

Meeting	Audit Committee
Date and time	Tuesday 17 <sup>th</sup> September 2019 at 8.30 a.m.
Location	Boardroom, 1 Inverness Campus

Board Secretary  
09 September 2019

**AGENDA**

**Welcome and Apologies**

**Declarations of Interest**

**ITEMS FOR DECISION**

- 1. MINUTES**  
Minutes of Meeting of the Audit Committee held on 28 May 2019
- 2. OUTSTANDING ACTIONS**  
Action list

**ITEMS FOR DISCUSSION**

- 3. RISK MANAGEMENT**  
Report by Director of Finance
  - 4. NATIONAL FRAUD INITIATIVE EXERCISE 2018/19**  
Report by Director of Finance
  - 5. ERNST & YOUNG CORRESPONDENCE**  
Report by Board Secretary
  - 6. FOLLOW UP REVIEWS 2018-19**  
Verbal report by BDO
  - 7. OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS 2018-19**  
Report by Director of Finance
  - 8. HEALTH AND SAFETY ANNUAL REPORT 2018-19**  
Report by Director of Organisational Development
-

## ITEMS FOR NOTING

**9. AOCB**

**10. DATE OF NEXT MEETING**

Tuesday 26<sup>th</sup> November 2019 at 8.30 a.m.

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 in the Boardroom, 1 Inverness Campus, on Tuesday 28 May 2019**

**PRESENT:** Hazel Allen, Sarah Burton, Jaci Douglas, Fiona Neilson, Steve Walsh  
**CHAIR:** Hazel Allen  
**APOLOGIES:** Innis Montgomery  
**ATTENDING:** Director of Organisational Development  
Director of Finance  
Claire Robertson, BDO  
Stephen Reid, Ernst & Young  
Secretary to the Board of Management

**1. MINUTES**

The Minutes of the Meeting of the Audit Committee held on 26 February 2019 were **AGREED** as a correct record, were **APPROVED** and signed by the Chair.

**2. OUTSTANDING ACTIONS**

The Committee **AGREED** which actions had been completed and could be signed off and those which were still outstanding and would remain on the list.

**3. INTERNAL AUDIT ANNUAL AUDIT PLAN FOR THE YEAR ENDED JULY 2020 AND TERMS OF REFERENCE (TOR)**

**a. Annual internal audit plan 2019-20**

BDO presented their internal audit plan for 2019-20 as follows

Governance and Risk

- Business Planning and Performance Management
- Health and Safety
- Financial Controls
- Marketing and Communication
- Estates Management

Regulatory Reviews

- Credits/FES
- Student Support Funds including Education Maintenance Allowance (EMA)

Follow up

- Follow up

The total number of days for this work as well as the work involved in client liaison and annual reporting was 45.

The Committee **APPROVED** the annual internal audit plan for 2019-20.

**b. Terms of Reference**

The draft terms of reference for the business planning and performance audit and for the regulatory audits, namely FES, student support funds and EMA were presented to the Committee for consideration.

The Committee **APPROVED** the draft terms of reference for the abovementioned audits.

**4. EXTERNAL AUDIT ANNUAL AUDIT PLAN FOR THE YEAR ENDED JULY 2019**

A report by the External Auditors, Ernst & Young set out their annual audit plan for the year ending 31 July 2018. The financial statement audit included two fraud risks - fraud in revenue and expenditure recognition and misstatement due to fraud or error and three inherent risks - valuation of property, plant and equipment and capital funding, capital financing arrangements and pension liabilities. The wider scope audit would relate specifically to the audit dimensions of financial sustainability and governance and transparency. The total fee for the 2018-19 audit would be £17,910.

Stephen Reid confirmed that the Committee would have site of any findings from the wider scope audit when the final audit report for the year was issued.

The Committee **APPROVED** the external audit annual audit plan for the year ended July 2018 and the fee of £17,910.

**5. E MAIL USAGE AND RETENTION POLICY**

A covering report by the ICT Services Manager advised that the policy was discussed at Scrutiny Panel (28 February 2019) and SMT (16 May 2019) and a number of small changes were recommended.

The Committee **APPROVED** the revised e mail usage and retention policy subject to the name of the policy owner being amended to Depute Principal, Planning and Student Experience.

**6. TERMS OF REFERENCE**

A report by the Board Secretary advised that the Terms of Reference (TOR) of the Audit Committee were last reviewed in 2017 and a number of changes were made.

The Committee **AGREED** that no changes were required to the TOR at this time and **RECOMMENDED** them to the Board of Management accordingly.

**7. AUDIT REPORTS**

**a. Financial Planning**

In accordance with the 2018-19 Audit Plan, Internal Audit had reviewed the design and operating effectiveness of the controls in place surrounding financial planning arrangements.

Claire Robertson advised that BDO had provided moderate assurance over the design and operational effectiveness of the arrangements in place. A number of areas of good practice had been noted. Eight recommendations were made in the report, 5 of medium significance and 3 of low significance.

The Chair raised particular concerns on the findings in relation to outturn monitoring. The Director of Finance confirmed that some areas had been identified and that work had already started to improve on practices. This included work on internationalisation and savings identified by reducing the opening hours of the main campus building. There would be outturn monitoring against the Finance Strategy which had recently been approved by the Board of Management in March 2019.

The Director of Finance confirmed a number of actions had already commenced to improve a number of practices prior to the completion of the audit. For example, a budget setting process was in place for 2019/20.

The Committee also discussed the lack of sensitivity analysis and reporting. The Board of Management had to be aware of the impact of targets not being made in individual areas such as internationalisation and the actions which would be put in place to mitigate against such.

