

Meeting	Joint Meeting of the Audit and Finance and General Purposes Committees
Date and time	Tuesday 24 January 2023 at 8.30 a.m.
Location	Via Microsoft Teams

Governance Officer
17 January 2023

AGENDA

Welcome and Apologies

Declarations of Interest

ITEMS FOR DECISION

1. MINUTES

- a) Minutes of the Meeting of the Audit Committee held on 07 June 2022
- b) Minutes of the Meeting of the Audit Committee held on 18 October 2022
- c) Minutes of the Meeting of the Finance and General Purposes Committee held on 18 November 2022

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

- a) Draft UHI Inverness College Annual Audit Report by Ernst & Young
- b) Annual Report and Accounts for the year ended 31 July 2022
- c) Report by Vice Principal – Finance and Audit
- d) Letter of Representations
- e) End of Year Return to SFC

ITEMS FOR DISCUSSION

3. MEETING WITH EXTERNAL AUDITORS

Report by Governance Officer

4. ANNUAL AUDIT COMMITTEE REPORT

Report by Governance Officer

5. **INTERNAL AUDIT**
 - a.) Financial Planning Audit – *To Follow*
 - b.) Progress Report – January 2023

6. **AOCB**

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MINUTES of the HYBRID MEETING of the AUDIT COMMITTEE held via Microsoft Teams and Room 205 UHI Inverness Campus on Tuesday 07 June 2022

PRESENT:	Sally Blyth, Gillian Galloway, Amy Goodbrand, Chris O'Neil, James Millar, and Innis Montgomery
CHAIR:	Gillian Galloway
APOLOGIES:	Michael Beveridge, Chloe Main, BDOLLP, Internal Auditors and Stephen Reid, EY, External Auditors
ATTENDING:	Assistant Principal – Finance & Audit Assistant Principal – Academic & Research Information Systems Manager Claire Robertson, BDOLLP Olga Potapova EY, External Auditors Board Secretary

The Chair welcomed everyone to the meeting and highlighted that a private meeting between Committee Members and the Internal Auditors would take place directly after this meeting.

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

1. MINUTES

Minutes of the Meeting of the Audit Committee held on 08 March 2022

The Committee highlighted a missing word on page 1, agenda item 2 and a grammatical error on page 3 of the minutes from 08 March 2022.

Decision: Pending the above updates the Minutes of the Meeting of the Audit Committee held on 08 March 2022 were **AGREED** as a correct record and were **APPROVED**.

Minutes of the Joint Audit and Finance and General Purposes Committee held on 17 March 2022

Decision: The Minutes of the Joint Audit and Finance and General Purposes Committee held on 17 March 2022 were **AGREED** as a correct record and were **APPROVED**.

2. OUTSTANDING ACTIONS

Committee Outstanding Actions:

- Internal Procurement – the Committee noted that this item would be discussed

further within the agenda.

Decision: It was **AGREED** that this item could be removed from the list.

- Risk Register – the Committee noted that this item would be discussed further within the agenda.

Decision: It was **AGREED** that this item could be removed from the list.

Outstanding Recommendations from External Audits:

- Item 1 – Monitoring of Financial Position – The Assistant Principal – Finance and Audit advised the Committee that finance monitoring has been fully embedded within the Finance Team remit.

Decision: It was **AGREED** that this item could be removed from the list.

- Item 3 – Governance – External Effectiveness Review – The Board Secretary advised that our Action Plan from the External Effectiveness Review was updated in December 2021. The Committee was advised that all outstanding actions will be undertaken and completed during the summer period and that the updated action plan will be available for discussion at the October 2022 Board of Management meeting.

Decision: It was noted that an update on this recommendation will be available at the October 2022 meeting, and it was **AGREED** that this item would remain on the list.

- Item 7 – Service Concession Agreements – The Assistant Principal – Finance and Audit advised the Committee that advice had been sought from an EY specialist with regards the NPD Model and highlighted that the subject was complex. The Assistant Principal – Finance and Audit advised the Committee that we are due to enter into a new external audit contract next year and that it is planned that we would pause this recommendation until this time and then seek advice from our new external auditors on this issue. If still required, we will then seek specialist advice from EY to carry out this exercise.

Decision: It was **AGREED** that the list would be updated to reflect the above plan of action.

3. EXTERNAL AUDIT PLANNING REPORT

EY spoke to their Annual Audit Plan for the Year ending 31 July 2022 highlighting the following:

- That this would be their last year of appointment as External Auditors; advising that their audit approach had not changed.
- As part of the financial statement risks, they had included climate change reporting.
- Materiality levels and the rationale behind them.
- Going concern compliance.
- The significant risks which they have set out along with the rationale behind them.

It was particularly highlighted to the Committee the inherent risk with regards our property portfolio with the Longman Site still being classified as held for sale.

- That they were aware of our long-term approach with regards NPD.
- That specialist advice had been sought by us in relation to pension liabilities.
- That there had been an introduction of Financial Management detailed within the wider scope dimensions explaining that this had been introduced as part of Covid-19 considerations.
- The determined audit fee for 2021/22 confirming that it is not anticipated that we will incur any additional fees.
- The expected timeline for delivering the audit.

