

# Audit Committee

## MINUTES

**Meeting reference:** Audit 2019-20/02

**Date and time:** Wednesday 11 December 2019 at 6:30pm

**Location:** Room 019

**Members present:** Ann Irvine, Board Member  
Andrew Comrie, Board Member  
Lynn Oswald, Board Member (to Item 4)  
Anna Zarikova, Board Member

**In attendance:** Margaret Cook, Principal  
Lorenz Cairns, Depute Principal (Academic)  
Veronica Lynch, Vice Principal (External)  
Catherine Etri, Associate Principal (Curriculum)  
David Archibald, Henderson Loggie  
Stephen Reid, Ernst & Young  
Graham Little (Interim Head of Finance)  
Katy Lees (Head of HR & Organisational Development)  
Ian McCartney, Clerk to the Board of Management

**Apologies:** Debbie Das Chaudhury (HISA Perth Vice President)

**Chair:** **Ann Irvine**

**Minute Taker:** Ian McCartney

**Quorum:** 3

### Summary of Action Items

Ref	Action	Responsibility	Time Line
1	<b>Welcome</b> Clerk to ensure that papers for extraordinary meeting of F&GP/Audit/ Board are circulated at least 1 week in advance of meeting	Clerk	Feb/Mar 2020
3.1	<b>Business Development Strategy</b> Defer to future Board for approval to allow for wider consultation (including Board Development Day).	Clerk	March or June Board
3.2	<b>International Strategy</b> Insert additional info re product ranges and present to next scheduled Board meeting	Vice Principal (External)	March Board
6	<b>Minutes of Meeting held on 17 September 2019</b>  External Auditor requested that wording of the minutes under Item 15 and Item 16 be reviewed to acknowledge that no opportunity was provided to discuss these matters, and to clarify that certain statements that were made were not properly verified.	Principal/Clerk	Next meeting
8.1	<b>Strategic Risk Register</b>		
(a)	Internal Auditors advised adding Asset Management onto the Register. This was agreed by Committee.	Clerk	Next meeting
(b)	Risk 1 - Residual Risk be to reduced to (2,4) based on trend data available.	Clerk	Next meeting
(c)	Risk24 - Reference to UHI's Cyber Essentials accreditation be added to actions taken to minimise risk.	Clerk	Next meeting
(d)	Risk 26 - Timescales re internal pensions arrangements be reviewed following the Audit processes and reflect any recommendation provided.	Clerk	Next meeting
(e)	Clerk to provide alternative methods for reporting risk within the next Board cycle.	Clerk	Next meeting
13	<b>Date &amp; Time of Next Meeting</b> Clerk to ascertain alternative date for the meeting	Clerk	ASAP

**Minutes:**

<b>Item</b>		<b>Action</b>
<b>1</b>	<p><b>Welcome and Apologies</b></p> <p>The Chair welcomed everyone to the meeting, which included members of Finance &amp; General Purposes Committee for items 2 &amp; 3.</p> <p>On invitation from Chair, Principal outlined unusual context of this meeting, noting that there are no auditable accounts tabled for scrutiny and approval as the requirements of the External Auditors are not fully available, despite substantial work conducted by the Finance Team. The issue is further complicated by outstanding issues raised to the Auditor General meaning that the External Auditors are not in a position to move forward with production of the accounts at this stage.</p> <p>Principal noted that SMT were working on an action plan to work on issues to ensure robust financial management and to pull strands together arising from investigations to be in a position for the Board to meet in February to approve accounts.</p> <p>Principal further noted that UHI had been alerted to issue of normal reporting deadline of 31<sup>st</sup> December for to allow accounts to be forwarded to the Funding Council, however contingencies were being discussed to minimise problems in this regard.</p> <p>Meeting was advised that extraordinary meetings would be organised with dates allowing papers at least one week in advance, and with enough time in hand to ensure compliance deadlines.</p>	Clerk
<b>2</b>	<b>External Audit 2018-19: Status</b>	
	<p>Principal introduced paper 10, and outlined current position regarding 2018-19 Financial Statements and External Audit, noting that the Finance team had worked hard to provide a significant amount of information required for the External Auditors, however the issue raised to the Auditor General meant that it was not competent for the Auditor to recommend that the accounts be signed off at this time.</p> <p>Principal advised that UHI had been made aware of the issue, before outlining the required timescales which would allow sufficient time for the audit process to be completed, accounts to be signed off and Financial Statements and Audit Report to be lodged with the Scottish Funding Council by the end of April, noting the requirement for an additional cycle of F&amp;GP, Audit and Board during late January and into February.</p>	