The Committee **NOTED** the findings of the review and **REQUESTED** the Director of Finance to prepare a quarterly report to the Board of Management outlining performance against the objectives within the finance strategy.

*Steve Walsh left the meeting*

**b. Curriculum Planning**

In accordance with the 2018-19 Audit Plan, Internal Audit had reviewed the design and operating effectiveness of the controls in place surrounding curriculum planning.

Claire Robertson advised that BDO had provided substantial assurance over the design and operational effectiveness of the arrangements in place. A number of areas of good practice had been noted. One recommendation was made in the report which was of low significance.

The Committee welcomed the excellent report and recognised the hard work of the team in the curriculum planning process.

**c. Research Governance and Business and Commercial Development**

The Committee **NOTED** that the findings of these audits would be presented to the next meeting of the Committee in September

**8. OUTSTANDING AUDIT RECOMMENDATIONS**

A report by the Director of Finance provided an updated position regarding the implementation of action points arising from both internal audit reports and the annual external audit that had not already been reported to Committee as completed.

The Committee was pleased to **NOTE** that a number of actions had been completed and others were progressing.

A member of the Committee referred to the imminent departure of the Finance Manager which would impact on the finance team resource. The Director of Finance confirmed that the College was actively seeking a replacement.

**9. RISK MANAGEMENT - CONFIDENTIAL**

A report by the Director of Finance provided an update of progress against some of the key financial risks identified including the finance strategy and the finance system.

The Committee **NOTED** the report.

**10. BUSINESS CONTINUITY - CONFIDENTIAL**

A report by the Estates and Campus Services Manager set out a number of developments on business continuity since the last meeting.

The Committee **NOTED** the report.

**11. HEALTH AND SAFETY**

A report by the Director of Organisational Development provided a quarterly report on matters pertaining to health and safety, the key issues being as follows:-

- The number of incidents reported through SHE in comparison with the same point last year (Q3) had decreased by 16% from 91 to 76.
- There had been a decrease in incidents involving students by 41%.
- Over the past 3 quarters there had been a decrease in number of incidents and a decrease in students involved in incidents.
- There were two significant incidents in Q3, one involving a faulty plug on a piece of kitchen equipment and the other where a student was diagnosed with tuberculosis.

The Committee **WELCOMED** the comprehensive report.

## 12. **GDPR**

A report by the Information Development Manager provided a comprehensive update on GDPR points of compliance and which included

- reference to the compliance audits which had been undertaken and the general findings
- incident reporting including data breaches, the majority of which were either “disclosed in error” or were as a result of a “technical/procedural failure”
- reported breaches to the ICO
- lessons learned across College teams.

The Committee **NOTED** the report.

## 13. **AUDIT COMMITTEE SELF EVALUATION – OUTSTANDING ACTIONS**

Following the comprehensive committee self-evaluation exercise which had been completed last year, there were a three actions which still required to be completed.

The Committee considered the final three actions and **AGREED** that they could all be signed off as complete and that the action list be updated accordingly.

## 14. **MEETING WITH INTERNAL AUDITORS**

The Board Secretary advised that the Code of Good Governance for Scotland’s Colleges required that the audit committee members should meet with the internal auditors without the executive team present at least annually.

Claire Robertson of BDO advised that there was good discussion on the planned internal audit reports and good interaction with college staff. Neither BDO nor College staff had perhaps fully understood the time needed to gather some information which was not held centrally, especially when a considerable amount of detail was required and this had had a knock on effect in the time available to BDO to test the assurances received. As a result, it had not been possible to report on the findings of two audits at this meeting. No other significant challenges had been encountered throughout the year.

She confirmed that the Director of Finance had been helpful in trying to coordinate the timing of the audits.

A member of the Committee asked if there any instances where, following management discussion, recommendations were not included in the final report. Claire confirmed that management would request further clarification on why recommendations were being made. Positive feedback was sought to understand the rationale rather than resistance.

The Committee confirmed that it was satisfied that the scopes of the audits met what was needed and reports in turn provided the information to allow the College to continuously improve on procedures and practices

## 15. **ANNUAL REVIEW OF INTERNAL AUDITORS PERFORMANCE**

The Board Secretary introduced the process for the annual review of the internal auditors’ performance.

The Committee completed the annual review of the internal auditors' performance for 2018/19. The Director of Finance reported to the Committee on her assessment of the auditors' performance.

The Committee **NOTED** that the results of the evaluations would be fed back to the auditors in writing.

*Hazel Allen left the meeting*

**16. COMMITTEE CHAIR EVALUATION**

To comply with the Code of Good Governance for Scotland's Colleges and good governance best practice, an annual evaluation of the Committee Chair required to be undertaken.

The Committee collectively completed the annual committee chair evaluation exercise

*The following items were included in the agenda for noting only and therefore no discussion took place at the meeting.*

**17. MEETING OF UHI AUDIT CHAIRS**

Draft Minutes from the meeting held on 13<sup>th</sup> May 2019.

**18. COMPLAINTS UPDATE REPORT**

A report by the Quality Manager provided an analysis of complaints year to date, covering Quarters 1, 2 and 3.

