

Audit Committee

Minutes

Meeting reference: Audit 2017-18/02
Date and time: Wednesday 29 November 2017 at 5.30pm
Location: Room 019

Members present: Brian Crichton (Chair), Ann Irvine (by video conference), Lindsey McLeod

In attendance: Margaret Cook, Principal
Jackie Mackenzie, Chief Operating Officer (COO)
David Archibald (Henderson Loggie),
Keith Macpherson (Ernst & Young)
Lynn Oswald, new Board member

Apologies: Lorna Nicoll
Chair: Brian Crichton
Minute Taker: Maureen Masson, Secretary to the Board of Management
Quorum: 3

Summary of Action Items			
Ref		Responsibility	Time Line
10.4	Internal Audit Report - ASW Reference the good practice identified in the ASW report in the External Auditors report.	EY	For final report

Minutes

Item		Action
1	Joint Apologies and Welcome The Chair of F&GP welcomed members of the Audit Committee to the joint meeting of F&GP Committee and Audit Committee. Introductions were made and apologies noted. The Chair of F&GP would continue in the role of chair for the joint meeting. Lynn Oswald, new Board Member, was attending her first Audit Committee meeting.	
*2	Perth College Management Accounts Year to 31 July 2017 – Final Report and Commentary The Head of Finance reported a positive overall position in the College management accounts with a surplus of £5k, break-even. The Committee noted some areas where out-turns had been higher than budgets and the reasons for that e.g. the impact of national bargaining had led to higher staff costs. Members of both F&GPC and Audit Committees noted that F&GPC had a positive discussion at its last meeting when the draft year-end accounts had been considered in some depth, and the points raised at that time had been taken into account in	

the presentation of the final accounts.

The F&GP Committee approved the Perth College Management Accounts for the year to 31 July 2017.

Audit Committee noted the Perth College Management Accounts for the year to 31 July 2017.

3 Draft Perth College Group Report and Financial Statements for the year Ended 31 July 2017

The Head of Finance introduced the draft College Group Report and Financial Statements for the year ended 31 July 2017. F&GP and Audit Committee discussed the Group Accounts and welcomed the positive out-turn position and the detailed explanation and reconciliation of the results back to the College's breakeven position.

F&GP Committee approved the Perth College Group Report and Management Accounts for the year to 31 July 2017 and recommended their approval to Audit Committee for its recommendation, in turn, to the Board of Management for approval and signature.

4 External Audit Annual Report 2016-17

Keith Macpherson of Ernst & Young presented the External Audit Report for 2016-17. As the College's external auditors, Ernst & Young prepare the annual audit report to summarise key findings and conclusions from its audit work, for the College's Board of Management and the Auditor General. The scope of the audit was agreed in the Annual Audit Plan that was presented to the Audit Committee in May 2017.

Keith Macpherson confirmed that EY had issued an unqualified opinion that the financial statements were prepared in accordance with the legislative and compliance framework and that there were no concerns. The Annual Report was very positive.

This was the first year that EY had acted as the College's external auditors and there had been few transitional issues with no material adjustments to processes. The external auditors raised one matter in relation to treatment of pension costs and the impact of that on the final accounts. Whilst the external auditors recognised that the approach to accounting for this was appropriate for 2016-17, as it is normal practice, they would work closely with the senior team in the coming months to review that methodology. An update would be provided to a future F&GPC meeting.

The Chair of Audit Committee asked whether there was any best practice to share from other FE colleges. As this was the first year that EY had acted as external auditors to the sector, this may take shape

after a year or so. The Committee noted that the Principal was active in a College Principals' network and close attention was paid to financial sustainability amongst other matters.

F&GP Committee approved the External Audit report to Audit Committee for onward approval to the Board.

The Chair of F&GP thanked Keith Macpherson from EY and colleagues in the Finance Team for their work in preparing the financial statements and for a successful overall position.

F&GP Committee concluded its business and left the joint meeting at this point.

5 Additions to the Agenda

An item for formal approval by the Audit Committee of the final accounts was added.

Audit Committee approved the Perth College Group Report and Management Accounts for the year to 31 July 2017 and recommended their approval to the Board of Management for approval and signature.

6 Declaration of Interest in any Agenda Item

There were no declarations of a conflict of interest.

7 Minutes of Audit Committee Meeting held on 20 September 2017

The minutes were approved as a correct record.

8 Action Arising from previous minutes

Actions from meeting on 23 May 2017

9 Amendment to the proposal for bringing the Annual Health and Safety Update to the Board of Management

Append revised Health and Safety policy and Annual Health and Safety Report to the Audit Committee minutes for the next Board meeting

Amend the process to reflect the fact that only the Principal can sign the Annual Health and Safety Update

Action complete – minutes considered by the Board at its meeting on 11 October and process updated.

