

Board of Management

Agenda

Meeting reference: Board 2017-18/02

Date: Wednesday 13 December 2017 at 5.30pm

Location: Room 019 – Brahan Building

Purpose: Scheduled meeting

* Denotes items for discussion.

Members should contact the Secretary in advance of the meeting if they wish to request an item be starred.

	Agenda Items	Author	Led by	Paper
1	Welcome and Apologies		Chair	
2	Additions to the Agenda		Chair	
3	Declaration of Interest in any Agenda Item		Chair	
*4	Approval of new Board of Management Members		Chair	
5	Minutes of the Meeting held on Wednesday 11 October 2017	Secretary	Chair	Paper 1
6	Actions arising from previous minutes			
*7	AST Employment Tribunal Review Update		Principal	Verbal
*8	HISA Perth College Update	Student President	Student President	Paper 2
*9	Audit Committee Annual Report 2016-17 to the Board of Management	Secretary	Chair Audit Committee	Paper 3
*10	Draft External Audit Annual Report 2016-17	EY	Chair Audit Committee	Paper 4
*11	Draft Financial Statements for the year to 31 July 2017	Head of Finance	Chair F&GP	Paper 5 Closed
*12	Incorporated Colleges integration discussions		Chair	Verbal
*13	Chair's Report		Chair	Verbal

*14	Board Committee Membership	Secretary	Chair	Paper 6
*15	Update on Academic Affairs Committee and Engagement Committee Terms of Reference	Secretary	Principal/ Secretary	Paper 7
*16	Principal's Update		Principal	Verbal
17	Progress against 2016-17 priority objectives	Business Planning Support Officer	Principal	Paper 8
18	Minutes of Standing Committees (unconfirmed) Please note: all bulleted items are for Board approval			
18.1	Board Special Meeting – 25 October 2017	Secretary	Chair – Board of Management	Paper 9 Closed
18.2	Engagement Committee – 9 November 2017	Secretary	Chair - Engagement	Paper 10
18.3	Chairs Committee – 15 November 2017	Secretary	Chair – Board of Management	Paper 11 Closed
18.4	Academic Affairs – 22 November 2017	Secretary	Chair – Academic Affairs	Paper 12
18.5	AST Board – 22 November 2017	AST Board Secretary	Chair – AST Board	Paper 13 Closed
18.6	Finance and General Purposes Committee – 29 November 2017	Secretary	Chair - F&CP	Paper 14
18.7	Audit Committee – 29 November 2017	Secretary	Chair- Audit	Paper 15
19	Date of next meeting 21 March 2018			
*20	Review of meeting		Chair	

Minutes

Meeting reference: Board 2017-18/01
Date and time: Wednesday 11 October at 5.30pm
Location: Room 019

Members present: Brian Crichton, Jim Crooks Harold Gillespie, Sharon Hammell, David Littlejohn, Grant Myles, John McDonald (from 5.30pm), Donald MacLean, Sharon McGuire, Lindsey McLeod, Lorna Nicoll, Charlie Shentall

Apologies: Ann Irvine, Ian Jackson,

In attendance: Margaret Cook, Principal and Chief Executive
Jackie Mackenzie, Vice Principal, Finance and Estates
Pam Wilson, Vice Principal, Academic
Prince Honeysett, PCSA Student President Designate
Nurina Sharmin, Vice President Designate (Education and Engagement)

Chair: Grant Myles
Minute Taker: Maureen Masson
Quorum: 6

Ref	Action	Responsibility	Time Line
Summary of Action Items from Board meeting on 11 October 2017			
4	Report back on possible changes to the Campaign Board and Development Trust terms of Reference and implications	Chair	Next Board meeting
4	Keep under review the timing of a visit by the VP international to meet Board.	Principal	
4	Complete the review of HE governance manual and consider any updated need to Perth College governance manual	Secretary	By December Board meeting
7	Perth College UHI: Evaluative Report and Enhancement Plan 2016 – 2017-18 Invite the Education Scotland inspector to a Board meeting	Principal	December or March Board meeting
9	Chair's Report Board members were to provide comments to the Chair on closer integration with partner Colleges before the meeting on 27 October.		

*11	Principal's Update Prepare infrastructure bids for submission to UHI	Principal	In accordance with bid timescales
*13	Estates Update <ul style="list-style-type: none"> An update on the UHI residences project would be provided to the next F&GP meeting; Progress Estate Strategy work 	VP Finance and Estates VP Finance and Estates	29 November 2017 ongoing
14	Policies for approval by the Board of Management and Committees during 2017/18 Prepare a whistleblowing policy.	Principal	asap
16.4	Annual Health and Safety Report Agree format for Health and safety reporting and level of detail	Principal and Chair of Audit Committee	By December meeting of the Board

Minutes

Item	Action
1 Welcome and Apologies Apologies were noted.	
2 Additions to the Agenda There were no additions to the Agenda.	
3 Declaration of Interest in any Agenda Item There were no declarations of a conflict of interest in any agenda item.	
4 Minutes of Meeting held on Wednesday 14 June 2017 The minutes were approved as accurate record.	
5 Actions arising 8. Equalities Report (from meeting on 22 March 2017) Action Update: The online training link would be circulated to Board members – complete. Items from meeting on 14 June 2017 9. Report back on Development Trust and Campaign Board	

Item		Action
	<p>revisions to Terms of Reference</p> <p>The Chair reported that the constitution for the Development Trust and Campaign Board were being re-drafted to make them more independent from the College. This may have implications for the support the College can provide to the Trust given the nature of the ONS regulations. A further meeting was planned during October to take this forward and an update would be brought forward to the next meeting of the Board in December 2017.</p> <p>The VP International had visited the College recently to meet with the Principal and the timing for a meeting with the Board will be kept under review.</p>	<p>Chair</p> <p>Principal</p>
	<p>10. HE Budget Allocations</p>	
	<p>An update would be provided in the Chair's report.</p>	
	<p>10. HE Governance Manual</p> <p>The Secretary had undertaken an initial review of the HE governance manual. Broad themes for good governance were common to both HE and FE, but a further check would be done to identify any additions to strengthen the College's governance manual.</p>	<p>Secretary and VP for Estates and Finance</p>
	<p>11. Balanced Scorecard</p> <p>The VP Academic assured the Board that the 'amber' balanced scorecard outcomes under ongoing review and that a Health and Safety indicator was included. The Board would expect to see red outcomes reported back by exception.</p>	
	<p>16. Estates Update</p> <p>On the agenda for the meeting.</p>	
	<p>17.5 AST Board</p> <p>Review of business against ToR – now done and action complete</p>	
	<p>18. Schedule of meetings</p> <p>Complete and circulated to the Group.</p>	
<p>*6</p>	<p>AST Employment Tribunal Review Update</p> <p>The Chair reported that the Review Group had met earlier in the day to consider the final draft report prepared by the Alun Thomas the Independent Reviewer. A set of recommendations and actions were</p>	

Item**Action**

also in draft and these, together with the report, would require to be considered and endorsed by the Board of Management.

The Board discussed the timing of the publication of the report and recommendations as it would not be possible to wait until the next Board meeting to finalise outcomes. A commitment had been given earlier in the year that the report and any outcomes arising from the independent review would be available during October. The Board discussed options for meeting the timescales, in particular, whether a special meeting was needed or whether authority could be delegated to the Principal and Chair to finalise the report and immediate actions arising. The Board agreed that a special meeting should be held and that the timeslot for a Board Development evening on 25 October should be used for the meeting as it was already in diaries.

***8 HISA Perth College Update**

The Board noted the paper which provided an update on recent student activity. Of particular interest was STEM work the Vice President was taking forward with Equate Scotland. The student officers had also delivered class talks where they had stressed the

Item		Action
	<p>importance of students becoming involved in the student representative process. Training for class representatives would be held during October and the first meeting of the Student Representative Council was scheduled for early November.</p> <p>The Chair commended the President and Vice President for the very positive report and their commitment and enthusiasm. The new arrangements following the merger with HISA appeared to be working well and the student officer were participative and involved in the process.</p>	
9	<p>Chair's Reports</p> <p>The Chair reported on a meeting on 9 and 10 October with Academic Partner Chairs and senior UHI officials facilitated by John Sturrock.</p> <p>The main item had been a discussion about further partnership integration. This matter had been discussed a couple of years ago and was back on the agenda as it had been raised by a number of incorporated colleges who were keen to explore closer integration. Overall, the discussion had been positive, but it was recognised that it was unlikely that one model would meet all partner College aspirations. A further meeting of the 5 incorporated Colleges would be held on 27 October to understand the differing perspectives and aspirations of each College.</p> <p>The Board expressed concern as the rationale and objectives for change had not been fully explained. In addition, in the absence of transparent Service Level Agreements between the various parties, there was little evidence to support informed decision making.</p> <p>The Board discussed the recent staff email from the Vice Chancellor about closer integration. Concern was expressed that the email had caused some concern for some staff who were unsure of the wider context. The Board recognised that it was important to understand the positive and negative impact of any proposed changes and be ready to respond on behalf of the College. Board members were invited to provide comments to the Chair before 27 October, so the Chair could feed back the view of Perth College Board.</p> <p>The meeting was to address the UHI HE top slice but was not discussed.</p>	All
10	<p>Board Member Recruitment and Committee membership</p> <p>The Board noted a paper which provided an update on Board recruitment and Committee membership. Formal appointments should be made by the date of the next meeting.</p>	

Item	Action
<p>*11 Principal's Update</p> <p>The Board noted the proposed senior team re-structure that the Principal had emailed. Meetings with Trade Unions and staff groups were ongoing as part of the consultation process and recruitment specialists had been engaged. It was hoped that the posts would be filled by Easter 2018. In the meantime, interim management arrangements were in place.</p> <p>The College was invited to bid for UHI capital infrastructure funding and was working to identify projects which would have impact and contribute to wider strategic goals.</p>	Principal
<p>*12 Tay Cities Deal Update</p> <p>The VP Finance and Estates introduced this paper which pulled together the various Tay Cities Deal initiatives where the College had input. The Board noted the initiatives and was keen to stress the importance of alignment and consistency between various high level College plans including the Regional Outcome Agreement. The Board noted the effort that had gone into developing the bids to this stage, led by the sector directors, and that further work would be undertaken as an announcement was made about the Tay Cities toward the end of year. The Board further noted that a care sector bid was being developed at a regional level as this was a major growth area.</p>	
<p>*13 Estates Update</p> <p>The VP Finance and Estates provided an update on estates matters. The Board noted the following:</p> <ul style="list-style-type: none"> Plans had been developed for maintenance priorities for the current academic year; The UHI residences project was still ongoing and a update would be provided to the next F&GP meeting; It was agreed at the Board Development day that two strands of work would be progressed; i. to maintain a fit-for-purpose estate for business continuity and ii. a strategic in focus to identify longer term academic strategy and options for delivering that, including estates valuations. The Board noted that the Head of Estates had recently attended the autumn meeting of the Scottish Association of the University Directors of Estates (SAUDE). 	VP Finance and Estates VP Finance and Estates
<p>14 College Policies</p> <p>14.1 Policies for approval by the Board of Management and Committees during 2017/18</p>	

Item	Action
<p>The Board noted the schedule of policies that would be reviewed during the course of the year. The Principal noted that other policies including whistleblowing would come forward in the course of the year.</p>	Principal
<p>14.2 Revised Health and Safety Policy</p>	
<p>The Board approved the revised Health and Safety Policy.</p>	
<p>15 Equality and Diversity</p>	
<p>The Board noted the following two reports published recently by the Equality Challenge Unit:</p> <ul style="list-style-type: none"> Equality in College in Scotland: statistical report 2017 Governing Bodies' Equality and Diversity: A handbook for Board Members in Scotland's Colleges. 	
<p>16 Minutes of Standing Committees (unconfirmed)</p>	
<p>16.1 Engagement Committee– 31 August 2017</p>	
<p>Noted.</p>	
<p>16.2 Chairs Committee – 11 September 2017</p>	
<p>Noted subject to the amendment of a typographical error on page 3.</p>	
<p>16.3 AST Board – 19 September 2017</p>	
<p>Noted – the new Chair of AST informed the Board that the pipeline of work for AST was in discussion, and an update would be provided to the Board via the minutes of the next AST Board meeting.</p>	
<p>16.4 Audit Committee – 20 September 2017</p>	
<p>Minutes - Noted</p>	
<ul style="list-style-type: none"> The Annual Health and Safety Report was noted. The Chair informed the Board that the format of the report would be reviewed in future to address action planning and improved reporting. It had been agreed not to re-work the report for 2016-17. The Board discussed the report and some of the statistics contained within in. The Board agreed that it would be helpful to show RIDDOR accidents separately as well as actions taken as a result and recording the number of near misses. The Board discussed whether the annual reporting process was 	