Chair of F&GP provided a clear instruction that paperwork for these meetings is circulated in good order for to provide ample time for scrutiny by Board members.

Chair of F&GP proposed taking each recommendation outlined within Paper 10 individually.

#### 1 - Rationale

Board Member noted that the rationale outlined in Paper 10 makes a link to the ongoing investigation being undertaken with UHI Internal Audit, and queried whether timescales can be asserted at this stage pending the outcome of that investigation. Committee **AGREED** that the Rationale statement pre-judges a positive outcome from the UHI investigation and instructed Principal to amend accordingly.

Pending amendment as outlined above, the Rationale was **APPROVED**.

#### 2 – Disclosures

##### a) Payroll

Board Member noted that previous Audit Committee had expressed concern to ensure that all payroll items were flushed out and asked whether management were satisfied that errors identified would be all. Principal noted that such a guarantee could not be provided at this time. Chair of Board suggested that this position be clarified within the Disclosures. This approach was **AGREED**.

Board Member enquired whether any underpayment of pensions contributions had been identified. Vice Principal noted that only overpayments had been identified at this stage, but a deep-dive was still to take place, the findings of which will be reported back to Committee.

Board Chair asked whether monies could be claimed back. Head of HR & Organisational Development noted that there were strict limitations on both amounts and timelines in this regard.

##### b) Equalities Duties

Committee noted that a draft mainstreaming report had been completed, however this needs to approved via Committee structures.

##### c) Settlement Agreements

Principal noted that 2 Agreements had been processed without receiving formal permission, for which the Principal took responsibility, as these Agreements had no additional financial impact beyond contractual matters. It was noted that the Board Chair was involved in the matter at that time, and had also

	<p>interpreted the guidelines in the same way.</p> <p><u>d) Procurement</u> Principal noted the long-term concerns in this area, and the contracted involvement of an APUC staff member to address these concerns.</p> <p><u>e) Contract Terms &amp; Conditions</u> Principal noted the link in this item to Procurement and informed Committee that this item related to items such as the telecom masts on the roof whereby only a partial recoup of electricity costs had been claimed.</p> <p><u>f) Deferred Income</u> Principal noted that, while this item had been discussed numerous times at various Board meetings, it had now been identified by EY that the value of Deferred Income was not as material as had previously been thought.</p> <p>Principal noted that the Senior Management Team were being proactive in these matters, and in some of the areas highlighted under the parallel UHI investigation, and a robust Action Plan was being prepared to respond promptly to issues raised. It is recognised that there are elements of concern being raised that will need to be dealt with as soon as possible, that some items are long-standing in nature, and there is a clear need to achieve compliance.</p> <p>EY noted that the Risk Profile of the Audit had altered as a result of the issues described, and that EY were liaising with the UHI Internal Auditor on these matters.</p> <p>Committee <b>NOTED</b> the Disclosures as outlined.</p> <p><u>3 – Approval Timeline &amp; Dates For Completion</u></p> <p>Committee <b>APPROVED</b> amendments to the approval timeline as outlined.</p>	
3	<b>Business Development</b>	
3.1	<p><b>Business Development Strategy</b></p> <p>Vice Principal (External) presented Paper 11, referring to discussions that had taken place at the Board Strategy Day in September 2019, and noting the focus on margins of contribution rather than purely levels of income; the desire to meet the needs of existing and future workforces; and the links to curriculum development outlined within the Strategy.</p> <p>Board Member expressed concern that there was limited ambition</p>	

