

**Minute of the Audit Committee Meeting  
held in the Ayr Campus, on Tuesday 3 March  
2015 at 5.30 pm**



**Present:** Alan Walker (Chair)  
Nicki Beveridge  
Jim English  
Stephen Greenwood  
Gordon James  
Alan McGregor

**In attendance:** Brendan Ferguson (Board Secretary)  
Michael Breen  
Jane McKie  
Alistair Gordon  
Jennifer Alexander (Scott-Moncrieff)

**1 Welcome and Introductions**

The Chair welcomed everyone to the meeting.

**2 Apologies**

Apologies were received from Barbara Graham

**3 Declarations of Interest**

There were no declarations of interest.

**4 Minute of the Previous Meeting held on 9 September 2014 (Paper 1)**

Subject to an editorial amendment noted by the Secretary, the Minutes were approved as a correct record.

Proposed: Jim English; Seconded: Gordon James

**5 Matters Arising**

There were no matters arising not already on the agenda.

**6 Internal Audit Rolling Action Plan (Paper 2)**

A Gordon took the Committee through the attached paper. It was noted that only Risk Management remained as an outstanding action following the postponement, as a result of industrial dispute, of the scheduled Board Risk Management Workshop to be facilitated by Scott Moncrieff.

B Ferguson reported that a revised date for the Workshop had been pencilled in on the scheduled Board Strategy Day of 23 April 2015. M Breen explained

that the follow up report would consider each of these aspects. In relation to the ICT report previously presented, Members noted the significant made efforts by the ICT team.

**The Committee noted the content of the above paper and the updated Rolling Internal Action Plan at February 2015.**

**7 Internal Audit Report: Procurement Review (Paper 3)**

J Alexander reported that the above report represented a very positive audit outcome and noted that substantial change and progress had been made in procurement since College vesting in August 2013. Some tightening of procedures had been identified, but overall the report provided confirmation of the substantial progress that had been made. M Breen explained that initial training on procurement was planned and further sessions would be provided at the start of the next academic year.

**The Committee noted and welcomed the content of the above internal audit report.**

**The Committee also welcomed the appointment of a College Procurement Manager in January 2015.**

**The Committee was particularly pleased to note that the report provided assurance of the effectiveness of the mitigating controls in place for (Risk Register V3) Risk Fin 8 “Failure to comply with Purchasing and Tendering Policies”.**

**The Committee welcomed the update from M Breen that training had been organised for staff on the operation of the new Procurement Policy and Procedures**

**8 2014/15 Ayrshire College Risk Register (V4) at February 2015 (Paper 4)**

M Breen introduced V4 of the Ayrshire College Risk Register and noted that BOM 6 “Failure to achieve the merger objectives set” had been closed and that residual risks associated with merger objectives now had their own locus within the register.

A lengthy discussion took place on the recent Finance Committee approved increase in the ratings of several risks contained within the finance cluster. M Breen explained that the background to these increases was associated with shortfalls in funding, in particular student funding, and instructions which all Colleges had received from the Scottish Funding Council to use the non-cash “net depreciation” lines of the budget to meet the funding cash shortfall.

In addition there were perceived governance issues associated with this and further instructions received from the SFC relating to the provision of a financial statement in the form of a “Resource Return” and an associated “Certificate of Assurance”, to be signed by a College Officer, at 31 March. These instructions were a direct result of the ONS reclassification, the movement of the colleges’ financial year end back to 31 July 2015 and the requirements of ONS that SFC

close their financial year at 31 March. M Breen explained the latter has been compounded by the lack of consistency and timeous advice received from SFC over the last few months in particular.

The Audit Committee expressed strong concern at this information. In particular the Committee was concerned at the apparent lack of any discussion between SFC, Audit Scotland and the external and internal audit firms on the implications associated with these instructions for institutional governance, the auditing of the 31 March "Resource Return" and its sign off. Further, the Committee was concerned at the implications for the end of year financial statements of being asked to use non cash net depreciation to meet cash shortfalls in student funding. The Committee wished to ensure that an appropriate audit trail was in place with the SFC as a part of the process of implementing these instructions.

**The Committee agreed the following:**

- **The Chair to contact both KPMG (external auditors) and Scott-Moncrieff (internal auditors) to seek their views on the various instructions received from the Scottish Funding Council and their governance and audit implications.**
- **The Chair to discuss with the Chair of the Board of Management and the Chair of the Finance Committee the raised risk levels within the finance cluster and whether these remain appropriate.**
- **The issues surrounding the discussion under this item be explored as a part of the forthcoming Risk Workshop to be facilitated by Scott-Moncrieff.**
- **The Secretary to circulate to committee members the recent correspondence between the College and Brian Baverstock (SFC).**
- **M Breen to consider whether the risk level of ENC2 remains appropriate in light of the scheduled capital works programme and the associated decant of student support functions.**
- **Subject to any amendment resultant on the above discussion and agreements, the Ayrshire College Risk Register (V4) at February 2015 was approved.**

## **9 New Campus Risk Register (V4) at January 2015 (Paper 5)**

M Breen reported that the above Risk Register had recently been approved by the Estates & New Campus Development Committee, which had noted that all construction risks at this stage of the new campus development lie with the contractors and not the College. M Breen explained that moving into the autumn the risk register will contain a number of new risks in relation to college responsibilities particularly around migration, non NPD funds etc.

**The Audit Committee noted the New Campus Risk Register (V4) at February 2015.**

**10 Internal Audit Services – 1 August 2015 to 31 July 2018 (Paper 6)**

M Breen explained the background to this paper and the fact that it was presented previously and approved by the Committee. However, due to the change in financial reporting period to 16 months a subsequent decision was taken to retain Scott Moncrieff until 31 July 2015. M Breen further explained that the main revision was the timeline as opposed to the substance of the proposals.

**The process of competitive tendering for the appointment and procurement of internal audit services for the period 1 August 2015 to 31 July 2018 as contained in the above paper was approved**

**11 Date of Next Meeting: Tuesday 9 June 2015 at 5.30pm, Kilmarnock Campus (to be preceded by a tour of the New Campus Site).**