The Committee thanked EY for this helpful run through of the plan. The Committee noted that the Finance Team are confident that the audit can be delivered in the timeframe set out within the plan.

The Committee discussed financial sustainability within the sector, noting the National Pay Bargaining Programme, Job Evaluation Programme and the expected impact of flat funding.

The Committee welcomed the inclusion of climate change into the audit plan. The Committee noted that we have an action plan on climate change in place and that various working groups have been set up to carry out these actions. The Committee was advised that work is required to identify which Committees these actions will be reported to as some may sit across the remit of more than one Committee.

4. INTERNAL AUDIT

a) Procurement – March 2022

BDO advised the Committee 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 the Committee 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.

b) Student Application, Enrolment and Induction – April 2022

BDO advised the Committee that 1 medium level risk and 2 low level risks had been flagged as part of this audit. BDO advised they had been able to offer moderate assurance over the arrangements which we currently have in place.

BDO advised the Committee that they had 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.

c) Covid-19 – Quality and Assessment – April 2022

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 the Committee 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.

d) Staff Recruitment – April 2022

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.

Action: The Board Secretary will liaise with the HR Manager to ensure that updates on these recommendations are incorporated into the HR quarterly report and this issue will be discussed as part of this week's HR Committee.

e) Progress Report 2021-22 – June 2022

BDO spoke to their internal audit progress report for 2021-22. The Committee noted that the Student Representation Report was due to be finalised and that this would be available for the next Committee.

5. INTERNAL AUDIT – FOLLOW UP ON RECOMMENDATIONS

The Assistant Principal – Finance and Audit spoke to his report advising that the tracker had been updated to delete previously agreed items which required removal and that it's numbering now ties into the most recent update from the Internal Auditors report.

The Committee discussed the following recommendations:

- 2019-20 Cash Handling (Items 1-4) – The Committee was advised that the tills set up requires further review as the software supplied is not functioning correctly and we are currently liaising with the software supplier over this issue.

Decision: It was **AGREED** that these items would remain on the list.

- 2020-21 Workforce Planning (Items 5-8). The Committee noted that work is progressing on these items but there is still additional work to be completed.

Decision: It was **AGREED** that these items would remain on the list

Innis Montgomery left the meeting

- 2020-21 Finance System Update (Items 9-11) - The Committee discussed project management methodology and learning and teaching activity. The Committee discussed the PRINCE2 training methodology which several staff have been trained in and further discussed the potential for this training to be extended to

more members of staff.

Decision: It was **AGREED** that these items would remain on the list

6. RISK MANAGEMENT

The Assistant Principal – Finance and Audit provided the Committee with an update on the Risk Register, highlighting the increasing risk around risk number 17 which has been updated to include our concerns around the EO budget and with regards income and costs. The Committee again discussed the potential impact of flat funding, capital funding, impact of potential sector pay increases and reduction of EU funding

James Millar joined the meeting.

7. COMMITTEE AND CHAIR EVALUATION

The Board Secretary explained for those new to the Committee that once a year we carry out a collective exercise to self-evaluate both the Committee and the Committee Chair. The Committee noted that a report from all Committees on their evaluation will be taken to the Board of Management in October 2022 and any actions arising will be incorporated into our existing Board Action Plan.

Action: It was **AGREED** that due to the number of committee members currently in attendance that we would carry out these evaluations offline.

Claire Robertson, BDO left the meeting.

8. PROCUREMENT OF INTERNAL AUDITORS

The Assistant Principal – Finance and Audit advised the Committee that the tender process had ended on 31 May 2022 and that 3 compliant bids had been received. The Committee noted that the evaluation process would now be held from 01 – 10 June 2022. The Committee was advised that evaluation and scoring of internal auditors would be carried out by the procurement panel. The Committee noted that the procurement panel would score on the quality side only with the commercial side being scored by APUC. The Committee noted that the successful internal auditor contract would commence on 01 August 2022.

9. DATE OF NEXT MEETING – 18 October 2022

Signed by the Chair: _____

Date: _____

UHI | INVERNESS

MINUTES of the MEETING of the AUDIT COMMITTEE held via Microsoft Teams on Tuesday 18 October 2022

PRESENT: Tina Stones, Michael Beveridge, James Millar, Chris O’Neil

CHAIR: Tina Stones

APOLOGIES: Sally Blyth, Samantha Cribb, Innis Montgomery, Gillian Galloway, Amy Goodbrand, Vice Principal – Academic and Research, Stephen Reid, EY, External Auditors, Olga Potapova, EY, External Auditors, Claire Robertson, BDOLLP

ATTENDING: Assistant Principal – Finance & Audit
Information Systems Manager
Chloe Main, BDOLLP
Governance Officer

The Chair welcomed everyone to the meeting.

The Governance Officer advised the Committee, that we have received a significant number of apologies and as a result, are not quorate. The Committee noted that the Vice Chair has indicated that they may arrive late, and it was therefore suggested that we begin with the items for discussion.