	<p>with regards to strategic and market context, and noted the document could be viewed as quite insular, quoting only one reference to other businesses.</p> <p>In contrast, another Board Member felt that the Strategy was a very positive directional document with the potential to drill down to specific elements at a later date.</p> <p>Vice Principal clarified that the Committees' endorsement was sought on the direction of travel at this stage, with a revised version being tabled to the full Board for approval.</p> <p>Board Member queried how confident management were of the levels of staff and other resources available to deliver all the KPIs identified within the Strategy. Vice Principal acknowledged that certain areas within the organisation will need to be joined up better than is currently the case, but also noted that the KPIs for the 1<sup>st</sup> window had been set at achievable levels.</p> <p>Board Chair advised that, while the paper needs more detailed analysis of competitive environment to determine basis on which Perth College will compete and to provide insight into compelling reasons for choices, and there needs to be realistic objectives and stretch targets set, it does provide a higher degree of confidence in what is being promised.</p> <p>Board Member queried the lack of baseline income to allow for a sense of proportion re income in 5 years' time. Vice Principal noted that targets were modelled to ensure they were realistic against budgets, and that the emphasis had been place on income not profitability to provide a link to core team costs and provide "true margins".</p> <p>Board Member identified that Phase 1 was scheduled for 2019/20 and discussions indicated a need to defer this timescale. Vice Principal noted that business development will continue in key areas but the full strategy will result in revised timescales, for example the proposed CRM system could be implemented quickly but system requires new ways of working.</p> <p>Committee <b>AGREED</b> that further consultation on the Business Strategy was required before being submitted to the Board. In addition, it was <b>AGREED</b> to utilise time at a Board Development session to further discuss the matter.</p>	
<p><b>3.2</b></p>	<p><b>International Strategy</b></p> <p>Vice Principal (External) presented Paper 12, noting the parallels between the International Strategy and the Business Development Strategy, and the focus on key markets building on existing provision.</p>	

	<p>Vic Principal drew attention to the targeted growth in revenues from £900k in Year 1 to £2.7m in Year 5.</p> <p>Board Member sought clarification over Chinese Ministry of Education final approval. Vice Principal noted that current regulations allowed for a maximum of 3 partnerships in the in-market delivery of trans-national provision.</p> <p>Board Member asked for some additional information regarding product ranges. Vice Principal noted that there were opportunities in research partnerships and MBAs amongst other options. Vice Principal would provide more detailed information prior to any Board approval.</p> <p>Committee noted its broad approval of the International Strategy, noting that additional information regarding product ranges was requested prior to the final paper being tabled for approval at the scheduled Board meeting in March 2020.</p>	
	<p>At this point members of F&amp;GP Committee left the meeting, with Audit Committee continuing with its scheduled business.</p>	
<b>4</b>	<p><b>Additions to the Agenda</b></p> <p>There were no additions to the Agenda</p>	
<b>5</b>	<p><b>Declaration of Interest in any Agenda Item</b></p> <p>There were no declarations of a conflict of interest.</p>	
<b>6</b>	<p><b>Minutes of Meeting held on 17 September 2019</b></p> <p>External Auditor requested that wording of the minutes under Item 15 and Item 16 be reviewed to acknowledge that no opportunity was provided to discuss these matters, and to clarify that certain statements that were made were not properly verified.</p> <p>Committee accepted this position and requested that Principal and Clerk review wording appropriately.</p> <p>The minutes were otherwise accepted as an accurate record.</p>	Principal/ Clerk
<b>7</b>	<p><b>Matters Arising from Previous Minutes</b></p>	
	<p><u>7.1 Health &amp; Safety Policy</u></p> <p><b>Action:</b> Audit Chair to liaise with Board Chair re Board link to Health &amp; Safety Committee</p>	

