



### **Board of Management**

Meeting	Audit Committee
Date and time	Tuesday 08 March 2022 at 8.30 a.m.
Location	Hybrid Meeting: In Person – Room 205, Inverness Campus Virtually – via Microsoft Teams

Board Secretary 01 March 2022

### AGENDA

Welcome and Apologies Declaration of Interests

### **ITEMS FOR DECISION**

### 1. MINUTES

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

### 2. a. OUTSTANDING ACTIONS b. RECOMMENDATIONS LIST – EXTERNAL AUDIT

### 3. INTERNAL AUDIT

- a) EMA 2020-21 October 2021
- b) FES Return 2020-21 October 2021
- c) Student Support Funds 2020-21 October 2021
- d) Updated Internal Audit Annual Report 2020-21

### **ITEMS FOR DISCUSSION**

- 4. INTERNAL AUDIT FOLLOW UP ON RECOMMENDATIONS Report by Assistant Principal – Finance and Audit
- 5. **PROCUREMENT UPDATE ON SELECTION OF INTERNAL AUDITORS** Report by Assistant Principal – Finance and Audit
- 6. **RISK MANAGEMENT** Report by Assistant Principal – Finance and Audit
- 7. DRAFT ANNUAL AUDIT COMMITTEE REPORT AND DRAFT LETTER TO E&Y PROVIDING AN UNDERSTANDING OF OUR OVERSIGHT AND MANAGEMENT PROCESSES AND ARRANGEMENTS

Joint Report by Board Secretary and Assistant Principal – Finance and Audit

### **ITEMS FOR NOTING**

### 8. AOCB

### 9. DATE OF NEXT MEETING – 07 June 2022

### A closed session with External Auditors will take place directly after this meeting.

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



# MINUTES of the MEETING of the AUDIT COMMITTEE held via Microsoft Teams on Tuesday 19 October 2021

PRESENT:	Sally Blyth, Gillian Galloway, Amy Goodbrand, Samantha Cribb,
	Chris O'Neil
CHAIR:	Gillian Galloway
APOLOGIES:	Innis Montgomery, Tina Stones, Information Systems Manager,
	Olga Potapova EY, External Auditors, Stephen Reid, EY,
	External Auditors, Assistant Principal – Academic & Research
ATTENDING:	Assistant Principal – Finance & Audit
	Claire Robertson, BDOLLP, Internal Auditors
	Board Secretary

The Chair welcomed everyone to the meeting and advised that Tina Stones would be joining the Committee on an interim basis.

The Chair reiterated to Committee Members that the role of Vice-Chair for the Committee remains vacant and requested that any member interested in this position should liaise with herself or the Board Secretary.

There were no declarations of interest noted.

### 1. MINUTES

### Minutes of the Meeting of the Audit Committee held on 01 June 2021

**Decision:** The Minutes of the Meeting of the Audit Committee held on 01 June 2021 were **AGREED** as a correct record and were **APPROVED**.

### 2. OUTSTANDING ACTIONS

### **Committee Outstanding Actions:**

- Internal Audit Cyber Audit 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 Procurement the Committee noted that procurement for Internal Auditors was progressing and that a decision on who would represent the Committee on the procurement panel is not required until March 2022.
- Business Continuity 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.
- Committee Evaluations 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 Internal Audits:

The Committee discussed the reasoning behind having the outstanding recommendations from the Internal Audits on a separate list.

**Decision:** Following discussion it was **AGREED** that only the outstanding recommendations highlighted within the recent follow up report would be reviewed at future meetings to avoid duplication.

### **Outstanding Recommendations from External Audits:**

1. NPD Model – The Assistant Principal – Finance & Audit advised the Committee that he had met with a NPD Specialist from E&Y. The Finance Team have completed this work and it is in the process of being reviewed by the External Auditors.

**Decision:** It was **AGREED** that this item would remain on the outstanding recommendations list.

3. Financial Forecasting Arrangements. **Decision:** It was **AGREED** that this item would be removed from the outstanding recommendations list.

### Amy Goodbrand joined the meeting.

- 4. Joint Finance Team. **Decision:** It was **AGREED** that this item would be removed from the outstanding recommendations list.
- NFI Exercise The Assistant Principal Finance & Audit advised the Committee that information had been sent however we are awaiting feedback on whether any further information will be requested.
   Decision: It was AGREED that this item would remain on the outstanding recommendations list.
- 6. Review of Code of Good Governance. The Committee noted that reviews of the Code of Good Governance were carried out in January and June 2021. Feedback from these reviews have been discussed by the Board of Management and additional items have been added to the Board Action Plan. Decision: It was AGREED that this item would be removed from the outstanding recommendations list.
- 7. External Effectiveness Review The Committee noted that the External Effectiveness Review has been completed and a Board Action Plan is now in place.

**Decision:** It was **AGREED** that this item would be removed from the outstanding recommendations list.

### 3. TERMS OF REFERENCE

The Board Secretary advised that the Audit Committee Terms of Reference were reviewed during the recent Committee Review Meetings and highlighted to the Committee the amendments which have been suggested.

The Committee discussed the proposed changes noting that where items had been removed from the Committee's remit this was because they formed part of the remit of another committee. **Decision:** The Committee **RECOMMENDED** the updated Terms of Reference be taken to the Board of Management for final approval.

### 4. INTERNAL AUDIT

### a.) Cyber Security Audit

BDO advised the Committee that the Cyber Security Audit had begun prior to the cyber incident at the start of the year and was finalised following the incident and that the audit had highlighted 4 medium risks and 2 low risks.

The Committee noted that the report specified that an account is locked for a period of time following 30 failed log on 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 being logged out and that a high level such as this was generally acceptable within the College environment.

**Action:** The Principal advised that he would find out the rationale behind staff and students being given 30 failed attempts and would feedback 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. It 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.

### b.) Coronavirus Job Retention Scheme Grant Audit

BDO advised the Committee 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 Director of Finance and Audit provided the Committee with the background to these forms being completed and submitted and highlighted that 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 appropriate staff members.

The Committee whilst mindful of the exceptional circumstances surrounding Covid-19 and the additional pressures this has placed on staff felt that this audit has exposed additional risks and that we need to consider how confident we are with regards the information coming from our finance systems.

The Director of Finance and Audit confirmed 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 was advised that work is continuing to align the Finance and HR Team systems and processes.

**Action:** The Committee advised that they would like to 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.

**Action:** The committee requested that the Principal in conjunction with the HR Dept prioritise the finance department re-structuring and training.

### c.) Follow-up Report

BDO provided the committee with a status of the recommendations due for implementation as at October 2021 advising:

- That 13 recommendations have been fully implemented
- That 8 recommendations have been partially implemented
- That 12 recommendations have not be implemented
- That 7 recommendations have been superseded.
- That 8 recommendations are not yet due for implementation.

The Committee discussed the priorities within this list and acknowledged the difficulties in being able to plan for all eventualities with regards business continuity.

A further lengthy discussion surrounding the financial recommendations took place with the Assistant Principal – Finance and Audit reiterating the steps which are being taken to upgrade the current systems. The Committee was advised that the Finance Team did not currently require additional team members.

The Committee discussed the importance of succession planning within all teams as well as the expected timeframe for the merger between Lews Castle, North Highland College and West Highland College.

Further discussions highlighted our KPI Matrix which has now been presented to the Partnership Council and the potential for a shared Health and Safety service.

**Action:** The Assistant Principal – Finance and Audit will prepare a report for the next meeting providing both a background and a summary of what we are doing with regards the recommendations.

### d.) Annual Report

BDO spoke to their annual report advising the Committee that 5 reviews had been carried out which resulted in 20 recommendations. 1 High Level Risk, 12 Medium Level Risks and 7 Low Level Risks.

BDO advised that in their view (based on the reviews undertaken and in the context of materiality) in 3 out of the 5 audits performed that the controls in place were found to be suitably designed to achieve the specific risk management, control and governance and that these 3 areas were operating with sufficient effectiveness to provide reasonable but not absolute assurance that the risk management, control and governance was being achieved.

However BDO advised that in respect of the cyber security and the corona virus job retention scheme, as previously discussed, further work was required to ensure robust processes and as such they were not able to provide reasonable assurance and instead could only offer a limited level of assurance.

The Committee discussed the implementation rate which was felt lower than average however the Committee did acknowledge the impact of the cyber incident on teams ability to undertake the recommendations.

**Action:** The Chair of the Audit Committee requested that BDO include a statement on value for money within the annual report and to ensure the report reflects the Internal Audit activities of IC as required by UHI (refer to the Financial Memorandum) and SFC.

### 5. RISK MANAGEMENT

The Principal provided the Committee with a confidential update with regards the risks and ongoing concerns with regards the Halls of Residence.

Amy Goodbrand left the meeting.

### 6. BUSINESS CONTINUITY DISCUSSION

The Principal advised and shared with the Committee the live and evolving document which is now available on SharePoint which provides up-to-date guidance for individuals and expected actions with regards business continuity.

The Committee was advised that the SharePoint document includes a recovery section which is being enhanced to include the responsibilities of appropriate individuals within the College.

The Committee was advised that this document as well as the KPI Matrix has provided us with a complex structure to ensure that communication is in place and that any areas of weakness are identified.

The Committee welcomed this piece of work and gave thanks to those involved in producing this.

**Action:** The Committee suggested inclusion of case studies within the Business Continuity document.

## 7. DRAFT ANNUAL AUDIT COMMITTEE REPORT AND LETTER OF REPRESENTATIONS

The Board Secretary spoke to the draft annual audit committee report which highlights the membership of the Audit Committee, attendance and the key reports which were brought to the Committee over the past year as well as the work carried out by our Internal Auditors BDO for the year 2020/21 and our External Auditors, E&Y for the Audit of the 2019/20 financial statements.

Amy Goodbrand joined the meeting.

**Action:** The Committee suggested that the membership section of the report be updated to include the joining and leaving date of each member.

Action: The Committee have asked that the annual audit committee report contains a paragraph that describes the re-structuring within the finance department, the roll out of new systems and ongoing training, the re-prioritisation of activities as a result of the pandemic and the issues that arose as a result of the cyber incident.

The Assistant Principal – Finance and Audit provided the Committee with a background to the narrative within the letter of representations.

**Action:** The Committee suggested that the narrative within the letter of representations be revised to reflect the proportional response to fraud or error; especially in light of the recommendations from the Corona Virus Job Retention Scheme Grant Audit.

The Committee noted that the updated versions of the documents will be brought to the Joint Audit and F&GP Committee Meeting in January 2022 for further discussion and approval for recommendation to the Board of Management.

### 8. FEEDBACK FROM COMMITTEE EVALUATION

The Board Secretary spoke to her report advising that the Committee Evaluation had been carried out offline in August with 3 members of the Committee providing feedback.

The Committee noted this feedback highlighted the requirement for additional members to the Committee particularly those with a financial or accountancy background. The Committee was advised that a recruitment campaign for additional Board Members is taking place.

The Committee also noted the need for additional training and the Board Secretary confirmed that she was liaising with OnBoard training over both governance and audit training for all members of the Board.

### 9. DATE OF NEXT MEETING – 20 January 2022

Signed by the Chair:		
Date:		

### Item 02a.

Item	Action	Responsibility	Time Line	ACTIONED
01 June 2021				
Internal Audit Procurement	Further discussions to take place to decide who will represent the committee on the procurement panel.		March 22	
19 October 2021				
Cyber Security Audit	The Principal advised that he would find out the rationale behind staff and students being given 30 failed attempts to log into their account before being logged out for a period of time and feedback to the next meeting.	Principal	January 22	
Corona Virus Job Retention Scheme Grant Audit	The Committee advised that they would like to see responses and updates with regards this audit recommendations to enable them to track the actions being taken.	AP – F&A	January 22	
Corona Virus Job Retention Scheme Grant Audit	The committee requested that the Principal in conjunction with the HR Dept prioritise the finance department re-structuring and training.	Principal	Ongoing	
Internal Audit – Follow Up Report	A report will be brought to the next meeting providing the Committee with both a background and a summary of what we are doing with regards the recommendations	AP – F&A	January 22	

### **Outstanding Actions from Audit Committee Meetings**

## Item 02a.

Internal Audit – Annual Report	It was requested that BDO include a statement on value for money within the annual report to ensure the report reflects the Internal Audit activities of IC as required by UHI (refer to the Financial Memorandum) and SFC.		January 22
Business Continuity	The Committee suggested the inclusion of case studies within the Business Continuity Document.	EMT	January 22
Audit Committee Annual Report	The Committee suggested that the membership section of the annual report be updated to include the joining and leaving date of each member. The Committee have asked that the annual audit committee report contains a paragraph that describes the re-structuring within the finance department, the roll out of new systems and ongoing training, the re-prioritisation of activities as a result of the pandemic and the issues that arose as a result of the cyber incident.		January 22
Letter of Representations	The Committee suggested that the narrative within the letter of representations be revised to reflect the proportional response to fraud or error.		January 22

## Item 02b



### Audit Committee – Audit Recommendations List

### **Recommendations from the External Audit**

No	EY Finding for the period ended 31 July 2020	Recommendation	IC Response	Responsible Officer	Timeframe	Update on Actions
1	From 2016/17 we have recommended to management that it review the model and accounting treatment to ensure it continues to meet the requirements of FRS 102. This was specifically in respect of whether the model should contain contingent rent. This process has yet to be fully implemented.	Management should ensure that its review of the NPD model and accounting treatment is completed as quickly as practically possible at this stage. Grade 2	Discussed with E & Y and agreed that some progress is needed on reviewing the agreement and E & Y's recommendations	Assistant Principal – Finance & Audit	31 August 2021	The Finance Team have finalised this recommendation. It is now in the process of being reviewed. To remain on the outstanding recommendations list.
5	Progress has been made, however there is still work outstanding for the College finance team to progress actions in respect of involvement in the NFI exercise.	Management should ensure the College finance team is able to comply with relevant timetables and good practice in respect of NFI requirements going forward. Grade 2	Staff cost data and purchase (supplier) data was sent. Matching needs progress including other departments	Finance Manager and HR staff assisting with managers	Ongoing	The Committee noted that the Assistant Principal – Finance & Audit would revisit this matter in the near future. Update – Assistant Principal – Finance and Audit will liaise with Finance Manager over timescales.