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

1. RISK MANAGEMENT

The Vice Principal – Finance and Audit spoke to his report and advised that within his narrative he had highlighted the global and national risks which may impact upon us.

The Committee noted that the Estates and Campus Team are looking at contingencies in respect of fuel and utilities. The Committee acknowledged that whilst this is not currently on the register, it may be added in the future.

The Committee was advised that another possible risk, not currently on the register, is in respect of our Shared Finance Service with North Highland College. The Committee noted that as part of the consultation on the proposed merger of 3 partners, including North Highland College there have been discussions over the finance service for the new entity which could have an impact on our current Shared Finance Service. However, the Committee was advised that due to work being undertaken, by the partnership, to align partners and services we are hopeful that there will be no impact from this merger to the Shared Finance Service.

2. BUSINESS CONTINUITY DISCUSSION

The Committee acknowledged that our Business Continuity Plan had been tested over the past two years because of Covid 19 and the cyber incident. The Committee noted that the plan gave clear information on how communications should be managed.

In respect of fuel and power risks the Committee noted that work was being undertaken by the Estates and Campus Team to ensure that students are safe and that our service and data are protected.

The Committee welcomed this balance in respect of detail and flexibility of the plan.

Decision: It was **AGREED** that Business Continuity would become a standing agenda item for the Committee going forward to ensure that we are able to look at all areas including emerging risks.

3. DRAFT ANNUAL AUDIT COMMITTEE REPORT

The Governance Officer spoke to this report and advised the Committee that the annual report goes to the Joint Audit and F&GP Committee for recommendation to the Board of Management who provide final approval. The Governance Officer advised that the report highlights the membership, attendance and key information that was presented to the Committee during 2021-22.

The Committee did not have any amendments to the report which will now go to the Joint Audit and F&GP Committee.

4. EXTERNAL AUDITORS LETTER AND OUR RESPONSES

The Vice Principal – Finance and Audit advised the Committee that this is an annual letter which our External Auditors request that we respond to. The Committee noted that following circulation of the letter within the Committee papers, the Vice Principal – Finance and Audit has rephrased some of the responses. An updated version of this letter will be taken to the Joint Audit and F&GP Committee for recommendation for approval by the Board of Management.

5. COMMITTEE AND CHAIR EVALUATION

The Governance Officer spoke to her report advising that the Committee and Chair Evaluations had been carried out offline during the Summer.

The Committee noted that the evaluations had highlighted that it would be beneficial for members with a financial background to be sought for the Committee.

Action: The Governance Officer to undertake a recruitment exercise to co-opt members with financial expertise to both the Audit and the F&GP Committees.

The Committee discussed the proposal that we develop a top-level dashboard to view measures and financial information. It was highlighted that the development of a dashboard in respect of KPI headlines, trends and other key information may alleviate report writing. The Committee noted that in respect of financial information the KPI's do not always reflect the true picture in terms of liquidity etc.

6. INTERNAL AUDIT

The Governance Officer advised that the Internal Audit Information was for decision and that whilst it can be discussed at this meeting, as we are not quorate the relevant papers would instead be included as part of the Board of Management papers for the Board to provide approval on 25 October 2022.

a.) Follow up Report

BDO advised the Committee that a total of 48 recommendations were followed up which relate to 15 separate internal audit reports. It was highlighted to the Committee that of the 37 recommendations due to be implemented, 10 have been categorised as fully implemented, 9 as partially implemented and 10 have been superseded. The Committee noted that 10 recommendations are not yet due for implementation.

The Committee was advised that the implementation rate is low due to the Committee having decided that 13 recommendations should be removed from the list. BDO advised that they have given commentary on these recommendations stating whether they agree that they are low risk and/or no longer relevant or whether in their opinion they believe these still present a risk and should be implemented.

The Vice Principal – Finance and Audit proposed that a sub-group is set up to meet with BDO to go over their follow up and our internal tracker to ensure that these are aligned.

Action: A subgroup will be set up to review and align the outstanding recommendations from Internal Audit. The subgroup will make recommendations to the Audit Committee which will be signed off by the Board of Management as appropriate.

Action: It was noted that Board approval would be sought to accept the Follow Up report from BDO.

b.) Annual Report

BDO advised the committee that within the year 21-22 they had undertaken 5 reviews which had raised 21 recommendations. 10 of which were classed as medium risk and 11 as low risk.

The Committee noted that BDO were able to provide assurance in 4 out of the 5 audits that we 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.

The Committee was advised that in the staff recruitment review, BDO had identified further work which was required to ensure that there was a robust process in place and as such they were not able to provide reasonable assurance in respect of this area at this time.

Action: It was noted that Board approval would be sought in respect of BDO's Annual Report.

c.) Internal Audit Plan for 2022-23

The Committee noted that the Internal Audit Plan for the year ahead would normally have been presented before the start of the Academic Year. However, it was noted that there has been a delay to this because of the tender process for procuring internal audit.

The Committee was advised that BDO have met with the Chair and Vice Principal – Finance and Audit to understand the focus of the College for the year ahead. As a result of this they have replaced the suggested incident management audit with a Health and Safety audit.

The Committee noted that a progress report will be available at all future Audit Committees.