Item	Action
<p>sufficient to discharge its responsibilities for health and safety. The Board discussed the reporting lines between the Health and Safety Committee to the Audit Committee and the level of detail that should flow from one Committee to the other. This had been an ongoing matter that had not been finally resolved and the Chair asked the Principal and senior team to work with the Audit Committee Chair to map out the reporting framework including level of detail that allows the Board to discharge its Health and Safety duties properly. Any overlap to College policies including Freedom of Information and data protection should be considered and, ideally, the reporting framework should be lean in approach possibly reporting to the Board by exception. A framework would be prepared and come forward for discussion at the next meeting.</p>	Principal and Audit Chair
<p>5 Finance and General Purposes Committee Board – 29 September 2017</p>	
<p>Noted. The Chair extended a vote of thanks to the Finance Team for a positive outturn.</p> <p>The Chair of the Audit Committee commented that the Audit Committee discussed the risk to the College of the current funding environment and was reassured to see that Finance and General Purposes Committee was active in managing this.</p>	
<p>*17 Date of Next Meeting</p> <p>13 December 2017</p>	
<p>*18 Review of Meeting</p> <p>Members agreed it had been an interesting meeting covering the range of Board business.</p> <p>A gift and flowers were presented to the Vice Principal Academic as this was her last Board meeting. The Chair thanked the Vice Principal for her significant contribution to the life and work of the College and commented that the Board would miss her enthusiasm and wished her all the very best for the future.</p>	

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 ☒ with redaction of item 7 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 about living individuals, under the terms of the Data Protection Act 1988. 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 1988? Yes ☒, but item 7 would be redacted for the minutes to be considered open

Board of Management

Paper 2

Paper for Consideration

Subject: HISA Perth College Update

Author: PC Student President

Date of paper: 5 December 2017

Date of meeting: 13 December 2017

Action requested of committee:

(Tick as appropriate) For information only: ☒
For discussion:
For recommendation/approval:

Cost implications:

(Tick as appropriate) Yes: No: ☒

Executive Summary:

The paper provides an update on the work of the Student Association.

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 1988.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? **Yes** ☐ **No** ☒

HISA Perth College Update

I.T. Department

We have received several complaints about the Wi-Fi around the campus from students so we arranged a meeting with the IT staff to go over these issues.

- Strength of the Wi-Fi - The IT department have agreed that this is a very big concern for them as well and we have been informed that they will be changing the whole college Wi-Fi system next summer.
- Software for students – the IT department have also agreed to install more software on the library PC's for students. We have found that students often need particular specialist software in order for them to complete their work and the only time they can gain access to it is during their time in class. So we are asking students around the campus what software's they would like to see installed on the PC's. Once this information is gathered it shall be passed on to the IT department who will then install them onto the PC's.

New Office

We are happy to announce the move into our new office in room 142. A much bigger space for us to work in, bigger desks and finally some windows for us to let some fresh air in lol. The new office is right round the corner from the old one so student's wont have struggle finding us.

Volunteers

Since our first SRC on November 6th we have acquired 4 student volunteers. We aim to show these students how our association works and get them involved with our plan of events for the next semester.

NUS Zone Conference

I attended the annual NUS Zone Conference in Edinburgh where I took part in several workshops and got some insight on matters currently affecting students nationally and things likely to affect them in the future.

Paper for Consideration

Subject: Audit Committee Annual Report 2016-2017 to the Board of Management

Author: Maureen Masson, Secretary to the Board

Date of paper: 4 December 2017

Date of meeting: 13 December 2017

Action requested of committee:

(Tick as appropriate) For information only:

For discussion:

For recommendation/approval: ☒

Strategic area(s): All

Cost implications:

(Tick as appropriate) Yes: ☐ No: ☒

Executive Summary:

Under the College's current Financial Memorandum, the Audit Committee is required to produce an annual report to the Board of Management, primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control.

The Audit Committee considered and approved the report at its meeting on 29 November subject to the correction of a small number of typographical errors. These have been made, and the Annual Report is presented to the Board for approval.

Information recorded in College minutes and papers 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.

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 1988.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? **Yes** ☐ **No** ☒

Draft Audit Committee Annual Report to the Board of Management Academic Session 2016-17

1 Introduction

The Funding Council's mandatory requirements require the Audit Committee to produce a report to the Board of Management primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control.

The Smith Guidance to Audit Committees also suggests that this annual report should focus on internal financial control and be provided to the Board prior to the signing of the financial statements and the Board's statement of responsibilities in particular.

This report covers the accounting period of 12 months to 31 July 2017.

The terms of reference of the Audit Committee are attached for information at **Appendix 1**. During the period under review the Committee met on 4 occasions: 20 September 2016, 30 November 2016, 14 March 2017, 23 May 2017. Details of the membership of the Committee during this period are shown at **Appendix 2**.

2 Internal Audit

Henderson Loggie were re-appointed as the College's Internal Auditors in July 2016 for the period 1 August 2016 to 31 July 2020.

An updated Audit Needs Assessment (ANA), based on the areas of risk that the College is exposed to, was prepared as part of the internal audit programme for 2014/15. The ANA was prepared following discussion with College personnel, and a review of previous internal and external audit reports and covered the three year internal audit cycle from 2014-15 to 2016-17.

The Annual Report of the Internal Auditors for 2016/17 was considered by the Audit Committee at its meeting on 29 November 2017.

In the 2016/17 Annual Report, Henderson Loggie state that:

"In our opinion the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2016/17 and in prior years since our first appointment in 1998/99".

In Section 2 of the Annual Report prepared by Henderson Loggie a summary of the results and conclusions relating to the audit work carried out by them in the following areas is given. Recommendations were made by Henderson Loggie in each of the internal audit reports, as follows:

Number	Title	Recommendations	Priority 1/Grade A	Priority 2/Grade B	Priority 3/Grade C
2017/01	Audit Needs Assessment and Strategic Plan 2016 - 2020	N/A	N/A	N/A	N/A
2017/02	Annual Plan 2016/17	N/A	N/A	N/A	N/A
2017/03	Student Activity Data 2015/16	N/A	3	-	-
2017/04	Student Recruitment	Good	2	-	-
2017/05	College Nursery	N/A	N/A	N/A	N/A
2017/06	Follow Up Reviews	N/A	15 of 33 required further action	N/A	N/A
2017/08	Capital Projects – Academy for Sport and Wellbeing Post-Project Review	N/A	- -	- -	- -

Recommendation grades are defined as follows:

Reports issued from 2015-16 (excluding SUMs)

Priority 1 – Issues subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.

Priority 2 – Issues subjecting the College to significant risk and which should be addressed by management.

Priority 3 – Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness

Reports issued prior to 2015-16 (recommendations included in report 2016/04 – Follow-Up Reviews) and SUMs report

A Issues which require the consideration of the Board of Management or one of its committees.

B Significant matters that members of the Senior Management Team can resolve.

C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

The Internal Audit Reports referred to above were reviewed in detail by the Audit Committee and accepted.

3 External Audit

Ernst & Young was appointed by Audit Scotland as the College's external auditors from Academic Year 2017.

A draft external Audit Annual Report 2016-17 was reviewed at the Finance and General Purposes Committee on 29 November 2017 and will be reviewed by the Board of Management at its meeting on 13 December 2017 and by the Auditor General.

The draft Financial Statements including accounting policies, disclosures and the external auditor's opinion for the year ended 31 July 2017 were submitted to the Committee on 29 November 2017 and after full discussion were recommended for approval by the Board at its meeting on 13 December 2017.

The Corporate Governance statement included in the audited Financial Statements for the year ended 31 July 2017 was reviewed along with the Financial Statements.

4 Effectiveness of the Audit Committee

A 'Review of Meeting' item at the end of every agenda was continued by the Audit Committee throughout 2016-17. This was to enable members the opportunity to reflect on and discuss the effectiveness of the meeting. No concerns about the conduct of the meetings have been raised.

The Audit Committee meets formally without the College Management Team present at least once a year. The independent members of the Audit Committee meet formally with the Colleges internal and external audit service at least annually and met with them at the meeting on 6 December 2016.

The Audit Committee undertake a formal evaluation of the internal and external audit service annually.

5 Value for Money

The College works closely with Government forums and APUC and follows the guidelines that have been developed to support the sector in line with best practice.

6 Annual Review of the Effectiveness of Internal Control and Risk Management

The Committee undertook a formal annual review of the effectiveness of internal control and risk management in November 2016 and this report is attached as **Appendix 3**. This report is based on guidance produced by the Turnbull Committee and invites the Board to confirm that:

- It is satisfied with the scope, frequency and quality of the reports received during the year.
- It is satisfied with the College's ability to respond to changes in the operating environment.
- It is satisfied with the scope and quality of senior level involvement in monitoring risks.
- It is satisfied with the extent and frequency of reports to the Board.

- It agrees that there had been no significant control failings or weaknesses identified during the year.
- It is satisfied with its public reporting processes.

7 Other Matters

The revised and updated College Governance Manual was reviewed and approved by the Audit Committee at its meeting on 15 March 2016.

8 Opinion and Conclusion

It is the opinion of the internal auditors, Henderson Loggie CA, accepted and endorsed by the Audit Committee, that the College operates adequate and effective internal control systems as defined in the audit needs assessment and that proper arrangements are in place to promote and secure value for money.

It is the opinion of the external auditors, Ernst & Young, and endorsed by the Audit Committee that the financial statements give a true and fair view and are properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder.

It is the opinion of the Committee that the Board of Management's responsibilities as described in the Responsibilities of the Board of Management Statement included in the financial statements for the year to 31 July 2016 have been satisfactorily discharged.

It is also the opinion of the Committee that compliance with the SFC audit requirements as incorporated in Financial Memorandum have been ensured.

Audit Committee
29 November 2017

Audit Committee

Membership

No fewer than 4 members of the Board of Management.

- Board members not eligible for appointment are the Chair of the Board, the Principal, the Chair of the Finance and General Purposes Committee, the persons elected by the teaching staff and the non teaching staff of the College and the persons appointed by the Perth College Students' Association.
- No member of the Finance and General Purposes Committee shall also be a member of the Audit Committee.
- The Chair of the Board, the Principal and the Chair of the Finance and General Purposes Committee shall be invited to attend meetings.
- The Committee may sit privately without any non-members present for all or part of a meeting if they so decide.
- The College Executive will attend meetings at the invitation of the Committee Chair and provide information for Agenda items

In attendance

Vice Principal, Finance and Estates

Vice Principal, Academic

Vice Principal, Human Resources and Communications

Quorum

The Quorum shall be 3 members.

Frequency of Meetings

The Committee shall meet no less than three times per year.

Objectives

The Audit Committee's main responsibilities include advising the Board on whether:

- There are systems in place to ensure that the College's activities are managed in accordance with legislation and regulations governing the sector.
- A system of governance, internal control and risk management has been established and is being maintained, which provides reasonable assurance of effective and efficient operations and produces reliable financial information.
- There are systems in place to ensure the Committee engages with financial reporting issues

Terms of Reference

Internal Control

1. Reviewing and advising the Board of Management of the internal and the external auditor's assessment of the effectiveness of the college's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness; and
2. Reviewing and advising the Board of Management on its compliance with corporate governance requirements and good practice guidance including a strategic overview of risk management.
3. Strategic oversight of Health and Safety, Freedom of Information and Data Protection on behalf of the Board.

Internal Audit

1. Advising the Board of Management on the selection, appointment or reappointment and remuneration, or removal of the internal audit provider.
2. Advising the Board of Management on the terms of reference for the internal audit service.
3. Reviewing the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit and advising the Board of Management on these matters.
4. Advising the Board of Management of the Audit Committee's approval of the basis for and the results of the internal audit needs assessment and the strategic and operational planning processes.
5. Approving the criteria for grading recommendations in assignment reports as proposed by the internal auditors.
6. Reviewing the internal auditor's monitoring of management action on the implementation of agreed recommendations reported in internal audit assignment reports and internal audit annual reports.
7. Considering salient issues arising from internal audit assignment reports, progress reports, annual reports and management's response thereto and informing the Board of Management thereof.
8. Informing the Board of Management of the Audit Committee's approval of the internal auditor's annual report.
9. Ensuring establishment of appropriate performance measures and indicators to monitor the effectiveness of the internal audit service.

