

# UHI | INVERNESS

Meeting	Board of Management
Date and time	Tuesday 07 February 2023 at 4.30 p.m.
Location	Hybrid Meeting via: Room 202 and Microsoft Teams

Governance Officer  
31 January 2022

## AGENDA

*The timings on this agenda are indicative only and may extend beyond times highlighted.*

### Welcome and Apologies

### Declaration of Interests and/or any Statement of Connections or Transparency Statements.

**16:30 - 17:30 OPEN SESSION – DISCUSSION AND MEETING WITH POTENTIAL APPLICANTS TO THE BOARD OF MANAGEMENT**

#### ITEMS FOR DECISION

- 17:30 -17:35 1) MINUTES**
- a.) Meeting of the Board of Management held on 13 December 2022
  - b.) Note of Closed Session (CSN122022) of the Board of Management held on 13 December 2022.
  - c.) Note of Confidential Session (CN-01-122022) of the Board of Management held on 13 December 2022.
- 17:35 – 17:40 2) OUTSTANDING ACTIONS**  
Actions List
- 17:40 – 17:55 3) AUDITED ACCOUNTS AND ANNUAL AUDIT REPORT 2021/22**
- a.) UHI Inverness College Annual Audit Report by Ernst & Young

- b.) Annual Report and Accounts for the year ended 31 July 2022 – *To Follow*
- c.) Draft Minute of the Joint Audit and Finance and General Purposes Committee held on 24 January 2023
- d.) Letter of Representations
  - i. Response in respect of oversight of management processes and arrangements.
  - ii. Letter of Representations to EY
- e.) End of Year Return to SFC

17:55 – 18:00    **4) ANNUAL AUDIT COMMITTEE REPORT**  
Report by Governance Officer

**ITEMS FOR DISCUSSION**

18:00 – 18:15    **5) CONFIDENTIAL SESSION – UHI 24 – REVITALISATION PROGRAMME**

18:15 – 18:30    **6) CONFIDENTIAL SESSION – PARTNERSHIP WORKING UPDATE**

18:30 – 18:45    **7) PRINCIPAL'S REPORT**  
Verbal Update from Principal

18:45 – 18:55    **8) FINANCE UPDATE ON ARMS LENGTH FOUNDATION (ALF)**  
Verbal Update from Vice Principal – Operations and External Relations

**FOR NOTING**

**9) AOCB**

**10) DATE AND TIME OF NEXT MEETING**  
28 March 2023 at 4.30 p.m.

If any member wishes to add an item of business to the Agenda, please inform the Chair and the Governance Officer as soon as possible. Additional items of business will only be considered for inclusion in the agenda in advance of the start of the meeting.

## Board of Management

### MINUTES of the BOARD OF MANAGEMENT held via Microsoft Teams on Tuesday 13 December 2022

<b>PRESENT:</b>	Chris O'Neil, William Campbell, Donald MacKenzie, Mark Sheridan, Russell Edwards, Kelly MacKenzie, James Millar, Michael Beveridge, Dee Bird, Rojan Kumar Subramani, Arvinder Kainth, Amy Goodbrand, Tina Stones, Sally Blyth, Stephen Sheridan & Matthew Millward
<b>CHAIR:</b>	Mark Sheridan
<b>APOLOGIES:</b>	Innis Montgomery & Gillian Galloway
<b>IN ATTENDANCE:</b>	Vice Principal – Finance and Audit Vice Principal – Student Experience and Quality Vice Principal – Academic and Research Vice Principal – Operations and External Relations Tertiary Education Leaders Estates and Campus Services Manager Information Systems Manager Governance Officer

The Vice Chair welcomed everyone to the meeting.

#### Declarations of Interests

No declarations of interest, statements of connections or transparency statements were noted.

#### Confidential Closed Session – Board Creative Space

A confidential closed session took place, providing the Board with creative space to discuss the Sector Development Plans (Note of Session: CSN-122022).

#### 1. PRINCIPAL'S REPORT

The Principal took the Board through his report which further reinforced the discussions coming out of the Sector Development Plans.

*Tina Stones left the meeting.*

The Principal provided the Board with a verbal update on:

- Senior Phase Offer - the Board noted the confidential update on the plans to expand and further develop our senior phase offering. The Board noted that further discussions with the Highland Council are to take place and welcomed

the prospect of providing senior phase pupils with an introduction to the college.

- Recruitment and Conversion Numbers – the Board welcomed the success of our recovery plan noting the background to it. The Board was advised that we are currently meeting between 90-92% of our targets. The Board noted that our numbers have seen an increase as a result of our open days, targeted conversion, increased digital presence and the addition of an October recruitment cycle.

*Dee Bird left the meeting*

*Tina Stones joined the meeting*

- Impact and challenges of additional student support requirements - the Board was advised that it was difficult to quantify the impact of the Cost-of-Living Crisis. The Board was provided with an update on the strategies which have been put in place to provide support to students. The Board noted that we are expected to spend circa £185,000 on providing food to students. The Board was advised that additional funding for this has been identified and will be applied for.

*The Tertiary Education Leaders left the meeting.*

*Dee Bird joined the meeting.*

## **2. MINUTES FOR APPROVAL**

### **a.) Meeting of the Board of Management held on 25 October 2022**

**Decision:** The minutes of the Board of Management Meeting held on 25 October 2022 were **AGREED** as a correct record and were **APPROVED**.

### **b.) Confidential Note of Closed Session (CSN102022) held on 25 October 2022**

**Decision:** The Confidential Note of the Closed Session (CSN102022) of the Board of Management Meeting held on 25 October 2022 was **AGREED** as a correct record and was **APPROVED**.