Action: It was noted that Board approval would be sought in respect of the Internal Audit Plan for 2022-23.

d.) Terms of Reference for 2022-23

Action: It was noted that Board approval would be sought for the Terms of Reference for 2022-23

e.) FES Audit

BDO provided an explanation to the Committee on the FES Audit.

Action: It was noted that Board approval would be sought for the FES Audit.

f.) EMA Audit

BDO provided an explanation to the Committee on the EMA Audit.

Action: It was noted that Board approval would be sought for the EMA Audit.

g.) SSF Audit

BDO provided an explanation to the Committee on the SSF Audit.

Both BDO and the Committee provided thanks to the Information Systems Manager and her team on the completion of these audits.

Action: It was noted that Board approval would be sought for the SSF Audit

h.) Student Representation Audit

BDO advised the Committee that they were able to give a moderate level of assurance following this audit with 4 recommendations being highlighted. The

Committee welcomed the good practice which has come through within this audit.

Action: It was noted that Board approval would be sought for the Student Representation Audit.

7. INTERNAL TRACKER OF INTERNAL AUDIT RECOMMENDATIONS

The Vice-Principal – Finance and Audit advised that this report would form part of the proposed subgroup work in respect of aligning our tracker with that of internal audit.

8. AOCB

Action: The Committee noted that the policies for approval would go directly to the Board. The Chair highlighted some comments which she had in respect of the Health and Safety Policy and advised that she would pass these onto the Governance Officer offline.

The Committee was advised that the Health and Safety Manager had resigned.

The Vice Principal – Finance and Audit advised that the draft statutory accounts have been sent to the External Auditors and the External Audit is due to commence in early November. The Vice Principal – Finance and Audit expressed the hope that these would be ready for signature in December.

Action: The Governance Officer will liaise with our External Auditors over a timeframe for the Joint Audit and F&GP Committee.

9. DATE OF NEXT MEETING – Joint Audit & F&GP - TBC

Signed by the Chair: _____

Date: _____

UHI | INVERNESS

MINUTES of the MEETING of the FINANCE AND GENERAL PURPOSES COMMITTEE held via Microsoft Teams on Friday 18 November 2022

PRESENT: Kelly Mackenzie, Chris O'Neil, Donald MacKenzie, Rojan Kumar Subramani, Russell Edwards

CHAIR: Donald MacKenzie

APOLOGIES: Stephen Sheridan & Vice Principal – Operations and External Relations

ATTENDING: Vice Principal – Finance & Audit
Operations and Commercial Manager
Information Systems Manager
Information Development Manager
Governance Officer

The Chair welcomed everyone and explained that the meeting originally scheduled for 20 October 2022 had been postponed as it was not going to be quorate.

There was no declaration of interests, statements of connection or transparency statements noted.

1. MINUTES

a.) Meeting of the Finance and General Purposes Committee held on 16 June 2022

The Committee discussed the minutes of the Finance and General Purposes Committee held on 16 June 2022. It was highlighted that there had been a discussion at this meeting around the potential risk surrounding monies which are currently kept in the ALF. The Committee noted that whilst it has not been known to happen there is a risk that the funds could be paid to another educational institution within the area.

The Vice Principal – Finance and Audit advised that due to updates to our Financial Forecast Return he would look at the possibility of applying to withdraw circa £400,000 from the ALF to fund projects, highlighting that this would be a sensible way to use the monies.

Action: The Board of Management are to be presented with a report on the ALF which specifies the monies currently held within it. A Board decision on whether these should be used for current projects is to be sought. The Board to discuss and agree our long-term position in respect of the ALF.

Decision: The minutes of the meeting of the Finance and General Purposes Committee held on 16 June 2022 were **ACCEPTED** as a correct record and it was **RECOMMENDED** that they be approved and signed by the Chair.

b.) Confidential Note of Ad Hoc Finance Update Meeting held on 20 October 2022

The Confidential Note of the Ad Hoc Finance Update held on 20 October 2022 was **ACCEPTED** as a correct record and was **APPROVED**.

2. CAPITAL MONITORING

Capital Budget Monitoring 21-22

The Vice Principal – Finance and Audit advised the Committee that work had been undertaken in respect of room G9 modification to ensure it could be more efficiently utilised in terms of room capacity and flexibility.

Planned Capital Spend 22-23

The Vice Principal – Finance and Audit advised the Committee that we had based our planned Capital Spend through discussions with the Estates and Campus Services Manager. The Committee noted that the report highlighted the various projects which have been identified. The Vice Principal – Finance and Audit provided the Committee with a verbal update in respect of further modifications which were required to be made to room G9, kitchens and the server room.

The Committee discussed lighting improvements which were required throughout the building and reiterated the possibility of funding some projects through the ALF monies.

The Committee discussed the Sports Pitch Development and noted that decisions on this will be made directly by the Highland Council.

3. REVENUE BUDGET MONITORING

Revenue Budget Monitoring at 31 July 2022

The Vice Principal – Finance and Audit advised the Committee that he had remodelled the top end monitoring to provide additional clarity in respect of the bank position and highlighted that this may still be affected by any potential claw backs. The Committee discussed the likelihood of claw back and the sector response.

