

Draft Minute of Audit Committee Meeting held on Monday 31 August 2015

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| Present | |
| Leonie O'Connor (Committee Chair) | |
| Cinzia Biondi | Grahame Smith |
| In Attendance | |
| Sally Castledine (Scott-Moncrieff) | Wendy Odedina (Executive Assistant) |
| Gary Devlin (Scott-Moncrieff) | Alan Sherry (Glasgow Kelvin College) |
| Martin Fairbairn (Interim Chief Officer) | Alex Stewart (City of Glasgow College) |
| Ali Jarvis (Interim Chair) | Janet Thompson (Glasgow Clyde College) |
| Apologies | |
| Janet McKay | |

1. Introduction and Welcome

Paper No: Verbal

1.1 Discussion

The Chair of the Committee welcomed members to the first meeting of the GCRB Audit Committee.

2. Apologies

Paper No: Verbal

2.1 Decision

Apologies were received from Janet McKay.

3. Chair's Business

Paper No: Verbal

3.1 Discussion

The Chair of the Committee had no items to raise under Chair's business.

The Chair noted that declarations of interest would be taken under this agenda item. There were no interests to declare.

4. Committee Terms of Reference

Paper No: AC1-A

4.1 Discussion

It was noted that the version presented to the Committee was different to that which the Board of GCRB considered in May 2014 and that the alterations would have to be looked at in

detail. It was suggested that there should be provision for other members of the Board of GCRB to attend meetings of the Committee (although not as members of the Committee).

4.2 Decision

It was **agreed** that members would send specific comments on the Committee Terms of Reference to the Interim Chief Officer and a revised version would be brought to the next meeting of the Committee and then the full Board for approval.

5. Long Term Agenda

Paper No: AC1-B

5.1 Decision

It was agreed to include the following items at appropriate points within the Committee's long term agenda:

- Training;
- Business Continuity;
- Register of all policies and annual review thereof;
- Systems integrity and security review.

The long term agenda was **approved** with the inclusion of the above items.

6. Update on Matters Relating to 2014-15 Accounts

Paper No: AC1-C

6.1 Discussion

The Committee received an update on matters relating to the 2014-15 GCRB accounts. Management's current thinking is that the accounting basis of preparation for the 2014-15 accounts should be the Further and Higher Education SORP (Statement of Recommended Practice) as this aligns with how the colleges will prepare their accounts for 2014-15. It was noted that colleges, and all public bodies, will move to preparing accounts in accordance with the FREM (Government Financial Reporting manual) for 2015-16 and therefore GCRB would also move to the FREM for 2015-16. It was noted that discussions are ongoing with the SFC and external auditors on this matter.

Based on the estimated income and expenditure, it is expected that there will be an underspend of approximately £70,000 and it is suggested that this will be used to reduce the top slice of funding for the GCRB from the overall Glasgow grant for 2015-16. It was noted that discussions are ongoing with the SFC.

6.2 Decision

The external auditors noted that they were attending a meeting with Scottish Government and SFC with regard to using the SORP and FREM and would feed back to the Interim Chief Officer following the meeting to help inform thinking on preparation of the 2014-15 accounts.

The Committee **noted**:

- management's current thinking that GCRB should prepare accounts for the period to 31 July 2015 using the SORP;
- that management is in active discussion with the external auditors and the Scottish Funding Council about the correct reporting standard and the resulting disclosure requirements.

7. Consolidation of accounts

Paper No: AC1-D

7.1 Discussion

The Committee received the paper outlining the current view that GCRB should not prepare consolidated accounts and considered the rationale set out as to why management have proposed this. It was noted that discussions are ongoing with the SFC and external auditor on this matter.

The issue of potential conflict of interest was explored if it transpired that the same firm was appointed as external auditor for the GCRB and assigned colleges.

7.2 Decision

It was noted that the meeting referred to in the previous agenda item, between the external auditors, Scottish Government and Scottish Funding Council, would also be relevant to this matter and the external auditor would also therefore cover this when providing feed back to the Interim Chief Officer.

The Committee **noted**:

- management's current thinking that GCRB should not prepare consolidated accounts for the period to 31 July 2015 (with which Committee members concurred);
- that management is in active discussion with the external auditors and the Scottish Funding Council about the correct approach; and
- that the analysis and conclusion set out in this paper might therefore change.

8. External Audit Plan and Fee

Paper No: AC1-E

8.1 Discussion

The external auditor summarised the paper which sets out the various responsibilities that Scott-Moncrieff has to undertake as the external auditor appointed to the GCRB by Audit Scotland. He noted that he is not in a position to issue the final plan at present however noted that the Committee could expect that governance arrangements and aspects of performance for the past year would be covered.