10. Securing and monitoring appropriate liaison and co-ordination between internal and external audit.
11. Ensuring good communication between the Committee and the internal auditors.
12. Responding appropriately to notification of fraud or other improprieties received from the internal auditors or other persons.
13. Reviewing the Risk Management Register.

External Audit

The appointment of external auditors to the College is directed by Audit Scotland.

1. Considering the college's annual financial statements and the external auditor's report prior to submission to the Board of Management by the Finance Committee. Care should be taken, however, to avoid undertaking work that properly belongs to the Finance and General Purposes Committee. If within its terms of reference, the Committee should consider the external audit opinion, the Statement of Members' Responsibilities and any relevant issue raised in the external auditor's management letter.
2. Reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations contained therein.
3. Advising the Board of Management of salient issues arising from the external auditor's management letter and any other external audit reports, and of management's response thereto.
4. Reviewing the statement of corporate governance.
5. Establishing appropriate performance measures and indicators to monitor the effectiveness of the external audit provision.
6. Reviewing the external audit strategy and plan.
7. Holding discussions with external auditors and ensuring their attendance at Audit Committee and Board of Management meetings as required.
8. Considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken, by the external auditor's firm and advising the Board of Management of any potential conflict of interest.
9. Securing appropriate liaison and co-ordination between external and internal audit.

Value for Money

1. Establishing and overseeing a review process for evaluating the effectiveness of the college's arrangements for securing the economical, efficient and effective management of the college's resources and the promotion of best practice and protocols, and reporting to the Board of Management thereon.
2. Advising the Board of Management on potential topics for inclusion in a programme of value for money reviews and providing a view on the party most appropriate to undertake individual assignments considering the required expertise and experience.
3. Advising the Board of Management of action that it may wish to consider in the light of national value for money studies in the further education sector.

Advice to the Board of Management

1. ***Reviewing the college's compliance with the Code of Audit Practice and advising the Board of Management on this.***
2. ***Producing an annual report for the Board of Management.***
3. ***Advising the Board of Management of significant, relevant reports from the Scottish Funding Council and National Audit Office and successor bodies and, where appropriate, management's response thereto.***
4. ***Reviewing reported cases of impropriety to establish whether they have been appropriately handled.***

Version 1 - Approved by BOM 13 December 2013

Version 2 – Approved by Audit Committee and BOM December 2015

Membership of the Audit Committee during the period 1 August 2016 – 31 July 2017

Derek Forgan (Chair) – until 31 December 2016

Ian Jackson (Acting Chair from Jan 2017)

Mike Baxter – until 31 December 2016

Brian Crichton

Ann Irvine

Lindsey McLeod (formerly Farquharson)

Lorna Nicoll (for 14 March and 27 May 2017 meetings)

PERTH COLLEGE

Audit Committee

Annual Assessment of Effectiveness of Internal Control

1 Introduction

The Board of Management is required to make a statement on corporate governance in the annual accounts, in accordance with the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012. To support its statement on corporate governance, the Board should undertake an annual assessment of the effectiveness of internal control systems and risk management.

2 Review of Reports Received During the Year

During 2016-17, the Audit Committee received the following internal audit reports from Henderson Loggie:

Audit Needs Assessment and Strategic Plan 2016 - 2020
Annual Plan 2016/17
Student Activity Data 2015/16
Student Recruitment
College Nursery
Follow Up Reviews
Capital Projects – Academy for Sport and Well Being post project review

All recommendations therein and the College response to them are noted. The College's actions in response to previous Internal Audit report recommendations are monitored by the Audit Committee.

During 2016-17, the Finance and General Purposes Committee and the Board received quarterly reports on income and expenditure against budget. Reports were also provided on assets and liabilities. Variance reporting was used to highlight areas of risk and compensating action was taken.

A Balanced Score Card was used to monitor the implementation of the Strategic Plan to ensure financial and non financial Performance Indicators were monitored at Board level. The Balanced Scorecard was monitored by four committees of the Board:

- Finance Committee and General Purposes Committee had oversight of the Financial and Environmental Sustainability Measures.
- Academic Affairs Committee had oversight of the Student Experience, Curriculum and Research Measures and some Developing our Organisation and Engagement Measures.
- Engagement Committee had oversight of the Engagement Measures and some Developing our Organisation Measures

- The Audit Committee had oversight of the Financial Outturn measures.

The Board is invited to confirm that it is satisfied with the scope, frequency and quality of the reports received during the year, as set out above.

3 Changes During the Year

There have again been changes and developments in the external operating environment which were substantive agenda items at the Committee meetings in 2016-17 in addition to oversight of the strategic risk register.

There were ongoing discussions concerning the UHI organisational structure, relationships and processes between UHI EO and Academic Partners.

The College Sector Reclassification/ONS restrictions imposed on the College impacts on the College's ability to control and manage its own business, plan beyond the current year since there is little or no scope to build reserves other than to transfer to ALF which, in turn, leads to restrictions in what these funds can be used for.

The financial memorandum between UHI and the assigned Colleges has been agreed.

National Pay Bargaining and its implications for the college sector are also recognised as an issue. By signing the NRPA, each employer is agreeing to voluntarily enter into national bargaining and agreeing to the mechanism through which national agreements can be reached.

The Board is aware that by signing up to national bargaining the College and Board will lose direct control over the staffing costs, a major element of the College cost base. The Board continues to monitor the cost implications closely with Audit Committee and F&GP.

The Board is invited to confirm that it is satisfied with the College's ability to respond to changes in the operating environment.

4 Scope and Quality of Risk Monitoring

Members of SMT met quarterly to review the Strategic Risk Register. The reviewed Risk Register was then forwarded to Audit Committee for monitoring and oversight.

In addition to the College Strategic Risk Register, the Audit Committee now periodically reviews the Health & Safety Risk Register and the ICT Risk Register, with the Health & Safety Risk Register being considered separately as part of the normal cycle of business.

Continuing and emerging risks were recognised as:

International and Overseas students, College Sector reclassification/ONS; Student numbers and Support Funding; National pay bargaining.

The College's actions in response to Strategic Risk Register discussions and actions are monitored by the Audit Committee and Board.

The Board is invited to confirm that it is satisfied with the scope and quality of management's monitoring of risks.

5 Communication to the Board and its Committees

Board Responsibility

'The Board should consider the extent and frequency of the communication of the results of monitoring to the Board and its Committees, which enables it to build up a cumulative assessment of the state of control in the College and the effectiveness with which risk is being managed'. (Turnbull Guidance)

Response

The system of reporting to the Board is covered in the draft Statement of Corporate Governance.

In July 2016 Henderson Loggie were re-appointed for the period from 1 August 2016-31 July 2020. Henderson Loggie carried out an Audit Needs Assessment, based on the College's Strategic Risk Register, following discussion with College personnel and a review of previous internal and external audit reports and the SFC Financial Memorandum.

The Internal Audit Annual Plan for 2016-17 was approved by the Audit Committee at its meeting on 20 September 2016.

The Board is invited to confirm that it is satisfied with the extent and frequency of reports to the Board.

6 Control Failings or Weaknesses

There have been no significant control failings or weaknesses identified during 2016-17.

7 Effectiveness of Public Reporting Procedures

- Perth College UHI is committed to the principles of openness and accountability in all its activities. In response to our obligations under the Freedom of Information Act (Scotland) 2002, the College has adopted and will maintain the Model Publication Scheme for Scotland's Colleges.
- The Board is updated annually on the requests for information received under the Freedom of Information Act (Scotland) 2002 and Data Protection requests.
- The College completes and lodges a number of statutory returns to demonstrate appropriate use of public funds.

- Information about the Board and its members is available on the website, including the Register of Interests.
- Board of Management minutes are published on the website
- The Perth College Annual Accounts are published on the website. The Annual Accounts for Air Services Training Limited are lodged with Companies House.
- The Annual Report is published on the website. A hard copy is available to anyone who makes a request.

The Board is invited to confirm that it is satisfied with its public reporting processes.

Board of Management

Paper 4

Paper for Consideration

Subject: Draft External Audit Annual Report 2016-17

Author: Board Secretary on behalf of Ernst & Young

Date of paper: 6 December 2017

Date of meeting: 13 December 2017

Action requested of committee:

(Tick as appropriate) For information only:
For discussion: ☒
For recommendation/approval: ☒

Cost implications:

(Tick as appropriate) Yes: No: ☒

Executive Summary:

The Audit Committee recommends the draft External Audit Annual Report 2016-17 to the Board of Management for approval.

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 1988.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? Yes ☐ No ☒

Perth College

Year ended 31 July 2017

Annual Audit Report

Audit Committee – 29 November 2017



Building a better
working world

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About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Auditor General for Scotland has appointed us as external auditor of Perth College (the College) for financial years 2016/17 to 2020/21. We undertake our audit in accordance with the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

This report is for the benefit of the College and is made available to the Auditor General and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Purpose of this report

In accordance with section 21 of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland appointed EY as the external auditor of Perth College (the College) for the five year period 2016/17 to 2020/21. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise our key findings and conclusions from our audit work. It is addressed to both the members of the College and the Auditor General for Scotland, and presented to both College management and those charged with governance, identified as being the Board and the College's Audit Committee. It will be published on Audit Scotland's website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the College. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Scope and responsibilities

The Code sets out the responsibilities of both the College and the auditor. We provided details of these in our Annual Audit Plan, which was presented to the Audit Committee on 23 May 2017. We summarise the responsibilities of the College in Appendix A.

Our Annual Audit Plan also provided you with an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £350,000 and a Tolerable Error of £262,500. We reassessed this using the actual year-end figures, to confirm that the materiality remained appropriate for the audit. No adjustment was made to materiality amounts communicated in our Annual Audit Plan. The threshold for reporting audit differences was £17,500.

Status of the audit and audit opinion

We [have issued] an unqualified opinion that the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council (SFC) of the state of the affairs of the College as at 31 July 2017 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Key contacts

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Acknowledgement

We would like to thank all members of the College's management and staff who have been involved in our work for their co-operation and assistance during our audit work.

Accounting and audit matters – our reporting on the College's financial statements

Preparation of financial statements

- While the core financial statements were provided during the audit process the performance, accountability, remuneration reports and the corporate governance statement were provided after the onsite audit work was completed.
- The draft financial statements presented for audit required a number of amendments to comply with the Statement of Recommended Practice (SORP) disclosure requirements. The most significant presentational adjustment required was the disclosure of a College only statement of comprehensive income and expenditure.
- There were no adjusted audit difference identified to bring to your attention. There were no unadjusted audit differences.

Significant risks

- Our testing has not identified any material misstatements from revenue and expenditure recognition. Overall our audit work did not identify any material issues to indicate any misreporting of the College's financial position based on manipulation of revenue or expenditure transactions.
- We have not identified any material weaknesses in the design and implementation of controls tested as part of our audit, or evidence of material management override through inappropriate judgements being applied.

Other inherent risks

- We are satisfied that management has adequate arrangements to ensure that property, plant and equipment is appropriately valued within the financial statements. Management enhanced the disclosure of the College's adopted accounting policy of supplementing the quinquennial valuation with an interim professional valuation, in compliance with the requirements of both the SORP and the FReM.
- The Tayside Pension Fund defined pension scheme liabilities were estimated using actuarial assumptions which we consider to be reasonable. We have undertaken appropriate testing of underlying data to support the calculation of the liability.

Other matters and reporting requirements

- Our testing on opening balances was completed satisfactorily. We have no matters to bring to your attention in respect of our work on the qualitative aspects of the financial statements.
- In respect of our responsibility to report on the regularity of transactions, we have concluded that in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.
- In respect of our 'Opinions on other prescribed matters', which includes the Performance Report, the auditable part of the remuneration report and the Governance Statement we have concluded that our opinion is unqualified. We have not identified any other matters on which we are required to report by exception.

Wider scope audit dimensions – our judgements and conclusions on the College's arrangements

Financial management

- The College reported a surplus of £6.4 million for the year (2015/16: deficit of £0.5 million). This improved year end position is predominantly due to income of £7.3 million in the form of a non-government grant from the Scottish Colleges Foundation in relation to the building of the Academy of Sport and Wellbeing. This grant was recognised fully in year in line with performance conditions and in accordance with FRS 102. The College also reported that it had operated within its resource limits for the year ended 31 March 2017.
- The College has well established financial management arrangements, and we are satisfied that these are adequate for the management of its financial activities.