The Committee noted that the liquidity from revenue activity for the year had improved.

The Committee was advised that the Finance Team are continuing to look at debt provision and a lengthy discussion around debt collection ensued.

Action: The Vice Principal – Finance and Audit to provide the Committee with an explanation of our current debt provision protocol and confirm at what stage

a debt would be referred to debt collectors.

Revenue Budget Monitoring at 30 September 2022

The Vice Principal – Finance and Audit spoke to his report and highlighted that his projections are based on both 3% and 5% pay inflations.

The Vice Principal – Finance and Audit highlighted the following to the Committee:

- That we are expected to under deliver in terms of our HE numbers and the impacts of this.
- That we are still awaiting an insurance payment in respect of the cyber incident.

The Committee discussed the financial position within the sector and discussed the existential threats which both the partnership and the sector are facing.

Russell Edwards joined the meeting.

The Principal advised the Committee that as part of the UHI 24 revitalisation programme, our current HE offering is being reviewed and work is being undertaken to develop a more appropriate curriculum. The Committee noted that any refreshed curriculum cannot be offered until August 2024 and that any substantive changes are not expected to be rolled out within this Academic Year.

The Committee was advised of the current HE targets both in respect of UHI Inverness and the partnership.

The Committee highlighted the importance of working in partnership with other organisations within the Sector and noted that confidential conversations in respect of this are taking place.

The Committee discussed the importance of the UHI 24 revitalisation programme, the cost savings expected as part of this and how risk management is being considered.

4. STUDENT RECRUITMENT

The Information Systems Manager joined the meeting.

The Information Systems Manager spoke to her report advising that it provided an update on student numbers at the end of Academic Year 21/22 and provided an insight into where we are for 22/23. The Committee noted that a verbal update would be provided for the period between the report being written and now.

The Committee was advised that in respect of Academic Year 21/22:

- The FES audit for FE credits had been completed with no issues being raised. The FE credits for this period were 28,697 which is 93.5% of the

target.

- The PPF target for HE undergraduate students was not achieved with delivery being 1,367 which is 88% of the target.
- Withdrawals and early withdrawals for both HE and FE continued to increase this year. The Committee noted that Covid restrictions were still in place at the start of the Academic Year and had an impact on this.

In respect of enrolment for the current Academic Year the Committee was advised:

- That we had a successful start to our HE programme and were hopeful that this would continue for students coming onboard in January 2023.
- Our FE credits are now at 26,153 which is circa 87% of our target.
- That we are working on an early statistical return which will provide an update on our anticipated numbers for this year. The Committee noted that it is anticipated that we will reach 80-85% of our target.

The Committee was advised that in respect of student recruitment our early withdrawals are significantly lower than the previous year; however, it was noted that it can take some time for withdrawals to come through our systems and the Committee noted that this may still be subject to change.

The Committee was provided with a table which showed the current student enrolment information for the year to date.

The Committee discussed whether our projections are realistic; noting that our FE credits are healthy and that we still have a considerable number of apprentices to enrol and that we have programmes which will begin in January 2023. The Committee was advised that significant work has been carried out across the College and throughout teams to ensure that students continue with their studies.

A discussion on how we reinforce the benefits of FE and HE to business as part of the development of their employees took place.

The Committee thanked the Information Systems Manager for this in-depth report.

The Information Systems Manager left the meeting.

5. RISK REGISTER UPDATE

The Vice Principal – Finance and Audit advised that the risk level around UHI 2024 should be increased and provided the Committee with an insight in respect of inflation and rising costs of fuel and utilities. The Committee noted that the Vice Principal – Operations and External Relations and the Estates and Campus Services Manager are currently looking at our contingency plan in respect of alternatives to fuel.

The Committee discussed the Halls of Residence and noted that the Short Life Working Group was due to meet on 23 November 2022 and that it is hoped that following this, the risk can be reviewed and downgraded.

The Committee discussed how our register maps onto the UHI Risk Register.

6. 6 MONTHLY GDPR REPORT

The Information Development Manager joined the meeting.

The Information Development Manager spoke to her confidential report providing the Committee with an insight on data breaches and the lessons learned from these, subject access requests, personal data registers, procurement activity, staff training and compliance auditing.

The Committee discussed the pattern of data breaches and the impact of human error and noted that a GDPR assessment is now carried out in respect of procurement activity to ensure that all third parties can demonstrate their compliance with GDPR and that there are adequate procedures in place to support this.

The Committee gave their thanks to the Information Development Manager for her report.

The Information Development Manager left the meeting.

7. HEALTH AND SAFETY UPDATE

The Principal spoke to this report which had been authored by the Vice Principal – Operations and External Relations. It was highlighted to the Committee that the Vice Principal – Operations and External Relations is overseeing Health and Safety whilst we recruit a new Health and Safety Manager. The Committee was advised that the new Health and Safety Manager role will also have responsibility for sustainability. The Committee was advised that work has been undertaken to align the work of Estates and Health and Safety.

The Committee noted that the number of incidents and near miss incidents reported is low and that there have been no RIDDOR incidents.