**19. DATE OF NEXT MEETING – 17 SEPTEMBER 2019 @ 8.30 A.M.**

**Signed by the Chair:** \_\_\_\_\_

**Date:** \_\_\_\_\_



## Outstanding Actions - Audit Committee

<b>27 November 2018</b>				
<b>Item</b>	<b>Action</b>	<b>Responsibility</b>	<b>Time Line</b>	<b>ACTIONED</b>
<b>Risk Register/ Risk</b>	Further reflection on the mitigating actions as they are very mechanistic	SMT	ongoing	
	consider how to embed the process of enhancing mitigating actions at partnership level.	SMT	ongoing	
<b>26 February 2019</b>				
<b>Item</b>	<b>Action</b>	<b>Responsibility</b>	<b>Time Line</b>	<b>ACTIONED</b>
<b>Audit report Business Continuity management</b>	Actions arising from the next test exercise be reported back to committee	D of Org Dev	Sept 2019	
<b>Risk register</b>	Full risk register to be provided on an annual basis	D of F	Sept 2019	
<b>28 May 2019</b>				
<b>Audit report Financial Planning</b>	Quarterly report to be prepared for BOM outlining performance against objectives within the finance strategy	D of F	Ongoing	

## Board of Management

<b>Subject/Title:</b>	Risk Management
<b>Author:</b> [Name and Job title]	Fiona Mustarde, Director of Finance
<b>Meeting:</b>	<b>Audit Committee</b>
<b>Meeting Date:</b>	17 September 2019
<b>Date Paper prepared:</b>	9 September 2019
<b>Brief Summary of the paper:</b>	Update on risk management.
<b>Action requested:</b> [Approval, recommendation, discussion, noting]	Discussion
<b>Link to Strategy:</b> Please highlight how the paper links to, or assists with:: <ul style="list-style-type: none"> <li>• compliance</li> <li>• partnership services</li> <li>• risk management</li> <li>• strategic plan</li> <li>• new opportunity/change</li> </ul>	Risk Management – demonstrates our understanding of the key risks facing Inverness College UHI and the steps taken to address these risks.
<b>Resource implications:</b>	
<b>Risk implications:</b>	Yes <b>If yes, please specify:</b> Operational: Organisational: Ineffective management of significant risks leading to adverse financial impacts
<b>Equality and Diversity implications:</b>	No
<b>Consultation:</b> [staff, students, UHI & Partners, External] and provide detail	N/A

<b>Status</b> – [Confidential/Non confidential]	Confidential		
<b>Freedom of Information</b> Can this paper be included in “open” business* [Yes/No]	No		
*If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
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)	X	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 pass or a condition which needs to be met.)			

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](http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf)

## Board of Management

<b>Subject/Title:</b>	National Fraud Initiative Exercise 2018/19
<b>Author:</b> [Name and Job title]	Fiona Mustarde, Director of Finance
<b>Meeting:</b>	<b>Audit Committee</b>
<b>Meeting Date:</b>	17 September 2019
<b>Date Paper prepared:</b>	9 September 2019
<b>Brief Summary of the paper:</b>	This paper outlines the purposes and requirements of the National Fraud Initiative (NFI) exercise that took place in 2018/19. 2018/19 is the first year that Audit Scotland required all of Scotland's colleges to participate in this exercise.
<b>Action requested:</b> [Approval, recommendation, discussion, noting]	Discussion
<b>Link to Strategy:</b> Please highlight how the paper links to, or assists with:: <ul style="list-style-type: none"> <li>• compliance</li> <li>• partnership services</li> <li>• risk management</li> <li>• strategic plan</li> <li>• new opportunity/change</li> </ul>	Compliance – participation in the exercise is required and not optional. Risk Management – data matching could identify potential fraud instances.
<b>Resource implications:</b>	Yes – time consuming to extract data and submit in required format. Onerous commitment on checking matches identified.
<b>Risk implications:</b>	Yes <b>If yes, please specify:</b> Operational: identifies potential fraud risks for investigation Organisational: participation required
<b>Equality and Diversity implications:</b>	No
<b>Consultation:</b> [staff, students, UHI & Partners, External] and provide detail	N/A

<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 included within “open” business, please highlight below the reason.			
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 pass or a condition which needs to be met.)			

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# National Fraud Initiative Exercise 2018/19

## Executive summary

This report is intended to provide the Committee with an oversight of the National Fraud Initiative (NFI) exercise and how it relates to Inverness College UHI.

## Background information

The NFI is a UK wide data matching exercise whose primary purpose is to help public sector bodies to prevent and detect fraud and error in their financial systems.

Audit Scotland carries out data matching under part 2A of the Public Finance and Accountability (Scotland) Act 2000. This legislation provides that Audit Scotland may carry out data matching exercises, or arrange for them to be carried out on its behalf. The legislation enables Audit Scotland to require any body which comes under the remit of the Auditor General for Scotland to submit data for matching.

The Cabinet Office processes the data for NFI in Scotland on behalf of Audit Scotland, and provides its secure website and NFI application for participating bodies and auditors in Scotland to use. Audit Scotland prepares a report on the results.

The Cabinet Office website includes a section on fees for NFI participants. Scottish bodies do not have to pay separate fees for the main NFI - the costs of participating in the two yearly NFI exercise are met through annual funding to Audit Scotland from the Scottish Parliament.

## Exercise Requirements

For Inverness College UHI, the data for 2018/19 is limited to payroll and creditors.

The Director of Finance was requested to confirm their position as Senior Responsible Officer and to advise Audit Scotland of Key Contact details. The Key Contact should set up appropriate users to carry out the data upload and subsequent investigation of matches, and coordinate the investigations.

Data should be submitted, via the NFI 2018/19 web application, in accordance with the timetable in the instructions for participants. The NFI 2018/19 web application was made available from 1 August 2018.

The instructions for participants include a list of mandatory data sets for this exercise. Privacy notices are required for all datasets containing personal information. Organisations need to complete the on-line compliance form within the NFI web application to confirm that privacy notices have been issued where appropriate.

## Timetable

The timetable for the 2018/19 exercise is reproduced below.