Financial sustainability

- We have concluded that achieving financial sustainability continues to represent a significant challenge for the College. Financial planning is constrained by the requirement to deliver in year resource targets. The College is working through the implications of the national pay bargaining settlement and how that affects its longer term financial forecasts.
- While the Financial Forecast Return is based on the best available information available to management at the time of preparation, there remain a number of assumptions and sensitivities that could significantly impact the College's sustainability going forward.

Governance and transparency

- We have concluded that the College has generally established a sound basis to demonstrate good governance and transparency in its operational activity.
- There is a commitment to transparency, with the conduct and detail of business of the College made available on the website.
- The independent Board effectiveness review reported on the Board's commitment to continuous improvement of the governance of the College, with some areas of development identified.

Value for Money

- The College Strategic Plan 2016-21 aligns to the University of the Highlands and Islands' Regional Outcome Agreement. Its Vision 2021 strategy is the outcome of extensive consultation. In June 2017 the Board reviewed the final report on the College's performance for the academic year 2015-16 against the Strategic Plan 2013-2016. This included a summary of the key achievements. Performance information is published annually on the website as well as including key measures within the financial statements and Board and committee papers published on the website.
- A post-project review on the Academy of Sport and Wellbeing new build project undertaken by Internal Audit concluded that the project was successful, met user requirements, was completed on time and within the approved budget envelope.

Appendices

We have confirmed our independence to act as auditor of the College. Auditor remuneration of £14,780 was agreed with management. Non-audit services were provided in relation to the College's student support and Educational Maintenance Allowance return.

We have made two recommendations for action by management, both of which have been accepted by management.

1. Financial statements and accounting

1. Financial statements and accounting

The College's annual financial statements enables the Board to demonstrate accountability for its resources and its performance in the use of those resources during the year. They are prepared in accordance with applicable law and UK Generally Accepted Accounting Practice.

Audit opinion

In respect of the financial statements, we report on the truth and fairness in accordance with the requirements of the Further and Higher Education (Scotland) 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), and United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The detailed form and content of our audit report, plus the requirements underpinning the report, are contained in the Audit Scotland guidance at http://www.audit-scotland.gov.uk/uploads/docs/um/tgn_2017-7_further_education.pdf (Appendix 1).

We [issued] an unqualified opinion based on the satisfactory completion of our work.

Financial statements preparation

As part of our oversight of the Board's financial reporting process, we report on our consideration of the quality of working papers and supporting documentation prepared predominantly by the finance team to support the audit.

The financial statements were prepared in accordance with the 2015 Statement of Recommended Practice for Further and Higher Education (SORP) alongside the Government Financial Reporting Manual (FRM) 2016/17.

While the core financial statements were provided during the audit process the performance, accountability, remuneration report and the corporate governance statement were provided after the onsite audit fieldwork was completed. The draft financial statements presented for audit required a number of amendments to comply with disclosure requirements. The most significant presentational adjustment required was the disclosure of a College only statement of comprehensive income and expenditure.

Action plan point 1

Materiality

We planned our procedures using a materiality of £350,000. We reassessed this using the actual year-end figures, to ensure that our level of materiality remained appropriate. We did not change our assessment of materiality as a result of this reassessment. Our Tolerable Error for the audit was £262,500 and the threshold for reporting audit differences was £17,500. We also identified areas where misstatement at a lower level than materiality might influence the reader of the financial statements and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits - we applied a materiality of £1,000 based on the potential sensitivity of these disclosures.
- Related party transactions - we considered the nature of these disclosures individually.

Audit differences

There were no adjusted audit difference identified to bring to your attention.

There were no unadjusted audit differences.

Our Audit Plan identified key areas of focus for our audit of the College's financial statements, including significant risks. This report sets out the results of our audit procedures plus relevant observations, including our views on areas which might be conservative, and where there may be potential risk and / or exposure.

Significant risk – risk of fraud in revenue recognition

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We rebutted the presumed revenue recognition risk in relation to SFC core funding to the College. This was based on the fact that the funding is clearly allocated for delivery of activity within the financial year. Prior year College returns to the SFC have demonstrated that it has delivered on student credits (formerly SUMs) with no history of material clawback from the SFC. As there has been no history of issues or concerns raised through internal audit review of the College's data return for funding (FES) to the SFC, we considered the risk over potential clawback due to inaccurate data as low. However we recognise a revenue recognition risk for tuition income and other material income in respect of possible manipulation of cut-off around the financial year end. We also recognise the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10.

Results of audit procedures

We undertook the following procedures as part of our audit:

- Reviewed and tested revenue and expenditure recognition policies against the relevant accounting standards and the SORP. We also considered any accounting estimates on revenue or expenditure recognition for any evidence of bias.
- Developed a testing strategy in respect of material revenue and expenditure streams. For tuition fees and education contracts, we performed analytical review and substantive testing across a sample of contracts to ensure appropriate recognition. For SFC and other funding body grant income we reviewed all material grant funding recognised in the year for any indicators of either claw-back or that the terms and conditions of the financial memorandum have not been complied with in all material respects. In doing so, we considered the work of internal audit in respect of the College's FES return. We considered the conclusions of internal audit and their opinion on the return as providing additional assurance that there would be no potential reclaim of SFC funding paid to the College. For other income, we performed substantive testing over a sample of transactions to gain assurance.
- We performed focused additional testing around income and expenditure transactions posted at the year end to gain comfort that key items are recorded in the correct accounting period. In particular we focused on any transactions incurred after 31 July, but included in the 2016/17 financial ledger.
- We reviewed and tested a sample of debtor and creditor balances at the year end, including material balances. We undertook an assessment of aged balances held on the balance sheet at year end including investigation of unusual items, such as those past payment due date.

There are no matters to raise with you as a result of the work performed.

Significant Risk, fraud in income and expenditure recognition – what have we concluded?

- Our testing has not identified any material misstatements from revenue and expenditure recognition. Overall our audit work did not identify any material issues to indicate any misreporting of the College's financial position based on manipulation of revenue or expenditure transactions.

Significant risk – management override

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Results of audit procedures

Test the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements

We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify any unusual journal types or amounts based on our identified risk areas for the audit. We then tested a sample of these journals, understood their purpose and agreed and corroborated them to supporting documentation.

Review accounting estimates for evidence of management bias, including management's retrospective consideration of prior year estimates

We identified and considered the appropriateness of key accounting estimates, including provisions, and their susceptibility to bias. Management has disclosed their consideration of the critical accounting judgements and key estimates in the financial statements. We have reviewed these and agree with the detail of the assessment performed.

Evaluate the business rationale for any significant unusual transactions

We did not identify any significant unusual transactions.

We have not identified any material weaknesses in the design and implementation of control arrangements tested as part of our audit, or evidence of material management override through inappropriate judgements being applied.

Significant risk, Management override – what have we concluded?

- We have not identified any material weaknesses in the design and implementation of controls tested as part of our audit, or evidence of material management override through inappropriate judgements being applied.

Other inherent risks

Valuation of property, plant and equipment

The College's property portfolio totals £33.1 million as at 31 July 2017, with the major elements of this being in respect of land and buildings. Land and buildings are revalued to fair value with a full revaluation taking place at least every five years.

Given the size of this balance and the fact that a number of assumptions are made in the valuation, we assign a higher inherent risk to property, plant and equipment.

Results of audit procedures

In response to the inherent risk we performed the following audit procedures:

- We agreed the carrying value of assets held to source data and enquired of management as to the procedures used to establish whether the source data is complete.
- We reviewed the basis of asset valuations rolled forward from previous years. No interim or full valuations had been undertaken in 2015/16 or 2016/17 with the next interim revaluation due in 2017/18.
- We reviewed the property valuation and challenged management on the possibility of any impairment to the estate in the year that should be recognised prior to the next valuation exercise

We are satisfied that management has undertaken sufficient procedures to gain assurance that property, plant and equipment is held at an appropriate value as at the reporting date. An interim professional valuation will be undertaken in 2017/18.

Other inherent risk, valuation of property, plant and equipment – what have we concluded?

- We are satisfied that management has adequate arrangements to ensure that property, plant and equipment is appropriately valued within the financial statements. Management enhanced the disclosure of the College's adopted accounting policy of supplementing the quinquennial valuation with an interim professional valuation, in compliance with the requirements of both the SORP and the FReM.

Other inherent risks

Valuation of pension liabilities

The College participates in two pension scheme; the Tayside Pension Fund (TPF), and the Scottish Teachers Superannuation Scheme (STSS). While both are defined benefit pension schemes, the College is unable to identify its share of the underlying assets and liabilities of the STSS scheme on a consistent and reasonable basis and therefore, the scheme is accounted for as if it were a defined contribution scheme.

TPF is accounted for as a defined benefit scheme. The net pension liabilities on the balance sheet as at 31 July 2017 arising from participation in the scheme were £9 million.

Results of audit procedures

In response to the identified inherent risk we:

- Obtained actuarial reports at the year end date for the TPF scheme and considered the reasonableness and consistency of assumptions underpinning such reports, in light of guidance available ensuring compliance with funding agreements.
- Utilised our in-house actuaries to assess the reasonableness of key assumptions such as discount rate, inflation and expected market return.
- Performed substantive testing on the valuation of the College's share of the pension assets and audited the calculation of the College's valuation and disclosure in the financial statements.

No matters were identified in respect of our testing over pension assets. In respect of the key assumptions around discount rates and inflation, our actuaries noted that the assumptions were within a range we consider acceptable for the year end date. However, they noted the underlying methodology used to obtain these assumptions was not as robust as they could be, in particular around the estimates of future cash flows for pension costs by the College.

While we are comfortable with the assumptions used for the 2017 financial statements there is a risk that future assumptions are not considered appropriate.

Action plan point 2

Other inherent risk, valuation of pension liabilities – what have we concluded?

- The TPF defined pension scheme liabilities were estimated using actuarial assumptions which we consider to be reasonable. We have undertaken appropriate testing of underlying data to support the calculation of the liability.

Our Audit Plan identified other aspects of our work which arise either in accordance with International Standards on Auditing (UK) or in accordance with the Code. These are set out below.

Other audit matters

Opening balances

International Standard on Auditing (UK) 510: *Initial audit engagements – opening balances* requires auditors to obtain sufficient, appropriate audit evidence that opening balances do not contain misstatements that materially affect the financial statements. The standard also requires auditors to verify that appropriate accounting policies are reflected in the opening balances and that they have been consistently applied in the current period's financial statements.

In response, we have:

- Reviewed prior year financial statements, annual audit reports and other reports issued by the former external auditor and held discussions with the former external auditor in respect of previous significant audit issues, corporate governance and as part of our audit risk assessment.
- Substantively tested material opening balances to ensure that they agree both to the prior year audited financial statements and closing trial balance.
- Undertaken a mix of testing on balances during 2016/17 which provides assurance on the judgements and estimates made as at 31 July 2016, in particular in relation to the true up of estimates at yearend 31 July 2016 in the 2016/17 financial statements.

We have no matters to report upon completion of these procedures which have not been separately commented on within this report.

Group financial statements

The College prepares group financial statements, consolidating the results of the College and its subsidiary undertakings, AST (Trading) Limited. We are satisfied that the consolidated financial statements have been prepared appropriately. We have also completed the audit of the subsidiary stand alone financial statements and have issued an unqualified audit opinion.

Student support returns

In addition to our audit of the financial statements, we have been engaged by the College to perform the audit of the student support and Educational Maintenance Allowance returns submitted to the SFC. We have completed our work in this respect and anticipate issuing unmodified opinions based on ISAE3000 'reasonable assurance' engagement requirements.

Opening balances / group financial statements – what have we concluded?

- In respect of opening balances, we have no matters to report.
- We are satisfied that the consolidated financial statements have been prepared appropriately. We have completed our audit of AST (Trading) Limited for the year ended 31 July 2017 and have issued an unqualified audit opinion.

In accordance with Audit Scotland requirements, our independent auditor's report also covers the key narrative statements such as the Performance Report, the Accountability Report and the Remuneration and Staff Report which the College is required to include within its Annual Report and Accounts.

Other reporting requirements

Performance Report

In accordance with the Code, we review the information contained within the Performance Report and confirm that this is consistent with the information reported within the financial statements. As a new responsibility in 2016/17, under the Code, Audit Scotland requires us to also express an opinion on whether the Performance Report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We are satisfied that the information with the Performance Report is consistent with the financial statements and has been prepared in accordance with applicable requirements.

Accountability Report, including the Governance Statement

Audit Scotland requires us to read the information in the annual governance statement and express an opinion on whether Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council. We are satisfied that the information with the Governance Statement is consistent with the financial statements and has been prepared in accordance with applicable requirements.