The Committee commended the previous Health and Safety Manager for the work which they undertook during Covid.

8. COMMITTEE AND CHAIR EVALUATION FEEDBACK

The Governance Officer spoke to her report highlighting that this was presented as part of the full feedback report to the Board of Management on 25 October 2022. The Committee noted that a recruitment drive for a non-executive member and co-opted members to the Board will commence soon.

9. AOCB

Committee Member Evaluation Process

The Chair requested that those who have yet to complete their evaluation

Item 01c.

paperwork should send it to him as soon as possible.

Procurement and Finance

The Principal highlighted a confidential matter which has exposed some issues in respect of the processes we use for procurement. A report on this issue is being finalised and advice was sought from the Committee on where this should be reported to. The Committee noted that there were around six immediate actions that were to be put in place.

Decision: The Committee **AGREED** that oversight of the tendering process should be reviewed by this Committee and that the Principal will report on this matter directly to the Board of Management.

Action: The Principal to provide the Vice Principal – Finance and Audit with a copy of the report to allow him to provide additional thoughts and guidance before it is brought to the Board of Management.

10. DATE OF NEXT MEETING

Joint Audit and F&GP Committee – 17 January 2022 at 9.00 a.m.

Signed by the Chair: _____

Date: _____

Joint Audit and Finance and General Purposes Committee

Subject/Title:	External Auditor's Annual Report
Author:	Roderick M Ferrier, Vice Principal, Finance and Audit
Meeting:	Joint Audit and Finance and General Purposes Committee
Meeting Date:	24 January 2023
Date Paper prepared:	18 January 2023
Brief Summary of the paper:	The College's External Auditors prepare an Annual Report
Action requested: [Approval, recommendation, discussion, noting]	Approval

Item 02a.

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	N/A		
Resource implications:	N/A If yes, please specify:		
Risk implications:	If yes, please specify: Financial – Yes Operational – Yes Organisational - Yes		
Equality and Diversity implications:	N/A		
Student Experience Impact:	None		
Consultation: [staff, students, UHI & Partners, External] and provide detail	None		
Status – [Confidential/Non confidential]	Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	No		
*If a paper should not 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)	Y	Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

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

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Joint Audit and Finance and General Purposes Committee

Subject/Title:	Revenue Monitoring 31 July 2022 and Statutory Accounts 31 July 2022
Author:	Roderick M Ferrier, Vice Principal, Finance and Audit
Meeting:	Joint Audit and Finance and General Purposes Committee
Meeting Date:	24 January 2023
Date Paper prepared:	18 January 2023
Brief Summary of the paper:	Present Statutory Accounts for year ended 31 July 2022 for review; and how Management Accounts tie into Statutory Accounts. And recommend that Board of Management approves them for signing
Action requested: [Approval, recommendation, discussion, noting]	Recommendation

Item 02c

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	Finance undergirds Strategic Plan		
Resource implications:	Yes – monitoring of Financial Resources If yes, please specify:		
Risk implications:	Yes If yes, please specify: Financial Operational		
Equality and Diversity implications:	N/A		
Student Experience Impact:	None		
Consultation: [staff, students, UHI & Partners, External] and provide detail	None		
Status – [Confidential/Non confidential]	Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	No		
*If a paper should not 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)	Y	Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

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Joint Audit and Finance and General Purposes Committee

Subject/Title:	Letter of Representations
Author:	Roderick M Ferrier, Vice Principal, Finance and Audit
Meeting:	Joint Audit and Finance and General Purposes Committee
Meeting Date:	24 January 2023
Date Paper prepared:	17 January 2023
Brief Summary of the paper:	The College's External Auditors ask the Audit Committee for Representations
Action requested: [Approval, recommendation, discussion, noting]	Approval

Item 02d.

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	N/A		
Resource implications:	N/A If yes, please specify:		
Risk implications:	Yes If yes, please specify: Yes – refers to areas of risk and how the College addresses them		
Equality and Diversity implications:	N/A		
Student Experience Impact:	None		
Consultation: [staff, students, UHI & Partners, External] and provide detail	None		
Status – [Confidential/Non confidential]	Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	No		
*If a paper should not 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)	Y	Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

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Joint Audit and Finance and General Purposes Committee

Subject/Title:	Letter of Management Representations
Author:	Roderick M Ferrier, Vice Principal, Finance and Audit
Meeting:	Joint Audit and Finance and General Purposes Committee
Meeting Date:	24 January 2023
Date Paper prepared:	18 January 2023
Brief Summary of the paper:	The College's External Auditors ask that Management Representations be given to them
Action requested: [Approval, recommendation, discussion, noting]	Approval

Item 02d

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	N/A		
Resource implications:	N/A If yes, please specify:		
Risk implications:	Yes If yes, please specify: Yes – refers to areas of assurances on financial information		
Equality and Diversity implications:	N/A		
Student Experience Impact:	None		
Consultation: [staff, students, UHI & Partners, External] and provide detail	None		
Status – [Confidential/Non confidential]	Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	No		
*If a paper should not 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)	Y	Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

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Joint Audit and Finance and General Purposes Committee

Subject/Title:	Annual Accounts Return 2021-22
Author:	Roderick M Ferrier, Vice Principal, Finance and Audit
Meeting:	Joint Audit and Finance and General Purposes Committee
Meeting Date:	24 January 2023
Date Paper prepared:	18 January 2023
Brief Summary of the paper:	The Scottish Funding Council requests colleges to submit an Annual Accounts Return. The SFC pre-populates the model with the 2020-21 Actual figures and the 2021-22 Forecast.
Action requested: [Approval, recommendation, discussion, noting]	Approval

Item 02e.

