

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.

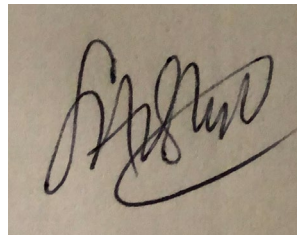
Claire Robertson, BDO left the meeting.

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 Vice Chair:

A photograph of a handwritten signature in black ink on a light-colored surface. The signature is cursive and appears to be 'A. J. ...'.

Date: 24 January 2023