

**Minutes of the joint meeting of the
Audit and Finance & General Purpose committees
held at 12.30 pm on Friday, 24th November 2017
at the Lochgilphead campus**

Present: John Colston (JC), Chair of Finance & General Purpose committee; Ken Jones (KJ), Chair of Audit committee; Fraser Durie (FD); Andrew Campbell (AMC); & Amber Crowley (AC).
Apologies: Jim Findlay, Lesley McInnes & Gillian McCready
In Attendance: Steve McNaught, Henderson Loggie; Ailsa Close (AEC); Elaine Munro (EM); Fiona Fenn-Smith FS (Secretary).

No	Item	Action
17.4.1	Apologies & declarations of interest. Apologies were received from Lesley McInnes, Gillian McCready & Jim Findlay. There were no declarations of interest.	
17.4.2	Minutes of previous meetings. (a) Audit Committee on 11 th August (b) Finance & General Purpose committee on 8 th September. Both sets of minutes signed by the respective chairs as an accurate record of the meetings.	
17.4.3	Matters arising. (a) <u>Assigned status.</u> (Previously circulated.) FD to prepare up to date report for the Board. (b) <u>Operational plan.</u> FD to do by 30 th November, and will circulate to members and add in detail later. To include robust strategic plan to measure college against KPIs. (c) <u>Financial procedures.</u> Procedures and systems in place but require to be documented. AEC to complete for 30 th November. Action: copy to board so board can minute they have seen updated written financial procedures. (d) <u>DYW Update.</u> (Previously circulated.) Letter of agreement between DYW and Argyll Board drafted in response to concerns about who has ultimate responsibility for 2 x DYW staff; the letter confirms this lies with college and lays out employee expectations. Also drafted is an SLA detailing charges for services. (e) <u>NRPA.</u> There is a requirement that from this year onwards support staff will see an increase in annual leave from 41 to 44 days. However, looking like teaching staff may be getting 62 days annual leave entitlement as part of NRPA agreement. Noted this is a divisive issue as already there is such disparity in the payrise for teaching staff and that for support staff. College is keen to maintain the good collaborative work between teaching staff and	FD FD AEC

	<p>support staff. Code of Good Governance says we must engage in national pay bargaining. Teaching staff have been told that money to cover NPRA will be distributed to them, but that there are no assurances for future years. Noted there is work to be done on communicating with staff on NRPA, especially as support staff feel undervalued. Bring points (a) to (e) to board.</p>	FS
17.4.4	<p>Audit report from Henderson Loggie. (Previously circulated.) Steve McNaught reported that the audit is 99% completed; he is waiting for bank letter from college bankers and final figures relating to redundancy and backdated pay for NRPA salary accrual. The backdated element for teaching staff will be covered by the award for NRPA from SFC, but the £9k for support staff will add to the deficit as this is unfunded. There is a £116k pension adjustment, but this is a “technical” adjustment, not a cash one.</p> <p>Mr McNaught said the underlying position is college is in line with budgeted deficit. However, he pointed out that if next year does not break even then college will have posted 3 consecutive years of deficit, and that this raises a red flag at SFC re sustainability. Operational plan should include ways to reduce any deficit.</p> <p>Overall, auditors happy that there is no evidence of management over-ride nor are there any concerns about independence. There is no evidence of inappropriate signing off. A worry about the way nursery revenue is accounted for should be sorted by the installation of a new software programme. Cheques now need a second signature.</p> <p>Recommendations</p> <ul style="list-style-type: none"> • SFC funding recommendations – target date for these is next week. • Operational plan most important. College to show budgeting process and the budget preparation should be part of the whole cycle. • Financial procedures – needs to be proportionate and include procedures to keep college moving forward. • Future developments – charity Trustee operations, data protection regulations coming in in May 18. Amendment to FRS102 changes coming in in 2019. • Fraud eg fake invoices, cyber fraud. Build into future meetings and have a dialogue with the senior leadership team about internal/external procedures in place. • College to ensure suppliers comply with DPA. <p>Priorities</p> <ul style="list-style-type: none"> • Addressing the deficit; operational plan to detail how to get out of the deficit. <p>Bring to board meeting. Secretary to prepare letter of appointment for AGM.</p>	FS

17.4.5	<p>Properties.</p> <p>(a) <u>Helensburgh</u>. Bid for overheads, staffing & refurbishment costs going in to UHI today. The bid includes the link between Faslane. College concerned that UHI will not fund this project as they had indicated they would. Noted that it will be hugely detrimental to the college if we have to pull out. A lot of interested parties are in support of the Helensburgh development.</p> <p>(b) <u>Tobermory</u>. FD to provide a detailed report for the board as are there are several worries relating to this property: H&S issues, low student numbers etc. Bring proposals and options to next F&GP meeting.</p> <p>(c) <u>Fionnphort</u>. College is not in position to sign the lease as cannot realistically operate out of Fionnphort as potential student numbers too low.</p>	FD
17.4.6	<p>Annual report. (Previously circulated.) Highlights covered:</p> <ul style="list-style-type: none"> • Additional accruals to be applied re NRPA and redundancy costs to be reported on • Governance statement P8 – statement of internal control – to be re-worded as not completely in line with audit opinion • Although internal audit in place – still haven't seen report on annual report required under assigned status (forms part of memorandum 22) • AEC has spoken to internal auditors as she is still waiting for the internal audit report. In audit statement to comply with Code of Good Governance. AEC said we will need to review TIAA as August report only just received. Governors said college is paying for a service and the auditors should deliver that service. SMT & Lesley McInnes to have a view on if we should replace auditors. Bring back to board. • The Chair asked about the reserves policy. AEC confirmed college has enough in reserves to keep going for 1½ months. 	FS
17.4.7	<p>Review of risk register. Risks that apply across all the partnerships fall under the UHI register. Some risks, such as financial ones are ranked high up the list as college has little control over these. NRPA will be taken out as a separate issue, but is part of college's top risk.. Agreed to consolidate NRPA with financial risks as long as college does not miss any mitigating factors.</p>	
17.4.8	<p>Internal audit report on Communications The following was noted from the report - following a breach of security into the college website, the website has been revised and upgraded and procedures and policies to be written. College working closely with UHI on this.</p> <p>Internal communications. Currently no operational procedures for internal communications but will put these in place. Communications strategy to be updated for assigned status. Staff feedback is that they appreciate the monthly news round up.</p>	
17.4.9	<p>Audit committee Chair report. (Previously circulated.) Received by the meeting.</p>	

17.4.10	<p>Management accounts 2017. (Previously circulated.) Cash and bank balances at £1.3m as of 31st October. Outturn for year shows a deficit of £148k. Helensburgh costs of £100k included as they were not in the original budget, but no income has been forecast since there is no indication of whether the bid for funding will be successful. Noted that CERC needs upgrading and the salon in Dunoon needs improvements.</p> <p>Approved to go to board meeting on 8th December.</p>	FS
17.4.11	<p>AOCB. None</p>	
17.4.12	<p>Date of next Joint Audit and Finance & General Purpose meeting. Friday, 16th November 2018.</p>	
17.4.13	<p>Signed by</p> <p>..... Date</p> <p>Chair of Finance & General Purpose Committee</p>	