

MINUTES of the HYBRID MEETING of the AUDIT COMMITTEE held via Microsoft Teams and Room 205 Inverness College Campus on Tuesday 08 March 2022

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

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

There were no declarations of interest noted.

1. MINUTES

Minutes of the Meeting of the Audit Committee held on 19 October 2021

Decision: The Minutes of the Meeting of the Audit Committee held on 19 October 2021 were **AGREED** as a correct record and were **APPROVED**.

2. OUTSTANDING ACTIONS

Committee Outstanding Actions:

- Internal Audit Procurement – the committee noted that this item would be discussed further within the agenda.
- Cyber Security Audit – the Principal advised that the login process has been reviewed and is now subject to dual authorisation. The Committee welcomed the increased security and our continued caution following the cyber incident and the cyber security audit.
Decision: It was **AGREED** that this item can be removed from the list.
- Corona Virus Job Retention Scheme Grant Audit – The Assistant Principal – Finance and Audit advised that a paper would be shared with the Joint Audit and Finance and General Purposes Committee on 17 March 2022 which will address the demands placed upon the Shared Finance Team. The Chair advised that this

report provides both Committees with the background to a number of elements which impacted upon the Shared Finance Team and that she was content that this issue had been explored satisfactorily.

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

- Finance Team Restructure - the Committee noted that a report on the Shared Finance Service was to be discussed at the HR Committee on 10 March 2022. The Principal provided the Committee with a verbal update on the restructure. The Committee noted that stage 1 and 2 had been completed but that stage 3 had stalled due to union concerns. The Committee was advised that following discussions with unions they are considering the proposed job descriptions.

The Assistant Principal – Academic and Research joined the meeting.

- Internal Audit – Follow Up Report – the Committee noted that this item would be discussed further within the agenda.

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

- Internal Audit – Value for Money – the Committee noted that this item would be discussed further within the agenda.

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

- Business Continuity – The Principal highlighted his concerns over the additional work which inclusion of case studies to the Business Continuity Plan would demand. The Committee agreed that this would not be required.

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

- Audit Committee Annual Report and Letter for EY - the Committee noted that this item would be discussed further within the agenda.

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

Outstanding Recommendations from External Audits:

1. NPD Model – The Assistant Principal – Finance & Audit advised the Committee that he had met with an NPD Specialist from EY but highlighted that he required time to look at this issue to enable him to fully understand it. As a result, the model for year 2020-21 will remain as is. The Committee noted that it is hoped that the review of the NPD model would be completed prior to work being conducted in respect of year 2021-22. The Committee noted the complexity of this review.

2. NFI Exercise – The Assistant Principal – Finance and Audit advised that the External Audit carried out by EY for the year 2020-21 has confirmed that we have made substantial progress with regards this. EY confirmed that they are happy for this recommendation to be removed from the list.

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

3. INTERNAL AUDIT

- a) EMA 2020-21 – October 2021

BDO advised the Committee 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 Principal advised that the first spot checks were conducted in November 2021 with further checks to be scheduled following this week's Education Scotland visit. The Committee noted that we are now fully compliant with this requirement. As such it was noted that this recommendation does not require to be included within the outstanding recommendations list.

- b) FES Return 2020-21 – October 2021
- c) Student Support Funds 2020-21 – October 2021

BDO advised that the FES Return and the Student Support Funds Return had found no recommendations.

BDO provided the Committee with an explanation over fees which span over 2 Academic Years.

- d) Updated Internal Audit – Annual Report 2020-21

The Committee noted that the Internal Audit Report 2020-21 had previously been discussed at the meeting held on 19 October 2021 and that it has been updated to include references to Value for Money on pages 3 and 8 of the report.

4. INTERNAL AUDIT – FOLLOW UP ON RECOMMENDATIONS

The Assistant Principal – Finance and Audit spoke to his report and the Committee discussed the following recommendations:

2018-19 Business Continuity Review

1. **Decision:** The Committee **AGREED** that this item could be removed from the list.
2. **Decision:** The Committee **AGREED** that this item could be removed from the list.

2018-19 Curriculum Planning

3. **Decision:** The Committee **AGREED** that this item could be removed from the list.

2019-20 Business Planning and Performance Management

4. **Decision:** The Committee **AGREED** that this item could be removed from the list.
5. **Decision:** The Committee **AGREED** that this item could be removed from the list.

2019-20 Cash Handling

Nos 6-9. The Assistant Principal – Finance and Audit advised that progress is being made with regards cash handling. The Committee noted that this had been a lower priority due to the lack of cash being received on Campus within Academic Year 2020-21. The Committee was advised that further measures will be implemented, and an update would be provided to the Committee at the next meeting.

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

2019-20 Health and Safety

Nos 10-11. The Committee noted that progress was being made with regards these recommendations.

Decision: It was **AGREED** that these items would be removed from the list.