Remuneration and Staff Report

Auditors are required by the Code to audit the disclosures of remuneration and pension benefit, pay bands, and exit packages and express a separate opinion within their independent auditor's report on whether they have been properly prepared in accordance with the Regulations. We are satisfied that auditable part of the remuneration and staff report has been properly prepared in accordance with regulations.

Regularity opinion

The Board of Management is responsible for ensuring the regularity of expenditure and income. Auditors are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000. In our opinion, in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Other reporting requirements – what have we concluded?

- We reviewed the other information presented within the financial statements and provided management with comments to enhance the content, structure and presentation of these. These were amended by management.
- In respect of our 'Opinions on other prescribed matters', which includes the management commentary, the auditable part of the remuneration report, and the annual governance statement, our opinion is unqualified.
- We have not identified any other matters on which we are required to report by exception.

2. Wider scope audit

2. Wider scope audit

In accordance with the Code, we provide judgements and conclusions in respect of our work on the four audit dimensions of public sector audit: financial management; financial sustainability; governance and transparency; value for money.

Wider scope audit risks

The Code requires us to undertake work in respect of each of the four dimensions on an annual basis. The Code also sets out an expectation that 'significant' risks identified through our planning process that relate to the wider scope dimensions will be communicated with you. In undertaking our risk assessment in respect of the wider scope audit areas, we distinguish between the definition of 'significant risks' which apply to the audit of the financial statements, by referring to 'Wider Scope Audit Focus Areas'.

In our Annual Audit Plan we did not identify any areas of wider scope audit focus in the current year. We have however, undertaken routine work in respect of each of the audit dimensions, by considering the evidence available to us through various aspects of our work.

Financial management

The College reported a surplus of £6.4 million for the year (2015/16: deficit of £0.5 million). This improved year end position is predominantly due to income of £7.3 million in the form of a non-government grant from the Scottish College Foundation in relation to the building of the Academy of Sport and Wellbeing. This grant was recognised fully in year in line with performance conditions and in accordance with FRS 102. The College also reported that it had operated within its resource limits for the year ended 31 March 2017, with no over or underspend.

Performance against budget

Performance during the year was broadly in line with original budget forecast. The level of SFC funding received was higher than projected. This was due to additional allocations received during the year which were not included within the original budget. The additional funding was partially offset by higher than forecasts operating costs. The most significant of these was the impact of capital grant income noted above and pay awards on teaching and administration staff costs.

Funding aspect	Budget - £m	Actual - £m	Variance - £m
Income	23.249	31.487	8.238
Expenditure*	(23.503)	(24.993)	(1.490)
Total surplus (before tax)	(0.253)	6.494	6.748

*Includes net non-operational expenditure

Capital Expenditure

During 2016/17 the College spent £1.9 million on capital additions. This was primarily in relation to the completion of the Academy of Sport and Wellbeing. The level of expenditure in the year was in line with financial forecasts.

Monitoring of expenditure

Financial performance is monitored through monthly management accounts and is subject to review by the head of finance. The reporting pack also includes an update on major capital projects. Financial performance is monitored by the Principal and senior management team. Performance is monitored and scrutinised by the finance and general purposes committee and the Board.

We reviewed the financial information monitored by senior management, committees and the Board and we are satisfied that the information is sufficiently detailed, including explanation of material variances to provide meaningful information to allow scrutiny and challenge of performance.

2. Wider scope audit



Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial management (continued)

Internal control

It is the responsibility of the College to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility, as auditor, is to consider whether the College has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Our first year audit has been predominantly substantive in nature, and therefore we have not tested the operating effectiveness of key controls. We have reviewed the high level procedures management have with respect to internal control.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any such matters to report to you.

Internal audit

Henderson Loggie provide internal audit services for the College. Within the 2017 annual report to the Board, internal audit concluded:

"In our opinion the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2016/17 and in prior years since our first appointment in 1998/99."

We have considered the work performed by internal audit during the year and did not identify any material issues that would impact on our overall opinion on the financial statements or our consideration of the wider scope aspects.

Financial management - what have we concluded?

- The College reported a surplus of £6.4 million for the year (2015/16: deficit of £0.5 million). This improved year end position is predominantly due to income of £7.3 million in the form of a non-government grant from the Scottish College Foundation in relation to the building of the Academy of Sport and Wellbeing. This grant was recognised fully in year in line with performance conditions and in accordance with FRS 102.
- The College has well established financial management arrangements, and we are satisfied that these are adequate for the management of its financial activities.

2. Wider scope audit



Financial sustainability is focused on the medium to longer term financial viability, and considers how effectively an audited body is planning to deliver its services over the medium term.

Financial sustainability

Financial sustainability interprets auditors' requirements under ISA 570 *Going concern* and looks forward to the medium (two to five years) and longer-term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Audit Scotland's sector report: Scotland's colleges 2016, highlighted that between 2011 and 2015/16 the Scottish Government funding to the sector reduced by 18% in real terms. While the College's core funding has remained relatively stable in the current year of £6.8 million (2016: £6.2 million) management recognise that savings will be required in future years with envisaged constraints on future public sector resources. This requires an ability to transform and deliver significant recurring efficiency savings, while at the same time ensuring that the impact on core delivery is minimised.

Financial performance

The College delivered a surplus for the year ended July 2017 of £6.4 million against a breakeven budget. Furthermore, the College reported that it achieved its resource targets for the year to 31 March 2017.

The 2017/18 budget was approved in June 2017. The College is budgeting a small deficit position of £358,000, taking into account non-cash expenditure of depreciation of £953,000. Management is continuing to review opportunities to deliver ongoing savings to achieve a breakeven position.

An important part of ongoing financial assurance is regular updates to the Board on monitoring of expenditure against budget and the forecast outcome for the year. Financial performance is scrutinised by the senior management team, the finance and general purposes committee and the Board.

Financial planning

The College has prepared its five-year financial forecasts 2017 to 2022 and submitted these to the SFC. These forecast marginal total comprehensive income for the next five years. The forecasts have been prepared on the basis of the Board's strategic plans and supporting aims and objectives. While the College has aligned its FFR to its strategic plans, we recognise that the annual resource limits and funding settlements constrain the mechanisms for longer-term financial planning for the sector.

The College's latest FFR forecasts for academic years 2018-19 and beyond are based on the 2017-18 budget adjusted for known and estimated financial impacts, including the recently determined estimated impact of the national pay bargaining settlement. The College's financial forecast return to the SFC provides a five yearly projection. The current forecast identifies key assumptions underpinning these. Furthermore, the College's risk register identifies those critical financial risks to the medium to long-term sustainability of the College.

The key assumptions and sensitivities from review of the financial forecasts are:

- SFC core funding to remain flat over the period from the 2017/18 established allocation.
- Other income includes forecasts for income from the College's trading subsidiary, AST, which continues to operate in a challenging environment and has experienced year on year reductions in revenue. Income is also included for the first time in relation to the College's new Academy of Sport and Wellbeing which came into operation in 2016/17.
- Staff costs increase by 1% annually over the period to 2021/22, from the base 2017/18 cost which takes into account the cost of the recently notified pay awards through national bargaining.

2. Wider scope audit

Financial sustainability is focused on the medium to longer term financial viability, and considers how effectively an audited body is planning to deliver its services over the medium term.

Financial planning (continued)

The forecasts demonstrate a good understanding of the long-term pressures facing the College. Management has not included planned savings measures in the FFR, meaning that the unaddressed deficit for the College will climb to £2.5 million by 2021/22 and an underlying operating deficit of £1.8 million. Management notes that in particular staffing levels will not be sustainable at their current level if the College is to achieve a breakeven underlying position.

Financial sustainability – what have we concluded?

- We have concluded that achieving financial sustainability continues to represent a significant challenge for the College. Financial planning is constrained by the requirement to deliver in year resource targets. The College is working through the implications of the national pay bargaining settlement and how that affects its longer term financial forecasts.
- While the FFR is based on the best available information available to management at the time of preparation, there remain a number of assumptions and sensitivities that could significantly impact the College's sustainability going forward.

2. Wider scope audit



Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial and performance information.

Governance and transparency

The Board and management of the College are responsible for establishing robust governance arrangements. This includes ensuring effective systems of internal control, including arrangements to safeguard public money, and compliance with applicable laws and regulations. While we have not identified any significant risks in relation to the College's governance arrangements through our audit planning, we consider the adequacy and effectiveness of the College's governance arrangements as part of our audit work.

Governance arrangements

The College has in place a number of the key requirements for good governance. We have reviewed Board minutes and papers and found these to set out clearly the matters considered and discussed. Standing Orders regulate how the business of the College is conducted. The Board has approved detailed terms of reference for its standing committees.

During 2016/17 an external effectiveness review of governance arrangements was conducted by the College's internal auditor. The review highlighted the Board's commitment to continuous improvement of the governance of the College. Areas for development were included but not considered to be material gaps in the existing governance arrangements. An action plan of further areas of development was agreed with management and progress on the status of these actions will be monitored throughout 2017/18.

Effective risk management

The risk management policy outlines the approach to risk management, the roles and responsibilities of the Board, the senior management team, and other key parties. It also outlines the key risk management processes and identifies the main reporting arrangements.

Transparency

The College publicises Board and standing committee agendas, minutes and papers on their website on a timely basis. It is clear that the College endeavours to make as much information available as possible, redacting, for example, certain financial information only where it would be considered to be reserved under freedom of information requests.

Governance and transparency – what have we concluded?

- We have concluded that the College has generally established a sound basis to demonstrate good governance and transparency in its operational activity.
- There is a commitment to transparency, with the conduct and detail of business of the College made available on the website.
- The independent Board effectiveness review reported on the Board's commitment to continuous improvement of the governance of the College, with some areas of development identified.

2. Wider scope audit

Value for money is concerned with using resources effectively and continually improving services. This includes consideration of whether resources are being used effectively and how performance and outcomes are monitored.

Strategic planning and performance reporting

The College Strategic Plan 2016-21 aligns to the University of the Highlands and Islands' Regional Outcome Agreement. Its Vision 2021 strategy is the outcome of extensive consultation with students, staff, partners and community groups and is designed to take the College forward in the future as a tertiary institution. It recognises the contribution of all areas of the College to its five underlying aims.

The Board monitors the performance of the College against these targets using a balanced scorecard supplemented by a narrative which reports on four cross-cutting themes:

- ▶ Students and staff achieving their potential;
- ▶ Sustainability;
- ▶ Student activity measures and
- ▶ Student Satisfaction.

In June 2017 the Board reviewed the final report on the College's performance for the academic year 2015-16 against the Strategic Plan 2013-2016 which included a summary of the key achievements in the period. The College publishes its performance information annually on its website as well as including key measures within the financial statements and Board and committee papers published on the website.

Post-project review

In line with good practice, management obtained an independent post-project review on completion of the Academy for Sport and Wellbeing (ASW) new build project. The College contracted through APUC, issuing a contract tender notice through OJEU given the size of the project. The overall funding envelope was £7.5 million with the contractor cost element of this being £5.8 million.

Internal Audit undertook the post-project review, to assess how well the project was managed. Internal Audit's overall conclusion was that:

- ▶ *From interviews with those involved in the project, along with our review of documentation, we consider that the project was successful, with the building meeting user requirements, being completed on time, within the approved budget envelope and of high quality.*

The review set out good practice and lessons to be learned with the main findings of the report. The audit committee considered the report and discussed the best way to ensure the main findings were embedded in College practice for similar projects, given the nature of positive findings.

Value for Money – what have we concluded?

- The College Strategic Plan 2016-21 aligns to the University of the Highlands and Islands' Regional Outcome Agreement. Its Vision 2021 strategy is the outcome of extensive consultation. In June 2017 the Board reviewed the final report on the College's performance for the academic year 2015-16 against the Strategic Plan 2013-2016. This included a summary of the key achievements. Performance information is published annually on the website as well as including key measures within the financial statements and Board and committee papers published on the website.
- A post-project review on the Academy of Sport and Wellbeing new build project undertaken by Internal Audit concluded that the project was successful, met user requirements, was completed on time and within the approved budget envelope.

Appendices

- A. College responsibilities**
- B. Required communications with the Audit Committee**
- C. Auditor independence**
- D. Management representations**
- E. Action plan**

A. College's responsibilities

The Code of Audit Practice summarises the responsibilities on all audited bodies falling within the public sector audit framework. We summarise these on this page.

