
<b>Discussion/ Matters Arising</b>	<p>ST reported that Henderson Loggie had been appointed as IAs to the College. (Stuart Inglis, David Archibald present). It is intended to have an outline IA plan ready in the new year. It was proposed that the draft IA Plan be presented to the PRN Committee, following circulation to Audit Committee members, and SMT. This was agreed.</p>		
<b>Decision/Noted</b>	IA Plan to be circulated to AC, for recommendation to PRNC for approval.		

<b>Item AC2-11</b>		<b>External Audit Annual Report</b>	
<b>Paper No:</b> AC2-G	Lead: Scott Moncrieff	Action requested: Discuss	
<b>Discussion/ Matters Arising</b>	<p>GD introduced the Report, which was explained in detail as it had been tabled.</p> <p>It was noted that the Finance team had been working with a model which had caused considerable difficulty in ensuring that the analysis of the finances were correct. The EA pointed to the challenging nature of this exercise, hence the delays.</p>		

	<p>The EA reported on the Colleges financial management and sustainability, highlighting staff costs, transfers to foundations, tangible assets and SPF liability.</p> <p>The EA highlighted that more workforce planning and longer term financial planning was recommended.</p> <p>Governance arrangements were considered to be good, and Value for Money considerations satisfactory.</p> <p>The EA reported an unqualified opinion on the Annual Report and Accounts.</p> <p>The EA commended the College's Finance team, and indicated that the process would have been straightforward without the impact of NPD.</p> <p>Arrangements for Voluntary Severance, which was noted as a matter of considerable focus in the sector in recent years, was found to be in order and in compliance with guidelines and direction. However it was recommended that <u>all</u> VS proposals be signed off via Board Committees. It was agreed that the College VS policy should reflect this recommendation.</p> <p>The EA outlined the summary report findings and action plan points, with management responses, which the Committee noted.</p>
<b>Decision/Noted</b>	To note the report.

<b>Item AC2-12</b>	<b>External Audit Management Letter</b>	
<b>Paper No:</b> AC2-H	Lead: Scott Moncrieff	Action requested: Discuss
<b>Discussion/ Matters Arising</b>	GD introduced the EA management letter providing comments on content.	
<b>Decision/Noted</b>	To note the letter.	

<b>Item AC2-13</b>	<b>Annual Report on SFC FM Delegated Limits &amp; Expenditure</b>	
<b>Paper No:</b> AC2-I	Lead: S Thompson	Action requested: Note
<b>Decision/Noted</b>	The Committee noted the Report.	

<b>Item AC2-14</b>	<b>Annual Report on Compensation Payments &amp; Abandonment of Claims</b>	
<b>Paper No:</b> AC2-J	Lead: S Thompson	Action requested: Note
<b>Decision/Noted</b>	The Committee noted the Report.	

<b>Item AC2-15</b>		<b>Disclosability of Papers</b>	
<b>Paper No:</b>	Lead: P Clark	Action requested: Note	
<b>Discussion/ Matters Arising</b>	It was agreed that the disclosability of papers as described on respective cover sheets be retained, including the disclosability of the Strategic Risk Review.		
<b>Decision/Noted</b>	Noted.		

<b>Item AC2-16</b>		<b>Date of Next Meeting</b>	
<b>Paper No:</b>	Lead:	Action requested: Note	
<b>Decision/Noted</b>	Wednesday 8 March 2017		

Signed \_\_\_\_\_ Convener

Date \_\_\_\_\_

## ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
Item AC2-5	<b>Annual Report &amp; Accounts:</b> mark items impacted by NPD contract in the Finance performance measures.	ST	ASAP
Item AC2-6	<b>Risk Management Policy Review:</b> Make agreed amendments.	PC	ASAP
Item AC2-10	<b>Annual Internal Audit Plan 2016-17:</b> Present draft IA Plan to the PRN Committee.	PC	PRNC 23 01 16

## ACTION POINTS ARISING FROM PREVIOUS MEETINGS

Item	Description	Owner	Target Date
Item AC1-4	<b>Matters Arising: Private Session with Auditors:</b> consider publication of a summary document covering any private sessions with auditors.	PC	Ongoing
Item AC1-12	<b>Conflict of Interest Policy and Procedure:</b> Subject to any amendments, submit to Board for approval.	PC	BoM 13 10 16
Item AC3-5	<b>Internal Audit Review Report – Internal Communication:</b> Provide a presentation on the Board Dashboard.	PC/AC	Ongoing
Item AC1-6	<b>Board and Committee Schedule:</b> Consider a review on the effectiveness of the College Foundations.	BDO/ST	To be agreed Ongoing