### **c.) Confidential Note of Discussion (CN-01-102022) held on 25 October 2022**

**Decision:** The Confidential Note of Discussion (CN-01-102022) of the Board of Management Meeting held on 25 October 2022 was **AGREED** as a correct record and was **APPROVED**.

## **3. OUTSTANDING ACTIONS**

- **Partnership Agreement** – The Board noted that updates to the Partnership Agreement have ceased whilst the work streams from UHI 24 are completed.

## Item 01a.

- **Business Solutions Team Presentation** – The Board was advised that it has been agreed by the Chair and Principal that the Business Solutions Team will be asked to present to the February 2023 meeting.
- **Procurement Strategy** – The Vice Principal – Finance and Audit advised that he is liaising with the Head of Procurement, UHI Shared Service who advised that a draft of the procurement strategy can be provided to the Board. The Board noted that additional information on the Shared Finance Service will still require to be added to the draft version.  
**Action:** A copy of the draft procurement strategy will be available for the February Board meeting.
- **Finance Training** – The Governance Officer advised that finance training for Board members would form part of the Board Development and Training Plan which is currently being drafted.
- **Code of Conduct** – The Governance Officer advised that all members have returned their signed acceptance of the Code of Conduct.  
**Decision:** It was **AGREED** that this item can be removed from the list.
- **Partnership Working** – The Principal advised that he and the Chair were to visit with partner agencies in Mid-January. A further update will be provided to the Board in February 2023.

#### 4. POLICIES FOR APPROVAL

##### a.) Professional Development Policy

The Board welcomed this transparent policy and discussed the requirement for registration with the GTCS, noting that this was a national decision.

**Decision:** The Professional Development Policy was **APPROVED**.

##### b.) UHI Safeguarding Policy

The Board noted the importance of this policy and welcomed both the additional information added and the alignment in respect of HISA.

**Decision:** The UHI Safeguarding Policy was **APPROVED**.

##### c.) Public Interest Disclosure Policy

The Board noted that the Governance Officer and the Information Development Manager had undertaken an overhaul of this policy. The Board noted the importance of this policy and was advised that as a final part of our approval process our solicitors were reviewing the procedure to ensure that it is robust.

**Decision:** The Public Interest Disclosure Policy was **APPROVED**.

**d.) National Menopause Policy**

The Board welcomed this transparent policy which provided clear roles and responsibilities and noted that this was a major piece of legislation.

**Decision:** The National Menopause Policy was **APPROVED**.

**5. STUDENT ACTIVITY 2022/23**

*The Information Systems Manager joined the meeting.*

The Information Systems Manager spoke to her report and provided the Board with an update in respect of:

- FE Credits - the Board noted our strong position at 87.3% of our target. The Board was advised that continued enrolment is expected through our January recruitment and our Modern Apprenticeship block intakes.
- HE Credits - the Board noted that these are sitting at 82% of our target. The Board was advised that evidence from our early statistical return shows that this may grow towards 90% by the end of the Academic Year.
- Early Withdrawals – the Board noted that our early withdrawal rates have significantly reduced and are currently at 5.4%.
- January Recruitment - it was highlighted that open evenings had delivered a significant increase in the number of applications being received and the Board noted that work is being undertaken to turn these applications into enrolments.

The Board welcomed the contents of this report.

*The Information Systems Manager left the meeting.*

**6. HEALTH AND SAFETY ANNUAL REPORT**

The Estates and Campus Services Manager spoke to this report highlighting:

- That there had been no RIDDOR reportable incidents for the year 2021-22.
- That he and the Vice Principal – Operations and External Relations were undertaking the role of Health and Safety until a new manager is appointed. The Board noted that both are qualified to undertake this role. The Board was advised that we are due to go out to advert for a Health and Safety and Sustainability Manager.
- That the HASMAP system is now in place, with colleagues able to use the system.
- Statistics for completion of mandatory training. The Board noted that a new module is ready to be launched in the New Year. The Board welcomed the increased completion rates.
- The low level of reportable incidents, however it was highlighted to the Board that it is felt that we should be generating more near miss incidents rather than incidents. The Board was advised that items which are reported through Unidesk will now be included within our statistics to provide us with a better overview in respect of near misses. The Board welcomed this and

highlighted that the ethos and behavioural culture of reporting near misses and what constitutes a near miss should be highlighted to staff along with how to raise a near miss incident.

- That the HASMAP Auditing system is aiding with departments taking ownership of Health and Safety.

The Estates and Campus Services Manager advised that we have identified 3 areas where additional work is required:

1. First Aid Provision – ensuring that staff and students have clear access to first aiders on campus.
2. Fire Evacuation – evacuation processes to be reviewed and renewed.
3. Near Miss Reporting – work to be undertaken to ensure that this is being captured so that we have a fuller picture of how we are performing.

The Board welcomed this clear summary and enquired whether all staff have access to the reporting mechanisms and whether reports can be anonymous. The Board was advised that all staff have access to our AssessNet System and that reports are not anonymous as we may require to be able to request further information from reporters.

*The Estates and Campus Services Manager left the meeting.*

## **7. FINANCIAL POSITION UPDATE**

The Vice Principal – Audit and Finance spoke to his report.

The Board noted that our budgets are currently based on an estimated 3% wage increase and that this national issue remains a concern. The Board was advised that FTE trend analysis, in respect of the decline of HE numbers, has been undertaken by the Finance Team.

The Vice Principal – Audit and Finance provided the Board with an explanation of our NPD Model and advised that he is currently liaising with SFC over this.

In respect of capital, the Board was advised that the Vice Principal – Audit and Finance is looking at the Arm's Length Foundation (ALF) monies and how this could be used to support capital projects. The Principal provided the Board with an explanation of the ALF and the risks which have been identified. Following discussion, it was noted that any decision to close the fund would require support from the Board.