Responsibilities of audited bodies	
Corporate governance	Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.
Financial statements and related reports	<p>Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation. • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures. • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority. • maintaining proper accounting records. • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body. <p>Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.</p> <p>Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
Standards of conduct / prevention and detection of fraud and error	Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.
Financial position	<p>Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • such financial monitoring and reporting arrangements as may be specified • compliance with any statutory financial requirements and achievement of financial targets • balances and reserves, including strategies about levels and their future use • how they plan to deal with uncertainty in the medium and longer term • the impact of planned future policies and foreseeable developments on their financial position.
Best Value	The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

B. Required communications

There are certain additional communications that we must provide to the Audit Committee, in accordance with ISA (UK) 260 and other auditing standards, which are set out below.

Required communication - what is reported?	Our reporting to you
Terms of engagement Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Annual Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process • Findings and issues around the opening balance on initial audits 	This Annual Audit Report.
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about the College's ability to continue for the 12 months from the date of our report.
Fraud <ul style="list-style-type: none"> • Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the College • Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ► A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. 	This Annual Audit Report.

B. Required communications (cont.)



Required communication - What is reported?	Our reporting to you
Misstatements <ul style="list-style-type: none"> Uncorrected misstatements and their effect on our audit opinion The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Significant corrected misstatements, in writing 	This Annual Audit Report.
Significant deficiencies in internal controls identified during the audit <ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	<p>This Annual Audit Report</p> <p>No significant deficiencies were identified in the course of our audit which required immediate communication to the Audit Committee.</p>
Related parties <p>Significant matters arising during the audit in connection with the College's related parties including, where applicable:</p> <ul style="list-style-type: none"> Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and/or regulations Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report.
Subsequent events <ul style="list-style-type: none"> Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report.
Other information <ul style="list-style-type: none"> Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters to report.
External confirmations <ul style="list-style-type: none"> Management's refusal for us to request confirmations We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations.
Consideration of laws and / or regulations <ul style="list-style-type: none"> Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit and Risk Governance Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Independence <ul style="list-style-type: none"> Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. 	This Annual Audit Report – Appendix C

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the College.

What we are required to communicate?

Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:

- The principal threats
- Safeguards adopted and their effectiveness
- An overall assessment of threats and safeguards
- Information on the firm's general policies and processes for maintaining objectivity and independence
- Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards.

Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan.

We complied with the Financial Reporting Council's Ethical Standards and the requirements of Audit Scotland's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the College Audit Committee on 29 November 2017.

Summary of fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 July 2017.

Our only non-audit fees in the year relate to our work over the student support and Educational Maintenance Allowance returns, as noted earlier in this report.

Our audit fee was not agreed with management at the time of our Audit Plan. Fees now agreed are shown in the table opposite.

Auditor remuneration	£14,780
Fixed costs *	£1,760
Non-audit fees	£1,500
Total fees	£18,040

* Fixed costs, which are determined by Audit Scotland, comprise £920 pooled costs, £840 contribution to Audit Scotland's costs.

ISA (UK) 580: *Written representations*, requires the auditor to obtain written representation that management, including those charged with governance, has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant, their fair presentation.

Ernst & Young LLP

Atria One
144 Morrison Street,
Edinburgh, EH3 8EB
[Date]

This letter of representations is provided in connection with your audit of the financial statements of Perth College ("the College") for the year ended 31 July 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the College financial position as of 31 July 2017 and of its income and expenditure for the year then ended in accordance with applicable law and the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We understand that the purpose of your audit of our consolidated financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with applicable law and the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.
2. We acknowledge, as members of management of the College, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the College and its group in accordance with applicable law and the Financial Reporting Standard 102 The Financial

Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the College, we believe that the College has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law and the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the College's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the College.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Board of Management of the College and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meetings.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the College's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the College has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. As disclosed in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Going concern

1. We have not identified any material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Management Commentary, the Remuneration Report, the Annual Governance Statement and the Statement of Responsibilities.
2. The disclosures within the Management Commentary reflects our understanding of the financial and non-financial performance of the College over the reporting year, is consistent with the financial statements and has been prepared in accordance with relevant guidance.
3. The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared reflects the College's governance framework, is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).
4. The information contained in the auditable part of the Remuneration Report has been prepared in accordance with Accounts direction.
5. We confirm that the content contained within the other information is consistent with the financial statements.

Yours faithfully,

Principal

Chair of the Board of Management of the College

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the Board or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and risk	Our recommendation and grading	Management response
1	<p>Preparation of the financial statements</p> <p>While the core financial statements were provided during the audit process the performance, accountability, remuneration reports and the corporate governance statement were provided after the onsite audit work was completed.</p>	<p>We have indicated with management that we will undertake a review of the timetable for the audit for 2017/18, building on our first year audit experience and to ensure continued improvement and efficiency in the process.</p> <p>As part of this, management should review their timetable for the preparation of all elements of the financial statements to enable a full draft financial statements to be available for review at the beginning of the audit process.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p>Agreed.</p> <p>Management will continue to work with the auditor to ensure the process is as efficient as possible.</p>
2	<p>Actuarial assumptions</p> <p>In respect of the key assumptions around discount rates and inflation used in the calculation of pension liabilities at year end, our actuaries noted that the assumptions were within a range we consider acceptable for the year end date.</p> <p>However, they noted the underlying methodology used to obtain these assumptions was not as robust as they could be, in particular around the estimates of future cash flows for pension costs by the College.</p> <p>While we are comfortable with the assumptions used for the 2017 financial statements there is a risk that future assumptions are not considered appropriate.</p>	<p>Management should ensure our audit findings are fed back to the actuaries in advance of the 2017/18 preparation of the FRS102 pensions report and assumptions calculation.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p>Agreed.</p> <p>Management has requested a detailed explanation of where the differences of opinion with regard to methodology lie to allow them to pass on to the scheme actuaries, and will review next year as soon as the assumption are known for the year.</p>

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Paper for Consideration

Subject: Chairs and Members of Board Committees and AST Board Members

Author: Board Secretary

Date of paper: 5 December 2017

Date of meeting: 13 December 2017

Action requested of committee:

(Tick as appropriate) For information only:

For discussion: ☒

For recommendation/approval: ☒

Cost implications:

(Tick as appropriate) Yes: No: ☒

Executive Summary:

The paper provides information on the current membership and Chairs of Board Committees against the Committee membership in December 2016. This was discussed by Chairs' at its meeting on 15 November.

The Board should note that the Terms of Reference for Engagement and Academic Affairs is under review and, as a result, membership of these Committees may change.

The Committee is invited to discuss and approve membership to Board Committees to ensure sufficiency in membership to be quorate at meetings.

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 1988.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? **Yes** ☐ **No** ☒

Chairs and BOM Members of Board Committees

Board of Management committee membership against Committee membership at December 2017

Academic Affairs	
Quorum: 8 including Chair or Vice Chair	
December 2017	December 2016
Margaret Cook, Principal (Chair) Board Members Harold Gillespie (Vice-Chair) Brian Crichton, Board member Sharon McGuire, Teaching Staff Board Member Donald MacLean, Support Staff Board Member Prince Honeysett, Student Member Nurina Sharmin, Student Member	Margaret Munckton (Chair) Board Members Harold Gillespie (Vice-Chair) Brian Crichton, Board member Jim Crooks (Until 23 November 2016 meeting) Sharon McGuire, Teaching Staff Board Member Donald MacLean, Support Staff Board Member Holly Scrimgeour, Student Member Louis McNaught, Student Member

Audit	
Quorum: 3 Board Membership: No fewer than 4 members of the Board of Management (not to be Chair, Principal or Chair or member of F&GP)	
December 2017	December 2016
Board members Brian Crichton (Chair) Ann Irvine Lindsey McLeod Lorna Nicoll (moved from F&GP after 2 nd F&GP meeting of 16-17 cycle) Anna Zvarikova (to replace Ian Jackson) Lynn Oswald (to strengthen membership with a qualified accountant) Invited to attend: Principal Chair of BOM Chair of F&GP	Board members Derek Forgan (Chair) (until November 2016 meeting) Brian Crichton Ann Irvine Ian Jackson Lindsey McLeod Mike Baxter (until November 2016 meeting) Invited to attend: Principal Chair of BOM Chair of F&GP

Finance & General Purposes	
Board Membership: Board of Management Chair, Board of Management Chair Vice Chair and Principal, ex officio reps plus no fewer than 2 other Board of Management members Quorum: 3 of which at least 2 to be independent Board of Management members	
December 2017	December 2016
Board Members David Littlejohn (Chair) Harold Gillespie (Vice-Chair) Jim Crooks Deborah Hutchison (to replace John McDonald whose last meeting was September 2017)) Margaret Cook - Principal (ex officio) Grant Myles – Chair Board of Management (ex officio) Board of Management Vice Chair (ex officio)	Board Members David Littlejohn (Chair) Harold Gillespie (Vice-Chair) Jim Crooks John McDonald Lorna Nicoll (move to Audit after 2 nd F&GP meeting of 2016-17 cycle) Margaret Munckton - Principal (ex officio) Grant Myles – Chair Board of Management (ex officio) Board of Management Vice Chair (ex officio)

Engagement	
Board Membership: Chair of Academic Affairs Committee (ex officio); no fewer than 3 other Board of Management members, to include 1 staff member; 2 student members. Quorum: 3	
December 2017	December 2016
Board Members Vacant (Chair) (as John McDonald has resigned) David Littlejohn (Vice Chair) Donald Maclean Sharon Hammell Ann Irvine Vacancy (as Ian Jackson has resigned) Lindsey McLeod Charlie Shentall Student member – Prince Honeysett Student Member – Nurina Sharmin Chair of Academic Affairs Committee (Principal - ex officio)	Board Members John McDonald (Chair) David Littlejohn (Vice Chair) Donald Maclean Sharon Hammell Ann Irvine Ian Jackson Lindsey McLeod Charlie Shentall Student member – Holly Scrimgeour Student Member – Louis McNaught Chair of Academic Affairs Committee (Principal - ex officio)

Chairs' Committee	
Board Membership: Chair Vice Chair The Chair of each Standing Committee The Principal – ex officio Quorum: 3	
December 2017	December 2016
Grant Myles (Chair) Academic Affairs (Chair) - Margaret Cook F&GP (Chair) – David Littlejohn Audit (Chair) – Brian Crichton AST (Chair) - Charlie Shentall Engagement (Chair)–vacant	Grant Myles (Chair) Academic Affairs (Chair) – Margaret Munckton F&GP (Chair) – David Littlejohn Audit (Chair) - Derek Forgan (until November 2016 meeting) AST (Chair) – Mark Bell Engagement (Chair) - John McDonald

Remuneration Committee	
Board Membership: Chair Vice Chair The Chair of each Standing Committee The Chair of the Board of Management shall not chair the Remuneration Committee Quorum: 3	
December 2017	December 2016
Board Members David Littlejohn (Chair) Chair of the Board of Management - Grant Myles F&GP (Chair) – David Littlejohn Audit (Chair) – Brian Crichton AST (Chair) – Charlie Shentall Engagement (Chair) – vacant	Grant Myles (Chair) Academic Affairs (Chair) – Margaret Munckton F&GP (Chair) – David Littlejohn Audit (Chair) - Derek Forgan (until November 2016 meeting) AST (Chair) – Mark Bell Engagement (Chair) - John McDonald

AST Board	
Board Membership: 2 Directors from Perth College Board of Management (to be Chair and Vice Chair) Plus: Principal and Chief Executive of Perth College, Chief Executive of Air Service Training (Engineering) Limited and 1 external non-executive Director Quorum: 4 at least 1 to be Chair or Vice Chair	
December 2017	December 2016
Charlie Shentall (Chair) Margaret Cook Jim Crooks Sharon Hammell Ian Neilson – AST Board member Peter Farrow – Chief Executive AST Sean McGovern – non executive	Mark Bell (Chair) Mike Baxter (Vice Chair) – resigned 10 January 2017 Margaret Munckton Peter Farrow – Chief Executive AST Iain Neilson - AST Board member Sean McGovern – non executive

Subject: Update on Academic Affairs Committee and Engagement Committee Terms of Reference

Date of paper: 6 December 2017

Date of meeting: 13 December 2017

(Tick as appropriate) For information only: ☒
 For discussion: ☐
 For recommendation/approval: ☐

(Tick as appropriate) Yes: No: ☒

The paper provides an update on work to review the Terms of Reference for Academic Affairs Committee and Engagement Committee. This was discussed at Chairs' Committee on 15 November where it was agreed that a scoping paper should be prepared for the Board of Management to set out the way forward.