9 July 2018	The Cabinet Office publishes the 2018/19 NFI final data specifications and instructions.
By Friday 28 September 2018	Participants submit privacy notice compliance returns in the NFI web application.
Between 1 and 8 October 2018	Participants extract and submit 2018/19 NFI data to the NFI web application in accordance with the <a href="#">data specifications</a> .
9 October 2018 onwards	The Cabinet Office NFI team sends automatically generated reminders to participants who have not submitted expected datasets. <i>Failure to submit all data promptly may result in some datasets being excluded from the matching process for the results release at the end of January.</i>
From 3 December 2018	Participants extract electoral register data.
From 3 December 2018	Participants upload electoral register and council tax data via Flexible Matching web application. The matches will be available immediately after both datasets are uploaded. The deadline for submission is 28 February 2019.
From 31 January 2019	The Cabinet Office's NFI team makes the 2018/19 NFI exercise matches available for investigation by participating bodies. <i>An email link will be sent to Directors of Finance and Key Contacts as a reminder that the matches are available.</i>
June 2019	Auditors will review NFI governance arrangements and initial progress in reviewing matches.
31 March 2020	Audit Scotland will use the outcomes as at this date for its national report.
Summer 2020	Audit Scotland will publish the 2018/19 NFI report.

## Participation Challenges

Inclusion in this exercise has presented a number of challenges, not all of which have successfully been overcome as yet.

We were fortunate in that our Finance Manager at the time had previous experience of NFI from her last employer. She was clear that this could be a significant drain on staff resource, particularly in relation to checking and investigation of identified matches. On contact with Audit Scotland, it was clarified that participation was not optional.

Privacy notices were distributed and payroll data was subsequently uploaded, albeit subsequent to the initial October due date. Despite extensive investigation from both the Finance team and our SUN System supplier, it was not possible to extract all the data in the file specification in respect of creditors and Audit Scotland were informed of the difficulty faced. This is primarily due to the age of the SUN version currently in operation and should be addressed by the system upgrade. As a result, creditor data was not supplied in this instance.

We received notification that matches in our dataset were available at the end of May 2019. Unfortunately, this was the same time as our Finance Manager left the College and there were no staff with access to the NFI system available to pick this up in her absence.

Subsequent review carried out by the Director of Finance resolved that no action was required in relation to the red risk identified and that the majority of the remaining far lower risks were likely to be of a similar nature. The red risk related to a member of permanent staff on a fractional contract who also holds a fractional contract at another partner college. We were already aware of the other employment relationship and the combination of both contracts did not exceed 1 FTE.

It is anticipated that the matches put forward relate to fractional or supply staff who also have contracts elsewhere, or to staff who have changed employer in year.

## **Further Work**

Action is still required to properly review and investigate the remaining matches identified in order to categorise these appropriately and close off or take further action if needed. It has not been possible to progress this to date due to a combination of staffing pressures and additional payroll processing requirements. This task will be taken forward once the annual accounts preparation has been completed.

Audit Scotland wrote to the College in August 2019 highlighting that “overall engagement in the initiative requires improvement”. Whilst the College would not dispute this assessment, it needs to be understood in the context of the resource issues, both system and staffing, faced by the College Finance Department. The College will be operating a much improved finance system by the time of the next exercise but the additional staff resource commitment may continue to present a challenge.



## Board of Management

<b>Subject/Title:</b>	External Auditors - Assurances
<b>Author:</b> [Name and Job title]	Fiona Ambrose/Erin Grant, Board Secretary
<b>Meeting:</b>	Audit Committee
<b>Meeting Date:</b>	18 September 2018
<b>Date Paper prepared:</b>	7 September 2018
<b>Brief Summary of the paper:</b>	Auditing standards require Ernst & Young, the Colleges External Auditors to formally update their understanding of the College's arrangements for oversight of management processes and arrangements annually. The 10 questions asked in a letter dated 3 June 2019 are outlined in the body of the report and suggested responses are shown
<b>Action requested:</b> [Approval, recommendation, discussion, noting]	Discuss and agree an appropriate response to the letter
<b>Link to Strategy:</b> Please highlight how the paper links to, or assists with::  <ul style="list-style-type: none"> <li>• compliance</li> <li>• partnership services</li> <li>• risk management</li> <li>• strategic plan</li> <li>• new opportunity/change</li> </ul>	Compliance  Risk Management
<b>Resource implications:</b>	Yes / No  <b>If yes, please specify:</b>
<b>Risk implications:</b>	Yes / No  <b>If yes, please specify:</b>

	Operational: Organisational:
<b>Equality and Diversity implications:</b>	No <b>If yes, please specify:</b>
<b>Consultation:</b> [staff, students, UHI & Partners, External] and provide detail	
<b>Status</b> – [Confidential/Non confidential]	Non Confidential
<b>Freedom of Information</b> Can this paper be included in “open” business* [Yes/No]	Yes
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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 pass or a condition which needs to be met.)	

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## External Auditors - Assurances

### Executive summary

Auditing standards require Ernst and Young, the Colleges External Auditors to formally update their understanding of the College's arrangements for oversight of management processes and arrangements annually. A letter was received on 3 June 2019

### Background information

The 10 questions asked in the letter of 3 June 2019 and suggested responses (shown in blue) are as follows:-

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);
  - 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;
  - 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;
  - encouraging employees to report their concerns about fraud; and
  - communicating to you the processes for identifying and responding to fraud or error?
- The College's financial regulations. An extensive review of the Financial Regulations was undertaken during 2017/18. They will be reviewed again in 2018-19. Reference to Fraud and Corruption is included in Para 3.2
  - the Financial Memorandum between UHI as the Regional Strategic Body and Inverness College UHI
  - Finance monitoring statements submitted to the Finance and General Purposes committee on a quarterly basis
  - Risk Register submitted to the Audit committee on a quarterly basis
  - The Financial Controls Audit, carried out by the Internal Auditors BDO
  - Opinions of both the Internal and External Auditor which are included within the Annual Audit report to the Board of Management

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 appears to duplicate question one.

