

# Audit Committee

## Draft Minutes

**Meeting reference:** Audit 2016-17/04  
**Date and time:** Tuesday 23 May 2017 at 5.30pm  
**Location:** Room 033

**Members present:** Ian Jackson, Brian Crichton, Lorna Nicoll

**In attendance:** Margaret Munckton (Principal)  
Jackie Mackenzie (Vice Principal, Finance and Estates)  
Susan Bald (Vice Principal, HR & Communications)  
Pam Wilson, (Vice Principal, Academic)  
David Archibald (Henderson Loggie)  
Keith Macpherson (Ernst & Young)

**Apologies:** Grant Myles, David Littlejohn, Ann Irvine, Lindsey McLeod

**Chair:** Ian Jackson

**Minute Taker:** Maureen Masson, Clerk to the Board of Management

**Quorum:** 3

<b>Summary of Action Items</b>			
<b>Ref</b>	<b>Actions carried forward from meeting on 14 March 2017</b>	<b>Responsibility</b>	<b>Time Line</b>
10.1	<b>Health and Safety Committee Minutes 9 February 2017</b>  PW to discuss implication with PCSA around committee attendance and ensure this forms part of the handover process.	Clerk to check with Pam Wilson	Next meeting
<b>Ref</b>	<b>Actions from meeting on 23 May 2017</b>		
7.3	<b>Internal Audit – Nursery</b>  JM to instigate a review of options for the nursery following on from the work completed by Henderson Loggie.	JM	By start of session 2017/18
7.3	<b>Internal Audit Follow Up Review 2016/17</b>  JM to establish a quarterly review process for the monitoring of internal audit recommendations.	JM	By start of session 2017/18
9.1	<b>Amendment to the proposal for bring the Annual Health and Safety Update to the Board of Management</b>  Amend the process to reflect the fact that only the Principal can sign the Annual Health	MM	By start of session 2017/18

**Minutes****PART 1**

<b>Item</b>	<b>Action</b>
<p><b>1 Welcome and Apologies</b></p> <p>Ian Jackson (IJ), Chair, welcomed members to the meeting.</p> <p>Apologies were noted.</p> <p>A welcome was extended to David Archibald from Henderson Loggie and Keith Macpherson from Ernst &amp; Young who were in attendance for items 7 and 8 respectively.</p>	
<p><b>2 Additions to the Agenda</b></p> <p>There were no additions to the agenda. However a small alteration to the agenda was agreed in that items 8.1 and 9.2 were starred.</p>	
<p><b>3 Declaration of Interest in any Agenda Item</b></p> <p>There were no declarations of a conflict of interest.</p>	
<p><b>4 Minutes of Audit Committee Meeting held on 14 March 2017</b></p> <p>Noted that Susan Bald had not attended the meeting on 14 March. Aside from that, the minutes were approved as a correct record.</p>	
<p><b>5 Actions Arising from Previous Minutes</b></p> <p><b>7.2 Health &amp; Safety Risk management Profile – 6 month review</b></p> <p>Action: complete.</p> <p>Noted that the minutes of the last Health and Safety meeting would come forward for information to the next meeting of the Audit Committee.</p> <p><b>10.1 Health and Safety Committee Minutes 9 February 2017</b></p> <p>Action: ongoing.</p> <p>Check with Pam Wilson on progress.</p>	Clerk
<p><b>6 Risk Management</b></p> <p><b>*6.1 Strategic Risk Register</b></p> <p>The Committee noted the paper which provided an update on the</p>	



Strategic Risk Register for the third quarter and the emerging and updated risks.

### **National Bargaining/Industrial Action**

SB updated the Committee on the latest position with ongoing industrial action. Nationally, action had been suspended pending ongoing negotiations related to the full package. The Committee noted that a meeting with the Minister for Further and Higher Education and Science was planned for 18 May. The Committee noted that the cost to the College of transition to the new pay scales could be up to £400k. However, this did not reflect the full costs of harmonisation - any additional costs arising from changes to the class contact hours, holidays nor a cost of living increase.

The Risk Register would be updated to reflect the latest position on available funding. If additional government monies were not made available to meet additional costs identified, the College would have difficulty in achieving a positive outturn for 2016-17 and subsequent years.

The Committee noted further possible implications from national bargaining including the differential, perceived or real, between pay structures of academic and staff posts.

### **RAM allocation for HE delivery**

The Committee also noted that the RAM allocation for HE delivery continued to be a risk and no indications had yet been given on the allocation for 2017-18.

### **Finance Systems Convergence Project**

The Committee noted that the College has postponed participation in wider UHI led finance systems convergence project which is running a year behind schedule. The delay in delivery of the project has led to the College progressing a system upgrade to Symmetry, the existing Finance system, to mitigate risk.

Of the partner Colleges, only Inverness College was moving to User Acceptance Testing (UAT) of the new finance system.

### **Implications of Brexit**

Workshops on implications of Brexit would soon be held at UHI's premises. Highland and Islands was a transition region and as such would be greatly affected by Brexit.

### **UHI Common Risks**

The Committee discussed at a previous meeting the Executive Office request that partner Colleges agree a set of common risks; the aim was to streamline the process of aggregating the risks to the UHI level.