## **8. CONFIDENTIAL SESSION – UHI 24 – REVITALISATION PROGRAMME**

A confidential discussion took place which provided the Board with space to discuss the UHI 24 Revitalisation Programme (Note of Session: CN-01-122022)

## **9. UPDATE ON SHORT LIFE WORKING GROUP**

The Chair of the Short Life Working Group provided the Board with a verbal update highlighting that the group had met in November with all in full agreement

around the progress made and the improved partnership working between halls staff, Executive Office and ourselves.

The Board was advised that there remain actions in relation to training which are due to be completed by Executive Office in January 2023. Following this, the work of the group will have been completed. The Board welcomed the work which the group has undertaken and noted that arrangements for monitoring the halls have been implemented.

The Board was advised that following the remaining actions being completed the finalised Action Plan will be circulated to the group and a recommendation to the Board that the group be ceased will come to the February 2023 Board of Management meeting.

The Board thanked both the current chair of the group, the previous chair, the Vice Principal – Student Experience and Quality and her team for the work they have undertaken in respect of the Halls.

## **10. REVIEW OF EXTERNAL EFFECTIVENESS PLAN**

The Governance Officer spoke to her report and provided the Board with the background to the External Effectiveness Plan. The Board noted that a further review of the actions has been undertaken and the following actions were highlighted to them:

Action 1 – The Board noted that all updates to the Terms of References were approved in March 2022.

**Decision:** It was **AGREED** that this item be marked as completed.

Action 2 – The Board noted that the Governance Officer has identified a provider of bespoke Effective Audit Committee Training and will liaise with them over this.

**Decision:** It was **AGREED** that this item will remain as partially completed.

Action 5 – The Board was advised that a Board Development and Training Plan is being developed. This will be brought to the Board of Management meeting on 28 March 2023.

**Decision:** It was **AGREED** that this item will remain as partially completed.

Action 6 – The Governance Officer advised that the Assigned Colleges Officer for UHI has began the development of an induction process for Governance Officers. It was noted that we will use this process when ready and adapt as required.

The Board was advised that mentoring is provided to the Governance Officer through the Good Governance Steering Group and throughout the UHI Partnership Governance Network. The Board was advised that a Microsoft Teams site for UHI Governance Officers has been developed and advice and ideas are shared here.



## Item 01a.

The Board noted that in respect of the Chair, they are subject to the same induction process as all other members with additional support available from the Chair of Court, UHI, other partnership chairs and from the Principal.

**Decision:** It was **AGREED** that this item will remain as partially completed until the induction process for the Governance Officer is agreed.

Action 8 – The Board noted that the Principal and Chair are continuing to work with Executive Office and partners in respect of UHI 24.

**Decision:** It was **AGREED** that this item will remain as partially completed.

Action 10 – The Governance Officer provided the Board with the timeline for the recent remuneration exercise completed in respect of the Principal, EMT, Directors of Research, Research Staff and Tertiary Education Leaders.

**Decision:** It was **AGREED** that this action could be marked as completed.

The Board noted that the plan would be updated to reflect the above decisions and the updated version will be made available on our website.

**Action:** A further review of the plan will be carried out in June 2023.

### 11. DRAFT MINUTES OF MEETINGS OF BOARD COMMITTEES (CONFIDENTIAL)

The Board noted the contents of the following Committee Meetings:

- Chairs Committee held on 03 November 2022
- Finance and General Purposes Committee held on 18 November 2022
- HR Committee held on 24 November 2022
- LT&R Committee held on 06 December 2022

### 12. UHI UPDATES

The Board noted the contents of the following minutes of meetings:

- University Court held on 15 June 2022
- University Court held on 21 September 2022

### 13. AOCB

The Board noted that this would be the last meeting attended by the Vice Principal – Academic and Research and they took this opportunity to thank her for all her years of hard work.

### 14. DATE AND TIME OF NEXT MEETING

Tuesday 07 February 2023 at 4.30 p.m.

**Board of Management – List of Outstanding Actions**

29 June 2021				
<b>Partnership Agreement</b>	<p>A progress update on the timeline will be taken and discussed at each Board meeting to ensure that the partnership is delivering on the agreed timescales.</p> <p>Part 1 has been agreed in principle. Part 2 requires additional work, and a further draft is now being considered.</p> <p>This has been halted whilst actions from the UHI Revitalisation Programme are carried out.</p>	Principal	Ongoing	
05 October 2021				
<b>Closed Session</b>	<p>The Business Solutions Team are to attend a Board Meeting to present the pro-active ways in which they are working.</p> <p>The Chair and Principal have agreed that this will be carried out at the BOM being held on February 2023</p>	Gov Off	February 23	
14 December 2021				
<b>Procurement</b>	<p>The updated procurement strategy will be taken to the F&amp;GP Committee for review and then to the Board of Management for final approval.</p> <p>A copy of the draft Procurement Strategy will be available for discussion at the BOM in February 2023</p>	VP – F&A	February 23	
10 February 2022				

**ITEM 02**

<b>Finance Update</b>	The Governance Officer will source appropriate financial training for Board Members – this will be included within a development training plan for Board Members.	Gov Off	March 23	
28 June 2022				
<b>Confidential Annex – Partnership Working</b>	The Principal will engage with potential partners and carry out due diligence in respect of proposals.  The Principal and Chair are to visit with partner agencies in Mid-January and report back to the Board in February.	Principal	February 23	
13 December 2022				
<b>Review of EER Action Plan</b>	A further review of the External Effectiveness Action Plan is to be carried out in June 2023.	Gov Off	June 23	

# UHI | INVERNESS

## MINUTES of the JOINT MEETING of the AUDIT & FINANCE AND GENERAL PURPOSES COMMITTEES held via Microsoft Teams on Tuesday 24 January 2023