3) Is the Audit Committee aware of any:

- breaches of, or deficiencies in, internal control; and
- actual, suspected or alleged frauds during 2017/18?

No. The Financial Controls Audit in February 2018 identified that all controls were appropriate if followed. It was acknowledged that some controls were not being followed fully due to resource issues within the finance team.

4) Is the Audit Committee aware any organisational or management pressure to meet financial or operating targets?

Yes. All committees and the Board of Management are very aware of the pressure to meet financial targets and student numbers and this has been debated on a number of occasions already and will continue to be debated in the future

5) 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 2017/18?

Management reporting to Committee on issues such as the new GDPR regulations and the six monthly employment law updates to the Human Resources Committee. In addition, the Chair of the Board and Board Secretary receive SFC circulars and these are shared with the relevant Committee Chair and Vice Chair.

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

No

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

The Director of Finance provides the Finance and General Purposes Committee with quarterly monitoring statements. Agendas and papers for all Board and Committee meetings are available on the Inverness College website. The Minutes of all committees are included in the quarterly Board of Management agenda and papers

8) 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 Financial Regulations refer to the Financial Memorandum between the University of the Highlands and Islands and Inverness College UHI and to the SFC Accounts Direction. As referred to in question 5 above, the Annual Accounts Direction is shared with appropriate Board Members

9) 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?

The annual OSCR return was included in the agenda and papers for the Board of Management meeting in June 2018. A draft will be submitted ahead of submission in future.

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

Finance monitoring statements are considered by the Finance and General Purposes Committee every quarter. All Board members have access to all Committee papers. Minutes from Committee meetings are included in the agenda and papers for each quarterly Board Meeting.



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Members of the Audit Committee  
Inverness College UHI  
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03 June 2019

Ref: SR/OP/MJ

Direct line: 0131 777 2839

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Dear Sirs

**External audit: Year ending 31 July 2019**

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);
  - 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;
  - 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;
  - encouraging employees to report their concerns about fraud; and
  - communicating to you the processes for identifying and responding to fraud or error?
  
2. How does the Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?
  
3. Is the Audit Committee aware of any:
  - breaches of, or deficiencies in internal control; and
  - actual, suspected or alleged frauds during 2018/19?
  
4. Is the Audit Committee aware of any organisational or management pressure to meet financial or operating targets?

5. 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 2018/19?
6. Is the Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?
7. How does the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?
8. 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?
9. 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?
10. How does the Audit Committee satisfy itself that the College has arrangements to monitor and maintain the regularity of income and expenditure?
11. 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?
12. Does the Audit Committee have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns?

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 [opotapova@uk.ey.com](mailto:opotapova@uk.ey.com).

Yours faithfully



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

## Board of Management

<b>Subject/Title:</b>	Outstanding Internal Audit Recommendations
<b>Author:</b> [Name and Job title]	Fiona Mustarde, Director of Finance
<b>Meeting:</b>	Audit Committee
<b>Meeting Date:</b>	17 September 2019
<b>Date Paper prepared:</b>	12 September 2019
<b>Brief Summary of the paper:</b>	Update on progress against audit recommendations not previously reported as completed.
<b>Action requested:</b> [Approval, recommendation, discussion, noting]	Discussion
<b>Link to Strategy:</b> Please highlight how the paper links to, or assists with: <ul style="list-style-type: none"> <li>• compliance</li> <li>• partnership services</li> <li>• risk management</li> <li>• strategic plan</li> <li>• new opportunity/change</li> </ul>	Risk Management – demonstrates the steps taken to address the risks identified as a result of internal audit reviews.
<b>Resource implications:</b>	Yes. Potential for reduced income/increased costs if correct procedures not followed.
<b>Risk implications:</b>	Yes <b>If yes, please specify:</b> Operational: clear procedures identified and followed Organisational: reputational risk of failure to adhere
<b>Equality and Diversity implications:</b>	No
<b>Consultation:</b> [staff, students, UHI & Partners, External] and provide detail	N/A



<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 included within “open” business, please highlight below the reason.			
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 pass or a condition which needs to be met.)			

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](http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf)

## **Update on Outstanding Internal Audit Recommendations**

### **Executive summary**

This report provides the Committee with an updated position regarding the implementation of action points arising from both Internal Audit reports and the annual external audit that have not already been reported to Committee as completed.

### **Background information**

The College is committed to following up on audit recommendations and implementing these timeously.

A summary of the outstanding recommendations is attached containing current status and progress updates. This report includes all recommendations not previously reported as completed.

### **Outstanding Internal Audit Recommendations 2018/19**

There are a number of outstanding actions from three audits that took place during 2018/19. All of these actions are either in progress or not yet due for completion and due dates have been revised as appropriate. One action from the Financial Planning review has now been marked as complete.

### **Outstanding Internal Audit Recommendations 2017/18**

There is one remaining action point resulting from the Financial Controls audit that took place in January 2018 and reported back to the February Audit Committee meeting. Further detail is provided in the attached summary.

### **Outstanding Internal Audit Recommendations prior to 2017/18**

There is one remaining recommendation from audits prior to 2017/18. This relates to reconciliations between SITS and SUN. Although progress was made during 2018/19, this continues to be a challenge for the Finance team through a combination of staffing changes and the interface between the two systems.

