

Board of Management

MINUTES of the JOINT MEETING of the AUDIT & FINANCE AND GENERAL PURPOSES COMMITTEES held via Microsoft Teams on Thursday 17 March 2022

- PRESENT:** Sally Blyth, Kelly MacKenzie, Chris O'Neil, Donald MacKenzie, Innis Montgomery, Gillian Galloway, James Millar, Amy Goodbrand
- CHAIR:** Donald MacKenzie and Gillian Galloway
- ATTENDING:** Chair of Board of Management
Assistant Principal – Finance and Audit
Assistant Principal – Operations and External Relations
Assistant Principal – Academic and Research
Shared Service Finance Manager
Operations and Commercial Manager
Stephen Reid, Ernst & Young
Olga Potapova, Ernst & Young
Chloe Main, BDO
Board Secretary
- OBSERVER:** Michael Beveridge
Rojan Kumar Subramani
- APOLOGIES:** Samantha Cribb, Russell Edwards, Tina Stones, Ruth McFadyen, Arvinder Kainth and Claire Robertson, BDO

The Chair of the F&GP Committee communicated to the Joint Committee that he would chair item one of the agenda with the Chair of the Audit Committee Chairing the remainder.

There were no declarations of interest noted.

1. DRAFT AUDITED ACCOUNTS AND ANNUAL AUDIT REPORT 2020/21

a) Covering Report by Assistant Principal – Finance and Audit

The Assistant Principal – Finance and Audit spoke to his report highlighting that we had received additional monies in respect of Covid-19, had out delivered in respect of the MicroRam, had benefited from work carried out in respect of debt control and that the Financial Recovery Plan had ensured the necessary savings that were required.

The Assistant Principal – Finance and Audit advised that some further work with regards reconciliation, the adjusted operating position and deferred grant release is still required.

Rojan Kumar Subramani joined the meeting.

The Assistant Principal spoke to the Balance Sheet and provided an explanation on the long-term liabilities in respect of pension funds.

The Joint Committee was advised that we had met with specialists in respect of NPD and that this remains a complex issue which the Assistant Principal – Finance and Audit will review in due course.

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

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

- gave a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council (SFC) of the state of the affairs of the College and Group as at 31 July 2021.
- 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).

Stephen Reid gave his thanks to the Shared Finance Team for their work in ensuring that documentation was provided to them in a timely fashion.

It was highlighted to the Joint Committee that Ernst and Young's testing had not identified any material misstatements relating to revenue and expenditure and that having assessed the treatment of Covid-19 income related streams they concur with management's accounting treatment for these new streams.

The Joint Committee was provided with an update on the key focus for the upcoming years with pensions, value of property, plant and equipment, the sale of the Longman Site and NPD being highlighted to them.

The Joint Committee was advised that Ernst and Young were content that the College remains a going concern and that we have made the appropriate required disclosures within the financial statements.

The Joint Committee noted that in respect of wider scope and best value we had been scored as follows:

- Financial Sustainability – Amber
- Governance and Transparency – Amber
- Financial Management – Green

c) Letter of Representations

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

d) Annual Report and Accounts for the Year Ended 31 July 2021

The Assistant Principal – Finance and Audit spoke to the Annual Report and Accounts for the Year Ended 31 July 2021 providing the Joint Committee with the background to capital budget spends, SFC monitoring and SFC draw downs.

e) End of Year Return to SFC

The Assistant Principal – Finance and Audit gave his thanks to the Shared Finance Manager and the Shared Finance Team for their work over the past year and provided the Joint Committee with an update in respect of staff budgets, the impact of the cyber incident and the impact of the installation of the new payroll system

The Joint Committee gave their thanks to the Shared Finance Team for all their work in respect of both the Annual Report and Accounts and the External Audit.

Decision: The Joint Committee **NOTED** the contents of the Annual Report and Accounts for the year ended 31 July 2021, the draft Annual Audit Report by Ernst and Young and the letter of representation and **RECOMMENDED** all be taken to the Board of Management for approval at their meeting being held on 31 March 2022.

2. MEETING WITH EXTERNAL AUDITORS

The Board Secretary advised that Audit Committee Members had met privately with a representative from Ernst and Young on 08 March 2022 to ensure compliance with the Code of Good Governance and the Audit Committee Terms of Reference. The Joint Committee noted that this private meeting provided the External Auditor with an opportunity to deliver candid and confidential feedback about our performance and highlight any areas for development.

The Joint Committee noted that Ernst and Young provided positive comments with regards the audit, the attitudes of the Shared Finance Team and the relationship between the team and the auditors.

The Joint Committee welcomed this feedback.

3. ANNUAL AUDIT COMMITTEE REPORT

The Board Secretary advised the Joint Committee that the Annual Audit Report had been reviewed by the Audit Committee during the meetings held on 19 October 2021 and 08 March 2022 and that the comments and feedback provided as part of these discussions had been incorporated into the report.

Decision: The Joint Committee **RECOMMENDED** that this report be taken for approval at the Board of Management Meeting being held on 31 March 2022.

4. UPDATE ON SHARED FINANCE SERVICE

The Assistant Principal – Finance and Audit spoke to his report which provided the Joint Committee with an overview of the operating issues which had impacted the Shared Finance Service.

The Joint Committee was provided with a background to the creation of the Shared Finance Service.

The Assistant Principal – Finance and Audit provided the Joint Committee with an overview of his top end priorities in respect of:

- Ensuring the improvement of the top-level presentation of financial information provided to both the F&GP Committee and the Board of Management.
- Implementation of a new reporting system to ensure that the above can be carried out expeditiously.
- Review of the budget process so that this now includes budget holders.
- Ensuring the Year End Statutory Accounts are completed on time.

The Joint Committee noted the front-line work and systems which have been put in place by the Shared Finance Manager and were advised of their main priorities and workload.

The Joint Committee was provided with an update on the Shared Finance Team Restructure and the reasons behind the delay in progressing with this, the impact of the cyber incident and the payroll system update.

The Assistant Principal – Finance and Audit and the Shared Finance Manager spoke to the issues which have arisen from the Internal Auditors Outstanding Recommendations and acknowledged that whilst the Policies and Procedures required review these could not be carried out until the Finance Restructure has recommenced.

The Joint Committee acknowledged the problems which had been identified and commended the enormous amount of work which both the Assistant Principal – Finance and Audit and the Shared Finance Manager had put into the team to improve the effectiveness and efficiency of the Shared Finance Function especially in light of both the pandemic and the cyber incident.

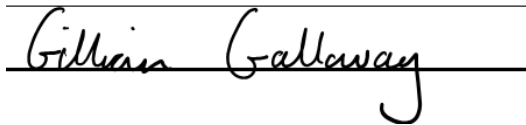
The Committee welcomed the restructure of the Team and noted the reasons for the delay in this being completed.

The Chair of the Board of Management reassured the Assistant Principal – Finance and Audit and the Shared Finance Manager that they had the confidence of the Board of Management highlighting that the Board and its Committees were there to provide the teams with an assurance and that any issues raised is not a criticism.

Stephen Reid reiterated the considerable progress which has been made in terms of External Audit.

The Joint Committee welcomed the simplification of the Finance Team and finance systems.

Signed by the Chair:

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

Date:

07.06.22