**PRESENT:** Sally Blyth, Kelly MacKenzie, Chris O'Neil, Donald MacKenzie, Innis Montgomery, James Millar, Amy Goodbrand, Rojan Kumar Subramani, Michael Beveridge and Stephen Sheridan

**CHAIRS:** Donald MacKenzie and Sally Blyth

**ATTENDING:** Vice Principal – Finance and Audit  
Vice Principal – Operations and External Relations  
Operations and Commercial Manager  
Information Systems Manager  
Stephen Reid, Ernst & Young  
Olga Potapova, Ernst & Young  
Claire Robertson, BDO

**APOLOGIES:** Russell Edwards, Tina Stones, Gillian Galloway, Vice Principal – Academic and Research and Chloe Main, BDO

The Chair of the F&GP Committee welcomed everyone to the meeting.

There were no declarations of interests, statements of connections or transparency statements noted.

### 1. MINUTES FOR APPROVAL

The Chair of the F&GP Committee highlighted that minutes from the Committees would not ordinarily be taken to the Joint Meeting. Committee Members were advised that because of quorum difficulties experienced within our October meetings; there were several minutes which had yet to be given Committee approval. Committee members were advised that in order for them to be uploaded onto our website, approval was to be sought at this meeting.

#### a) Minutes of the Meeting of the Audit Committee held on 07 June 2022

**Decision:** The Minutes of the Meeting of the Audit Committee held on 07 June 2022 were **AGREED** as a correct record and were **APPROVED**.

## Item 03c.

### b) Minutes of the Meeting of the Audit Committee held on 18 October 2022

**Decision:** The Minutes of the Meeting of the Audit Committee held on 18 October 2022 were **AGREED** as a correct record and were **APPROVED**.

### c) Minutes of the Meeting of the Finance and General Purposes Committee held on 18 November 2022

**Decision:** The Minutes of the Meeting of the Finance and General Purposes Committee held on 18 November 2022 were **AGREED** as a correct record and were **APPROVED**.

*Innis Montgomery joined the meeting.*

## 2. DRAFT AUDIT ACCOUNTS AND ANNUAL AUDIT REPORT 2021/22 (CONFIDENTIAL)

### a) Draft UHI Inverness College Annual Audit Report by Ernst & Young

Stephen Reid, Ernst and Young advised the Committee that once the financial statements are approved and signed, they will sign their opinion within the audit report. This report will then be updated and shared with Audit Scotland for publication on their website.

The following key messages from the report were highlighted to the Committee:

- Ernst and Young intend to provide an unqualified opinion on our Financial Statements. Confirming that they:
  - 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 2022
  - Had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
  - 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).
- That four audit differences had been identified and that these have been reflected within the financial statements.
- That there was one unadjusted disclosure misstatement above their reporting thresholds which they are required to communicate.
- That the audit process had been undertaken in line with the agreed audit plan with the level of materiality being kept under review.

## Item 03c.

- That conclusions have been included throughout the report and Ernst and Young advised that they do not have any material matters which are required to be brought to the Committees attention.

The Committee was advised that three dimensions were considered as part of the audit: Financial Sustainability (Red RAG rated), Financial Management (Green RAG rated) and Governance and Transparency (Green RAG rated). The Committee noted that the red RAG rating in respect of financial sustainability had been concluded because of the challenges which the sector was facing and was not based on any specific actions that the College had or had not taken. The Committee was assured that this rating was consistent with audits carried out within the sector this year. A lengthy discussion in respect of sector challenges resulting from funding settlements, cost of living crisis, supply changes and Brexit took place with it being reiterated that colleges are consistently being given a red RAG rating in respect of financial sustainability.

The Committee noted the recommendations which have been made within the report.

Ernst and Young provided thanks to the Vice Principal – Finance and Audit and the Shared Finance Team for their cooperation and support in respect of the audit. Ernst and Young highlighted that this was their final year as external auditor and thanked both the Principal and the Executive Management Team for their support over the years.

The Committee expressed thanks to Ernst and Young for the work which they had undertaken and their valuable expertise and advice.

*The Information Systems Manager joined the meeting.*

**Decision:** The Committee **NOTED** the contents of the draft Annual Audit Report by Ernst and Young and **RECOMMENDED** it be taken to the Board of Management for approval.

### **b) Annual Report and Accounts for the Year Ended 31 July 2022**

#### **c) Report by Vice Principal – Finance and Audit**

The Vice Principal – Finance and Audit advised that he had provided an explanation as to how our management accounts feed into the Annual Report and Accounts.

The Committee were provided with an explanation in respect of:

- Variances
- FE Clawback
- Increase in bad debts. The Committee noted that the Shared Finance Service are examining the debts which are sitting within SITS.
- Bank position.
- Arm's Length Foundation (ALF). The Committee was advised that the ALF was due to be closed and that discussions on how to spend the

## Item 03c.

monies within this are taking place. The Committee noted that applications for monies must be submitted by early February 2023.

- Main income drivers.
- Provisions in respect of the Local Government Pension Scheme.
- Executive Office Top Slice. The Committee noted that this is being reviewed as part of UHI 2024 and that it is expected that this will be reduced.

The Committee noted that as part of the UHI 2024 review our curriculum and portfolio offer was being revised.

The Committee was advised that some slight adjustments will be made to the Annual Report and Accounts that would be taken to the Board of Management on 07 February 2023 but noted that these adjustments would not affect the bottom line.

**Decision:** The Committee **NOTED** the contents of the draft Annual Report and Accounts for the year ended 31 July 2022 and **RECOMMENDED** they be taken to the Board of Management for approval.