### **Outstanding External Audit Recommendations 2017/18 Audit**

Following the external audit review of the financial statements undertaken by Ernst & Young, there were three recommendations made. Two of these recommendations have previously been reported as completed and further detail of the outstanding recommendation is provided in the attached summary.

Action No.	Audit Recommendation	Action Required	Actioned By	Due Date	Status	Comments
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**2018/19 Internal Audit Actions**

**Curriculum Planning 2018/19 – Report Date 3 May 2019**

1	<p><b>Room Utilisation Reporting</b> 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.</p>	<p>The college will ensure that room utilisation audits are reinstated and reported regularly through an appropriate group.</p>	<p>Depute Principal – Planning and Student Experience</p>	<p>AY 2019/20</p>	<p>Not yet due</p>	<p>Too early in the academic year for this activity to commence.</p>
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**2018/19 Internal Audit Actions**

**Financial Planning – Report Date March 2019**

1	<p><b>Scenario Planning</b> Scenario planning and sensitivity analysis is incorporated in plans to achieve the Finance Strategy. Factors with the most uncertainty should be considered, such as: - salary uplifts - funding - other income</p>	<p>Agreed that scenario planning and sensitivity analysis should be completed and document properly.</p>	<p>Director of Finance</p>	<p><del>June 2019</del> September 2019</p>	<p>In progress</p>	<p>Changes in senior Finance staff have delayed progress. However this is also relative to the FFR and guidance was provided during August on assumptions and scenarios to be modelled.</p>
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**UPDATE ON ACTIONS FROM INTERNAL AUDIT REVIEWS**

**Updated 18 May 2019**

Action No.	Audit Recommendation	Action Required	Actioned By	Due Date	Status	Comments
2	<p><b>Outturn Monitoring</b> We recommend a medium term plan is created to address the deficit identified in the FFR. The plan should include efficiency and income generating targets for each year and there should be a detailed plan in place to achieve the targets.</p> <p>This should be aligned with the budget setting and monitoring process.</p>	It is agreed that this plan should be clearly documented and have a structured reporting mechanism to capture the activities identified and evaluate achievement. This will provide the SMT with data to inform further steps required.	Director of Finance / SMT	<del>June 2019</del> September 2019	In progress	Various work streams are in progress but have yet to be effectively collated into one clear, detailed overall plan. This work is progressing in tandem with the FFR preparation and the first recommendation.
3	<p><b>Budget Holder Meetings</b> Meetings should be scheduled with budget holders on a quarterly basis.</p> <p>Budget holders are assigned a first point of contact within Finance.</p>	Budget holders have already been assigned named contact points within the Finance team. In addition, quarterly financial review meetings will be in place for 2019/20 and these meetings will also include the Principal and Director of Finance.	Finance Manager	<del>August 2019</del> December 2019	In progress	Due date amended to reflect first quarterly review meeting point for 2019/20
4	<p><b>Budget Review</b> We recommend Financial Regulations are updated to reflect that SMT are required to consider the budget prior to the F&amp;GP Committee.</p>	This will be considered when the Financial Regulations are next reviewed.	Finance Manager	December 2019	Not yet due	Para 13.1 of the Financial Regulations has been amended to include a review by SMT prior to Board consideration. The updated regulations are currently going through internal scrutiny before submission to Board.

Action No.	Audit Recommendation	Action Required	Actioned By	Due Date	Status	Comments
5	<p><b>Budget Timetable and Communication</b>                      We recommend the budget timetable assigns responsibility for completion of each task. The budget timetable should include the following steps:                      1. communication of the budget timetable to the Senior Management Team and budget holder                      2. update the budget when funding is confirmed from the UHI                      3. submission deadline of Enhancement Plans and Budget and Resource Planning Templates; and                      4. review of the Enhancement Plans and communication of the results.                      We recommend the budget timetable is communicated to budget holders. Budget holders expected involvement is communicated in advance of the budget setting process.</p>	<p>Agreed that the budget timetable should have assigned responsibility for tasks and be clearly communicated. Updating the budget for final UHI allocations will be incorporated if the timing of the final confirmation enables this.</p> <p>The Enhancement Plan process is not specifically about budgeting. Additional resource requirements can be identified through this process. Agreed that the outcome of this process needs to be clearly communicated to budget holders on completion.</p>	Director of Finance	<p><del>July 2019</del>                      February 2020</p>	In progress	The due date has been amended in light of where we are in the budgetary cycle. The enhancement plan process for 2019/20 is still to be closed off.
6	<p><b>Enhancement Plan Communication</b>                      We recommend the outcome of the Budget &amp; Resource Planning submissions is communicated to budget holders.</p> <p>A scoring mechanism is put in place to grade projects, and projects are prioritised and selected based on this.</p>	<p>Agreed. SMT will be asked to review and prioritise requests and budget holders will be notified. A transparent scoring mechanism will be agreed and applied to ensure consistency.</p>	Director of Finance	<p><del>July 2019</del>                      October 2019</p>	In progress	Progress has been delayed due to other priorities.
7	<p><b>Tracking Changes</b></p> <p>We recommend changes made to the budget are tracked. The reason for adjustments and by whom are documented.</p>	<p>For 19-20 changes have been recorded in the relevant working papers that feed into the overall budget.</p>	Finance Manager	June 2019	Complete	