	<p><b>Action Update:</b> Completed</p> <p><u>7.2 Health &amp; Safety Report 2018/19</u></p> <p><b>Action 1:</b> Improve readability of future Reports.</p> <p><b>Action Update:</b> Deferred to production of next Annual Report</p> <p><b>Action 2:</b> Review position of Health &amp; Wellbeing Group given widening remit of Health &amp; Safety Committee</p> <p><b>Action Update:</b> To be completed.</p> <p><u>9.2 HR &amp; Payroll Systems</u></p> <p><b>Action:</b> Provide report on systems implemented re control systems</p> <p><b>Action Update:</b> Refer to Item 10.5 on Agenda</p> <p><u>9.3 Follow-Up Reviews</u></p> <p><b>Action:</b> Progress report on Equalities &amp; Mainstreaming actions</p> <p><b>Action Update:</b> Presented as Item 10.7 on Agenda</p> <p><u>11.1 Health &amp; Safety Committee</u></p> <p><b>Action:</b> Consider matters of wellbeing more directly within remit of Health &amp; Safety Committee</p> <p><b>Action Update:</b> Completed</p> <p><u>13 Review of Meeting</u></p> <p><b>Action:</b> Reports on Freedom of Information and Data Protection to be provided at future Audit Committee meetings</p> <p><b>Action Update:</b> Presented as Item 9 on Agenda</p>	
8	<b>Risk Management</b>	
8.1	<p><b>Strategic Risk Register</b></p> <p>Committee considered latest version of the Strategic Risk Register, as updated to November 2019.</p> <p>Clerk noted that amendments were proposed to Risk References 4, 9, 17, 21 and 25, with 3 new Risks being added: 26 (Payroll), 27 (Deferred Income) and 28 (Procurement)</p>	



	<p>Internal Auditors advised adding Asset Management onto the Register. This was <b>AGREED</b> by Committee.</p> <p>Board Member asked whether timescales re internal pensions arrangements in Risk 26 were achievable. It was <b>AGREED</b> that this timescale be reviewed following the Audit processes and reflect any recommendation provided.</p> <p>Depute Principal referred to Risk 1, and suggested that the Residual Risk be reviewed due to the Curriculum Review process currently under way and the work being done to ensure student number targets are achieved. Based on the trend data available, Committee <b>AGREED</b> to reduce the Residual Risk for Risk 1 to (2,4).</p> <p>Vice Principal noted the recent cyber attack on Dundee &amp; Angus College and advised that the Risk Register should be updated to reflect that UHI was properly accredited in this area. Committee <b>AGREED</b> that reference to UHI's Cyber Essentials accreditation within actions taken to minimise risk.</p> <p>Clerk advised Committee that UHI Internal Audit had suggested making revisions to the methodology by which risk is reviewed by Audit and Board to ensure that operational risks can be elevated to the strategic risk register where appropriate. Committee <b>AGREED</b> that the Clerk provide alternative methods for reporting risk within the next Board cycle.</p>	<p>Clerk</p> <p>Clerk</p> <p>Clerk</p> <p>Clerk</p> <p>Clerk</p>
<b>9</b>	<b>FOI &amp; Data Protection</b>	
<b>9.1</b>	<b>Freedom of Information &amp; Data Protection Update Report</b>	
	Committee received Paper 6 for information.	
<b>10</b>	<b>Internal Audit</b>	
<b>10.1</b>	<b>Internal Audit Annual Report 2018-19</b>	
	<p>Internal Auditor presented Paper 7, noting that the Audit Report formed a comprehensive independent review of internal audit functions and confirmed that the policies and procedures relating to internal audit were compliant with the Public Sector Internal Audit Standards in all material respects.</p> <p>Internal Auditor noted changes made to allocations through the deferral of work related to Air Service Training in favour of work on HR &amp; Payroll per management request.</p> <p>Internal Auditor summarised the key significant issues, noting in particular that a number of items had passed action dates, with regular reviews not implemented, however these issues had been</p>	