### d) Letters of Representations

The Committee noted that there were two separate letters of representation. The first one being our response to Ernst and Young to provide them with an understanding of our arrangements for oversight of management processes and arrangements annually. The Committee noted that this letter is to be signed by the Audit Chair.

**Decision:** Members of the Audit Committee **APPROVED** the signing of the Letter of Representation by the Chair of the Audit Committee.

The Committee was advised that the second letter of representation is a standard letter provided by Ernst and Young in connection to the audit of the financial statements for the year ended 31 July 2022. The Committee noted that this document is to be approved by the Board at the same time as the Annual Report and Accounts.

**Decision:** It was **AGREED** that this letter should be **RECOMMENDED** for signature by the Board of Management.

### e) End of Year Return to SFC

The Vice Principal – Audit and Finance advised that the information within the return had been taken from the statutory accounts. The Committee was provided with an explanation in respect of variances.

**Decision:** It was **AGREED** that the End of Year Return to the SFC should be **RECOMMENDED** for approval by the Board of Management. Following Board approval, it will be submitted to the SFC.

**3. MEETING WITH EXTERNAL AUDITORS**

The Governance Officer advised that this report outlined the areas which were discussed with the External Auditors during the private session held with Non-Executive and Co-opted members of the Audit Committee on 08 March 2022. The Committee noted that a further private session would be arranged for the Audit Committee being held on 14 March 2023.

**4. ANNUAL AUDIT COMMITTEE REPORT**

The Governance Officer spoke to the Annual Audit Committee Report for the Academic Year 2021-22. The Committee noted that this report provided a summary of the membership of the Committee, internal and external audit assessment of performance as well as the other work undertaken by the Committee.

The Committee noted that this draft report had previously been taken to the Audit Committee in October 2022 who had recommended that it come to this meeting.

The Committee was advised that the report, following approval from the Board of Management will be submitted to Executive Office.

**Decision:** It was **AGREED** that the Annual Audit Committee Report should be **RECOMMENDED** for approval by the Board of Management.

**5. INTERNAL AUDIT**

**a) Financial Planning Audit**

BDO spoke to the Financial Planning Audit and provided apologies for the late submission of this report. The Committee were provided with a brief background to the audit, the scope and approach of the audit, the areas of good practice identified and the key findings. Two low level recommendations were identified.

**Decision:** It was **AGREED** that due to the limited time available to members to review this audit, it would be discussed at the Audit Committee being held on 14 March 2023. Finance and General Purposes members should highlight any queries they have in respect of this audit to the Audit Chair or Vice Chair by the end of February 2023.

*Kelly MacKenzie, Donald MacKenzie, Rojan Kumar Subramani, Stephen Sheridan, Vice Principal – Operations and External Relations, Operations and Commercial Manager, Stephen Reid, Ernst and Young and Olga Potapova, Ernst and Young left the meeting.*



## Item 03c.

### b) Progress Report – January 2023

BDO spoke to the Progress Report advising that this provided Audit Committee Members with the progress against the internal audit plan. The Committee noted that the Student Support audit was currently taking place and that the Complaints Management audit was scheduled for March 2023.

The Committee expressed their thanks to BDO for attending this meeting.

### 6. AOCB

The Committee extended their thanks to the Vice Principal – Audit and Finance and the Shared Finance Team for the work they have undertaken for both Committees.

**Signed by the Chair:** \_\_\_\_\_

**Date:** \_\_\_\_\_

# UHI | INVERNESS

<b>Subject/Title:</b>	Draft Annual Audit Committee Report for the Academic Year 21-22
<b>Author:</b> [Name and Job title]	Lisa Ross, Governance Officer
<b>Meeting:</b>	Board of Management
<b>Meeting Date:</b>	07 February 2023
<b>Date Paper prepared:</b>	17 January 2023
<b>Brief Summary of the paper:</b>	Annual Audit Committee Report for Academic Year 2021-22
<b>Action requested:</b> [Approval, recommendation, discussion, noting]	For discussion and recommendation for approval by BOM.
<b>Link to Strategy:</b> Please highlight how the paper links to, or assists with: <ul style="list-style-type: none"> <li>• compliance</li> <li>• partnership services</li> <li>• risk management</li> <li>• strategic plan</li> <li>• new opportunity/change</li> </ul>	<p>The Audit Committee is required, in accordance with Scottish Funding Council guidance to report annually to the Board of management.</p> <p>The report relates to the discussions and actions in relation to risk management</p> <p>Linked within the strategic plan, specifically managing our risks</p>
<b>Resource implications:</b>	Not directly, but indirectly in relation to the management of risk
<b>Risk implications:</b>	Yes Operational: as outlined in the Risk register Organisational: as outlined in the Risk register

## ITEM 04

<b>Equality and Diversity implications:</b>	N/A		
<b>Consultation:</b> [staff, students, UHI & Partners, External] and provide detail	No consultation carried out – report is a statement of work carried out by the Audit Committee throughout 2021-22		
<b>Status</b> – [Confidential/Non confidential]	Non-Confidential		
<b>Freedom of Information</b> Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
Its disclosure would substantially prejudice a programme of research (S27)		Its disclosure would substantially prejudice the effective conduct of public affairs (S30)	
Its disclosure would substantially prejudice the commercial interests of any person or organisation (S33)		Its disclosure would constitute a breach of confidence actionable in court (S36)	
Its disclosure would constitute a breach of the Data Protection Act (S38)		Other (please give further details)	
For how long must the paper be withheld? (express either as the time which needs to pass or a condition which needs to be met.)			