Item 03a.



## **INVERNESS COLLEGE** MANAGEMENT LETTER FINAL

EMA 2020-21 OCTOBER 2021



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DISTRIBUTION	
Roddy Ferrier Georgie Parker Jane Maclennan Audit Committee	Director of Finance Assistant Principal - Operations and External Relations Information System Manager Members
REPORT STATUS LIST	
Auditors:	Sean Morrison
Dates work performed:	06 September - 24 September 2021
Draft report issued:	28 September 2021
Final report issued:	12 October 2021



### BACKGROUND:

A review of the College's student data returns has been carried out in accordance with the Scottish Funding Council EMA audit guidance issued on 15 July 2021.

Our report is based on information supplied by College management and staff, and the audit approach outlined below.

AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering the following:

- Procedures and controls in place to capture data; and
- High level review and involvement by College management.

The purpose of the review was to examine the sub-systems used by the College in relation to the management of EMA funds in the context of the SFC audit guidance.

The assessment of the control environment as outlined above was used to determine specific tests and sample sizes.

Our fieldwork, which took 3 days to complete, was undertaken by a fully qualified auditor, and was reviewed by the Director responsible for the assignment. All personnel have previous experience of internal audit of FE Colleges.

Our samples were selected from data from the student records system, SITS.

### TESTING SUMMARY:

A summary of the specific tests, together with our (randomly selected) sample sizes is detailed below:

- A sample of 15 students from the population of 99 students was selected.
- We traced each of our sample of students to a completed enrolment form confirming eligibility and the existence of a valid audit trail.
- We re-assessed the applications to ensure they received the correct rate of EMA, and had all relevant documentation in place, such as completed learner agreements.
- We assessed whether student attendance has been monitored effectively for each of the sample.
- We traced the total income received from the SFC to the College's bank account and the monthly remittance advice slips received from the SFC to ensure claims had been correctly recorded.
- We reviewed the College's EMA reconciliation to confirm its accuracy.
- We reviewed the College's spot check workings to assess whether they had spot checked at least 5% of total students.

#### CONCLUSION:

The College's systems and procedures were found to be sufficiently adequate to promote the accurate collection and recording of data in respect of the EMA payments.

#### ACKNOWLEDGEMENT:

We wish to thank the College staff for their co-operation and assistance throughout this review.

DETAILED FINDINGS				
SPOT CHEC	CKS			
Ref	Sig.	Finding		
1		The Scottish Funding Council requires that College's spot check 5% of claims throughout the year.		
		The College did not undertake spot checks in 2020/21, due to staff adapting to remote working and the prioritisation of recovering from a cyber-incident. We note that spot checks were also not conducted in 2019/20 due to the impact of the Coronavirus pandemic, however it should be recognised that In prior years spot checks were undertaken.		
		There is a risk the College is not complying with SFC requirements		
RECOMMENDATION:				

We recommend spot checks are completed throughout the year.

MANAGEMENT RESPONSE:

Due to a number of both internal and external factors including a staffing restructure, the readjustment of working conditions and prioritisation of work following the UHI wide cyber-incident Spot Checks were not undertaken in 2020/21.

In line with the SFC guidance responsibility for this task has been reassigned to the Quality team to ensure that it is carried out by staff who are independent of student support administration. Spot checks will be undertaken three times per year (November, February and June) and reported by the Quality Manager to the Assistant Principal - Student Experience and Quality.

Responsible Lindsay Snodgrass, Assistant Principal - Student Experience and Quality Officer:

Implementation November 2021 Date:

APPENDIX I - DEFINITIONS						
LEVEL OF	DESIGN OF INTERNAL CO	NTROL FRAMEWORK	OPERATIONAL EFFECTIVENESS OF CONTROLS			
ASSURANCE	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.		

RECOMME	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.				

## Item 03a.

#### FOR MORE INFORMATION:

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Item 03b.



## **INVERNESS COLLEGE** MANAGEMENT LETTER FINAL

FES RETURN AUDIT 2020-21 OCTOBER 2021



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DISTRIBUTION		
Roddy Ferrier Georgie Parker Jane Maclennan Audit Committee	Director of Finance Assistant Principal - Operations and External Relations Information System Manager Members	
REPORT STATUS LIST		
Auditors:	Sean Morrison	
Dates work performed:	06 September - 24 September 2021	
Draft report issued:	28 September 2021	
Final report issued:	06 October 2021	



### BACKGROUND:

A review of the College's FES (further education statistical) data return has been carried out in accordance with the 'Credit Guidance: 2020-21 student activity data guidance for colleges' (SFC/GD/17/2020) issued in August 2020 and the audit guidance for colleges (SFC/GD/17/2021) issued on 02 August 2021.

Our report is based on information supplied by college management and staff and the audit approach outlined below.

AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering whether:

- The student data returns have been compiled in accordance with all relevant guidance;
- Adequate procedures are in place to ensure the accurate collection and recording of the data; and
- The FES return contains no material misstatement.

The purpose of the review was to examine the adequacy of the sub-systems used by the College in relation to the Credit Guidance, the audit guidance and associated guidance to complete the student data returns.

The assessment of the control environment as outlined above was used to determine specific tests and sample sizes.

Our review also sought to address all the risk areas outlined in Annex D of the audit guidance issued on 02 August 2021.

Our fieldwork, which took 5 days to complete, was undertaken by a fully qualified auditor, and was reviewed by the Director responsible for the assignment. All personnel have previous experience of delivering internal audit assignments to FE Colleges.

Our test samples were selected from full population data sets and were representative of the area under review e.g. sampling across all key modes of attendance.

### TESTING SUMMARY:

A summary of the specific tests, together with sample sizes (which were randomly selected), is described below:

- For all of the tests noted below involving students, we confirmed that the student had in fact attended after the 25% required date.
- A sample of 15 courses, totalling 1,425 credits (roughly 6% of total), was randomly selected. The programme codes, the price group numbers, the number of eligible students and the number of students enrolled on class registers were checked to supporting documentation for reasonableness and accuracy. We also recalculated the individual Credits for each of the 15 courses and assessed whether the 25% required date was accurate.
- We traced our sample of students on each test to an online enrolment form or paper based form where required (or student summary record) to confirm the credits figure was for a bona fide student of the College.
- Throughout our tests we confirmed that a mechanism was in place to track and record student participation and progress for the respective courses. We also confirmed credits had been correctly calculated for these courses and that a student summary record was in place for all sampled students. We also ensured that the attendance for each student surpassed the required date of the course.
- We reviewed a sample of 15 withdrawn students (who had withdrawn within two weeks of the required date) to confirm that, for each student, their withdrawal was processed correctly and in a timely manner and that the date of last attendance agreed to the class register, and was before or after the required date.
- We reviewed the process in place for Programme design within the College to ensure that controls were operating to correctly classify courses as HE or FE and FT or PT. We also reviewed a sample of 15 courses to ensure that the correct superclass code had been used for each course, for one of the courses sampled we determined that a more appropriate superclass code could be used, we note that this was the same price group as the current code, further details in the observations section below.
- We reviewed a sample of 15 Price Group 5 students and assessed whether the students were eligible to be classed as Price Group 5 students and on eligible courses, and assessed whether students attended beyond the required date.
- We confirmed with management that the College do not have spanning courses within their course catalogue.
- We reviewed a sample of 5 infill students to confirm that credits were only claimed for students that had attended past the required date, who were properly enrolled and who were eligible to claim credits under infill.
- We reviewed a sample of 5 non-accredited work experience/placement students to confirm that credits for these units were claimed in line with the guidance of one credit for every 80 hours of teaching.
- We reviewed a sample of 20 students to ensure that a College fee waiver form was completed and authorised and appropriately backed up by supporting documentation. We also assessed whether a student summary record and evidence of attendance existed (past the required date) and that students were enrolled on eligible courses. We also tested the credits data to confirm that only one full-time fee is recorded per student in the academic year.
- For a sample of 10 students with more than one enrolment (e.g. enrolled on a FT and PT course) we obtained explanations and reviewed records to confirm that credits were not over-claimed.
- We reviewed a sample of 10 ESOL courses to confirm that the credits claimed were accurate. We then selected 10 students from the courses to assess whether the students were properly enrolled in the College and attended past the required date.

- We reviewed a sample of 15 students on school based programmes to assess whether credits claimed were accurate.
- We confirmed with management that the college no longer run any courses in collaboration with other institutions.
- We tested a sample of 10 open distance learning courses, and confirmed that the correct credits were claimed for each student, that the progress of the students was sufficient and that students were resident in Scotland.
- We tested a sample of 15 courses, and confirmed that the required date for each course was correct.

### ANALYTICAL REVIEW:

A brief summary of the analytical review work undertaken is as follows:

- We compared the student numbers per mode of attendance with the prior year, investigating any significant fluctuations with College staff; and
- We obtained the fee waiver figures per category of fee waiver and compared these with the previous year's figures, investigating any significant fluctuations with College staff.

The final 2020/21 FES return submitted to SFC by the College matched the figures we reviewed. The Colleges core activity credit target set by the Regional Board was 29,439 credits. Total actual credits within the Colleges FES return are 23,932 which is 18.8% below the total target. These figures have been accepted by the SFC.

Student Numbers	2020/21	2019/20
Head Count		
FEFT	941	1,122
FEPT	1,902	2,260
Total	2,843	3,382

Fundable student numbers have decreased by roughly 16% in comparison with last year. The decrease is largely due to the Covid-19 restrictions, which prevented the college from enrolling planned activity as a result of the imposed restrictions.

All Student Enrolments		
Student Numbers      2020/21      2019/20		
Enrolments		
FEFT	1,044	1,218
FEPT	2,611	3,260
Total	3,655	4,478

There has been a decrease of roughly 18.4% in the number of student enrolments during the year.

Fee Waiver Summary:

Fee waiver Summary:		
Source of Finance of Fee for Student	2020/21 (£)	2019/20 (£)
22 - Fee Waiver - full-time non-advanced	856,800	948,528
23 - Fee Waiver - income support	0.00	1,173.12
24 - Fee Waiver - low income	2,079.60	225.60
25 - Fee Waiver - Islands Authority Fee Waiver (excl. Orkney and Shetland)	225.60	0.00
26 - Fee Waiver - cost borne by college	12,165.48	15,925.80
28 - Fee Waiver - Incapacity Benefit	0.00	0.00
29 - Fee Waiver - Severe Disablement Allowance	0.00	0.00
30 - Fee Waiver - housing benefit	0.00	0.00
33 - Fee waiver - student on a DPG 18 programme	41,052.48	49,618.08
37 - Fee Waiver - carers allowance	0.00	0.00
38 - Fee Waiver - disability living allowance	451.20	225.60
39 - Fee waiver - pension credit	0.00	0.00
40 - Fee Waiver - working tax credit	0.00	1,438.20
41 - Fee waiver - old FT criteria	22,926.60	47,996.40
42 - Fee waiver - school pupil	73,015.44	103,553.20
43 - Fee waiver - attendance allowance	0.00	0.00
44 - Fee waiver - income based job seekers allowance	0.00	648.60
47 - Fee waiver - income-related employment and support allowance	958.80	56.40
48 - Fee Waiver - student in care	1,015.20	0.00
49 - Fee Waiver - Asylum seeker or spouse or child of an asylum seeker	338.40	0.00
50 - Fee Waiver - contribution based employment and support allowance	0.00	0.00
52 - Fee Waiver - Personal Independence Payment (PIP)	1,692	1,057.50
53 - Fee Waiver - Universal credit (UC)	5,583.60	7,535.04
55 - Fee Waiver - COVID	48,404	0.00
Total - including cost borne by college	1,066,708	1,177,982
Total overclaim for individual students	12,266	27,524.88
Total - excluding cost borne by college	1,006,139	1,162,056
Total - excluding cost borne by college and overclaims	993,873.12	1,134,531

There has been an overall decrease in fee waiver (excluding cost borne by college and over claims) of roughly 12.4%.

There has been an increase of 100% (£225.60) in fee waivers for disability living allowance students. Fee waiver as a result of COVID has been introduced to accommodate students whose courses were impacted by COVID, for example where units were required to be completed in the 2020/21 academic year but started in 2019/20.

There was a decrease in fee waiver claims for other categories such as 'cost borne by college' (24%, £3,760.32) and 'universal credit' (35%, £1,951.44).

Categories fluctuate as a result of the type of student enrolled at the College and, as such, it is not unreasonable for the totals within the individual categories to vary from year to year.