The Committee noted that UHI Internal Audit had asked for information on the College's approaches to managing the student record and business



continuity planning. The College's Business Continuity Plan had recently been considered by Henderson Loggie and had been classed as low risk. The Committee agreed that business continuity priorities were subject to ongoing change and were better reviewed in a local context taking account of local factors, and that diluted the rationale for a UHI Plan. The College Business Continuity Plan is already included in the 2017/18 Internal Audit Plan.

The Board of Management had confidence in the College's Business Continuity Plan; whilst the Committee was happy to share for documents for good practice reasons, it was keen to avoid duplication. The Committee further noted that business continuity is part of good governance and the annual return that has to be made by the Principal.

## **7 Internal Audit**

### **\*7.1 Internal Audit Plan Progress Report 2016/17**

David Archibald (DA) introduced the internal audit report and confirmed that all activity had been undertaken as planned. The Committee noted that one review, the Academy for Sport and Wellbeing post project review, had not been completed within the planned timescales at the request of College management. This was because the final account for the project had not been settled. The Committee noted this was due to timing and that overall the project was still within budget.

The Committee noted the report.

### **\*7.2 Internal Audit Report – Nursery**

DA introduced the paper which was a distilled version of a longer report whose purpose was to highlight key outcomes. The remit was to review the operation of the nursery to inform management on scope for improvement. A number of options were presented in the report as well as matters for consideration.

The Committee agreed with JM's suggestion that a small team should undertake an options review, building on the Henderson Loggie work, to identify any smarter/better ways of working to improve cost effectiveness. A review of options would be started before the start of session 2017-18 with a view to getting an early resolution. The review would also consider any potential legal risks identified for example, in changing staff/student ratios.

JM

### **\*7.3 Internal Audit Follow Up Review 2016/17**

DA introduced this paper which summarised progress against recommendations identified in audit reviews. The Committee noted that 17/33 recommendations had been assessed as being fully implemented and evidenced. Of the remaining sixteen, nine were partially implemented, there was little or no progress made against three which had passed the agreed completion date. The action against one had

been considered but not implemented.

The Committee agreed with the recommendation that priority actions be addressed first, although most were priority 3. BC impressed the importance of meeting deadlines set by Internal Audit and the Chair asked how recommendations were monitored. It was agreed that a quarterly internal monitoring process would be established to track recommendations and this would come forward to the Audit Committee.

JM

## **8 External Audit**

### **\*8.1 Annual Audit Plan**

Keith Macpherson introduced the paper and drew the attention of the Committee to the Executive Summary. E&Y were delighted to be appointed as external auditor and Keith would work with Stephen Reid, Audit Engagement Partner on delivering the external audit service. The Committee noted the Code of Audit practice set out the framework for review and that it was revised every 5 years.

The Committee noted the paper and Executive Summary and that approach the auditors would take in undertaking external audit – a key part to this was an understanding of the Perth College environment. Auditors reviewed financial management, governance and transparency and the College Risk Register was a key document in this evaluation.

In reviewing the Financial Statement the audit would focus on the following key aspects:

1. Materiality – this was assessed to be at a tolerable level
2. Risk of fraud in the income and expenditure recognition and the potential for management override of controls
3. Evaluation of property and assets and pension liability as assessed as inherent risks

To date, no specific concerns had been identified and the College was not an evaluated risk in terms of the sector position.

BC asked about the scope for the position to change as the year progressed – if that happened risks would be remitted back to the Board of Management.

The Group noted that the correct fee had been noted on page 16 of the annual plan and had been transcribed incorrectly in the Executive Summary.

The Committee noted the deliverables in the report and the timelines and that EY would report back during the course of the next academic year.

## **9 Committee Meetings:**

## **9.1 Health and Safety Meeting 4 May 2017**

Minutes– noted

## **9.2 Proposal for Annual Health and Safety Update to Board of Management**

Following the December Board of Management meeting, the Committee noted the paper that set out a proposal for presenting an annual Health and Safety update. The Committee agreed the proposal subject to an amendment that only the Principal and Chief Executive could sign off the report for presentation to the Board. The Committee agreed that the Principal would retain primary accountability for the Health and Safety report: that accountability could not be delegated.

**Clerk**

### **Any other Business**

The Chair extended a warm vote of thanks to Margaret Munckton and Susan Bald who were attending their last meeting of the Audit Committee. In addition, thanks were extended to Ian Jackson, Audit Chair, for his contribution as Ian's period of tenure on the Board was coming to an end.

## **10 Date and time of next meeting**

To be confirmed

## **11 Review of Meeting**

Members agreed the meeting had covered its remit.

## **PART 2**

## **12 Evaluation of Internal Audit Service**

Members agreed the scoring matrix evaluating Henderson Loggie in the provision of the internal audit service for 2016-17.

## **13 Evaluation of External Audit Service**

Members agreed the scoring matrix evaluating Wylie and Bisset in the provision of the external audit service for 2016-17. The Committee noted that Ernst and Young would now undertake this service for the College.

Information recorded in College minutes and papers is subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

**Status of Papers**    **Open**                       **Closed**

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes and papers about living individuals, under the terms of the Data Protection Act 1998.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1998?    **Yes**                       **No**