Further guidance on application of the exclusions from Freedom of Information legislation is available via

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp> and

[http://www.itspublicknowledge.info/web/FILES/Public\\_Interest\\_Test.pdf](http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf)






**Audit Committee Annual Report to the Board of Management**

<b>Title</b>	UHI Inverness Audit Committee Annual Report 2021-22		
<b>Introduction</b>	The Audit Committee is required, in accordance with Scottish Funding Council guidance to report annually to the Board of Management. This report covers the work of the Audit Committee during the 2021-22 Academic Year.		
<b>Membership</b>	The Membership of the Committee during the 2021-22 academic year was as follows: -		
	<b>Member</b>	<b>Designation</b>	<b>Membership Period</b>
	Gillian Galloway	Chair	September 2021-August 2022
	Sally Blyth	Vice Chair	September 2021 – August 2022
	Innis Montgomery	Member of the Committee	September 2021 – August 2022
	Samantha Cribb	Member of the Committee	September 2021 – August 2022
	Tina Stones	Member of the Committee	September 2021 – March 2022
	James Millar	Member of the Committee	March 2022 – August 2022
	Amy Goodbrand	Co-opted Member of the Committee	September 2021 – August 2022
	Michael Beveridge	Co-opted Member of the Committee	June 2022 - August 2022





<p><b>Meetings</b></p>	<p>Four meetings were held throughout the year and the attendance was as follows: -</p> <p><b>19 October 2021</b> Gillian Galloway, Sally Blyth, Samantha Cribb &amp; Amy Goodbrand</p> <p><b>08 March 2022</b> Gillian Galloway, Sally Blyth, Samantha Cribb, Innis Montgomery, James Millar &amp; Amy Goodbrand</p> <p><b>17 March 2022 (Joint Audit and Finance and General Purposes Committee Meeting)</b> Gillian Galloway, Sally Blyth, Innis Montgomery, James Millar &amp; Amy Goodbrand</p> <p><b>07 June 2022</b> Gillian Galloway, Sally Blyth, Innis Montgomery, James Millar &amp; Amy Goodbrand</p> <ul style="list-style-type: none"> <li>• Representatives from our internal auditors, BDO, attended all four meetings in 2021-22.</li> <li>• Representatives from Ernst &amp; Young attended both March 2022 meetings and the meeting in June 2022.</li> <li>• The Assistant Principal – Finance and Audit attended all four meetings.</li> <li>• The Principal attended all four meetings.</li> <li>• The Assistant Principal – Academic and Research attended both March 2022 meetings and the meeting in June 2022</li> </ul> <p>Others in Attendance:</p> <ul style="list-style-type: none"> <li>• On 08 March 2022, Mark Sheridan, Chair of Board of Management and Michael Beveridge observed the meeting.</li> <li>• On 17 March 2022, Michael Beveridge observed the meeting.</li> <li>• On 07 June 2022 the Information Systems Manager attended the meeting.</li> </ul>
<p><b>Terms of Reference</b></p>	<p>The Terms of Reference were reviewed by the Committee on 19 October 2021. The updated Terms of Reference were taken to the Board of Management on 14 December 2021. They were further reviewed and approved by the Board of Management on 20 March 2022. The Terms of Reference will next be due for review in March 2024.</p>




<b>Internal Audit</b>	<p><b>Provider</b></p> <p>The Internal Auditors are BDO. They were appointed for the three-year period 2017-2020. A further 12-month extension to this contract for the period of 01 August 2020 – 31 July 2021 was agreed. On 01 June 2021 the Audit Committee was advised that a final contract extension for the period 01 August 2021 – 31 July 2022 had been agreed.</p> <p>The Committee agreed to a mini competition process to take place through the APUC system with the tender process being carried out and completed on 31 May 2022. An evaluation process took place throughout 01 – 10 June 2022 with BDO being successfully appointed with their new contract commencing from 01 August 2022. This contract will be for a period of 36 months with a 2 further 12-month extension options on mutual agreement.</p> <p><b>Audit committee assessment of performance</b></p> <p>The annual review of the performance of BDO was not undertaken this year due to the mini competition process which was being carried out in respect of the Internal Auditors. The next scheduled review will take place in March 2023.</p> <p><b>Review of internal audit plan</b></p> <p>During 2021-22 our Internal Auditors BDO reviewed and evaluated our processes in the following areas:</p> <ul style="list-style-type: none"><li>• Staff Recruitment</li><li>• Procurement</li><li>• Student Representation</li><li>• Student Application, induction and enrolment.</li><li>• Covid-19: Quality and Assessment</li></ul> <p>The outcomes of all reviews have been presented to and discussed by Audit Committee. Please note however that the dates which the Internal Auditors carry out and complete their audit reports are not aligned to this report due to the time lapse between the audit being carried out and it being presented to the Committee.</p> <p>The initial conclusion is reflected in the summary table below and is not expected to change.</p> <p>The plan was based on the proposed allocation of days as set out in the 2021-22 operational plan. There was no change in the time spent – Planned v budget. 30 days’ work was undertaken.</p>
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**Summary of Internal Audit Reports 2021-22**

Reports Issued	Overall Report Conclusions - see appendix I				
				Design	Operational Effectiveness
Staff Recruitment	0	6	0	Limited	Limited
Procurement	0	3	4	Moderate	Moderate
Student Application, Induction and Enrolment	0	1	2	Moderate	Moderate
Covid-19: Quality and Assessment	0	0	1	Substantial	Substantial
Student Representation	0	0	4	Moderate	Moderate
Follow Up	n/a	n/a	n/a	n/a	n/a

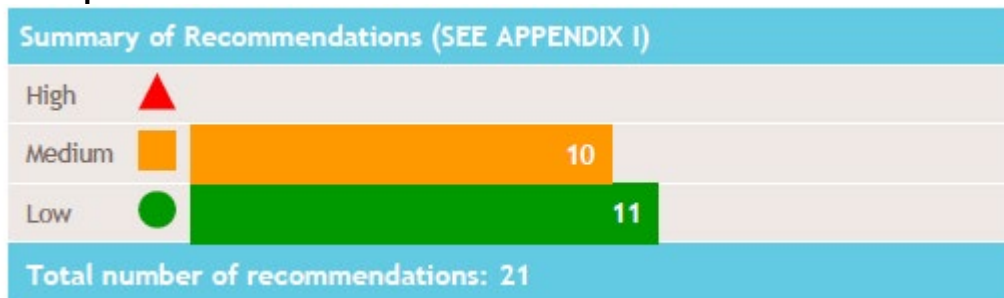
Overall gradings were defined as follows:

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.