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	N/A		
Resource implications:	N/A If yes, please specify:		
Risk implications:	If yes, please specify: Financial - Yes		
Equality and Diversity implications:	N/A		
Student Experience Impact:	None		
Consultation: [staff, students, UHI & Partners, External] and provide detail	None		
Status – [Confidential/Non confidential]	Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	No		
*If a paper should not 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)	Y	Its disclosure would constitute a breach of confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

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UHI | INVERNESS

Subject/Title:	Meeting with External Auditors
Author: [Name and Job title]	Lisa Ross, Governance Officer
Meeting:	Joint Audit & Finance and General Purposes Committee
Meeting Date:	24 January 2023
Date Paper prepared:	17 January 2023
Brief Summary of the paper:	The paper outlines the areas discussed with our External Auditors during the private session.
Action requested: [Approval, recommendation, discussion, noting]	Discussion
Link to Strategy: Please highlight how the paper links to, or assists with: <ul style="list-style-type: none"> • compliance • partnership services • risk management • strategic plan • new opportunity/change 	Compliance with Code of Good Governance and Audit committee terms of reference in that it is a requirement for the Audit Committee members to meet with the internal and external auditors without the executive team present at least annually.
Resource implications:	No
Risk implications:	No
Equality and Diversity implications:	No
Consultation: [staff, students, UHI & Partners, External] and provide detail	

ITEM 03

Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should not 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.)			

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Introduction

It is considered good practice for Audit Committees to meet with internal and external auditors at least annually in a private session where management is not present. This approach allows the Audit Committee to ask questions on matters that might not have been specifically addressed as part of the audit work. The private session allows the Auditor to provide candid, often confidential, comments to the Audit Committee on such matters. It also presents an opportunity for the auditor to provide feedback to the Committee about its own performance and possible areas for development and improvement.

Meeting with Auditors

The Audit Committee met privately with the external auditors on 08 March 2022. During this meeting Committee members were able to focus the discussion on:

Audit – the audit process for Financial Year 2020-21, comparisons to the audit process in years prior, preparation of the team in relation to the audit and reasons why the audit was carried out after the NHC audit.

Attitudes – management's attitude toward financial reporting, internal controls and towards Auditors themselves.

Resources – the adequacy of people and other resources within the financial management area and the audit function.

Relationships – the nature of the relationship between the Auditor, Management and the Audit Committee.

The Committee Members commended the positive comments which the External Auditor disclosed with regards the audit, the attitudes of the team and the relationship between themselves and the team.

UHI | INVERNESS

Subject/Title:	Draft Annual Audit Committee Report for the Academic Year 21-22
Author: [Name and Job title]	Lisa Ross, Governance Officer
Meeting:	Joint Audit and F&GP Committee
Meeting Date:	24 January 2023
Date Paper prepared:	17 January 2023
Brief Summary of the paper:	Annual Audit Committee Report for Academic Year 2021-22
Action requested: [Approval, recommendation, discussion, noting]	For discussion and recommendation for approval by BOM.
Link to Strategy: Please highlight how the paper links to, or assists with:: <ul style="list-style-type: none"> • compliance • partnership services • risk management • strategic plan • new opportunity/change 	<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>
Resource implications:	Not directly, but indirectly in relation to the management of risk
Risk implications:	Yes Operational: as outlined in the Risk register Organisational: as outlined in the Risk register

Equality and Diversity implications:	N/A		
Consultation: [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		
Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should not 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)	
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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.)			

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Audit Committee Annual Report to the Board of Management

Title	UHI Inverness Audit Committee Annual Report 2021-22		
Introduction	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.		
Membership	The Membership of the Committee during the 2021-22 academic year was as follows: -		
	Member	Designation	Membership Period
	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>Meetings</p>	<p>Four meetings were held throughout the year and the attendance was as follows: -</p> <p>19 October 2021 Gillian Galloway, Sally Blyth, Samantha Cribb & Amy Goodbrand</p> <p>08 March 2022 Gillian Galloway, Sally Blyth, Samantha Cribb, Innis Montgomery, James Millar & Amy Goodbrand</p> <p>17 March 2022 (Joint Audit and Finance and General Purposes Committee Meeting) Gillian Galloway, Sally Blyth, Innis Montgomery, James Millar & Amy Goodbrand</p> <p>07 June 2022 Gillian Galloway, Sally Blyth, Innis Montgomery, James Millar & Amy Goodbrand</p> <ul style="list-style-type: none"> • Representatives from our internal auditors, BDO, attended all four meetings in 2021-22. • Representatives from Ernst & Young attended both March 2022 meetings and the meeting in June 2022. • The Assistant Principal – Finance and Audit attended all four meetings. • The Principal attended all four meetings. • The Assistant Principal – Academic and Research attended both March 2022 meetings and the meeting in June 2022 <p>Others in Attendance:</p> <ul style="list-style-type: none"> • On 08 March 2022, Mark Sheridan, Chair of Board of Management and Michael Beveridge observed the meeting. • On 17 March 2022, Michael Beveridge observed the meeting. • On 07 June 2022 the Information Systems Manager attended the meeting.
<p>Terms of Reference</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>




