

**Present:** Alan Walker (Chair)  
Nicki Beveridge  
Jim English  
Barbara Graham  
Alan McGregor

**In attendance:** Brendan Ferguson (Board Secretary)  
Michael Breen  
Jackie Galbraith  
Jane McKie  
Phil Charles (KPMG)  
Claire Beattie (Scott-Moncrieff)  
Kirsty Steele (Scott-Moncrieff)

## **1 Welcome and Introductions**

The Chair welcomed everyone to the meeting.

## **2 Apologies**

Apologies were received from EMT members Bernadette McGuire and Donna Vallance and from Director of Finance and Student Funding, Alistair Gordon.

## **3 Declarations of Interest**

There were no declarations of interest.

## **4 Minute of the Previous Meeting held on 24 March 2016 (*Paper 1*)**

The minutes were approved as a correct record.

Proposed: Barbara Graham  
Seconded: Jim English

## **5 Matters Arising**

Item 5, Page 2; The Chair reminded members that with the agreement of this Committee and the Board of Management he had written on 18 December 2015 to Laurence Howells, Scottish Funding Council (SFC) Chief Executive, raising a number of concerns regarding the SFC instructed use of 'Net Depreciation' within the annual accounting process and in relation to the impact of this instruction on future college financial sustainability. When no response had been received by the time of the March 2016 meeting of this Committee, the

Chair wrote again to Mr Howells seeking a response to the concerns raised in the original letter. A response had subsequently been received from Mr Howells dated 14 April 2016. This letter had been circulated by the Board Secretary to all Board Members on 19 April 2016.

Mr Howells' letter of reply was helpful insofar as it acknowledged the complexity of the net depreciation approach taken by SFC and also that colleges '*may ultimately encounter cash flow challenges*', a position that had been a serious concern of Ayrshire College since the instruction on the use of net depreciation had first been received from SFC. The letter also noted that SFC are looking at the approach for 2016-17 and beyond and will work with colleges and other stakeholders to ensure that the impact on college accounts of the SFC approach to the use of net depreciation was clearly understood.

As a final point, Mr Howells had confirmed that SFC, the Scottish Government and Scottish Futures Trust were looking at options to support the Ayrshire College PFI payments in respect of the Kilwinning Campus. The Committee recognised that there was clearly an equity issue involved as this was a legal and contractual matter inherited from James Watt College as part of the formation of Ayrshire College. Such legal and contractual anomalies were clearly receiving support from SFC elsewhere in the sector. To date, no such assistance had been offered to Ayrshire College. Any assistance on this matter that was now agreed with SFC would go some way to addressing the cash flow challenges faced by the College as a result of the instructed use of net depreciation.

**The Committee noted the content of the letter of reply received from the Chief Executive of SFC, and while the Committee felt that the content of Mr Howells' letter in no way alleviated any of the serious concerns held by Ayrshire College, it did recognise the challenges that exist.**

## **6 Internal Audit Reports**

### **Outcome Agreements Report (*Paper 2*)**

C Beattie (Scott Moncrieff) introduced the above report and confirmed the findings. Staff were thanked for their support during the audit process. The Chair went through the report and remarked that the internal audit had demonstrated the professional manner in which the College developed, communicated and managed the Outcome Agreement annually with SFC.

**The Committee noted and welcome the above Report.**

**The Committee agreed that in future the Internal Audit Reports, having been received and considered by this Committee, should be forwarded for information to the parent Committee of the area audited.**

**The above report be forwarded to the Learning & Teaching Committee for consideration.**

### **Curriculum Review-Extended Learning Report (*Paper 3*)**

C Beattie introduced the above report and confirmed the findings. K Steele stated that no major weaknesses had been identified within the College's ELS processes and the review demonstrated that the College had effective processes and controls in place to identify students in need of extended learning support. However, some enhancements of existing processes had been identified and these had been outlined in the agreed Management Action Plan.

