

MINUTES of the JOINT MEETING of the AUDIT & FINANCE AND GENERAL PURPOSES COMMITTEES held via Microsoft Teams on Wednesday 27 January 2021

PRESENT:	Sally Blyth, Kelly MacKenzie, Chris O'Neil, Donald MacKenzie, Andy Gray, Sarah Burton, Innis Montgomery
CHAIR:	Donald MacKenzie
ATTENDING:	Director of Finance Director of External Relations Depute Principal – Academic Development Stephen Reid, Ernst & Young Chloe Ridley, BDO Board Secretary
OBSERVER:	Amy Goodbrand
APOLOGIES:	Samantha Cribb, Gillian Galloway, Leanne MacKenzie, Depute Principal – Planning and Student Experience, Claire Robertson, BDO, Olga Potapova, Ernst & Young

1. DRAFT AUDITED ACCOUNTS AND ANNUAL AUDIT REPORT 2019/20

a) Annual Report and Accounts for the Year Ended 31 July 2020

The Director of Finance spoke to his report which provides guidance on the parameters within which Inverness College operates. The Committee was advised of the background behind allocation changes and the methodology which had been used to implement these changes.

The Committee gave their thanks to the Director of Finance and his team for their refreshing approach to the presentation of the accounts.

b) Draft Inverness College Annual Audit Report by Ernst & Young

Stephen Reid confirmed that Ernst and Young's independent auditor's report provided an unqualified opinion on our Financial Statements:

- gave 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 and Group as at 31 July 2020.
- had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- and had 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).

In relation to the wider scope audit:

- Financial Management was assessed as green.
- Financial Sustainability was assessed as amber with the Committee being advised that whilst the progress of the Financial Recovery Plan had been recognised the external environment remains volatile.
- Governance and Transparency was assessed as amber with the Committee noting that previously agreed implementations had yet to be applied.

The Committee were advised that 7 recommendations had been made, all of which were grade 2:

1. Review of NPD model and its treatment within the accounts.
2. Financial monitoring and forward planning.
3. Continual review of cash flow position and forecasting.
4. Review of pressures placed on Director of Finance in respect of dual responsibilities for Inverness and North Highland Colleges.
5. Compliance with relevant timetables in respect of NFI.
6. Formalisation of assessment of compliance with Code of Good Governance.
7. Completion of External Effectiveness Review.

The Committee noted that management have provided a response with regards all recommendations and that the Audit Committee will continue to follow these up.

With regards recommendation 4 the Committee discussed succession planning with the Director of Finance advising that both he and the Shared Finance Manager are reviewing the processes within Inverness College. With regard the future it is hoped that senior members of the Finance Team could in time assist with preparing top level reports. The Principal advised that he and the Principal from NHC were in the process of drafting a paper which reviewed the shared function and that this report will be available for discussion at the February Board of Management meeting. Thanks were again given to the Director of Finance and the Finance Team.

The Committee also gave their thanks to Ernst & Young for completing the audit in these challenging times and providing a robust service to us.

1c) Letter of Representation

Stephen Reid confirmed that this was a standard letter in connection with the audit of the financial statements. No additional representation was sought as Ernst & Young had no areas of concern or adjustment.

The Director of Finance advised that he had drafted the initial narrative and that the Interim Chair of the Audit Committee had reviewed and provided further updates to this document.

A discussion took place with regards the term “appears” within the letter and the Director of Finance advised that this phrase was used due to the uncertainties posed by Covid-19 and how this impacts our finances.

1d) End of Year Return to SFC

The Director of Finance advised that he had noticed a few errors within the end of year return document and that he will therefore update the return and provide additional narrative to it.

Decision: The Joint Committee **NOTED** the contents of the Annual Report and Accounts for the year ended 31 July 2020, the draft Annual Audit Report by Ernst and Young and the letter of representation and **RECOMMENDED** all be taken to the Board of Management for approval at their meeting being held on 18 February 2021.

2. MEETING WITH EXTERNAL AUDITORS

The Board Secretary advised the Committee that in order to ensure compliance with the Code of Good Governance and the Audit Committee Terms of Reference; the Audit Committee require to meet with both internal and external auditors without the SMT present at least once a year. The Board Secretary also highlighted that yearly evaluations of both the internal and external auditors had not yet been carried out. As such the Board Secretary proposed the following:

- a. That the External Auditors Evaluation be carried as part of the 09 March 2021 Audit Committee meeting and that the Audit Committee Members meet privately with the external auditors following this meeting.
- b. That the Internal Auditors Evaluation be carried out as part of the 01 June 2021 Audit Committee Meeting and that the Audit Committee Members meet privately with internal auditors following this meeting.

The Chair of the Board of Management advised that both she and the Board Secretary would ensure that a Chair and Vice Chair for the Audit Committee were in place prior to the 09 March 2021 Audit Meeting.

Decision: Members of the Audit Committee **APPROVED** the above proposal for the evaluations to be carried out and the private meetings to take place.

3. ANNUAL AUDIT COMMITTEE REPORT

The Board Secretary advised that members of the Audit Committee were provided with a draft version of this report at their October 2020 meeting. This report has been updated to reflect the positions with regards closed meetings and assessment of performances.


Mr Reid highlighted some incorrect dates within the report which the Board Secretary advised she would update.

Decision: Pending the above updates within the report, members of the Audit Committee **RECOMMENDED** that this report be taken for approval at the Board of Management Meeting being held on 18 February 2021.

4. AOCB


The Chair of the Board of Management took this opportunity to give final thanks to both the Internal and External Auditors for all their work and to the Director of Finance and the Finance Team.

Signed by the Audit Chair

A handwritten signature in cursive script, reading "Gillian Gallaway", is written over a horizontal line.

Date 09.03.21

Signed by the F&GP Chair

A handwritten signature in cursive script, appearing to read "Paul Walsh", is written over a horizontal line.

Date 10.06.21