	<p>mitigated somewhat by their escalation to the Strategic Risk Register.</p> <p>Internal Auditor summarised the key findings of the reports submitted.</p> <p>In response to a Board Member expressing comfort within the Report during current ongoing processes, Internal Auditor noted a caveat regarding the limited scope of the Audit within the 2018-19 allocation. Internal Auditor drew specific attention to the proposed increase in Audit days for 2019-20, indicating that this would be more in line with expectations.</p> <p>Board Member queried the amount of staff resources required to complete a more robust Audit, as proposed. Principal noted that these processes were not visible to most College staff with the exception of HR &amp; Finance, where audits are a normal process.</p>	
<b>10.2</b>	<p><b>Revised Internal Audit Action Plan 2019-20</b></p> <p>Internal Auditor presented Paper 8 and sought Committee's agreement on the areas submitted for prioritisation within the 2019-20 Plan and the proposed allocation of Audit Days. Committee <b>AGREED</b> on the proposed approach.</p>	
<b>10.3</b>	<p><b>Internal Audit Report: 2018-19 Student Activity Data</b></p> <p>Internal Auditor presented Paper 9 for information, noting that this was a routine report. Committee received the Report.</p>	
<b>10.4</b>	<p><b>Internal Audit Report: Student Support Funds 2018-19</b></p> <p>Internal Auditor presented Papers 10a, 10b, 10c and 10d for information, noting that these were routine reports. Committee received all Reports.</p>	
<b>10.5</b>	<p><b>Internal Audit Report – HR &amp; Payroll Systems</b></p> <p>Internal Auditor presented Paper 11, summarising the key issues identified within Audit investigations to date.</p> <p>Head of HR &amp; Organisational Development outlined Paper 11b, which provided a Management Update on recent progress on these key issues.</p> <p>Committee expressed thanks that good progress was already being made in this matter.</p>	
<b>10.6</b>	<p><b>Internal Audit Report 2013/07 - Health &amp; Safety: Management</b></p>	

	<p><b>Update</b></p> <p>Head of HR &amp; Organisational Development presented Paper 12, noting the lengthy timescales involved in this matter.</p> <p>Head of HR &amp; Organisational Development noted that the hazard surveys undertaken highlighted the need for more frequent risk assessments to be undertaken.</p> <p>Head of HR &amp; Organisational Development further noted that there was agreement by those with responsibilities in this area that processes are required to be robust and closely monitored by Health &amp; Safety Committee. In addition, a comprehensive training plan is required to ensure consistency of knowledge across the College.</p> <p>Head of HR &amp; Organisational Development advised Committee that training completion rates were down across the organisation and this also needs addressed.</p>	
10.7	<p><b>Internal Audit Report 2018/04 – Equalities Mainstreaming: Management Update</b></p> <p>Head of HR &amp; Organisational Development summarised progress against outstanding Equalities Mainstreaming actions, noting that significant strides had been made since the recruitment of a new staff member with specific responsibilities in this area.</p>	
11	<p><b>Performance Management – Balanced Scorecard</b></p> <p>Clerk presented Balance Scorecard for the period, noting that only one item (Carbon Footprint) was indicated for scrutiny during this period, and performance within this area was on target.</p>	
12	<p><b>Committee Minutes</b></p> <p>Committee received minutes of Health &amp; Safety Committee from 14 November 2019 for information.</p>	
13	<p><b>Date &amp; Time of Next Meeting</b></p> <p>Chair noted that the scheduled date of Tuesday 25 February 2020 would prove difficult. Clerk to ascertain alternative date for the meeting.</p>	Clerk
14	<p><b>Review of Meeting</b></p> <p>Committee agreed that the Terms of Reference had been complied with.</p>	

	Committee	
15	<b>Board Members meeting with Internal &amp; External Auditors</b>  Executive Team and other staff advisers in attendance left the meeting at this stage to allow the Board Members to have a confidential discussion with Internal and External Auditors.	

Information recorded in College minutes are 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.

Notes taken to help record minutes are also subject to Freedom of Information requests, and should be destroyed as soon as minutes are approved.

**Status of Minutes – Open\*  Closed**   
**\* Excepting Item 15**

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 about living individuals, under the terms of the Data Protection Act 1998. It is important that fact, rather than opinion, is recorded.

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