Internal Audit	<p>Provider</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>Audit committee assessment of performance</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>Review of internal audit plan</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">• Staff Recruitment• Procurement• Student Representation• Student Application, induction and enrolment.• Covid-19: Quality and Assessment <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

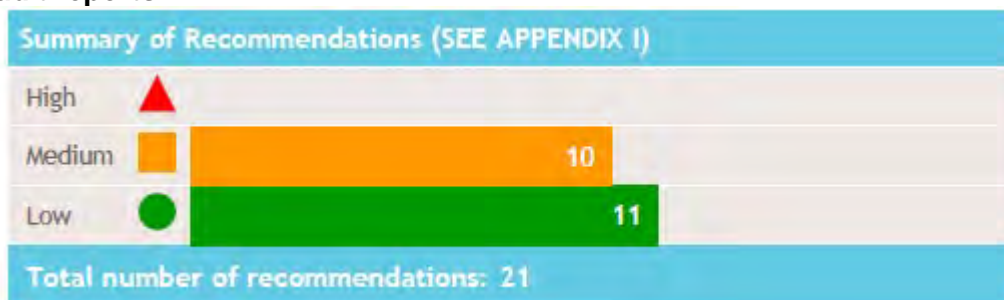
Reports Issued	Overall Report Conclusions - see appendix I			Design	Operational Effectiveness
					
Staff Recruitment	0	6	0	Limited	Limited
Procurement	0	3	4	Moderate	Moderate
Student Application, Induction and Enrolment	0	1	2	Moderate	Moderate
Covid-19: Quality and Assessment	0	0	1	Substantial	Substantial
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>Overall opinion of risk management, control, and governance arrangements</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"> • 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. • 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.
<p>External audit</p>	<p>Ernst & Young</p> <p>Ernst & Young completed their audit of the accounts for the year ending 31 July 2021. This was the fifth report by Ernst & 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"> • 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; • 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). <p>Audit committee assessment of performance</p> <p>The annual review of the performance of EY for the year 2021/22 is still to be carried out.</p> <p>Closed Meeting</p> <p>The Audit Committee held a closed session with the External Auditors following the Audit Committee held on 08 March 2022.</p>

	<p>Audit of annual accounts 2021/22</p> <p>EY has carried out the Audit of the Annual Accounts for 2021-22.</p>
<p>Other work done</p>	<p>Risk Management The Committee discussed the risks and ongoing concerns in respect of:</p> <ul style="list-style-type: none"> • The Halls of Residence • Impact of flat funding, capital funding, sector pay increase and reduction of EU funding. • Credit Targets • Covid-19 • 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. <p>KPI Matrix 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>Policies No policies were reviewed by the Committee during 2021/22</p> <p>Value for Money and Procurement Annual Report</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>Business Continuity Plan</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>Opinion</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>
Circulation	<p>Copy to the Auditors once approved by the Board of Management</p>
Conclusion	<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>

Inverness College

INTERNAL AUDIT PROGRESS REPORT 2022-23

January 2023



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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

EXECUTIVE SUMMARY

Introduction

The purpose of this report is to *advise* the Audit Committee of the progress of the Internal Audit Plan for 2022-23. This paper together with progress and assignment updates are discussed with management and the Audit Committee throughout the year. These reports will form the basis of information to support our Annual Internal Audit Report for 2022-23.

Internal Audit Plan 2022-23




Since the last Audit Committee meeting, the following internal audits have been completed:

- Financial Planning

Conclusion

The Audit Committee is asked to *note* this report.

WORK COMPLETED

Reports Issued	Overall Report Conclusions - see appendix I				
				Design	Operational Effectiveness
Financial Planning	0	0	2	Substantial	Substantial

PERFORMANCE AGAINST OPERATIONAL PLAN

Visit	Date of visit	Proposed Audit	Planned Days	Actual Days	Status
1	November 2022	Financial Planning	5	5	Completed
2	January 2023	Student Support	5	-	In progress
3		Complaints Management	5	-	Scheduled March 2023
4		Strategic Planning	6	-	
5		Curriculum Planning	5	-	
6		Follow Up	3	-	





AUDIT PERFORMANCE




AUDIT	COMPLETION OF FIELDWORK	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
Financial Planning	20 December 2022	6 January 2023	9 January 2023	10 January 2023

On average:

- All reports were issued in draft within 10 working days of completion of our fieldwork and a debrief meeting with management.
- Final reports were issued within 1 working day of final management responses being received.

APPENDIX I - DEFINITIONS

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.

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