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

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Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? **Yes** ☐ **No** ☒

Update on Academic Affairs Committee and Engagement Committee Terms of Reference

Background

A revised remit for Academic Affairs was first discussed in February 2017. A number of proposals were made including a suggestion that it should be known as the *Student Experience Committee*. The proposed remit was presented to the Chairs' Committee in September and discussion at that meeting centred on whether Academic Affairs should be an operational management Committee of the College or a Board level Committee with strategic emphasis. It was agreed that further work should be undertaken.

Way forward

A meeting with the Board Chair, Principal, Chief Operating Officer and Board Secretary on 31 October agreed the following:

- that the work to change the remit for Academic Affairs was still relevant;
- whilst recognising a requirement for strategic involvement and direction from the Board in the academic portfolio, it was agreed that this might be better met by a refreshed Engagement Committee where this became a recurring item. This would satisfy an Education Scotland requirement for Board level involvement/decision making in the College's high-level academic provision and business functions related to that;
- the remit for Engagement Committee would require to be strengthened to include consideration of academic business;
- Academic Affairs would become an operational Committee delivering the academic business and related process reporting to a refreshed Engagement Committee;
- the sub committees reporting to Engagement and Academic Affairs would also be reviewed to ensure the reporting lines remained appropriate;
- relevant Committee remits from some other FE Colleges would be worth reviewing; and
- Any revised proposals would flow through the Committee cycle with the aim of implementing new arrangements for the next academic year.

Next Steps

- Update the remits for consideration through the 3rd block Committee cycle.

Maureen Masson
Board Secretary
5 December 2017

Paper for Consideration

Subject: Progress against 2016-17 Priority Objectives

Author: Lorna McIvor

Date of paper: 4th December 2017

Date of meeting: 13th December 2017

Action requested of committee:

(Tick as appropriate) For information only: x
For discussion:
For recommendation/approval:

Cost implications:

(Tick as appropriate) Yes: No: x

Executive Summary:

The attached paper provides an overview of the whole college progress against the priority objectives 2021 set by teams for 2016-17, which were aligned to the Strategic Plan for 2016-2021: Vision.

The majority of priority objectives were either achieved or rolled over for completion and/or enhancement in AY 2017-18.

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

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Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? **Yes** ☐ **No** ☒

Perth College UHI
Operational Plan Monitoring 2016-17

Final Review

In the final review of the College-wide Operational Plan 2016-17, out of a total of 195 objectives: 128 (65.6 %) of the Team priority objectives were met or partially met, 63 (32.3%) were described as 'ongoing or in progress' and were rolled over for continued action and/or enhancement in AY 2017-18 and 4 (2.1%) were not achieved; see details below.

Brief description of the 4 Team priority objectives not met (Team):

- The development and delivery of a single service for International Business across the UHI partnership has not been developed(Corporate services): This was not achieved due to a lack of definitive plans or strategy being in place
- The SMT/Executive Support Team Forum has not been maintained or developed (Executive Support): This was due to time constraints negatively impacting on the ability to hold meetings.
- New programmes to develop the Sports Therapy Pathway and BSc. Sport and Fitness (yrs 104) were not implemented (Sport and Fitness): This was due to the rejection of a funding application
- A new provision for schools on driver awareness and a new initiative with rocket powered cars/Greenpower were not created (Automotive Engineering): This was not achieved due to lack of interest from schools and lack of funding for the Greenpower project.

In general, progress against Team priority objectives aligned to the Strategic Plan Vision 2016-21 and College Priorities was positive. Since 97.9% of Team priority objectives were either achieved or rolled over for completion and/or enhancement in AY 2017-18, it would appear that the majority of the objectives were realistic and appropriate.

Engagement Committee

Draft Minutes

Meeting reference: Engagement 2017-18/02

Date and time: Thursday 9 November 2017 at 5.30pm

Location: Room 019

Members present: Margaret Cook, Sharon Hammell, Prince Honeysett, Ann Irvine (by video conference from 6.20pm), Donald Maclean, Lindsey McLeod, Charlie Shentall, Nurina Sharmin

Apologies: David Littlejohn

In attendance: David Gourley, Curriculum and Business Engagement Director
Susan Hunter, Head of Human Resources and Organisational Development

Chair: Charlie Shentall (Acting Chair)

Minute Taker: Maureen Masson, Secretary to the Board of Management

Quorum: 3

Summary of Action Items			
Actions From 11 May			
Ref	Action	Responsibility	Time Line
5	IIP Staff Report Review opportunities for taking forward the issues identified in the report when new senior team is on place	Principal	By June 2018
10.1	Board Development Day – 23 September 2017 Progress actions arising from the Board Development Day	Secretary	By 20 January 2018
10.2	Board Development Day – 20 January 2018 Finalise agenda for next Board development day on 20 January 2018		By end of calendar year

Minutes

Item	Action
1	<p>Welcome and Apologies</p> <p>David Littlejohn had dialled in via audio call but the line was poor so David intimated his apologies. Charlie Shentall agreed to Chair the meeting in David's absence. Anne Irvine joined the meeting at 6.20 pm by video link – network problems led to a</p>

delay in Anne joining the meeting.

The Group noted that John McDonald had resigned from the Board at the end of October.

2 Additions

There were no additions to the agenda.

3 Declaration of Interest in any Agenda Item

There were no declarations of a conflict of interest in any agenda item.

4 Minutes of Meeting held on 31 August

The minutes were approved as a correct record.

5 Actions Arising from Minutes on 11 May 2017

IIP Staff Report

The Principal reported that the new senior team, when appointed, would take forward the actions arising from the IIP Staff Report.

Principal

PCSA/HISA Student Partnership Projects 2017-18

Noted that the projects were progressing and were on the agenda for the meeting.

Staff Conference

On the agenda for the meeting.

Board Development Day

On the agenda for the meeting.

6 Student Engagement

***6.1 HISA Perth College Update**

The Student President introduced the paper and provided an update on recent activity. The Committee noted the report and in particular the following:

- the Committee noted that William Mohieddeen had started in the role of Student Association Co-ordinator;
- around 60 new student representatives had been

appointed and meetings were ongoing to induct them into their role;

- proposed changes to the way that activity grants were allocated to put greater emphasis on opportunities for student fundraising, and a cap on the level of bid funding that could be requested via HISA Perth. This was to encourage students to explore fundraising opportunities to support their bids and to lessen reliance on bid funding, potentially leading to HISA being able to support a wider type/number of bids.

6.2 PCSA/HISA Student Partnership Agreement Projects 2017-18

The Committee noted the projects that formed part of the partnership agreement and progress against each and that the new bid process for activity grants may result in more money for a wider student programme. The Committee also noted work that was ongoing with Quality to engage student representatives. Plans were also being developed to appoint sector-level representatives.

7 Performance Monitoring

7.1 Balanced Scorecard Update

The Committee noted the Balanced Scorecard update and that individual actions arising from the positive and negative trends identified in the scorecard were taken forward as appropriate. The Committee noted that CPD had fallen, but this was thought to be down to a recording anomaly and staff failing to recognise the wide range of activities that could be considered as CPD.

It would also be helpful to identify percentages in the report rather than absolute numbers.

7.2 Student Surveys (National Student Survey and Student Satisfaction and Engagement Survey)

The Committee noted the trends arising from the student surveys and the actions that were taken to address subjects with positive and negative results. The UHI Principal had recognised areas of excellent performance by personally writing to subject leaders in those areas. The Committee noted that the National Student Survey was a sector wide survey whose results were important for positioning especially in terms of international student recruitment. UHI had to work hard to increase its performance in the student surveys.

The Committee further noted a big rise in the numbers of

students wishing to access services to support mental health and that new ways of providing services were emerging.

Work would continue to analyse the feedback to try get to the root causes of areas of concern and ways to address them.

8 External Engagement

8.1 Partnership Engagement and Draft Perth and Kinross and 8.2 Community Plan (Local Outcomes Improvement Plan)

The Principal reported on ongoing engagement with the Council and the Committee noted the final version of the Community Plan. The Principal would to attend a conference on the plan on 15 November 2017. The Board welcomed the final version of the plan, the positive working relationship with the Council that developed during the consultation process and the integrated approach taken to delivering outcomes.

9 Staff Engagement

***9.1 Staff Conference**

The Committee noted plans for the next Staff Conference on 17 November 2017. The Principal would address staff initially, followed by keynote address from Barbara Nelson of Education Scotland who would present on the actions arising Evaluative Report and Enhancement Plan. Three workshops were also planned and staff would sign up to attend two sessions from:

- An introduction to career management skills
- Principles of lean
- Supporting our students to be successful

10 Board Development

10.1 Board Development Day – 23 September

The Board Secretary circulated the note of the Board Development Day held on 23 September 2017. A number of actions were being taken forward and progress would be reported to the next Development Day on 20 January 2018.

Proposed topics for the Board Development Day on 20 January 2018

10.2

The Committee noted the outline agenda for the Board Development Day and were positive about the proposed items. A final agenda and precise timing would be circulated in the early

Secretary

new year.

Secretary

11 Committee Minutes

11.1 EDIT 11 October 2017 - noted

11.2 Staff Consultation Forum – 12 October 2017 –noted

12 Date and Time of Next Meeting

- Thursday 1 February 2018

*13 Review of meeting (to include check against Terms of Reference to ensure all competent business has been covered)

Agreed the meeting met the TOR.

Any other business

The Chair wanted to record his thanks and those of the Committee to John McDonald who had recently resigned from the Board of Management and its Committees. John had been a member of the Engagement Committee for a number of years and his contributions had always been well considered and positive. Charlie thanked John for his enthusiasm and commitment over the years.

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** ☐

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.

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The College may also be asked for information contained in minutes about living individuals, under the terms of the Data Protection Act 1988. 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 1988? Yes ☐ No ☒

Academic Affairs Committee

DRAFT Minutes

Meeting reference: Session 2017/18, Meeting 1 of 3
Date and time: Wednesday 22 November 2017, at 2.00pm
Location: Room 19, Brahan

Members present:

Margaret Cook Principal and Chief Executive (Chair)	Harold Gillespie, Board of Management (Vice Chair) by video link
Brian Crichton Board of Management	David Gourley Curriculum & Business Engagement Director
Jane Edwards Support Staff Representative	Deborah Lally Head of Student Records
Donald Maclean Support Staff Representative	Jessica Borley Head of Quality, Chair of Quality Enhancement Committee
Richard Ogston Head of Student Services	Prince Honeysett President HISA Perth
Nurina Sharmin Vice President HISA Perth	Maureen Masson Secretary to the Board of Management

Apologies: Professor Martin Price, Chair of Research, Scholarship and
Knowledge Exchange Committee
Dawne Hodgkinson, International & Corporate Services Director
Sharon McGuire, Teaching Staff Board Member

Minute Taker: Maureen Masson

Quorum: 8, including the Chair or Vice-Chair

Summary of Action Items			
Ref	Action	Responsibility	Time Line
Carry Forward from 22 November 2017			
6.1	Explore the possibility of developing STEM take away cards similar to those prepared to publicise modern apprenticeships.	Principal	Next meeting
7.4	Clarify the correct terminology for 'Developing Scotland's Workforce'	Curriculum and Business Engagement Director	ASAP
11	Organise the date for the next meeting of Academic Affairs	Secretary	By Christmas closure

Minutes

Item	Action
<p>1 Welcome and Apologies</p> <p>The Principal welcomed everyone to her first meeting of the Academic Affairs Committee for session 2017-18.</p> <p>Attendance and apologies were noted as above.</p>	
<p>2 Additions to the Agenda</p> <p>There were no additions to the agenda.</p>	
<p>3 Declaration of Conflict of Interest in any Agenda Item</p> <p>There were no declarations of a conflict of interest.</p>	
<p>4 Minutes of Meeting Held on 17 May 2017</p> <p>These were accepted as an accurate record.</p>	
<p>5 Actions Arising from Previous Minutes</p>	
<p>6. Presentation</p> <ul style="list-style-type: none"> • Circulate Deborah Lally's presentation. <p>Action – complete</p> <ul style="list-style-type: none"> • Investigate system developments including holding residential information and parent status of students. <p>Action –Student records development ongoing</p>	
<p>7. PCSA/HISA update –</p> <ul style="list-style-type: none"> • Further work on governance, financial aspects and on transition arrangements. <p>Action complete –Board approved final merger agreement on 14 June</p>	
<p>8. Access and Inclusion Strategy and Corporate Parenting Plan</p> <ul style="list-style-type: none"> • Final Strategy and Plan to go to the Board meeting on 14 June 2017. <p>Action complete –Board approved strategy on 14 June</p>	
<p>9.1 Curriculum Approvals</p>	

- Keep under review whether a sector review of courses is necessary.