**Audit reports**



The Committee made specific comments on reports as follows (these comments refer to the audits which were taken to the Committee during the period September 21 – August 22 with some of the audits which were carried out by Internal Audit not being discussed within this Academic Year): -

**Cyber Security Audit**

BDO advised that this audit had begun prior to the cyber incident at the start of the year and had been finalised following the incident. BDO advised that the audit had highlighted 4 medium level risks and 2 low level risks. The Committee noted that the report specified that an account is locked for a period of time following 30 failed log in attempts which members felt was high. The Committee was advised that it was thought that this number was in place to provide students with additional chances to log in before they are logged out and that a high level such as this was generally acceptable within the College environment; however, the Principal advised that he would find out the rationale behind the 30 failed attempts and report back to the Committee at the next meeting. The Committee discussed the cyber incident and noted the need for lessons learned to be discussed with the Board of Management. The Committee was advised that we were currently awaiting a report from Executive Office before this discussion could take place. With regards the admin accounts the Committee was advised that admin default accounts are not in use.

**Coronavirus Job Retention Scheme Grant Audit**

BDO advised that they had highlighted one high level risk and one medium level risk following this audit. The Committee noted that the high-level risk was due to there being no review of the calculations prior to submission of the claim and as a result there were a number of errors in all of the claims which were submitted. The Committee was provided with the background to these forms being completed and submitted and highlighted that the errors were due to resource issues within the Finance Team, out of date systems in use as well as human error. The Committee was advised that improvements have been made to the Finance Team including a payroll system upgrade. However, it was noted that additional training on the new payroll system is still being rolled out to the appropriate staff members. The Committee, whilst mindful of the exceptional circumstances surrounding Covid-19 and the additional pressures this placed on staff felt that this audit had exposed additional risks and that we need to consider how confident we are with regards the information coming from our finance systems. The Committee was advised that the system upgrade remains a priority, that the Finance Team is sufficiently filled at

present and that joint working with North Highland College continues to offer us additional flexibility and robustness. The Committee noted that work is continuing to align the finance and HR systems and processes. The Committee requested that they see responses and updates with regards this audit recommendation to enable them to track the actions being taken to address the concerns which have been highlighted by BDO. The Committee requested the prioritisation of the finance department restructure and training.

### **EMA 2020-21 Audit**

BDO advised that one recommendation had been flagged within this audit which related to the SFC requirement that we spot check 5% of claims throughout the year. The Committee was advised that the first spot checks were conducted in November 2021 with further checks to be scheduled following the Education Scotland visit. The Committee noted that we were now fully compliant with this requirement and that this recommendation would not require to be included within the outstanding recommendations list.

### **Procurement Audit**

BDO advised that 3 medium level risks and 4 low level risks had been flagged as part of this audit. BDO advised that they had been able to offer moderate assurance over the design and operational effectiveness of our current arrangements. BDO advised that we had been able to identify areas of good practice highlighting our production of a procurement strategy and our annual spend analysis. However, notwithstanding the elements of good practice, BDO highlighted that they had identified several opportunities where improvements could be made around:

- Devolved Procurement Compliance – with BDO recommending that budget holders do not approve devolved procurement purchases unless the buyers have complied with the documented procurement procedures and supplied the appropriate evidence on PECOS.
- Non-Contracted Spend – the Committee was advised that at times we have had to seek urgent legal advice from an additional legal services provider and that this is only carried out in exceptional circumstances.
- Invoice Processing – it was highlighted that the Finance Team would look at the processes for inspecting and approving an invoice for payment.
- Training – BDO highlighted the importance of providing additional training sessions to staff. A lengthy discussion on training provided to staff took place.
- Financial Regulations
- Procurement Strategy
- Contract Sign Off

The Committee welcomed the recommendations within this report and the areas of good practice identified within it.

### **Student Application, Enrolment and Induction**

BDO advised the Committee that 1 medium level risk and 2 low level risks had been flagged as part of this audit. BDO advised that they have been able to offer moderate assurance over the arrangements which we currently have in place. BDO advised that they have been able to identify areas of good practice such as our recruitment planning documentation, staff communication and our induction planning and resources. However, notwithstanding the elements of good practice, BDO highlighted that they had identified several opportunities where improvements could be made around:

- Application Retention Data – The Committee was advised that this proposal was based on a JISC recommendation and that there is no term specified within the regulations. The Committee noted that our Data Controller would seek guidance on this matter and provide BDO with a further update.
- Missing Data
- Policy Review

The Committee noted the contents of this audit report.

### **Covid-19 – Quality and Assessment**

BDO advised the Committee that 1 low level risk had been flagged as part of this audit and that they had been able to offer substantial assurance over the arrangements currently in place. BDO advised that they had been able to identify several areas of good practice and that the recommendation was that a lessons learned review be carried out with regards our response to Covid-19. The Committee welcomed this encouraging report and noted that Education Scotland would present the outcomes of their recent Progress Visit Report at the June 2022 Board of Management Meeting. This will also identify areas of good practice. The Committee noted that following this presentation, we would amalgamate this information together to identify the lessons learned.