2019-20 Estates Management

12. The Committee noted that plans for capital spends for this year were being agreed. It was reiterated to the Committee that delays with regards the allocation of spends is due to a third party managing the site. The Assistant Principal – Finance and Audit advised that a report on capital spend will be discussed at the Finance and General Purposes Committee Meeting being held on 17 March 2022 and that a draft Estates Plan is being agreed with GTFM. The Committee noted that this issue will continue to be monitored.

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

2020-21 Workforce Planning

Nos 13-16. The Committee noted that the Assistant Principal – Operations and External Relations is supporting the HR Team in respect of these recommendations. The Committee noted that since the Workforce Planning Audit was conducted a Talent Management Framework has been developed.

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

2020-21 Finance System Upgrade

Nos 17-20. The Assistant Principal advised that the Finance Team had been working hard to ensure that the finance systems were functioning following the cyber incident. The Assistant Principal – Finance and Audit advised the Committee that he took on board points within the recommendations but advised that currently we are not able to deliver on all of these recommendations. The Committee were provided with an update in respect of the Cintra Upgrade, the changes made following the cyber incident and potential training requirements. A discussion on the Tech 1 system also took place. Following discussion the committee felt that these items were not Finance Team issues (apart from item 18 which has been delivered by the Finance Team) but rather wider College Project Management issues. The Committee discussed Project Management and the processes and systems which we have in place to monitor projects. It was noted that rather than the Finance Team the EMT would deliver these recommendations.

Decision: It was **AGREED** that these items would be considered under a new heading “Systems” and that our follow up tracker will be updated to reflect that the EMT would deliver on these recommendations.

5. PROCUREMENT UPDATE ON SELECTION OF INTERNAL AUDITORS

The Assistant Principal – Finance and Audit spoke to his report and the Committee discussed the project milestones, the expected cost and quality split and estimated timelines.

Action: The Audit Chair will consult with members to agree membership of the procurement panel and then report back to the Assistant Principal – Finance and

Audit.

The Committee acknowledged the requirement to adhere to the timeline to ensure that the procurement exercise is conducted in a timely manner.

6. RISK MANAGEMENT

The Assistant Principal – Finance and Audit advised the Committee that the following risks had been increased:

- Risk 17 – this had been increased due to expected flat funding implications.
- Risk 18 – this has been increased due to the expected FE shortfall and SFC clawbacks.
- Risk 20 & 21 – these had been increased due to the expectation that we would not meet our credit targets.
- Risk 26 – this has been increased due to expected flat funding implications.
- Risk 35 – this has been increased due to the rising numbers of Covid-19 within the local community.

The Assistant Principal – Finance and Audit highlighted that risk 25 had been decreased due to the governance work being conducted by the Board of Management.

The Committee discussed the risk register and the matrix which is used. It was highlighted that we use both a matrix and a rag register system to quantify our risks.

Action: the Committee will be provided with an explanation of the matrix system.

Action: we will look at whether the register could be colour coded to reflect the rag rating system.

The Committee highlighted the risks associated with the conflict in Ukraine, the rise of cyber attacks and the rising costs of energy and resources and were advised that these risks were associated with our financial stability and had been considered. The Committee discussed the requirement for the risk register to have an outward perspective and the need to ensure that we capture this within it.

Action: It was noted that we would look at whether an additional category for global issues and how they are presented within the risk register is required.

7. DRAFT ANNUAL AUDIT COMMITTEE REPORT AND DRAFT LETTER TO EY PROVIDING AN UNDERSTANDING OF OUR OVERSIGHT AND MANAGEMENT PROCESSES AND ARRANGEMENTS

The Board Secretary advised that the Draft Annual Audit Committee Report had been updated to reflect the suggestion that the membership section includes the joining and leaving dates of members and that the report includes information on the restructuring of the Shared Finance Service, the roll out of new systems, reprioritisation of activities due to Covid-19 and issues which arose due to the cyber incident.

Action: It was noted that the annual audit committee report would be updated to provide clarification as to why there is a difference between the timeframe for the BDO audits and when they are discussed at Audit Committee. It was also noted that an amendment to the Audit Chair's joining date was required.

The Board Secretary advised that the letter to EY had been updated to provide them

with additional information with regards our oversight and management processes and arrangements with regards to fraud or error. The Assistant Principal – Finance and Audit provided the Committee with an update to the narrative within the letter.

Decision: Pending the above amendments to the Annual Audit Committee Report it was **AGREED** that this could be put forward to the Joint Audit and Finance and General Purposes Committee for recommendation for final approval by the Board of Management.

Decision: It was **AGREED** that the Audit Chair could sign the letter to EY.

8. AOCB

The Committee gave their thanks to the Assistant Principal – Finance and Audit and the Shared Finance Team for all their work.

9. DATE OF NEXT MEETING – 07 June 2022

Signed by the Chair:

Gillian Galloway

Date:

07.06.22