The external auditor noted further that Audit Scotland is intending to examine the three regional boards across Scotland and it will expect some work to be undertaken by the local external auditors for each of these boards. Although the scope for this work has not been issued as yet, it will potentially result in some form of formal report for the Scottish Parliament's Public Audit Committee.

With regard to the external audit fee, it was noted that Audit Scotland would normally set a fee range and that the actual fee is then determined taking account of various factors, including risk. However, given the existing uncertainties, a fee proposal has not yet been determined. Once this has happened, a report will go to the Committee and the full Board.

8.2 Decision

The Committee **noted** the update on the external audit plan and fee.

It was **agreed** that the proposed Audit Scotland reports should be included within GCRB's risk register and that a communication strategy should be developed working with the assigned colleges.

The external auditor **agreed** to feedback to the Interim Chief Officer when more information is available on the proposed Audit Scotland reports.

9. Internal Audit Tender

Paper No: AC1-F

9.1 Discussion

The Committee received an update on the joint tender process being undertaken by Glasgow Clyde College and the GCRB to appoint an internal auditor, for each organisation, for the period of one year.

It was noted that the tender process has been drafted so that separate contracts will be issued from Glasgow Clyde College and the GCRB.

The Chair of the Audit Committee and the Interim Chief Officer will evaluate the tender submissions on behalf of the GCRB.

9.2 Decision

The Committee **noted** the internal audit tender process and the planned timescale for approval of the appointment of the successful tenderer.

The Committee welcomed the joint process being used between Glasgow Clyde College and GCRB and encouraged this type of partnership working across the region in the future.

10. Risk Management

Paper No: AC1-G

10.1 Discussion

The Committee received the draft risk management policy and procedure, risk management guidance, and risk register and mapping documents and provided comments on these.

The Committee discussed its role in relation to risk and it was clarified that risk is a matter that is owned by the full Board and that the Committee has an advisory and assurance role in relation to ensuring processes are in place and are properly followed.

10.2 Decision

The Committee **agreed** to recommend to the Board of GCRB the draft Risk Management Policy and Risk Management Guidance.

It was suggested that a risk workshop is set up in order to work through the individual risks for the GCRB. It was **agreed** that the Chair of the Audit Committee, the Interim Chair of the Board and Interim Chief Officer should agree how to take this forward.

11. Draft procedure on fraud, losses, special payments and gifts

Paper No: AC1-H

11.1 Discussion

The Committee received the draft procedure on fraud, losses, special payments and gifts.

11.2 Decision

It was **recommended** that the following should be reflected within the procedure:

- anti-bribery and corruption (either within this procedure or a separate procedure);
- good records management within overall controls;
- role of the Board in reporting arrangements and being kept informed;
- clarify 'informing' and 'reporting' arrangements throughout procedure;
- consider role of Executive Director if personally suspected;
- stakeholder and media management;
- procedure for addressing situations within assigned colleges;
- objective criteria set out for referring matters to the police.

12. Draft procedure on corporate governance and public interest

Paper No: AC1-I

12.1 Discussion

The Committee received the draft procedure on corporate governance and public interest disclosure, commonly referred to as whistleblowing.

12.2 Decision

It was **recommended** that the following should be reflected within the procedure:

- clarify if board members included;
- specify how matters are raised and responded to, i.e. in writing or orally;
- objective criteria set out for informing and referring matters to Board, external stakeholders, SFC, Audit Scotland etc;
- promotion of policy
- identification of designated board member, i.e. Senior Independent Member, for people to report matters to as an alternative option.

13. Draft value for money strategy

Paper No: AC1-J

13.1 Discussion

The Interim Chief Officer presented the draft value for money strategy in line with the Committee's general remit for internal control. He noted that this strategy features within the checklist of documents required for the GCRB to achieve fully operational fundable body status.

It was noted that the strategy would continue to be developed over time and that the Committee would therefore return to it in the future.

13.2 Decision

It was **agreed** to recommend the draft strategy for approval by the Board of GCRB, with the following amendments:

- Definition of value for money to be included within individual project plans for future projects;
- Development of value for money assessment sheet for future projects
- Paragraph 8 to include scrutiny of internal control and oversight role.

14. Date of next meeting

Paper No: Verbal

14.1 Decision

The date of the next meeting of the Committee was agreed as Monday 14 December 2015 at City of Glasgow College.