**UPDATE ON ACTIONS FROM INTERNAL AUDIT REVIEWS**

**Updated 18 May 2019**

Action No.	Audit Recommendation	Action Required	Actioned By	Due Date	Status	Comments
8	<p><b>Budget Profiling</b></p> <p>We recommend Budget profiling is performed on an annual basis, taking into consideration expected expenditure each month.</p>	Agreed. This is an area of focus for the Management Accounting team.	Management Accountants	<p><del>June 2019</del></p> <p>February 2020</p>	Incomplete	<p>Pressures within the team and the loss of the Finance Manager has impacted on the ability to complete budget profiling as planned. This will continue to be an area for focus and review</p>

**2018/19 Internal Audit Actions**

**Business Continuity Management 2018/19 – Report Date 20 February 2019**

1	<p><b>Inverness College may not have clearly defined business critical systems and processes within the business continuity plan.</b> We recommend that the College ensures that a recovery plan is documented for all departments, to direct recovery in the event of an incident.</p>	Agreed	Estates Manager	<p><del>April 2019</del></p> <p><del>June 2019</del></p> <p>October 2019</p>	In progress	<p>Only one of the two teams identified have completed their plan. The second team will now complete their recovery plan by end October 2019.</p>
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UPDATE ON ACTIONS FROM INTERNAL AUDIT REVIEWS

Updated 18 May 2019

Action No.	Audit Recommendation	Action Required	Actioned By	Due Date	Status	Comments
2	<p><b>The plan may not be appropriately communicated to staff, and key staff may not be aware of their roles to instigate the plan.</b> We recommend that, as planned, the College implements business continuity training for all staff. Regular refresher training should be provided going forward, and the College should ensure it records all training for each staff member, and obtains sufficient evidence of attendance/completion.</p>	<p>Agreed, this had already been identified by the College as an action to take forward.</p>	<p>Estates Manager / Health and Safety Manager</p>	<p><del>May 2019</del> Dec 2019</p>	In progress	<p>Some training was provided in 2017/18 through Police Scotland. Fire Marshall training scheduled. Further Police Scotland Griffin training scheduled for December 2019.</p>
3	<p><b>The business continuity plan may not be regularly tested, and the results appropriately reported to management.</b> 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.</p> <p>In addition, we recommend that the outcomes, lessons learned and required actions are formally documented within the plan for each test.</p>	<p>Agreed, to be implemented with the next induction in June 2019</p>	<p>Estates Manager</p>	<p><del>June 2019</del> October 2019</p>	In progress	<p>Testing schedule for various elements from March through to August 2019. Testing for main campus still be completed so due date has been amended accordingly.</p>

Action No.	Audit Recommendation	Action Required	Actioned By	Due Date	Status	Comments
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**2017/18 Internal Audit Actions**

**Financial Controls 2017/18 – Report Date 19 February 2018**

2	<b>Ineffective or inefficient procedures and controls may be in place for the finance processes.</b> We recommend that a comprehensive fixed asset register is developed and maintained on a regular basis.	All fixed assets are identified at time of purchase and recorded appropriately. Assets are correctly allocated to a class in line with the depreciation policy and depreciated accordingly. We are aware that the fixed asset register currently used requires to be enhanced to reflect all relevant information at a detailed asset level.	Finance Manager	Original date 31/07/2018 Revised date 30/11/2019	In progress	<b>Partially complete.</b> This task could not be completed without the detailed group 2 equipment from GTEIL. This information was received in June but progress delayed due to staff availability. Finance will work with colleagues in ICT and Estates to define what is required beyond the financial requirements and determine the appropriate recording mechanism.
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**Internal Audit Actions – Henderson Loggie**

**Student Fees and Contracts – Report Date 13 May 2016**

R5	SITS / SUN Transfers Amounts transferred between SITS and SUN should be reconciled regularly and explanations for any variances documented and corrections made if necessary. Such reconciliations should be reviewed and agreed by a second member of staff; with both the preparer and reviewer signing the reconciliations as evidence this is being done.	This task was reallocated within the team and is to be embedded into month end procedures.	Finance Manager	Original date August 2016 Revised date September 2019	Partially complete	Good progress was made however resource challenges impacted on full completion. This key task is now being addressed through the new team structure within Finance and realignment of functions within the team.
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Action No.	Audit Recommendation	Action Required	Actioned By	Due Date	Status	Comments
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**External Audit Recommendations – EY**

2	<p><b>Non-Profit Distribution Model</b>                      The NPD model, and assumptions contained therein, does not factor in a contingent rent element which we would expect in such an arrangement. Furthermore, the model has the effect of smoothing lifecycle costs over the term of the agreement. Consequently, there is a risk future accounting recognition may not fully reflect the substance of the transaction in accordance with FRS 102.</p>	<p>In the prior year, we made a recommendation to management to review the model and accounting treatment to ensure it continues to meet the requirements of FRS 102. This has not yet been implemented.</p>	<p>Director of Finance</p>	<p><del>July 2019</del> 2019</p>	<p>Incomplete</p>	<p>We have committed to reviewing the model although it should be understood that this will not necessarily result in any changes. There is no capacity to undertake an effective review internally therefore internal audit have been requested to consider the scope of work required to address this recommendation.</p>
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# INVERNESS COLLEGE

INTERNAL AUDIT ANNUAL REPORT 2018-19

SEPTEMBER 2019 - DRAFT



# CONTENTS

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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.

# EXECUTIVE SUMMARY

## 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 2018-19

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; and
- Internal Control.

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.