### CONCLUSION:

The College's systems and procedures were found to be sufficiently adequate to promote the accurate collection and recording of data in respect of the credits return.

#### ACKNOWLEDGEMENT:

We wish to thank the College staff for their co-operation and assistance throughout this review, which was much appreciated.

### **OBSERVATIONS**

#### FEE WAIVER CODES

Our audit found that for five of the twenty fee waiver student's tests, the students had been assigned the wrong fee waiver code. These were identified by management and the correct code was applied to the student. Discussions have been held internally to ensure that the correct code is applied to all students going forward. We note that this was highlighted in the 2019/20 audit, however prior to COVID and its impact there was no issues identified in out prior year reviews.

	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
LEVEL OF ASSURANCE	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.

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.	

## Item 03b.

#### FOR MORE INFORMATION:

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+44 (0)7583 237 579 claire.robertson@bdo.co.uk BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

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Item 03c



## **INVERNESS COLLEGE** MANAGEMENT LETTER FINAL

STUDENT SUPPORT FUND AUDIT 2020-21 OCTOBER 2021



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DISTRIBUTION	
Roddy Ferrier Georgie Parker Jane Maclennan Audit Committee	Director of Finance Assistant Principal - Operations and External Relations Information System Manager Members
REPORT STATUS LIST	
Auditors:	Sean Morrison
Dates work performed:	06 September - 24 September 2021
Draft report issued:	28 September 2021
Final report issued:	06 October 2021



### BACKGROUND:

A review of the College's student data returns has been carried out in accordance with the 'Student Support Fund' Audit Guidance Notes for 2020-21 issued on 03 August 2021.

Our report is based on information supplied by College management and staff, and the audit approach outlined below.

#### AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering the following:

- Procedures and controls in place to capture data; and
- High level review and involvement by College management.

The purpose of the review was to examine the system used by the College in relation to the student support fund, in the context of the national policy for further education bursaries, and with consideration of the audit guidance, to examine the processes used to administer student support funds and to complete the aggregated return.

The assessment of the control environment as outlined above was used to determine specific tests and sample sizes.

Our fieldwork, which took 3 days to complete, was undertaken by a fully qualified auditor, and was reviewed by the Director responsible for the assignment. All personnel have previous experience of internal audit of FE Colleges.

Our samples were randomly selected from data from the student records system, SITS.

### TESTING SUMMARY:

A summary of the specific tests, together with our (randomly selected) sample sizes is detailed below:

- A sample of 20 students, from a population of 614 eligible bursary students was selected, this included care experienced students.
- We traced each of our sample of students to an online application (or paper form where required) confirming the eligibility criteria were checked and evidence retained, and reviewed the backup documentation supporting each of the applications, including confirmation that the applicant's income status is reviewed before awarding a bursary.
- We confirmed that student attendance is monitored effectively for the sample, and confirmed that withdrawn students, or those no longer meeting acceptable attendance criteria, no longer received payment.
- We confirmed for the sample that the bursary was paid into the bank account of the correct student.
- We traced the total income received from the SFC to the College's bank account and nominal ledger and cross checked the total income to the monthly remittance advices received from the SFC to ensure these have been correctly recorded.
- We matched the College's aggregated returns to the underlying records.
- We confirmed that bursary overspends have been properly accounted for within the College.
- We tested a sample of 10 students from a population of 66 confirming eligibility for further education or higher education childcare award.
- We tested a sample of 5 students from a population of 50 confirming eligibility for further education discretionary award.
- We confirmed that payments made under discretionary and childcare funds were for allowable expenditure in each of the sample selected.

### CONCLUSION:

The College's systems and procedures were found to be sufficiently adequate to promote the accurate collection and recording of data in respect of the aggregated student support funds returns.

### ACKNOWLEDGEMENT:

We wish to thank the College staff for their co-operation and assistance throughout this review.

APPENDIX I - DEFINITIONS				
LEVEL OF	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
ASSURANCE	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
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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.
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## Item 03c

#### FOR MORE INFORMATION:

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Item 03d

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# INVERNESS COLLEGE INTERNAL AUDIT ANNUAL REPORT 2020-21

**OCTOBER 2021** 

IDEAS | PEOPLE | TRUST

### Item 03d

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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.
#### Background

Our role as internal auditors is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Our approach, as set out in BDO's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### Internal Audit Plan 2020-21

BDO LLP has been appointed as internal auditors to Inverness College to provide the Board (via the Audit Committee) and Management Team with assurance on the adequacy of the following arrangements:

- Risk Management;
- Corporate Governance
- Internal Control; and
- Value for money.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at Inverness College is also aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

Our risk evaluations and tests are designed to ensure that controls are sound both in design and effective in operation. Our conclusions are based on evidence obtained during the course of our audit work, verification tests and samples selected from the year's transactions to date. However, our conclusions should not be taken to mean that all transactions have been properly authorised and processed or that all elements of systems have been tested.

#### Audit Approach

We have reviewed the control policies and procedures employed by Inverness College to manage risks in business areas identified by management set out in the 2020-21 Annual Internal Audit Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation.

Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Inverness College management for each review, by:

- · Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine whether the risk management activities and controls are operating as expected.

The assurance statement provided on page 8 of this report is based on historical information and the projection of any information or conclusions contained in our assurance statement to any future periods is subject to the risk that changes may alter its validity.

Coverage				
During 2020-21 BDO LLP has reviewed and evaluated Inverness College's processes in the following areas:				
Workforce Planning	Cyber Security			
• Covid-19 Health & Safety	Coronavirus Job Retention Scheme			
Finance System Upgrade	• Follow up			

#### Recommendations

To assist management in addressing our findings, we categorise our recommendations according to their level or priority. The recommendations made in the completed reviews totalled 20.



#### Reporting mechanisms and practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

#### Management action on our recommendations

Management have reviewed and commented on our reports. For the reports which have been finalised, management have agreed responses. The responses indicate that appropriate steps to implement our recommendations will be put in place.

Relationship with external audit

All our final reports are available to the external auditors through the Audit Committee papers and are available on request. Our files are also available to External Audit should they wish to review working papers in order to place reliance on the work of Internal Audit.

#### Follow up

During the year we undertook independent exercises to assess the progress made by Inverness College in implementing internal audit recommendations made in previous years.

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented on a timely basis then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment. Of the 40 recommendations due to be implemented, 13 recommendations (33%) has been categorised as fully implemented, 8 (20%) have been categorised as partially implemented, 12 (30%) as not implemented and 7 were superseded. 5 recommendations are not yet due for implementation.

The implementation rate is lower than average, and renewed focus is necessary to ensure the remaining outstanding recommendations are implemented within a reasonable timeframe.

#### Summary of work performed

Details of the completed internal audit reviews have been reported to the Audit Committee throughout the year and have been discussed at length with consideration and scrutiny of management responses and timescales proposed.

For the purpose of this annual report, we set out in the following pages our summary of recommendations and assessment of the design and effectiveness of the risk assurance for each of the audit areas reviewed.

# **REVIEW OF 2019-20 WORK**

	Overall Report Conclusions - see appendix I						
Reports Issued				Design	Operational Effectiveness		
Covid-19 Health & Safety	0	0	2	Substantial	Substantial		
Workforce Planning	0	3	3	Moderate	Moderate		
Project Management	0	4	0	Moderate	Moderate		
Cyber Security	0	4	2	Limited	Limited		
Coronavirus Job Retention Scheme	1	1	0	Limited	Limited		
Follow Up	n/a	n/a	n/a	n/a	n/a		

# ANNUAL STATEMENT OF ASSURANCE

#### Report by BDO LLP to Inverness College

As the internal auditors of Inverness College we are required to provide the Board, via the Audit Committee, and the Senior Management Team with a view on the adequacy and effectiveness of Inverness College's risk management, governance and internal control processes.

In giving our view it should be noted that assurance can never be absolute. The internal audit service provides Inverness College with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2020-21. The statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weakness in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audit reviews undertaken by BDO LLP during 2020-21;
- Any follow-up action taken in respect of audits from previous periods for these audit areas;
- Whether any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any significant changes in the organisation's objectives or systems;
- The requirements of the Public Sector Internal Audit Standards; and
- Any limitations which may have been placed on the scope of internal audit (no restrictions were placed on our work).

#### Conclusion

In our view, based on the reviews undertaken during the period, and in the context of materiality:

- In three 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 three 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 review of cyber security and the coronavirus job retention scheme 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 these areas to provide reasonable assurance that the related risk management, control, value for money and governance objectives were achieved for the period under review.

# PERFORMANCE AGAINST OPERATIONAL PLAN

Visit	Date of visit	Proposed Audit	Planned Days	Actual Days	Status
1	October 2020	Workforce Planning	5	5	Completed
2	February 2020	Finance System Upgrade	5	5	Completed
3	December 2020	Covid-19 Health & Safety	5	5	Completed
4	May 2021	Coronavirus Job Retention Scheme	5	5	Completed
5	February 2021	Cyber Security	7	7	Completed
6	June 2021	Follow Up	3	3	Completed

# AUDIT PERFORMANCE

AUDIT	COMPLETION OF FIELDWORK/DEBRIEF MEETING	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
Covid-19 Health & Safety	16 December 2020	21 December 2020	4 February 2021	4 February 2021
Workforce Planning	30 October 2020	19 November 2020	9 February 2021	9 February 2021
Project Management	21 January 2021	5 February 2021	26 February 2021	1 March 2021
Cyber Security	10 May 2021	21 May 2021	21 July 2021	28 July 2021
Coronavirus Job Retention Scheme	10 September 2021	14 September 2021	30 September 2021	1 October 2021
Follow Up	19 August 2021	20 August 2021	7 October 2021	8 October 2021

# **APPENDIX I - DEFINITIONS**

LEVEL OF ASSURANCE	DESIGN of internal control framework	K	OPERATIONAL EFFECTIVENESS of internal controls		
ASSURANCE	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.	
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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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#### Audit Committee

Title:	Internal Au	dit Follo	w Up Recommendations	
Meeting and date:	08 March 2	022		
Author:	Roderick M	Ferrier,	Assistant Principal - Finance and Audit	
Link to Strategic Plan:	No			
Resource implications:	Yes If yes, pleas • Fin	se speci ance	fy:	
Risk assessment:	Yes, <b>If yes,</b> Financial: Y Operationa Organisatio	es I: Yes	pecify:	
Equality and Diversity Issues:	N/A			
Status – Confidential / Non-Confidential	Non-Confid	ential		
Freedom of Information Can this paper be included in "open" business	Yes			
	uded within "	'open" b	ousiness, please highlight below the reason.	
Its disclosure would substant prejudice a programme of re (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 (Express as either the time w or a condition which needs t	hich needs to			

## Recommendation(s):

That members note the progress on the Internal Audit Recommendations. The tracker has not been updated except for deleting previously agreed items to be removed; its numbering ties into the most recent update from the Internal Auditors. Committee members are asked to note the following comments on this report.



### **Purpose of report**

To update the Committee as requested.

#### **Executive Summary**

The Internal Auditors update their Follow Up Review once a year. For this report their previous Follow Up Review (updated to the Committee in October 21) has been used and the outstanding actions on their list reviewed, with other items on the Internal Tracker assumed to be completed.

As part of the College's review of progress before the next internal audit update, the following can be advised.

### 2018-19 Business Continuity Review

- The College's Business Continuity Plan has been stretched to the limit in relation to the Cyber Incident and Covid 19. Any further work or checking or lessons learned are no longer required. It is recommended to close this on the Internal Tracker and advise Internal Auditors to take this off the Follow Up Review.
- 2. Contact Details have been completed. To remove from Internal Tracker and the Internal Auditor Follow Up Review.

#### 2018-19 Curriculum Planning

3. Room utilisation audits are difficult even using software. Sometimes classrooms can be blocked booked, and not necessarily used. However, prior to Covid 19 the issue Inverness College faced was a challenge on teaching space with extensions into the evenings to cope with teaching pressures. With Covid 19 and its effects, this is making us consider hybrid working, and how much professional staff will be on site, and that they are not likely to go back to the old office routine. There may be consideration given to transferring some office space and converting them into classrooms. As the curriculum side hopefully gets back to a more normal trend, this will be considered. This recommendation is probably superseded by a wider consideration of the estate. The college has established a short life working group to look at our future workspaces. Alongside this, our curriculum reviews have taken place in Feb and March to ascertain any changes in curriculum delivery and modes of study for AY 22-23 going forward. This will enable us to make best use of space whilst maintaining an excellent student experience. The college will re-start analysis of room utilisation in Sept 22 with reports coming to EMT on a quarterly basis from the Central Administration Team Manager. Staff utilisation is monitored closely by schools within the monthly data presentations which were introduced in September 2021 and through the review of curriculum plans in February and March, as above. Staff utilisation is also reported on the KPI matrix monthly. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review.

### 2019-20 Business Planning and Performance Management

- 4. The KPI matrix was presented to the Board. This action is complete. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review.
- 5. Annual Enhancement Plans This action is complete. It is recommended that it be removed from Internal Tracker and External Follow Up Review.

#### 2019-20 Cash Handling

The Assistant Principal - Finance and Audit was criticised at the last Audit Committee regarding non-progress in this area. However last year there was not much cash takings

anywhere in the college due to lock-down (Refectories operated on a limited basis with card payments only). New till systems were also procured recently which has meant changes to the way we review and control this area of risk.