Action – ongoing review and curriculum strategy on the agenda for the meeting

Industrial Action

Action - Concluded

6 Student Experience

6.1 Student Experience Students' Association Report

The Committee noted the report from HISA Perth that summarised the activities the Student Association was working on. Of particular interest was the Equate Scotland work and efforts to improve the gender imbalance in STEM. The Committee was keen to explore an opportunity to promote STEM activity by, for example, preparing small 'take away' cards highlighting courses, initiatives etc. Something similar already existed for promoting modern apprenticeships so marketing would be asked to develop something similar.

Principal

6.2 Student Surveys: Exit Survey/Student Satisfaction and Engagement Survey

The Head of Quality introduced the paper and set out the background to the survey. The Committee noted the first 10 questions about overall satisfaction and engagement were set by the SFC and were common to all FE institutions. The College set the other questions. Responses were shown for a 3-year period, as it was helpful to look at trends as well as individual years.

The Committee noted that the individual results and trends were carefully monitored were followed up and action plans prepared where appropriate. Efforts were also being made to improve students' understanding of the questions and give greater prominence to the survey via blackboard for example.

The Committee noted that much had been done to encourage student participation but that there was a fine line between compelling students to complete the survey versus taking part independently. It was agreed that it was critical for the key messages to be pitched at an appropriate level.

The Committee noted that the SFC had been contacted over the wording of question 10 about the influence of the student association. There was greater scope for additional support through HISA for full student body engagement via, for example, the class

representative system. Other ways to engage students were discussed such as focus groups working with HISA. Creative thinking was needed on ways to engage part-time students who were generally on campus after the curriculum admin team had finished their working day.

It was agreed that it might be appropriate to include a question about the quality of learning material in future surveys and their accessibility and inclusivity.

The Committee commended Ian Morrison for the good work he had done to promote the survey.

6.3 National Student Survey 2016 -17

The Committee noted the paper which gave a brief overview of the main outputs from the National Student Survey which was for final year student to complete. The Committee noted the summary of key results and the graphs charting the responses for overall satisfaction by academic partner and subject network.

The full report with detailed outcomes was available from the Head of Quality.

Curriculum

7.1 Curriculum Strategy

The Curriculum and Business Engagement Director introduced this item. The Committee noted that the Strategy had been developed in the context of the College 2021 Vision articulated in the Strategic Plan taking account of strategic priorities and external drivers. It set out seven main aims and the means for measuring those aims. The Committee noted that greater emphasis would be put on curriculum design and innovation, to meet the needs of employers, locally, nationally and internationally. It was also important to work with curriculum leaders over the period of the plan to ensure delivery methods were fit-for-purpose and different pathway for study were available and flexible.

The Committee was reacted positively and **approved** the Curriculum Strategy.

7.2 Curriculum Planning and Chart of Courses

The Curriculum and Business Engagement Director introduced the paper noting that a potential risk area for the College was curriculum areas where there was static/little/no growth and that this would be monitored. There were two areas, however, where growth was predicted to be positive – in the main, this linked to the ‘developing young workforce’ initiative. One such area was the delivery of foundation apprenticeships which links to the modern apprenticeship

scheme. A number of new Foundation Apprenticeships were planned for the next academic year. The potential growth area was in the provision of a food, nutrition and textiles degree aimed at those wishing to pursue a career in home economics teaching. The Committee agreed that with limited options it was important to look for innovation or possible niche areas and development of post doctoral options which was seen as a possible growth area. Flexibility and agility were important in curriculum design.

7.3 Student Recruitment

The Head of Student Records reported a positive position in terms of the figures for FE early retention. At this point in the year, the College was on course to hit the target for core and ESF funded students.

In terms of HE, there was a small shortfall in the number of FTE. This, however, this had been mitigated by increasing the number of part-time enrolments and plans for a January start dates for courses would minimise the shortfall even further.

The Committee noted the positive recruitment position and the fact that an increased number of part-time student would possibly affect the outcomes in the student surveys. Further work was ongoing with the Sector Development teams to understand why there was shortfalls in some areas and to understand trends which appeared to show a reduction in the number of progressing students on some programmes.

A questionnaire had been developed to reach out to students who had applied to the college, but did not take up a place in the end. Even if a small response returned, it was hoped that some rich data would be gathered to help inform future curriculum planning.

7.4 Developing Young Workforce (DYW) Update

The Curriculum and Business Engagement Director introduced the paper that provided an update on DYW and the related KPIs. The Group noted the positive progress and the efforts that had been made to reach pupils with additional support needs and those who had become disengaged.

Clarification was needed in relation to the overarching term used, in particular whether the description was Developing Scotland's Workforce.

***7.5 Education Scotland Evaluative Report and Enhancement Plan (Closed item)**

The Head of Quality introduced the draft Evaluative Report and Enhancement Plan and set out the background to the plan. A meeting with Education Scotland officials was being held on 23

Curriculum &
Business
Engagement
Director

November and the plan may alter as a result of that meeting. The Committee noted that the gradings had not been published in the first year of the new process.

The Committee noted the very positive report and noted the next steps for taking it forward, working closely with Education Scotland.

8 Performance Monitoring

8.1 Balanced Scorecard Update

The Committee noted the Balanced Scorecard Update and progress against achieving measures.

8.2 SQA Systems Verification Visit

The Committee noted the outcome of the SQA Systems verification visit and that actions to address amber outcomes had been implemented resulting in an assessment of 'significant strength' in all 6 quality categories.

9 Remit and Role of Committees

***9.1 Draft Plan of Work for the Committee 2017-18**

The Committee approved the draft plan of work for the year.

10 Standing Committees

10.1 Quality Enhancement Committee – 2 November 2017

The minutes were noted.

10.2 Research Scholarship and Knowledge Exchange Committee –3 November 2017

The minutes were noted.

11 Date and Time of Next meeting

To be confirmed as the current dates clashes with the date of staff conference.

***12 Review of Meeting (to include check against ToR)**

Members agreed the meeting had covered its Terms of Reference.

Secretary

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** ☐

With the exception of item 7.2 which will be redacted from the open minute.

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 ☒

Finance and General Purposes Committee

Paper 14

Draft Minutes

Meeting reference: FGP2017-18/02
Date and time: Wednesday 29 November 2017 at 4.30pm
Location: Room 019

Members present: Margaret Cook, Harold Gillespie, David Littlejohn, Grant Myles (from item 13),

In attendance: Jackie Mackenzie, Chief Operating Officer (COO)
Ian Martin, Head of Finance
Debbie Hutchison, new Board Member
Maureen Masson, Secretary to the Board of Management

Apologies: Jim Crooks

Chair: David Littlejohn
Minute Taker: Maureen Masson
Quorum: 3

Summary of Action Items			
Ref	Action	Responsibility	Time Line
7.1	Budgets As in previous years, prepare, as part of the normal cycle of business, a paper with indicative budgets for next AY with key assumptions and sensitivity analysis.	COO	For 30 May 2018 meeting
15	External Audit Annual Report 2016-17 Work to agree the underlying assumptions and methodology for the future treatment of actuarial pension calculations.	COO/EY	For next year's financial statements

Minutes:

Item

1. Welcome and Apologies

The Chair welcomed everyone to the meeting, in particular, to new Board Member, Deborah Hutchison, who was attending her first F&GP meeting.

Apologies were noted.

Action

2. Additions to the Agenda

There were no additions to the agenda.

3. Declaration of Interest in any Agenda Item

There were no declarations of a conflict of interest.

4. Minutes of Meeting held on Wednesday 27 September 2017

The minutes were approved as a correct record subject to a correction on page 3 and actions page noting that the 'L' in 'LUPs' was 'Lowlands' and not 'Lothian'.

5. Matters Arising from Previous Minutes

***8.1 and 10.1 Human Resources Update**

CPD report – update to F&GP

Action ongoing: Work to develop HR policies and procedures was ongoing and the recording and reporting of HR data was being looked at as part of that wider review.

***6.1 Accounts**

The credits and associated funding from Lowlands and Uplands Scotland (LUPS) should be identified in the management accounts to ensure the College continues to have sight of it.

Action complete: LUPS now identified within the management accounts

***6.2 AST Board**

AST Board of Management to have oversight and input arising from the Henderson Loggie report on AST business. Perth College Board of Management to maintain oversight through the AST Board Chair who is a member of the College Board.

Action complete: The AST Board considered the Henderson Loggie report at its meeting on 22 November. The Perth College Board would consider the minutes from that meeting with an update from the AST Board Chair at its meeting on 13 December.

***7.1 Budgets**

The Committee will continue to have sight of an indicative budget paper for the year ahead at its May meeting. This would include key assumptions and sensitivity analysis as appropriate.

Action ongoing: as in previous years, this will be prepared next spring for consideration in preparation of the budget allocations for 2018-19, as part of the normal cycle of business. COO

Report back latest data on 2017-18 latest recruitment targets

Action complete –recruitment targets were reported to the Board at its meeting on 11 October. The College was on course to meet the target for core and ESF funded students. A small shortfall in the HE FTE number had been mitigated by increasing the number of part-time enrolments and plans for January start dates for some courses.

8 Estates Update

Keep under review any opportunities for sharing services/expertise among the partner group.

Action ongoing.

***6.1 Perth College Management Accounts – 3 months to 31 October 2017**

The Committee discussed the paper and the key considerations in the management accounts at the end of the first quarter. There were no particular concerns at this stage, although the College continued to work in a difficult financial climate. The Committee noted:

- The Group operating position and the continuing development of the management accounts report;
- The balance sheet remained healthy;
- The variances in the accounts for catering would be adjusted at the year-end as the full costs of catering became known. The COO held quarterly meetings with Sodexo to ensure income remained on track;
- Any opportunities for potential income generation were being explored such as ASW membership amongst the community. The Committee noted that these memberships could not compromise academic agenda/ curricular activity; and
- Timing for the payment of bursaries tended to be variable but this evened out across the year and was closely monitored.

***6.2 AST Management Accounts – 3 months to 31 October 2017**

The Committee noted the draft AST Management Accounts for 12 months to end July 2017 and the key factors, particularly the fall in income. AST senior management was now developing a business plan to help recovery, and this would include a full assessment of pipeline work. The business was also analysing its cost base and business processes, which were recognised as requiring some change.

The Committee noted that a full business plan would be presented to the AST Board meeting in February 2018.

7 Human Resources

***7.1 Human Resources Update**

The Committee noted key HR data. There was a big increase in staffing numbers between 2013 and 2017 and HR would be looking into this to understand the figures. Going forward, the HR staffing structure had been approved by the Senior Management Team and new appointments to strengthen HR would be made soon. There was considerable work to do to improve HR processes and systems and this was ongoing. A more active approach to the sickness management had started.

The Depute and Vice Principal posts have been advertised.

8 Committee Business

8.1 Forward Calendar for F&GP Committee

The Committee noted and approved a paper which set out the forward business of the Committee.

9. Standing Committees

9.1 Joint Negotiating Committee 26 October 2017

The Committee noted the JNC minutes for the following meetings:

- Support Staff
- Lecturers

The Principal commented that the meetings with Unions had been positive and that a Redundancy Procedure and an Organisational Change Procedure had been agreed.

10 Date and Time of Next Meeting

7 March 2018

11 Review of Meeting

The Committee agreed the meeting had covered its Terms of Reference.

12 Joint Meeting – The Committee was joined by the Audit Committee at 5.30pm

The Chair of F&GP welcomed the Audit Committee to the joint meeting to review the 2016-17 Financial Statements. Introductions were made and apologies noted. The Chair of F&GP would continue in the role of chair for the joint meeting.

13 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 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&GPC 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.

14 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 Committees 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 break even 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.

15. 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 in 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 of 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.

COO/EY

The Chair of Audit Committee asked whether there was any best practice to share from other FE colleges. As this was the first year the 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&GPC 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.

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

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

Draft 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)
 Stuart Inglis (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
<p>1 Joint Apologies and Welcome</p> <p>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.</p>	
<p>*2 Perth College Management Accounts Year to 31 July 2017 – Final Report and Commentary</p> <p>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&GP and Audit Committees noted that F&GP 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</p>	

the presentation of the final accounts.

The F&GP 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 Committees 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 in 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 of treatment of pension activity 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 the 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 20 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 area, 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 budgets 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 leaning 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

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** ☐

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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.