**The Committee noted and welcomed the above Report and agreed that it be forwarded to the Learning & Teaching Committee for consideration.**

### **Annual SFC Resource Return Report (*Paper 4*)**

K Steele introduced the above report and confirmed the findings. The Committee was pleased to note the main finding had been that the College had good and robust procedures in place for ensuring the completion of the SFC Resource Return.

**The Committee noted and welcomed the above Report and agreed that it be forwarded to the Finance Committee for consideration.**

## **7 External Audit Strategy Review and Plan for the 12 Months Ending 31 July 2016: Presented by KPMG (*Paper 5*) and FRS 102: Implications of New Accounting Standard (*Paper 10*)**

P Charles (KPMG) took the Committee through Paper 5 above as written and also referred to Paper 10, FRS 102 which outlined the new Accounting Standard. M Breen then took the Committee through Paper 10 explaining how this would impact on the External Audit Plan.

It was noted that an area remaining to be resolved was when accounting for the new Kilmarnock Campus would begin, but that depended on the handover date agreed with the Contractors which had not yet been set. M Breen explained that the College would work closely with KPMG to ensure all required disclosures were made (if required in 2015-16) including the application of the correct accounting treatment.

M Breen stated that the College was in agreement with the timelines as set out in the above Plan.

**The Committee approved the External Audit Strategy and Plan for the 12 Months ending 31 July 2016 as prepared by KPMG.**

**The Committee noted the outstanding requirement in relation to the new campus for 2015-16 accounting purposes.**

**8 Internal Audit Rolling Action Plan at June 2016 (Paper 6)**

M Breen took members through Paper 6 as written.

**The Committee noted the content of the above paper and the updated Rolling Internal Audit Action Plan at June 2016. The Committee further noted that discussion on the progress being made in relation to the introduction of Risk Appetite into the College Corporate Risk Register was scheduled to take place following this meeting, with the Committee Chairs present.**

**9 2015/16 Ayrshire College Corporate Risk Register at June (V3) 2016 (Paper 7)**

M Breen introduced the above paper and reminded the Committee that the Risk Appetite section was not included at this time pending agreement on the format for inclusion. M Breen then took the Committee through the Risk Register, noting the enhanced and reduced risks as agreed by the parent Committee for each risk.

Discussion ensued, and a number of questions were asked and satisfactorily answered, following which the Risk Register was approved.

M Breen reported that Edinburgh College had asked to see a copy of the Ayrshire College Corporate Risk Register, having been advised that it represented best practice in the college sector.

**The above Corporate Risk Register to June 2016 was approved for consideration by the Board of Management at its June 2016 meeting.**

**The Board Secretary liaise with Edinburgh College in relation to the protocols of being provided with a copy of the Ayrshire College Corporate Risk Register.**

**10 New Campus Risk Register (V16) at May 2016 (Paper 8)**

M Breen introduced the above Risk Register and explained that the ongoing delay in the completion date of the new campus building was the most significant factor reflected in Paper 8. M Breen then outlined the discussion that had taken place with the contractors and the insistence of the College that it would not accept handover until all quality issues had been satisfactorily addressed and the building was fully compliant.

The Committee noted that the above New Campus Risk Register had been considered and approved by the Estates & New Campus Development Committee and shared that Committee's concerns at the ongoing delays in the completion of the contract by the main contractor.

**The Committee noted the New Campus Risk Register (V16) at May 2016 and also noted with disappointment the further delays in the completion of the contract.**

**11 Date of Next Meeting: To be confirmed.**

**Post Meeting Discussion on the Key Themes in Relation to the Implementation of the Risk Appetite Section of the Corporate Risk Register.**

Audit Committee members were joined by the Board Committee Chairs. M Breen reported that discussions had taken place with the Chairs Group on the basis of the feedback received from the Committees and the key themes arising. As a result, a draft approach to the presentation of the Risk Appetite section of the Corporate Risk Register had been prepared. M Breen then took members through the proposals as set out in the draft approach.

Following discussion a format was agreed to be rolled out, in liaison with Committee Chairs, at each Board Committee during the first cycle of 2016/17 committee meetings.

**It was agreed that the above position would be reported to the June 2016 meeting of the Board of Management.**