- 6. Not accepted A new till system has been installed which now has built in checks to ensure cash balance with till end of day reports. When the department cashier counts the takings at the end of the day, they must enter this amount into the till system. The till system then states whether the count is accurate or within a £3 tolerance. If the amount is outwith the tolerance, the cashier has two further attempts to count the cash in the till. If it still does not agree, then it is recorded as a variance which is reported to the Manager. The till report is signed by the department cashier and monies placed in the department safe. The Manager then counts this and countersigns the reported takings. This is carried out daily and once a week the Manager combines the total monies and prepares a weekly takings sheet which they sign before submitting to Finance with all the daily takings sheets. Finance cashier counts cash and checks to a separate till report that has been emailed to Finance directly from the till system daily. The Finance Cashier then prepares the takings for banking. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review.
- 7. Semi Agreed Variance checks are the responsibility of Managers and investigation. From a Finance perspective we will be recording over and under of cash and data extract for report purposes and analysis. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review.
- 8. Semi Agreed Library and Hair and Beauty now use the new till system. Cash is held in small safes. Takings are taken to Finance once a week due to COVID. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review.
- 9. Some information is in the internal Finance procedures manual, but probably needs a bit more detail. This is in progress but recommend that it be removed from Internal Tracker and Internal Audit Follow Up Review.

## 2019-20 Health and Safety

- 10. DSE Assessments this has been completed or is well in progress. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review.
- 11. H & S Training for staff on-going. Training being delivered and managers being reminded. H&S training is included in new staff induction. There is a new system in place to monitor on-going engagement with H&S training. Recommend that it be removed from Internal Tracker and Internal Audit Follow Up Review.

## 2019-20 Estates Management

12. There is on-going monitoring of Estates capital and spend. It is not so much the annual capital budget allocation that is the issue. Having the main site and Balloch managed by a third party, GTFM, makes the planning and delivery of estates spend a much more complex issue. It is not so much on the finance side but the actual specification and agreement of work that is the difficult issue. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review.

## 2020-21 Workforce Planning

- 13. No change to previous update. Payroll system has been upgraded but had its challenges.
- 14. Previous update did not accept recommendation and advised on Talent Management. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review.
- 15. No change to previous update.

16. Previous update did not accept recommendation and advised on Talent Management. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review.

### 2020-21 Finance System Upgrade

Although the recommendations coming out of this are coming under the heading Finance System Upgrade, a number of them are wider impact.

- 17. On looking at what the Internal Auditor recommends the College may struggle to resource this at present, and this will be continuing to be carried forward.
- 18. The Sun Accounts upgrade has been completed. The benefit of this was that the previous version could no longer be maintained, and therefore an upgraded version had to be delivered. What has been challenging is hosting the system in the Cloud following the Cyber incident. The system did not perform well. When it was brought back in house it did not perform well. IT has now addressed the issue and the system is performing reasonably well. Lessons learned have been superseded by the issues flowing from the Cyber incident. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review.
- 19. See 17 As an observation. There was a recent payroll upgrade which was a smaller project. This did not go well with an internal project manager struggling to get the time to deliver. Finance Manager had to take over and struggled. The project saw training delivered by the external supplier when they had not built the system properly, meaning a waste of training. The supplier then tried to argue that they had delivered training. This project saw poor performance by the external supplier, and possibly some delay on the college side in getting information to them. The payroll upgraded system is working but has been a challenge to get it over the line. I do feel that the College is stretched resourcing even small projects. We can have endless paperwork but often it will not survive contact with external providers who deliver poorly, and because staff are so busy on the day job, sometimes struggle to find the time to meet revised deadlines for information. Change forms probably only required on large projects, and at present no large project being delivered. Inter-linked with Nos 17.
- 20. I think other work is taking priority. Inter-linked with Nos 17.

	Reporting Year	Audit	Finding Reference (per report)	Finding
2018/	19			
1	2018/19	Business Continuity Management	3	Ensuring that a clear testing strategy is in place increases the opportunity for weakness to be identified and improvements to the be implemented. The College has not developed a formal testing plan/schedule for the BCP. Although we note that the BCP has been tested in the past that shows the areas previously tested, and the areas planned for testing in the future. In addition, we note that there is no standard template or central log for recording the results of tests, including lessons learned There is a risk that key weaknesses or exclusions have not been identified within the business continuity plan due to the l
2	2018/19	Business Continuity Management	5	Both internal and external contact details must be kept up to date and made easily accessible to ensure that staff can effectively com during a major incident. We note a number of instances where contact details have not been provided for external contacts within the BCP. Management have longer required, and should be removed from the BCP. There is a risk that the current contact details within the BCP are inaccurate and incomplete.
3	2018/19	Curriculum Planning	1	Room Utilisation Reporting Regular reporting and scrutiny of room and staff utilisation statistics provides the opportunity for education bodies to assess how eff curriculum. Celcat provides the college with the capability of producing utilisation statistics. However, the creation and review of utilisation repor
		g		There is a risk that the college may not be fully utilising their campus and staff resources throughout the academic year as a result of t reports.
2019/	20			
				Board and senior management team oversight of Strategic Plan and Enhancement Plan performance ensures that scrutiny and chall unsatisfactory performance.
4	2019/20	Business Planning & Performance Management	1	The Board did not receive an annual KPI report for 2018-19's performance against the Strategic Plan. Enhancement Plans are monitored by the relevant manager and senior manager. However there is no reporting to SMT on Enhar There is a risk that the Board and SMT are not aware of performance against the Strategic plan and Enhancement Pla
		Business Planning &		Departmental plans should be reviewed and approved by a senior group or member of senior management, to provide assurance that t alignment with the Strategic Plan. The College enhancement plans are prepared by senior managers, however none of the four plans sampled had the review and a
5	2019/20	Performance Management	2	There is a risk that the enhancement plans have not been appropriately reviewed and approved, and therefore may not contain appro alignment with the Strategic Plan.
				It is important that cash handling procedures are consistently applied to minimise the opportunity for fraud o
6	2019/20	Cash Handling	1	During our testing, we found that one of the Hair & Beauty takings sheets and one of the library takings sheets were not complete denominations counted by finance or the variance. We also found that the Hair & Beauty takings sheet was not signed by finance to evid
				There is a risk that potential misappropriation of cash may go unnoticed if the total of cash takings for the day are It is important that there is a procedure in place to monitor and investigate variances in cash takings.
7	2019/20	Cash Handling	2	During testing we found that there were variances in takings that were not investigated as they were below £10; however, there is not variances and that the investigation process for variances was not documented. There is annual analysis of the net figure which for the to £340.57 over.
				There is a risk that there may be patterns in variances which are going unchecked and hence remedial action may It is important that cash handling procedures are consistently applied to minimise the opportunity for fraud o
8	2019/20	Cash Handling	3	During our testing, we found that the library and hair & beauty departments do not bring their takings to the cash office every day. The are no takings in these departments and it may also be the case that hair & beauty have evening appointments after the cash offices is keep the takings in a sage within their department. The procedures outline a specific time each day that departments should pass takin indicate that there may be instances where there are no cash takings or that cash may be held overnight in dep There is a risk that misappropriated takings could go unnoticed if there is not a daily reconciliation for each de
				It is important that cash handling procedures are fully documented to provide staff with guidance on proce
9	2019/20	Cash Handling	4	During our review we found that there were areas not covered by the procedures: - The procedures do not make it clear who may operate tills in each department or what the training arrangements are and - There is no documented procedure for maintaining a float.
				There is a risk that staff may not be aware of the cash handling processes which increases the likelihood of Display Screen Equipment Assessment Documentation The College requires staff to complete a Display Screen Equipment (DSE) questionnaire and workstation assessment to ensure complian Screen Equipment) Regulations 2002.
10	2019/20	Health & Safety	2	There are inconsistent practices across the College for retaining DSE workstation assessments and questionnaires. Some are kept local Health & Safety Manual is not clear about how the assessments should be retained. The College does not have a central log of staff DSE workstation assessments and questionnaires.
				The Staff Development Procedure includes no requirement to have a DSE assessment completed as part of the There is a risk the College cannot evidence staff are completing DSE questionnaires and assessments.
				Health & Safety Learning Health and safety training helps reduce the number of accidents and incidents. The College has a series of mandatory health and safety e-learning courses for staff to complete. There are many staff who have not co
11	2019/20	Health & Safety	5	& Safety Manager has since created a Health & Safety Training Matrix which documents the courses a member of staff is to comple There is an increased risk of accidents and incidents occurring at the College.
				It is important that there is a plan in place for Estates development which reflects the needs of the Colle
12	2019/20	Estates Management	2	We found that the current timetable means that whilst the year begins on 1 September, the Estates Team do not find out what their bu the operational plan runs for three months of the year without confirmation of the budget. There is a risk that the operational plan is not based on an accurate budget for the first three months of the year and may then requin through the year.
2020/	21			Accurate Training Records
13	2020/21	Workforce Planning	1	It is important to have accurate records of staff training, qualifications and certifications to understand the level of competend Not all training records and certifications of staff are held in a central location. Ciphr does not have the capabilities to monitor trainin certifications are monitored by Curriculum Managers due to a lack of capacity and specialist knowledge of requirements in the Develop analysis cannot be conducted to feed the Learning Plan.
				There is a risk the College does not have an accurate record of completed and outstanding training.
				Succession Planning It is good practice to identify critical roles and have a succession plan to support a smooth transition in the event a key member of sta leave.
14	2020/21	Workforce Planning	2	The College has not identified critical roles and does not have a documented succession plan. There is a risk the College loses key skills and experience if a key member of staff were to leave.

	Recommendation	Recommo Signifi
nd improvements to the business continuity process to be as been tested in the past, there is no schedule documented sting in the future. including lessons learned and further actions required. ontinuity plan due to the limitations identified.	We recommend that the College develops a testing plan/schedule for BCP which should be reviewed on an annual basis to ensure a strategic approach to testing is achieved. This plan should ensure that varying categories of events are scheduled to be tested on an annual basis based upon likelihood and overall risk. A formal testing schedule should also be developed for IT/Disaster recovery. In addition, we recommend that the outcomes, lessons learned and required actions are formally documented within the plan for each test.	Med
staff can effectively communicate with all required parties e BCP. Management have advised that these contacts are no CP. urate and incomplete.	We recommend that the College reviews the BCP Contact List to ensure that full contact details are provided for external parties. Any external contacts which are not necessary should be removed from the BCP.	Lo
n bodies to assess how efficiently they are delivering their review of utilisation reports is being conducted on an ad-hoc iate college group remit. demic year as a result of the infrequent review of utilisation	We recommend that the college produce more regular utilisation reports for its estate and staff, and that these reports are monitored and scrutinised by an appropriate group within the college.	Lo
res that scrutiny and challenge is provided when there is against the Strategic Plan. reporting to SMT on Enhancement Plan Performance. plan and Enhancement Plan performance.	We recommend that the Board is provided with an annual performance report on the Strategic Plan and associated KPIs covering the preceding academic year. We recommend that progress on departmental enhancement plans is summarised and reported quarterly at SMT meetings, with exceptions highlighted.	Med
o provide assurance that the content is appropriate, and in pled had the review and approval section completed. Fore may not contain appropriate targets and objectives in	We recommend that to align with best practice that the departmental enhancement plans review and approval section is completed, preferably by either a senior College group or a senior member of staff, such as the Depute Principal.	Lo
he opportunity for fraud or errors. sheets were not completed to show the breakdown of it signed by finance to evidence that totals had been agreed. ash takings for the day are not verified.	It is our recommendation that Finance staff are reminded of the need to ensure takings sheets are fully completed and signed to evidence that totals have been verified. This should form part of the checks done by the second finance officer who countersigns the banking sheet. A further check could be made by the Finance Team Leader when posting the journal to the finance system.	Med
e variances in cash takings. £10; however, there is no ongoing monitoring of trends in e net figure which for the year ended 31 July 2019 amounted ence remedial action may not be taken.	It is our recommendation that the College develops a procedure for monitoring and investigating variances in cash takings. The procedure should detail the variance tolerance level, the arrangements for monitoring variances to highlight any trends, and the remdial action which may be taken to address any identified issues such as re-training or disciplinary action. The existing banking procedures should be updated to include a section which refers to the procedure for monitoring and investigating variances.	Med
he opportunity for fraud or errors. cash office every day. There are some instances where there s after the cash offices is closed, they cash up their tills and artments should pass takings on to the cash office but do not by be held overnight in departments. reconciliation for each department.	It is our recommendation that there is a daily reconciliation completed for each department; showing zero sums if there are no takings and that this is confirmed by the department. We also recommend that the procedures are updated to reflect this arrangement and that the Hari & Beauty department have a sage which will be used to hold cash from evening appointments overnight.	Lo
aff with guidance on processes. the procedures: training arrangements are for till operation; float.	We recommend that the Banking Process and Procedures document is updated to include the following areas: - Which members of staff may operate the till in each department and what the training arrangements are for till operators; and - The procedure for maintaining a float including the arrangements for picking up, counting, storing and dropping off the float.	Lo
Acreases the likelihood of errors. on sment to ensure compliance with Health and Safety (Display aires. Some are kept locally and some are kept on SHE. The ould be retained. ents and questionnaires. completed as part of the induction. onnaires and assessments.	We recommend staff are required to log DSE Assessments and questionnaires in a way that allows completion to be monitored centrally. We recommend the Health & Safety Manual is updated and clearly documents where completed assessments should be retained. We recommend staff are required to refresh their assessments and questionnaires on a regular basis for example every three years, or whenever they move desks. We recommend new staff are required to complete a DSE Assessment and questionnaire as part of their induction.	Med
and incidents. any staff who have not completed these courses. The Health mber of staff is to complete dependent upon their role. It the College.	We recommend line managers are reminded to actively monitor their staff's completion of Health & Safety learning.	Med
ects the needs of the College. not find out what their budget is until October meaning that nation of the budget. e year and may then require extensive adjustment part way	We recommend that the planning timetable is amended so that there is a budget and operational plan in place for the coming year before it begins.	Med
nd the level of competency across the organisation. abilities to monitor training needs. Specialised training and quirements in the Development Team. As a result skills gap an. and outstanding training.	We recommend the College considers implementing a learning management system, which will allow training records and certifications to be held centrally and will allow skills gaps analysis to be completed which can inform the learning plan.	Med
event a key member of staff was to become unavailable or ented succession plan. r of staff were to leave.	We recommend identifying critical roles and preparing a documented succession plan.	Med