### **Staff Recruitment**

BDO advised the Committee that 6 medium level risks had been flagged as part of this audit and because of this they were only able to provide limited assurance over the arrangements currently in place. BDO advised that many of the recommendations centred around the consistency of the paperwork being completed and that changes were advised to ensure that all are following a fair process. BDO highlighted that they had identified several opportunities where improvements could be made around:

- Person Specification Scoring
- Interview Scoring
- Employment Contracts
- Recruitment and Selection Training
- References
- Procedure Documentation

The Committee noted that the HR Team are progressing these recommendations and work has commenced on reviewing, updating and clarifying our guidance with regards what paperwork is required to be completed and what forms should be returned to the HR Team. The Committee was advised that the Board Secretary would liaise with the HR Manager to ensure that updates on these recommendations are incorporated into the HR quarterly report. The Committee noted that this issue would be discussed as part of the June HR Committee.

### **Closed Meeting**

A closed meeting with internal auditors took place on 07 June 2022. During this meeting BDO gave the Committee an oversight with regards how UHI Inverness staff have interacted with them during the audit process as well as providing BDO with the opportunity to speak freely and discuss all aspects of internal audit.

	<p><b>Overall opinion of risk management, control, and governance arrangements</b></p> <p>In the view of BDO, based on the reviews undertaken during the period and in the context of materiality that:</p> <ul style="list-style-type: none"> <li>• In four of the five assurance audits performed, the risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements. Based on our verification reviews and sample testing, the risk management, control, value for money and governance arrangements in these four areas were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.</li> <li>• However, our staff recruitment review identified that further work was required to ensure robust processes. As such, we are not able to provide reasonable assurance based on our verification review and sample testing, that risk management, control and governance arrangements were designed and operating with sufficient effectiveness in this area to provide reasonable assurance that the related management, control, value for money and governance objectives were achieved for the period under review.</li> </ul>
<p><b>External audit</b></p>	<p><b>Ernst &amp; Young</b></p> <p>Ernst &amp; Young completed their audit of the accounts for the year ending 31 July 2021. This was the fifth report by Ernst &amp; Young who had been appointed by the Auditor General for Scotland as the external auditor for the financial years 2016/17 to 2021/22.</p> <p>These accounts were submitted to and approved by the Board of Management on 30 March 2022.</p> <p>Ernst and Young's independent auditor's report provided an unqualified opinion that the financial statements</p> <ul style="list-style-type: none"> <li>• 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 2021 and of its surplus for the year then ended;</li> <li>• had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and</li> <li>• 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).</li> </ul> <p><b>Audit committee assessment of performance</b></p> <p>The annual review of the performance of EY for the year 2021/22 is still to be carried out.</p> <p><b>Closed Meeting</b></p> <p>The Audit Committee held a closed session with the External Auditors following the Audit Committee held on 08 March 2022.</p>

	<p><b>Audit of annual accounts 2021/22</b></p> <p>EY has carried out the Audit of the Annual Accounts for 2021-22.</p>
<p><b>Other work done</b></p>	<p><b>Risk Management</b>  The Committee discussed the risks and ongoing concerns in respect of:</p> <ul style="list-style-type: none"> <li>• The Halls of Residence</li> <li>• Impact of flat funding, capital funding, sector pay increase and reduction of EU funding.</li> <li>• Credit Targets</li> <li>• Covid-19</li> <li>• Global risks – conflict in Ukraine, rise of cyber attacks and rising costs of energy and resources with the Committee in favour of the risk register having an outward perspective.</li> </ul> <p><b>KPI Matrix</b>  The development of the KPI Matrix which the Committee noted would provide us with a complex structure to ensure that communication is in place and that any areas of weakness are identified.</p> <p><b>Policies</b>  No policies were reviewed by the Committee during 2021/22</p> <p><b>Value for Money and Procurement Annual Report</b></p> <p>A report on Value for Money and Procurement was discussed at the Finance and General Purposes Committee Meeting held on 27 January 2021 and then at the Board of Management meeting on 18 February 2021. An updated version of the report was taken to the Finance and General Purposes Committee on 17 March 2022 and was given final approval at the Board of Management Meeting on 31 March 2022.</p> <p><b>Business Continuity Plan</b></p> <p>The Committee noted that the Continuity Plan had been stretched to the limit in respect of the cyber incident and Covid-19. The Committee was provided with sight of the live and evolving document which is available on SharePoint and provides up-to-date guidance for individuals and expected actions with regards business continuity. The Committee noted that the SharePoint document includes a recovery section which is being enhanced to include the responsibilities of appropriate individuals within the College.</p>
<p><b>Opinion</b></p>	<p>The Audit Committee is of the opinion that the risk management of activities and controls in the areas examined by BDO were found to be suitably designed to achieve the specific risk management control and governance arrangements.</p>

**Item 04**

	<p>The Audit Committee concurs with the (draft) opinion of BDO that in respect of four out of the five audits, risk management, control, and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control, and governance objectives were achieved for the period under review and accepted that in respect of the staff recruitment review that further work was required to ensure robust process and that as such BDO cannot provide reasonable assurance based on their verification review and sample testing, that risk management, control and governance arrangements were designed and operating with sufficient effectiveness in this area to provide reasonable assurance that the related management, control, value for money and governance objectives were achieved for the period under review.</p>
<b>Circulation</b>	<p>Copy to the Auditors once approved by the Board of Management</p>
<b>Conclusion</b>	<p>The Audit Committee is pleased to report to the Board of Management that in its opinion the College has adequate internal controls, procedures, and systems in place</p> <p>Signed.....  Chair, Audit Committee</p> <p>Date .....</p>