

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

<b>PRESENT:</b>	Sally Blyth, Gillian Galloway, Amy Goodbrand, Samantha Cribb, Chris O'Neil
<b>CHAIR:</b>	Gillian Galloway
<b>APOLOGIES:</b>	Innis Montgomery, Tina Stones, Information Systems Manager, Olga Potapova EY, External Auditors, Stephen Reid, EY, External Auditors, Assistant Principal – Academic & Research
<b>ATTENDING:</b>	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.

5. 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**

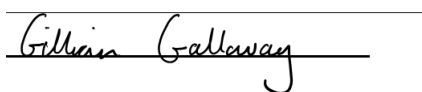
The Board Secretary spoke to her report advising that the Committee Evaluation had been carried out offline in August with 3 members of the Committee providing feedback.

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 Chair:**



**Date: 08 March 2022**