endation cance	Management Response	Implementation Date	Responsible Officer
um	Original Agreed. Implemented for the next induction in June 2019 January 2021 2021 test plan to be issued April 2021.	June 2019	Martin Kerr
~	Original Agreed January 2021 BCP Contact review planned for 16th March 2021.	March 2019	Martin Kerr
~	Original Agreed - The college recognises the need to re-establish regular room utilisation audits, and the enhanced functionality of Celcat should improve the information available through these audits. The audits were reported previously via the Academic management Group, which is no longer in existence. The college will ensure that room utilisation audits are re-instated and reported regularly through an appropriate group. January 2021 The process will be reintroduced for 2021-22, COVID restrictions permitting.	Academic Year 2019-20	Depute Principal - Planning and Student Experience (Roddy Henry)
um	Original 1. The college will ensure that annual reporting on KPIs is included in the October Board meeting, and will discuss with the Board the possibility of introducing interim reporting throughout the year. 2. Quarterly reporting, by summary and exception, on departmental Enhancement Plans will be implemented for the June 2020 SMT meeting January 2021 Strategic KPIs will be reported to Board annually (or as advised by Board) once agreed via the Strategic Planning process. Departmental Enhancement Plans were not created as resource was diverted to deal with COVID and the emergency response measures. The plans will be reinstated in 2021-22, all going well. However, the key performance indicators of student activity, retention, completion and satisfaction continue to be monitored and reported on at School and college levels, and actions taken in response. The Inspector of Education assigned to the college engages regularly, including attending college committee and team meetings, to provide ongoing external review and support.	1. implemented by October 2020 or as directed by the Board 2. June 2020	Depute Principal - P&SE
~	Original The college will ensure that all departmental enhancement plans are signed off by the relevant senior manager. January 2021 Plans will be signed off, once reinstated.	Jun-20	Depute Principal - Planning and Student Experience (Roddy Henry)
um	Original Agreed January 2021 Finance Procedures are currently under review with the new Shared Finance Team. This process may change when we return to normal operating. Now Completed	Within one calendar month of lockdown ending.	Morag Jrvis
um	Original Agreed January 2021 Finance Procedures are currently under review with the new Shared Finance Team. This process may change when we return to normal operating.	Within one calendar month of lockdown ending.	Morag Jrvis
~	Original Agreed January 2021 Finance Procedures are currently under review with the new Shared Finance Team. This process may change when we return to normal operating.	Within one calendar month of lockdown ending.	Morag Jrvis
~	Now Completed	Within one calendar month of lockdown ending.	Morag Jrvis
um	A comprehensive programme of DSE assessments were undertaken during the transition from the Longman building to the Beechwood campus. Unfortunately, for unknown reasons, the record of these records is unavailable. As circumstances have changed due to the COVID-19 pandemic, a new programme of DSE Assessments will take place during the return to working within College buildings, which will consider both office working and, where applicable, home working arrangements. The Health & Safety Manual is in the process of being reviewed and instruction on the administration of records will be included. The requirements for DSE assessments (including reviews will be stipulated in the Health & Safety Manual DSE training and self-assessment will be included in the staff induction process and included in the Health & Safety Manual		Health and Safety Manager
um	The completion of training will be monitored at School/Department level and a monthly report will be provided by the software to show completions against the set curriculum. This will be included in the reviewed Health & Safety Manual. A report on completion of training will also be provided to SMT on a 6 monthly basis.	Jan-21	Health and Safety Manager
um	Original Building capital grants are released by the funding council in year. Since ONS and reclassification of colleges these grants have been time barred and do not take account of delays or projects that might straddle financial years. This is a particular issue with COVID - 19 which we are still to receive SFC clarification. Given the capital funding mechanism aligned to condition surveys undertaken not long after the completion of the new campus facilities this funding is significantly reduced. The capital expenditure plan, subject to funding, therefore reflects this reduced allocation and is designed to be flexible in response to potential other funding streams. January 2021 New Capital strategy in line with college sustainability strategy is currently under development to improve forward project planning and capital spending plans. Strategy to be presented to SMT May 2021.	Sep-20	Estates and Campus Services Manager and Management Accountant
um	We continue to work with staff and managers to ensure that all qualifications and certificates are forwarded to the PD team for accurate imputing to the system. We are currently exploring add-ons to our HR system which would allow skills gaps analysis to be completed on an organisation wide basis. Meanwhile, managers continue to undertake skills gap analysis for their areas as part of their overall management responsibilities.	HR system review during academic year 2021/22	Professional Development Manager
um	<ul> <li>Whilst we do not necessarily have a 'list' of critical roles - I must re-iterate some of the comments made:</li> <li>We review our staffing in line with our annual curriculum plan and set our annual staffing budget accordingly. Anticipating future skill need / development of skill sets to support future curriculum developments.</li> <li>Managers continually monitor staff numbers to ensure that sufficient resources are attached to each department to ensure curriculum and support service levels can be met.</li> <li>Skills gaps are filled either through redeployment of staff from other areas of the College or, where necessary, through external recruitment in line with the budget.</li> <li>A review and approval process has been established to ensure that appointments, both internal and external, are managed in line with available budgets, curriculum and service demand and strategic objectives.</li> <li>Development opportunities are made available for staff internally in preparation for promoted posts when vacancies become available. Staff have been provided with learning and development co-ordinators roles were created several years ago which allow lecturers to be appointed on a fixed term basis allowing them to gain experience in reviewing quality of programmes and timetable management.</li> <li>Academic Management/Schools Structure - over the past years we have also implemented a number of workforce structural changes including a transformation of our academic middle management structure and moving our curriculum groupings into wider 'schools' structure. For example, appointments to the Depute Head of School posts were made.</li> <li>Although recruitment to specialist roles is challenging in the Highlands, the College has implemented a number of initiatives to develop some resilience. Processes are in place which ensure that critical positions are filled to ensure that staff resources are available to meet commitments. Managers continually</li> </ul>	Apr-21	HR Manager

	Implementation Date	Responsible Officer	BDO status at January 2021	Client status as at July 2021 (Fully Implemented/ Partially Implemented/ Not Implemented/ Superseded/ Not Due For Implementation)	Client Comments
	June 2019	Martin Kerr	Partially Implemented	There is tweaking of this - however the college has delivered business in a Covid 19 and Cyber Incident environment which has probably stress tested such a plan in practice to an extreme level	Recommend to close
	March 2019	Martin Kerr	Partially Implemented	This is being updated for telephone numbers and should be complete by the time of the Audit Committee	Recommend to close
should improve the longer in existence. oup.	Academic Year 2019-20	Depute Principal - Planning and Student Experience (Roddy Henry)	Partially Implemented	Given Covid 19 and its effect on curriculum delivery this should probably be closed down. There is a whole pile of work going on in terms of curriculum management; and also work with estates. With social distancing this is taking precedence over Celcat and classroom booking.	Recommend to close
ossibility of introducing 0 SMT meeting cess. res. The plans will be action continue to be lege engages regularly,	1. implemented by October 2020 or as directed by the Board 2. June 2020		Not Implemented		
	Jun-20	Depute Principal - Planning and Student Experience (Roddy Henry)	Not Implemented		
normal operating.	Within one calendar month of lockdown ending.	Morag Jrvis	Not Implemented	New tills have been procured which has a reporting functionality for income received. Individual departments should be reconciling their cash with the report. Cash is passed to the cash office on a weekly basis where it again is reconciled and banked	
normal operating.	Within one calendar month of lockdown ending.	Morag Jrvis	Not Implemented	See response to Nos 14	Complete
normal operating.	Within one calendar month of lockdown ending.	Morag Jrvis	Not Implemented	Due to Covid 19 this will be once a week and even if a less onerous environment, it is unlikely with Hybrid working whether this will even be enacted	Complete
	Within one calendar month of lockdown ending.	Morag Jrvis	Not Implemented	Finance Procedures are still to be updated - this will only be done once the Finance Team is restrutured which is taking longer than the Director would like	O/S
campus. Unfortunately, ew programme of DSE pplicable, home working ncluded.		Health and Safety Manager	Not due for implementation	partially implemented	DSE Self-Assessments have been completed by all persons working from home during the pandemic. A review of DSE arrangements for in-College workstations will be undertaken with the assistanc of a third party on the return to campus for the new semester.
ow completions against ed to SMT on a 6 monthly	Jan-21	Health and Safety Manager	Not due for implementation		Online training for the year has been issued and completed by staff - Line Managers are responsible for making sure respective reports complete this training. The software and training system for online training is changing in the coming weeks and the manual will be updated to reflect the specific actions required.
ime barred and do not eceive SFC clarification. lities this funding is e flexible in response to d capital spending plans.	Sep-20	Estates and Campus Services Manager and Management Accountant	Partially Implemented	There is work being done by the Director of Operations on an Estates Strategy. The Estates service is advised as eaerly as possible of capital finance in the year by the Finance Director	
urate imputing to the wide basis. Meanwhile, ies.	HR system review during academic year 2021/22	Professional Development Manager	N/A		
I need / development of im and support service uitment in line with the rith available budgets, able. Staff have been raining for new line on a fixed term basis anges including a example, appointments relop some resilience. . Managers continually	Apr-21	HR Manager	N/A		

	Staff Development Policies & Procedures
	Policies should be reviewed on a regular basis to ensure policies reflect curren
F	The Staff Development Policy was last reviewed by the Board of Management in 2015 and was The Staff Development Procedure was last reviewed by the Board of Management in 2010 and was due to be review 2014.
2	

15	2020/21	Workforce Planning	5	2014.
				We recognise UHI is currently in the process of developing a Staff Development Policy and Procedure that will be used a adopting a Single Policy Environment.
				There is a risk policies become outdated and do not reflect current practice
				The Workforce Plan It is important that clear workforce plans are in place and appropriately reviewed and
16	2020/21	Workforce Planning	6	The Workforce Plan 2020-23 is currently a draft version and there are sections which are still to be completed: Section 5 Section 6, Succession Planning.
				The document does not document its owner or the review process.
				There is a risk that the College does not have an effective Workforce Plan
				Project Management Methodology
	2020/24			It is important that an organisation has a documented project management methodology to ensure that projects are i
17	2020/21	Finance System Upgrade	1	There is no documented Project Management Methodology in place at Inverness College. As a result there is no
				There is a risk that projects are not effectively manages, as no project management method
				Project Evaluation Following a projects completion it is good practice to assess whether the objectives have been achieved and identify w
18	2020/21	Finance System Upgrade	2	The College does not require evaluation of a project on its completion. Due to time constraints there has been no project evaluation for the Finance System Up
				There is a risk that project objectives have not been realised and lessons to be learned are n
				Change Forms The project Terms of Reference (ToR) outlined events that would require a Change form to be submitted; change in sc schedule.
				The ToR did not outline acceptable tolerance for changes or the level of authority required to a
19	2020/21	Finance System Upgrade	3	One Change Form was completed when additional key documentation was added to the ToR. This form was approved by th the form was not dated or signed.
				The project was originally agreed to be completed on the 1st of April 2020 but was not completed until the 31st of May 2 completed.
				There is a risk that changes to the project are nor appropriately documented and a
				Defining Responsibilities
				Roles and responsibilities should be defined and documented at the outset of a project to ensure unde
	2020/24			The project team was outlined in the Terms of Reference, however there was no detail of their expected responsibilitie Inverness College for the project.
20	2020/21	Finance System Upgrade	4	Additionally, governance and reporting mechanisms were not documented. It was not clear how regularly management, SM of the project.
				There is a risk that individuals were not aware of their responsibilities.