Actions from meeting on 5 September 2017

6.1 Health and Safety Annual Report 2016/17

Revise and update in light of the various actions identified in the minute.

Action complete

6.2 Revised Health and Safety Policy

Revise and update in light of the various actions identified in the minute.

Action complete

7.1 Strategic Risk Register

Append a footnote to the Strategic Risk Register to identify UHI Shared Risks

Action complete: UHI risks separately identified in risk register

8.1 Internal Audit: Progress Report Annual Plan 2016-17

Henderson Loggie to start post project evaluation for ASW.

Action complete: report on the agenda for the meeting.

8.2 Internal Audit Plan 2017-18

Prepare revised plan in the light of changing priorities.

Action complete: revised plan on the agenda for the meeting.

9 Risk Management

***9.1 Strategic Risk Register**

The COO introduced the paper which set out the updated Risk Register for the second quarter review together with any emerging risks. The Committee noted 3 emerging or updated risks and the mitigating actions.

***9.2 ICT Risk Register**

The Committee noted the ICT Risk Register.

10 Internal Audit

***10.1 Internal Audit Report for 2016-17**

David Archibald of Henderson Loggie introduced the Internal Audit Report for 2016-17 noting that the topics for internal audit had been developed in line with the priorities identified in the Strategic Plan 2016-2020. There were no significant issues to report on for the year and

where recommendations had been made, the College had actioned these.

In terms of the overall programme of works, 4 days were unallocated in 2017-18. After some discussion about possible audit topics, the Committee agreed not to allocate these to specific areas, but to hold in reserve to use on appropriate topics or to address any emerging risks during a period of change.

***10.2 Revised Internal Audit Annual Plan 2017/18**

The Committee noted the final Internal Audit Plan for 2017-18 which had been updated following discussion at the last meeting of Audit Committee.

***10.3 Internal Audit Report – Student Activity data/Credit Audit**

This report had been the first piece of work on the Internal Audit Plan for 2017-18. The outcome was reported back to the SFC to provide assurance that the FES return was completed properly. The audit was carried out in accordance with the *Credits Audit Guidance* and no issues were reported.

***10.4 Internal Audit Report - ASW**

David Henderson introduced the report and outlined the background to the review. The main purpose of the audit was to explore whether the ASW was delivered on time and on budget, but also whether it met its original purpose/scope. The auditors had undertaken a detailed review and met many staff involved in the project and with a view to the College learning lessons for future capital projects.

The auditors provided a positive project report and highlighted some areas the College may wish to review for future projects. The Committee was keen to retain positive outcomes arising from this report for future projects in collective corporate memory. Given the good practice identified in the report, Keith Macpherson agreed he would refer to the ASW review in the EY Report, which then becomes a public document.

EY

11 Audit Committee Annual Report to the Board of Management

The Secretary introduced the paper which is required for consideration by the Board of Management at its meeting on 13 December in line with the Financial Memorandum. This is to provide assurance on the adequacy and effectiveness of the College's system of internal control.

The Audit Committee approved the report, subject to a small number of typographical errors that were identified. This would go forward to the



next Board meeting for approval.

12 Committee Minutes

*12.1 Health and Safety Committee Meeting 16 November 2017

The Chair raised the matter of the working time directive in the light of the minutes of the meeting from the last Health and Safety Committee. The Principal confirmed that the Head of HR had met with the Unison representative to discuss the issue relating to staff overtime. She reassured the Committee that the College was fully compliant with the Working Time Directive.

13 Date and time of next meeting

27 February 2018 at 5.30pm

14 Review of Meeting

Members agreed the meeting had covered its Terms of Reference.

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**

15 Audit Committee discussion with Internal and External Auditors

The Executive Team left the meeting at this point for a discussion between the Audit Committee and internal and external auditors.

David Archibald, Henderson Loggie, commented that he had no concerns to raise. HL staff involved in the audit report always found the staff in the College open and

fully engaged in the audit process and willing participants in the way that a good audit was intended.

Keith Macpherson, Ernst & Young, reported a positive experience in working with College staff this first year during a period of change in the sector. The restructuring of SMT would provide further capacity within the Group and tightly define roles and responsibilities.

From the Chair's perspective, some work to reduce the narrative of reports would be welcome to provide clearer, more contextualised reporting.

A more challenging funding environment had brought into sharper focus the risk associated with AST under-delivering against budget. It is important that transparent and robust business plans based on realistic assumptions be developed, so that uncertainties around the deliverables are minimised. A new Chair of AST has been appointed and the Audit Committee is confident that we shall be able to move forward with greater confidence.

The Chair of Audit would take forward the necessary reports and financial statements to the Board of Management for consideration at its meeting on 13 December 2017.

The Chair thanked all participants for their contribution to a positive meeting.