Staff Development Policies & Procedures should be reviewed on a regular basis to ensure policies reflect current expected practice.		
Policy was last reviewed by the Board of Management in 2015 and was due to be reviewed in March 2018. eviewed by the Board of Management in 2010 and was due to be reviewed in September 2013 with an extension to September 2014.	We recommend the College adopts UHI's Staff Development Policy and Procedure and these are reviewed on a regular basis.	L
s of developing a Staff Development Policy and Procedure that will be used across all campuses including Inverness College, adopting a Single Policy Environment.		
There is a risk policies become outdated and do not reflect current practice.		
The Workforce Plan portant that clear workforce plans are in place and appropriately reviewed and approved.		
draft version and there are sections which are still to be completed: Section 5, Recruitment and Retention of Workforce and Section 6, Succession Planning.	We recommend the Workforce Plan is completed and is reviewed and approved on a timely basis. The document owner, reviewer and approver and when it is next due for review should also be documented, and	L
The document does not document its owner or the review process.	future reviews timetabled to ensure the plan is refreshed for the beginning of the years to which it relates.	
There is a risk that the College does not have an effective Workforce Plan.		
	We recommend the College prepares a project management framework and that all people responsible for managing projects are trained in the methodology.	
Project Management Methodology a documented project management methodology to ensure that projects are run efficiently, effectively and consistently.	We recommend the methodology includes and considers the following: • Includes templates for Business Cases, project plans, risk registers, monitoring, project evaluation • Outlines expected approval required of key documents	
anagement Methodology in place at Inverness College. As a result there is no agreed process for managing projects.	Change management process     Gateway process	Med
that projects are not effectively manages, as no project management methodology is in place.	<ul> <li>Monitoring timelines, costs and risks through the project</li> <li>Project evaluation and Lessons learned when the project is completed</li> <li>Risk Management</li> </ul>	
	<ul> <li>Scalability, considers requirements for projects of differing sizes</li> </ul>	
Project Evaluation d practice to assess whether the objectives have been achieved and identify whether there are any lessons to be learned.		
The College does not require evaluation of a project on its completion. e constraints there has been no project evaluation for the Finance System Upgrade project.	We recommend as part of the College's project management methodology, following a projects completion, there is a requirement to evaluate the project. This should include consideration of whether the objectives of the project have been achieved, and whether there are any lessons to be learned or actions to take forward.	Med
hat project objectives have not been realised and lessons to be learned are not being captured.		
Change Forms tlined events that would require a Change form to be submitted; change in scope, change in estimates and changes to the schedule.		
tline acceptable tolerance for changes or the level of authority required to approve a Change Form.	The College's Project Management Methodology should outline the expected process to follow when there are changes to a project and the required level of approval for a change. It may be useful to create a Change Form	
ional key documentation was added to the ToR. This form was approved by the College's Finance Project Facilitator, however the form was not dated or signed.		Med
npleted on the 1st of April 2020 but was not completed until the 31st of May 2020, 8 weeks later and a Change Form was not completed.	Project Managers should ensure Change Forms are completed appropriately when necessary.	
e is a risk that changes to the project are nor appropriately documented and approved.		
Defining Responsibilities should be defined and documented at the outset of a project to ensure understanding and accountability.		
ns of Reference, however there was no detail of their expected responsibilities, including who had overall responsibility at Inverness College for the project.	We recommend the College's project management methodology outlines the requirement for key roles and responsibilities, governance and reporting mechanisms to be documented in project planning documentation.	Med
anisms were not documented. It was not clear how regularly management, SMT and the Board should be updated on progress of the project.	Where there are changes to the project team throughout the project's implementation, it should be decided and clearly documented who will be taking over their responsibilities	Met

ibilities.

Low	The UHI Staff Development Policy and Procedures will be adopted and communicated to staff through the Professional Development committee and other channels as soon as it becomes available.	As soon as UHI release the new policy and procedure, anticipated before the end of 2020/21 academic year.	Professional Development Manager	N/A		
Low	The Workforce Plan 2020-23 is currently a draft version and the outstanding sections to be completed are Section 5, Recruitment and Retention of Workforce and Section 6, Succession Planning. The HR Manager will liaise with SMT to finalise, including documenting its owner and the review process.	31 June 2021	HR Manager and SMT	N/A		
edium	It has been discussed with the Quality Manager and her manager which is SMT level. It has been agreed that the Quality team will create a Policy and Procedure for Project Management. This will be drafted and be put to the BOM to approve in June 2021.	Jun-21	SMT still to allocate	N/A	To implement	There may be a larger payroll/HR system project to be progressed, in which case some of this paperwork could be workied on in tandem or slightly before.
edium	Evaluation is that the project has delivered an updated Finance System that works in terms of what it was supposed to deliver in that the Finance Service has an updated ledger and Finance reporting is now being modelled so that the College Finance Service can monitor college finances in a much more coherent way. I consider this complete. As far as the wider issue of evaluation - can be included as part of Policy and Procedures.	Jun-21	Director of Finance (Shared)	N/A	Not due for implementation	Project is complete and the upgrade is working (the only issues affecting us are arising from the Cyber Incident) and no further action is being considered
edium	I can see this some measure. I don't consider the delay here a large issue. The main thing is that it delivered in time to process the budget for 2020-21. However bigger projects can often get out of control without clear change parameters. See Quality Review re Procedure and time parameters. This should be combined. We also probably need to progress a Project Register.	Jun-21	SMT still to allocate	N/A	Not due for implementation	Project is complete and the upgrade is working (the only issues affecting us are arising from the Cyber Incident) and no further action is being considered
edium	Not accepted per this project - this was a small project. Only if there were problems of the project not being delivered would I advise the Board. I verbally updated the SMT but not recorded dates or anything. The back end of this project was being delivered at the same time budget collation for 2020-21 was taking place. Generally, I have been satisfied with the outcome. This also was being delivered with Finance Recovery and new Finance management. The SMT was dealing with Financial Recovery Plan; a Finance Director resigned; an Interim Finance Director was trying to find her feet; by the time the current Finance Director commenced in May the project was near complete. For larger projects there may be something here, but the reality is that sometimes in organisations other issues take precedence. Project Management Methodology can be combined with the work Quality will be doing on this.	lun-21	SMT still to allocate	N/A	Not due for implementation	Project is complete and the upgrade is working (the only issues affecting us are arising from the Cyber Incident) and no further action is being considered



### Audit Committee

Title:	Procureme	nt of Int	ernal Audit			
Meeting and date:	8 March 20	8 March 2022				
Author:	Roderick M	Ferrier,	Assistant Principal, Finance and Audit			
Link to Strategic Plan:	No					
Resource implications:	Yes If yes, pleas • Fin	se speci ance	fy:			
Risk assessment:	Yes <b>If yes, p</b> Financial: Y Operationa Organisatio	es I: Yes	pecify:			
Equality and Diversity Issues:	N/A					
Status – Confidential / Non Confidential	Non-Confid	ential				
Freedom of Information Can this paper be included in "open" business	Yes					
	uded within "	'open" b	ousiness, please highlight below the reason.			
Its disclosure would substant prejudice a programme of re (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 constitu of the Data Protection Act (S			Other (Please give further details)			
For how long must the paper (Express as either the time w or a condition which needs t	hich needs to					

## Recommendation(s):

That members note the process of procuring Internal Audit function.

## Purpose of report

Update Committee as requested by it.

### **Executive Summary**

The Committee should consider who it wishes to review the Contract Strategy – I am assuming the Chairwoman would have input. Also, who the Committee wishes to evaluate.

The Procurement Officer has provided the following in terms of process:-

Apologies for delayed response. As per the project milestones we are on-track for having the new contract in place as planned.

### **Project Milestones**

Task	Action Date
Contract Strategy Sign Off	Mid-March / Mid-April 2022
Work on ITT Document with Procurement	Mid-April / Early-May 2022
Sign-Off of ITT	Mid-May 2022
Tender Issue	Mid-May 2022
Supplier Questions Deadline	May 2022 by 12:00 noon
Question Responses to Suppliers	May 2022
Tender Deadline	Early-June 2022 by 12:00 noon
Evaluation	Early June 2022 return by 12:00 noon
Consensus Meeting (if required)	Early June 2022
Award Recommendation Issue	Early June 2022
Award Recommendation Sign-Off	Mid-June 2022
Award Letter Issue	June 2022
Award Letter Sign-Off	June 2022
Award Letter Issue to Supplier	June 2022
Implementation Meeting	June 2022
Contract Start Date	1 August 2022

The contract strategy needs to be updated after receiving the below clarifications:

- Apart from yourself is there anyone else who would be signing the contract strategy?
- Who all would be part of the evaluation panel?



#### Audit Committee

Title:	Risk Registe	er			
Meeting and date:	08 March 2	022			
Author:	Roderick M	Ferrier,	Assistant Principal, Finance and Audit		
Link to Strategic Plan:	Yes •				
Resource implications:	No If yes, pleas • Fina	se speci <sup>:</sup> ance	fy:		
Risk assessment:	Yes: <b>If yes,</b> Operationa Organisatio	I: Yes			
Equality and Diversity Issues:	N/A				
Status – Confidential / Non Confidential	idential / Non Confidential				
Freedom of Information Can this paper be included in "open" business	Freedom of Information Yes Can this paper be included				
If a paper should <u>not</u> be inclu	uded within "	open" b	usiness, please highlight below the reason.		
Its disclosure would substant prejudice a programme of re (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 constitu of the Data Protection Act (S			Other (Please give further details)		
For how long must the paper (Express as either the time w or a condition which needs t	hich needs to				

## Recommendation(s):

That members note the changes to the College's Risk Register.

## Purpose of report

Update Committee as requested by it.

# **ITEM 07**



Subject/Title:	Draft Annual Audit Committee Report for the Academic Year 20-21 & Draft Letter to E&Y providing an understanding of our oversight and management processes and arrangements
Author: [Name and Job title]	Lisa Ross, Board Secretary
Meeting:	Audit Committee
Meeting Date:	08 March 2022
Date Paper prepared:	23 February 2022
Brief Summary of the paper:	Attached is the following:
	<ul> <li>Annual Audit Committee Report. This has been updated to reflect the Committee's suggestion that the membership section of the report include the joining and leaving date of each member and a description of the re-structuring within the finance department, the roll out of new systems and the ongoing training as well as the reprioritisation of activities as a result of the pandemic and the issues that arose as a result of the cyber incident.</li> <li>Letter to E&amp;Y which provides them with an understanding over our oversight and management processes and arrangements. This has been updated to reflect the Committee suggestion that the narrative within the letter is revised to reflect the proportional response to fraud or error.</li> </ul>
Action requested: [Approval, recommendation, discussion, noting]	For discussion. A final version of both this report and the letter to E&Y will be brought to the Joint Audit and F&GP Meeting scheduled for March 2022; following this it will be taking to the Board of Management on 31 March 2022 for final approval.

# **ITEM 07**

Link to Strategy: Please highlight how the paper links to, or assists with:: • compliance	The Audit Committee is required, in accordance with Scottish Funding Council guidance to report annually to the Board of management.		
<ul><li> partnership services</li><li> risk management</li><li> strategic plan</li></ul>	The report relates to the discussions and actions in relation to risk management		
new opportunity/change	Linked within the strategic plan, specifically managing our risks		
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/Ă		
<b>Consultation:</b> [staff, students, UHI & Partners, External] and provide detail	No consultation carried out – report is a statement of work carried out by the Audit Committee throughout 2020-21		
<b>Status –</b> [Confidential/Non confidential]	Non-Confidential		
<b>Freedom of Information</b> Can this paper be included in "open" business* [Yes/No]	Yes		
*If a paper should <b>not</b> be inclu	ided within "open" business, please highlight below the reason.		
Its disclosure would substantia prejudice a programme of rese			

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 pas or a condition which needs to be met.)	s

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

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

http://www.itspublicknowledge.info/web/FILES/Public\_Interest\_Test.pdf

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

Title		mmittee Annual Report 2020-21	
Introduction		d, in accordance with Scottish Funding Council guidance to the Audit Committee during the 2020-21 Academic Year.	report annually to the Board of Management
Membership	The Membership of the Commit	tee during the 2020-21 academic year was as follows: -	
	<b>Member</b> Fiona Neilson	<b>Designation</b> Interim Chair of the Committee (for the period between September 2020 – January 2021)	<b>Membership Period</b> September 2020 – January 2021
	Gillian Galloway	Member of the Committee (September – December 2020).	September 2020 – August 2021
		Chair from January 2021 onwards	
	Innis Montgomery	Member of the Committee	September 2020 – August 2021
	Sally Blyth	Member of the Committee	September 2020 – August 2021
	Samantha Cribb	Member of the Committee	September 2020 – August 2021
	Mark Sheridan	Member of the Committee	February – June 2021
	Amy Goodbrand	Co-opted Member of the Committee	February – August 2021
Meetings	4 meetings were held throughou	It the year and the attendance was as follows: -	
	<b>15 September 2020</b> Fiona Neilson, Innis Montgomer	y, Samantha Cribb & Sally Blyth (Fiona Neilson chaired this	s meeting)

	10 November 2020
	Fiona Neilson, Innis Montgomery & Sally Blyth (Fiona Neilson chaired this meeting)
	09 March 2021
	Gillian Galloway, Innis Montgomery, Samantha Cribb, Sally Blyth, Mark Sheridan & Amy Goodbrand (Gillian Galloway chaired this meeting)
	01 June 2021
	Gillian Galloway, Innis Montgomery, Sally Blyth & Amy Goodbrand (Gillian Galloway chaired this meeting)
	Representatives from our internal auditors, BDO, attended all four meetings in 2020-21.
	<ul> <li>Representatives from Ernst &amp; Young attended the meetings in September 2020, November 2020 &amp; June 2021.</li> <li>The Assistant Principal – Finance and Audit attended all four meetings.</li> </ul>
	The Principal attended the meetings held in September 2020, November 2020, and March 2021.
	<ul> <li>The Depute Principal – Planning and Student Experience attended the meetings held in September and November 2020.</li> <li>The Assistant Principal – Academic and Research attended the meeting held in June 2021.</li> </ul>
	Others in Attendance:
	In September 2020 Ron Hill, External Effectiveness Facilitator observed the meeting.
	In March 2021, our Data Protection Officer attended the meeting.
	<ul> <li>In June 2021 the Contracts and Procurement Co-Ordinator, Head of Procurement – Shared UHI Service, ICT Services Manager and our Health and Safety Manager attended the meeting.</li> </ul>
Terms of Reference	The Terms of Reference were reviewed as part of our Committee Review meetings held in July 2021, a further review took place on 19 October 2021 by all Committee Members with the updated Terms of Reference taken to the Board of Management on 14 December 2021. It is expected that the updated Terms of Reference will be given final approval at the Board of Management meeting being held on 31 March 2022. The Terms of Reference will next be due for review in March 2024.
Internal	Provider
Audit	The Internal Auditors are BDO. They were appointed for the three-year period 2017-2020. On May 2020 the Assistant Principal – Finance and Audit confirmed with BDO a 12-month extension to this contract for the period 01 August 2020 – 31 July 2021. All terms and conditions remained as per the original contract letter dated 29 June 2017.
	Audit committee assessment of performance
	The annual review of the performance of BDO was discussed within the meeting held on 09 March 2021. An assessment of performance by BDO took place within confidential discussions with regards the appointment of Internal Auditors.

#### Review of internal audit plan

During 2020-21 our Internal Auditors BDO reviewed and evaluated our processes in the following areas:

- Workforce Planning
- •Covid-19 Health and Safety
- •Finance System Upgrade
- •Cyber Security
- •Coronavirus Job Retention Scheme
- •Follow Up

The outcomes of all reviews have been presented to and discussed by Audit Committee. The initial conclusion is reflected in the summary table below and is not expected to change.

The plan was based on the proposed allocation of days for set out in the 2020-21 operational plan. There was no change in the time spent – Planned v budget. 30 days' work was undertaken.

### Summary of Internal Audit reports 2020-21

Reports Issued	Overall Report Conclusions -see appendix I						
	Design		Operational Effectiveness				
Covid-19 Health & Safety	0	0	2	Substantial	Substantia		
Workforce Planning	0	3	3	Moderate	Moderate		
Project Management	0	4	0	Moderate	Moderate		
Cyber Security	0	4	2	Limited	Limited		
Coronavirus Job Retention Scheme	1	1	0	Limited	Limited		
Follow Up	n/a	n/a	n/a	n/a	n/a		

LEVEL OF ASSU	RANCE	DESIGN of internal con	trol framework	OPERATIONAL EFFECTIV	/ENESS 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 <u>non compliance</u> with some controls, that may put some the system objectives at risk.
Limited		A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts <u>should</u> be made to address in- year.	System of internal controls <u>is weakened</u> 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 <u>should</u> be made to address in- year.	Non-compliance with key procedu and controls places the system objectives at risk.
No		For all <u>risk</u> 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.
Recomment High	lation Signific	ance	ntial risk of loss, fraud, improprie	framework.	ey, or failure to achieve o
(RED)					
Medium (AMBER)	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and sho concern to senior management and requires prompt specific action.				
Low	Areas that inc	lividually have no sign	nificant impact, but where manag	aement would benefit fro	om improved controls and/

Audit reports				
Summary of Recommendations made				
High	1			
Medium	12			
Low	7			
Total number of recommendations:	20			

The Committee made specific comments on reports as follows: -

## Workforce Planning

BDO advised that this audit gave a moderate level of assurance and found that there were 3 medium level risks and 3 low level risks. A discussion on all follow up actions will be arranged for June 2021. The Committee enquired as to the level of PDR's being carried out and noted that this process had faltered due to Covid-19. The mechanisms and the processes in place for recording completed PDR's will be reviewed and discussed at the next HR Committee meeting. The Committee highlighted the importance of succession planning and underlined their concerns about the workloads of staff following the SMT restructure. It was noted that this too will be monitored and discussed at the next HR Committee meeting.

### **Covid-19 Health and Safety**

BDO advised that this audit gave a substantial level of assurance and had found that there were 2 low level risks. The Committee welcomed this positive outcome.

### **Finance System**

BDO advised that this audit gave a moderate level of assurance and that there were 4 medium level risks found. The Assistant Principal – Finance and Audit advised that we had experienced issues relating to ownership of the programme but that the system was delivered on time and was now delivering the reports that we require. It was noted that lack of project management was raised as a weakness. However, this is currently being addressed through additional training.

	<b>Draft Cyber Security Audit</b> BDO advised that the cyber security audit had been superseded by the cyber incident and that the report was currently in draft format. BDO are to have discussions with management over their proposed recommendations. The Committee advised that they would consider			
	the findings of this audit once the final version was agreed by BDO and management.			
	Closed Meeting			
	No closed meeting with Internal Audit took place.			
	Overall opinion of risk management, control, and governance arrangements			
	<ul> <li>In the view of BDO, based on the reviews undertaken during the period and in the context of materiality that:</li> <li>In three of the five assurance audits performed, the risk management activities and controls in the areas which we examined were found to be suitable to achieve the specific risk management, control, and governance arrangements. Based on our verification reviews and sample testing, the risk management, control, and governance arrangements in these three areas were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control, and governance objectives were achieved for the period under review.</li> <li>However, our review of cyber security and the coronavirus job retention scheme 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 these areas to provide reasonable assurance that the related risk management, control, and governance objectives were achieved for the period under review.</li> </ul>			
External audit	Ernst & Young			
uuun	Ernst & Young completed their audit of the accounts for the year ending 31 July 2020. This was the fourth 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 2020/21.			
	These accounts were submitted to and approved by the Board of Management on 18 February 2021. Ernst and Young's independent auditor's report provided an unqualified opinion that the financial statements			
	Ernst and Young's independent auditor's report provided an unqualified opinion that the financial statements			
	<ul> <li>gave a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council (SFC) of the state of the affairs of the College and Group as at 31 July 2019 and of its surplus for the year then ended;</li> </ul>			
	<ul> <li>had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and</li> </ul>			

	<ul> <li>had been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).</li> <li>Audit committee assessment of performance</li> <li>The annual review of the performance of EY for the year 2020/21 took place during the Audit Committee meeting held on 09 March 2021.</li> </ul>
	<b>Closed Meeting</b> The Audit Committee held a closed session with the External Auditors following the Audit Committee held on 09 March 2021. <b>Audit of annual accounts 2020-21</b>
Other work	EY has carried out the Audit of the Annual Accounts for 2020-21 and this forms part 05c of the agenda.  Health and Safety Health and Safety
done	Health and Safety reports are submitted to each audit committee throughout the year. Covid-19 continued to have a significant impact upon College operations. A Sub Committee of the Health, Safety and Wellbeing Group was set up to look at the wellbeing of staff. This Sub-Committee is an advisory group who provide reflective input with regards the impact of Covid-19 with regards staff working from home, our responsibilities as an employer and the responsibilities which staff themselves have, the contractual status of home working, the audit of DSE which staff are using at home. The internal audit on the management arrangements that have been implemented in response to Covid-19 took place on 08 December 2020. The result of the audit was highly positive, where there was a substantial level of assurance provided on how the College has, and continues to, manage the impact of COVID-19. This positive result reflects the hard work and efforts made by the COVID-19 Management Team and the College workforce. During 2020-21 the Committee were provided with detailed papers with regards a proposed new Health and Safety system HASMAT. The Health and Safety Manager provided guidance to the Committee with regards this system summarising to them what this system is and
	Health and Safety Manager provided guidance to the Committee with regards this system summarising to them what this system is and the benefits of it. The Health and Safety Manager highlighted to the Committee the associated schedule which can be used as part of any internal audits on health and safety going forward. BDO confirmed that it should not be an issue for internal audit to use this system. Following this the Committee agreed to the adoption of the HASMAT system.
	<b>Riddor</b> There have been no RIDDOR reportable incidents for academic year 2020-21. This is comparable to the previous year.
	Incidents

# **ITEM 07**

Incident reporting for 2020-21 occurred during the limited opening and operation of the College estate for elements of face-toface curriculum delivery – at present this is focussed on predominantly vocational further education activities that are unable to be delivered remotely. Essential maintenance operations by IC Estates and GTFM, along with statutory inspections, have continued as normal. The incidents recorded for the quarter are significantly lower than would be expected during a 'regular' reporting period, where in general there had been a sustained upward trend of incident reporting.

There was 1x Incident Report relating to Occupational Health & Safety reported during the period. This involved the apparent spontaneous shattering of a glass panel within the Sheiling Restaurant at 1 Inverness Campus. The matter was investigated both by the College Estates and Health & Safety departments, in conjunction with GTFM. Despite a thorough investigation, a definitive cause of the incident could not be established, though it is suspected that temperature fluctuation within the immediate area of the pane, in combination with potential over-tightening at pane fixings, resulted in the pane shattering. Post-incident actions have resulted in all panes of glass at the Sheiling Restaurant being covered with cloth sheets to mitigate glass debris injuring persons should a similar event occur. There were no injuries as a result of the incident and on reviewing witness accounts, there are no grounds to suspect intentional damage. At the time of writing this paper, the intention is to replace the glass pane screening at the Sheiling Restaurant and consideration is being given to taking the same action for similar screening throughout the building.

#### Policies

The following key policies were reviewed during 2020/21

- Email Usage and Retention Policy
- Information Security Policy
- University Partnership IS Acceptable Use Policy
- Marketing Policy
- Health, Safety and Wellbeing Policy
- Waste Management Policy
- Freedom of Information Policy
- Food, Safety and Allergen Management Policy

The Annual report on Freedom of Information was presented to the Committee in June 2021 and an update on GDPR was presented to the Committee in March 2021. No major issues were reported.

#### Value for Money and Procurement Annual Report 2020-21

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.

**Business Continuity Plan** 

An update on our Business Continuity Plan including how this is shared, developed, stored, accessed and the work which is currently in progress was presented to the Committee in June 2021.

#### **Restructuring within the Finance Department**

It had been agreed within the Academic Year 2019-20 that we would share a common finance service between ourselves and North Highland College. The Finance Manager (Shared) role commenced in January 2021, and they are continuing to lead the transformation on the input functions within the team. The Project Accountant for Inverness College left in October 2020, and we have since promoted the Inverness Team Leader to Accountant. There continues to be efficiencies of work within the Shared Finance Team, however it is the view of the Assistant Principal – Finance and Audit that the Shared Finance Team has sufficient team members and resources to ensure that all work is completed.

#### Rollout of New Systems

Inverness College had been part of meetings to consider a new combined payroll and HR system with other partner colleges however it became clear that we did not have the time nor resources to deliver this at present. Thus, it was agreed that we would concentrate on the Inverness Payroll Upgrade which was due to be delivered by 31 December 2021.

Other new systems which were agreed and implemented throughout the year were:

- A system for budget preparation was agreed which involved budget holders and the EMT.
- Fee generation process and review of PECOS and its flow-through into the ledger system Sun Accounts

The implementation of these new systems has allowed top level monitoring to be carried out expeditiously.

#### **Reprioritisation of Activities due to Covid-19**

Inverness College focussed on clearing the backlog of students with deferred units from the Academic Year 2019/20. This was done in a way that minimised the number of staff and students on campus within semester 1 and 2 of the Academic Year 2020/21. We were able to provide the vast majority of HE delivery online apart from some practical activities within the School of Forestry. We were able to create a Covid-19 Risk Management Plan which was led by our Health and Safety Manager supported by the use of the Return-to-Work Alcumus Risk Management Checklist, Plan and Tracker. This risk assessment has formed the basis for all our decisions in reopening activity on site. The Covid-19 Transitional Management Group actively keeps the situation under review and responds to external changes, learning from experience and SMT guidance.

The impact of the COVID-19 restrictions on Academic Year 2020-21 can be seen in three main indicators:



ſ	<ol> <li>Reduced credit activity</li> <li>Reduced student satisfaction overall</li> </ol>
	3. Increased Early Withdrawal rates for students on full-time FE programmes
	Planning for 2021-22 is now underway. Heads and Depute Heads of School are engaging with the latest Labour Market Information and other data from SDS to help ensure our offer responds to demand and to the impact of the COVID-19 environment.
	Effects from Cyber Security Incident
	<ul> <li>Prior to the Cyber Security Incident, several changes had been made with regards to:</li> <li>Logins to College Accounts and ensuring these are made from within the UK only.</li> <li>Segmenting our college data backups</li> <li>Local Administer Password Solution has been introduced.</li> <li>Intune is being deployed across our mobile devices.</li> <li>SharePoint and OneDrive are being used for file storage.</li> <li>Online training for information security and data protection is now an annual requirement.</li> </ul>
	<ul> <li>The Cyber Incident in March 2021 had a major effect on progressing the efficiencies within the Shared Finance Service. The following work has been undertaken by the Shared Finance Service in conjunction with the IT Department:</li> <li>Work with the Accounting software supplier to host Sun Accounts in the Cloud. This included meeting with the UHI Data Officer and Inverness Data Officer on data sharing agreements and liaison with IT. Finance staff have had to adapt to new ways of accessing the system.</li> <li>Because of performance issues with the Accounting system when hosted by the Supplier, following meetings with the UHI IT Director and some senior IT staff, the hosting of the system has been brought back in house.</li> <li>Work with Payroll suppliers to host payroll systems within the Cloud. This included meeting with the UHI Data Officer and Inverness Data Officer on data sharing agreements and liaison with IT. Payroll staff have had to adapt to new ways of accessing the systems.</li> <li>Inverness Payroll system Cintra upgrade.</li> <li>In practical terms the Finance Team experienced several weeks where they were unable to access the ledger.</li> </ul>
	Within the College we had to turn off access to several core services such as students records and reporting services (SITS), file services, timetabling and attendance system (Celcat), the finance and payroll systems as well as all on campus services such as PCs, servers, printing, and Wi-Fi.

	The majority of student facing services were unaffected and still accessible. Such as the virtual learning environment (BrightSpace), the library catalogue and video conferencing services. As well as other key Cloud services such as email and SharePoint being available to all staff and students, so there was minimal disruption to key communication channels.
	The initial impact review was to identify data and systems that needed to be brought back as soon as possible; such as key data needed to run the College or systems such as Payroll Finance & Celcat that would have had a significant impact if not available within timescales provided by the service owners.
	Key activity was broken down into working groups across the Partnership which Inverness College UHI staff both led and had leading roles in. As there is a shared UHI network it was essential that processes for data cleansing, system restores, and the rebuild of devices was done consistently and safely to avoid reinfection with cognisance of the on-going advice of the forensic expertise.
Opinion	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.
	The Audit Committee concurs with the (draft) opinion of BDO that the 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.
Circulation	Copy to the Auditors once approved by the Board of Management
Conclusion	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
	Signed
	Chair, Audit Committee
	Date

# Item 07



 Ernst & Young LLP
 Tel: + 44 131 777 2000

 Atria One
 Fax: + 44 131 777 2001

 144 Morrison Street
 ey.com

 Edinburgh
 EH3 8EX

Members of the Audit Committee Inverness College UHI 1 Inverness Campus Inverness IV2 5NA

**13 August 2021** Ref: SR/OP Direct line: 0131 777 2839 Email: SReid2@uk.ey.com

Dear Audit Committee Members

#### External audit: Year ended 31 July 2021

Auditing standards require us to formally update our understanding of your arrangements for oversight of management processes and arrangements annually. I am therefore writing to ask that you please provide a response to the following questions.

- 1. How does the Audit Committee, as 'those charged with governance' at Inverness College ("the College"), exercise oversight of management's processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent, and frequency of these assessments);

The College maintains a risk register that is subject to ongoing review and risk assessment by the Audit Committee on a regular (generally quarterly) basis.

Internal auditors are appointed, and the Audit Committee agrees with them an internal audit plan for each year of their appointment covering a range of areas of the College's business, with input from other relevant Board Committees as to audit scope. The Audit Committee receives reports from the internal auditors on each area of internal audit (e.g., cash handling), highlighting any outstanding actions or non-compliance issues, usually with a risk rating, and their recommendations. The Audit Committee expects the Assistant Principal – Finance and Audit to deal with the year-end accounting process in a way that adheres to standards and ethics and to oversee and manage the College's finance and accounting staff; and our Executive Management Team (EMT) to assess and manage such risks more broadly and to report any concerns to the Committee. It expects the internal auditors and external auditors to approach it if they have any concerns.

The Audit Committee has open dialogue with appropriate members of the EMT at quarterly meetings, seeking reassurance on matters such as sufficiency of finance and accounting resources and systems.

 identifying and responding to risks of fraud in the College, including any specific risks of fraud which management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;

Both internal and external auditors are contracted to provide services which includes looking at a wide range of audit activities across various aspects of the College, including these areas.

The Audit Committee pursues and monitors implementation of outstanding recommendations through internal reporting by the College's Assistant Principal - Finance and Audit and other members of its EMT at quarterly meetings of the Audit Committee including steps being undertaken to comply with the National Fraud Initiative.

The Finance and General Purposes Committee of Board of Management (BOM) also has oversight of financial information and reports presented to it by the EMT at regular quarterly

#### meetings and would be expected to raise with Audit Committee any concerns.

 communicating to employees its view on business practice and ethical behaviour, for example by updating, communicating, and monitoring against the College's code of conduct;

The BOM has been open and accountable, and this process includes the Chair and members of the Audit Committee. The Audit Committee takes a view before the academic year starts as to which areas of business practice and ethical behavior it wishes to internally audit. It scopes out those audit areas with input from relevant Board Committees and conducts the process through its appointed auditors. There have been drop-in sessions where employees have been present and able to have discussions with the Principal. The Principal reports back to the BOM with a summary of these sessions which he hosts, and this includes highlighting employee's views on strategic and operational matters in progress. The outcome of all reviews are communicated to stakeholders by the Board directly via publication of the findings and to the employees by the executive functions and roles with that delegated responsibility. If there was a problem with any financial issue, it would be hoped that any staff member could approach a committee chair or member and raise an issue without undue concern. In terms of updating the timetable of reviews in this regard the Audit Committee and BOM works alongside the Quality Team. Additionally, the website includes regular updates and details of committee membership, agendas, and minutes. This allows all staff and members of the public to clearly follow discussions on BOM and Audit Committee matters.

- encouraging employees to report their concerns about fraud; and

The Committee and the BOM generally have encouraged openness with staff as much as possible. The College has a "Whistleblowing" Policy in place and any employee with concerns is actively encouraged to report them. EMT reports to the Audit Committee on updates to relevant policies and procedures.

- communicating to you the processes for identifying and responding to fraud or error?

Audit Committee receives reports from the Assistant Principal - Finance and Audit and other members of EMT (generally including updates on risk register review) at quarterly meetings of the Audit Committee and monitors actions taken to address outstanding internal audit recommendations through such internal reporting. The Committee would expect EMT or internal audit reports to highlight any deficiencies in relation to processes for identifying and responding to fraud or error and EMT to report on steps taken to address those.

If EMT or the Committee had any specific concerns on processes for identifying or responding to fraud and error, then both internal and external auditors would be advised as soon as practically possible.

2. How does the Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

This is done by having an EMT in place who are aware of the need for appropriate processes and procedures and advising the Committee of any breaches. There are also internal and external auditors appointed who also are expected to contribute to this area and advise the Committee of any breaches that they suspect may have occurred. The Audit Committee monitors actions taken to address outstanding internal audit recommendations through reports from the Assistant Principal - Finance and Audit and other members of EMT at quarterly meetings of the Audit Committee.

3. Have there been any significant changes in the design and/or operating effectiveness of management controls as a result of the Coronavirus outbreak?

Management and staff have had to adapt to home working, and management of departments and service delivered remotely. Generally, this has worked well. For example, despite working from home, the Finance department has paid staff and suppliers and raised fees and invoices. It is also monitoring the College finances and for the second year has produced a set of year-end accounts and budgets. Other support functions e.g., HR, Admissions, Registry and Student support are also being delivered by staff working from home. Management has effectively been delivered through e-mails and VC meetings. Some practical teaching has been done on site e.g., Engineering, Construction. Controls

have had to change in some measure e.g., storing and approving invoices electronically and digital approvals.

Audit Committee and BOM have been appraised of ongoing risk assessments and changes in management controls by EMT as a result of the Coronavirus outbreak e.g., to address issues such as restricting access to and use of premises by staff and students, social distancing, homeworking, increased online delivery of services, and students' and staff wellbeing.

Internal auditors have addressed the impact of Coronavirus in course of internal audits and have carried out additional audits including Covid 19 Quality and Assessment and Covid 19 Health and Safety.

4. How do those charged with governance assure themselves that the furloughing of staff has not adversely impacted the segregation of duties?

The Committee has been advised that some staff have been furloughed following an assessment made by senior management e.g., refectory. The Committee is not aware of any issues of risk of segregation of duties being compromised. The Committee considers that the management is assessing and furloughing as appropriate after due consideration of any potential impact. Furloughing of staff no longer continues.

- 5. Is the Audit Committee aware of any:
  - breaches of, or deficiencies in internal control; and

The Audit Committee is not aware of any material breach or deficiencies.

- actual, suspected, or alleged frauds during 2020/21?

The Audit Committee is not aware of any actual, suspected, or alleged frauds.

6. Is the Audit Committee aware of any organisational or management pressure to meet financial or operating targets?

The current operating environment, public sector funding constraints and the Coronavirus outbreak inevitably put pressure on both the College as an organisation and its management to meet financial and operating targets, as on all institutions in the further and higher education sector.

The Audit Committee and BOM has had open dialogue with management about financial pressures and steps taken as soon as possible to address those by commencing a Financial Recovery Plan during the year ending 31 July 2020 and into the year ended 31 July 2021. The Audit Committee has also been kept updated on the College's progress regarding the Financial Recovery Plan and together with the Finance and General Purposes Committee monitored the process (and format) of financial reporting by management to BOM and its committees to the Plan's completed delivery in 2020-21.

It is also made aware of management's efforts to ensure the College's finances are sound, including on-going reviews of curriculum and support services in response to business challenges as they arise. The management team leads on this, reporting to the Audit Committee at its quarterly meetings.

7. How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2020/21?

The Audit Committee is served by having internal and external auditors reporting to it. Also, Executive Management have responsibilities to ensure compliance with relevant laws and regulations and provide assurance through regular management reports presented to the Audit Committee at its quarterly meetings. There are also external professional service providers that assist the College including: e.g., VAT specialists who review the College's Partial Exemption Calculation and provide VAT advice on issues; and lawyers who provide the College with legal advice on various issues.

8. Is the Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?

The Audit Committee is not aware of any potential litigation issues.

9. How does the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

The financial position for the year ended 31 July 21 show the College has delivered a surplus Adjusted Operating Position. Liquidity has improved during the year. Management reports also indicate that there is over £6 million in cash at 31 July 2021, and that the College is likely to be able to meet is debts as they fall due within the twelve months from 31 July 2021 to 31 July 2022.

- 10. Has management considered the impact of the coronavirus outbreak as part of their going concern assessment, including:
  - any changes in underlying assumptions
  - additional or potential financial difficulties, impairments, or write-offs

Yes – 2021-22 budget it is assumed that Refectory income is only 50% of pre-Covid 19 activity; and projections for commercial income have been reduced to lower levels as compared to non-Covid environment. The most recent Budget Monitoring to 30 September 2021 and projecting forward have included various assumptions on income including anticipated effect of Covid 19.

11. How does the Audit Committee satisfy itself that the College has arrangements to ensure compliance with the Scottish Funding Council's ("SFC") Accounts Direction and Financial Memorandum?

The Audit Committee expects the College's Assistant Principal - Finance and Audit to ensure compliance. The Audit Committee understands that monthly cash flow information is submitted to the SFC by the Assistant Principal - Finance and Audit; and an annual Financial Forecast Return is also sent to the SFC which is reviewed and approved by the Finance and General Purposes Committee. There is also a year-end certificate which is signed by the Principal. Again, if internal or external auditors discovered major breaches, then the Committee would expect them to be reported.

An annual Revenue Budget and a Capital Budget is presented by Management to BOM, and financial performance is also monitored through regular reporting to the Finance and General Purposes Committee which meets quarterly.

12. How does the Audit Committee satisfy itself that the College has arrangements to ensure compliance with its requirements as an independent charity as set out by OSCR?

BOM members and EMT are aware of the charitable status of the College. The College submits annual returns to OSCR and its annual financial statements. The Committee is not aware of any issues of non-compliance being raised by OSCR.

13. How does the Audit Committee satisfy itself that the College has arrangements to monitor and maintain the regularity of income and expenditure?

Income and Expenditure information is reported quarterly to the Finance and General Purposes Committee.

# **Item 07**

14. What does the Audit Committee consider to be the related parties that are significant to the College and what is its understanding of the relationships and transactions with those related parties?

It is expected that each BOM member will disclose any potential conflicts of interest that arise concerning the College's business. A register of interests is available on our website, and this is kept up-to-date. At the start of each meeting of BOM or any of its committee's members are asked to declare any interest which they may have in respect of items on the agenda.

Other parties with whom the College has significant contractual relationships in respect of the delivery of further and higher education are The University of the Highlands and Islands ("UHI") and its other "Academic Partner" independent colleges. The College delivers further and higher education on behalf of UHI, alone and in conjunction with, other colleges in Highlands and Islands; and UHI is the regional strategic body responsible for planning, monitoring, and funding of further education in the Highlands and Islands. The College is not considered to be a subsidiary of UHI.

15. Does the Audit Committee have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns?

Although the College is not a subsidiary of UHI, as an "Academic Partner" of UHI, the aim of which is to provide tertiary education (from post-16 to post-graduate level) across the Highlands & Islands region, the College relies upon UHI to provide much of its funding and other support including e.g. shared services; and upon UHI's other Academic Partners to perform their obligations to the UHI network including e.g. in collaborating on delivery of courses and services; thereby exposing the College to a degree of risk that is outwith the control of the College, raising concerns as to the potential impact upon the College of certain risks at UHI level, including e.g. decisions made by UHI as regards funding allocations and in respect of financial sustainability of UHI and its other Academic Partners, particularly given the impact upon the sector of Covid 19.

Thank you for your assistance. Please respond to the inquiries above (or if you have any queries in respect of this letter) by emailing Olga Potapova at <u>opotapova@uk.ey.com</u>.

Yours faithfully

Stephen Reid Partner For and on behalf of Ernst & Young LLP