# EXECUTIVE SUMMARY

## 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 2018-19 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 2018-19 BDO LLP has reviewed and evaluated Inverness College's processes in the following areas:

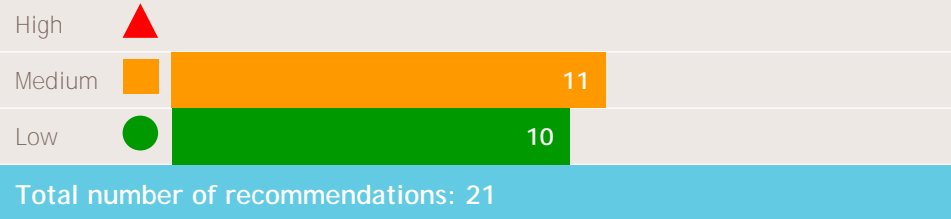
- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• Student Support Funds</li><li>• Education Maintenance Allowance</li><li>• FES Return</li><li>• Business Continuity Planning</li><li>• Financial Planning</li></ul> | <ul style="list-style-type: none"><li>• Curriculum Planning</li><li>• Research Governance</li><li>• Business &amp; Commercial Development</li><li>• Follow up</li></ul> |
|--|---|

# EXECUTIVE SUMMARY

## 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 21.

## Summary of Recommendations (SEE APPENDIX I)



## 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 been conscientious in review and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are being put in place.

# EXECUTIVE SUMMARY

## 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

We are currently undertaking an independent exercise to assess the progress made by Inverness College in implementing internal audit recommendations made in previous years, and in the current year where applicable.

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. Within Inverness College we found a sufficient level of commitment and effort in clearing as many outstanding recommendations as possible from previous audit reports. Whilst we have received updates from management on the status of current outstanding recommendations, our verification exercise remains in progress.

## 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 2018-19 WORK

Reports Issued	Overall Report Conclusions - see appendix I				
				Design	Operational Effectiveness
Student Support Funds	0	0	0	n/a	n/a
Education Maintenance Allowance	0	0	0	n/a	n/a
FES Return	0	0	0	n/a	n/a
Business Continuity Management	0	3	3	Moderate	Moderate
Financial Planning	0	5	3	Moderate	Moderate
Curriculum Planning	0	0	1	Substantial	Moderate
Research Governance	0	1	2	Moderate	Moderate
Business & Commercial Development	0	2	1	Moderate	Moderate
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, with the exception of Data Protection, there are no major weaknesses in the internal control system for the areas reviewed in 2018-19. We also note that the necessary control improvements required from our review on Data Protection have been implemented by management at the time of this report. Therefore, 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 2018-19;
- 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:

- 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 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.





# PERFORMANCE AGAINST OPERATIONAL PLAN




Visit	Date of visit	Proposed Audit	Planned Days	Actual Days	Status
1	September 2018	Student Support Funds	3	3	Complete
2	September 2018	Education Maintenance Allowance	3	3	Complete
3	September 2018	FES Return	5	5	Complete
4	November 2018	Business Continuity Management	5	5	Complete
5	March 2019	Financial Planning	5	5	Complete
6	March 2019	Curriculum Planning	6	6	Complete
7	March 2019	Research Governance	6	6	Draft report with audit sponsor
8	April 2019	Business & Commercial Development	5	5	Draft report with audit sponsor
9	June 2019	Follow up	3	3	In progress


# AUDIT PERFORMANCE

AUDIT	COMPLETION OF FIELDWORK/DEBRIEF MEETING	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
Student Support Funds	28 September 2018	08 October 2018	25 October 2018	25 October 2018
Education Maintenance Allowance	28 September 2018	08 October 2018	25 October 2018	25 October 2018
FES Return	20 September 2018	08 October 2018	25 October 2018	25 October 2018
Business Continuity Management	6 December 2018	21 December 2018	19 February 2019	20 February 2019
Financial Planning	19 March 2019	25 March 2019	26 April 2019	26 April 2019
Curriculum Planning	20 March 2019	12 April 2019	2 May 2019	3 May 2019
Research Governance	23 May 2019	4 June 2019		
Business & Commercial Development	16 May 2019	27 June 2019		
Follow Up				

# APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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	
<b>High</b> 	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.
<b>Medium</b> 	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.
<b>Low</b> 	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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## Board of Management

<b>Subject/Title:</b>	Health and Safety Annual Report 2018-19
<b>Author:</b> [Name and Job title]	Lindsay Ferries, Director of Organisational Development
<b>Meeting:</b>	<b>Audit</b>
<b>Meeting Date:</b>	16 September 2019
<b>Date Paper prepared:</b>	30 August 2019
<b>Brief Summary of the paper:</b>	To provide the Audit Committee with the annual report 2018/19 on matters pertaining to health and safety
<b>Action requested:</b> [Approval, recommendation, discussion, noting]	Discussion
<b>Link to Strategy:</b> Please highlight how the paper links to, or assists with:: <ul style="list-style-type: none"> <li>• compliance</li> <li>• partnership services</li> <li>• risk management</li> <li>• strategic plan</li> <li>• new opportunity/change</li> </ul>	
<b>Resource implications:</b>	No <b>If yes, please specify:</b>
<b>Risk implications:</b>	No <b>If yes, please specify:</b> Operational: Organisational:
<b>Equality and Diversity implications:</b>	No <b>If yes, please specify:</b>
<b>Consultation:</b> [staff, students, UHI & Partners, External] and provide detail	Health and Safety Committee, comprising a cross section of the college including management, staff and trade union reps.

<b>Status</b> – [Confidential/Non confidential]			
<b>Freedom of Information</b> Can this paper be included in “open” business* [Yes/No]			
*If a paper should <b>not</b> be included within “open” business, please highlight below the reason.			
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 pass or a condition which needs to be met.)			

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

<http://www.itpublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp> and

[http://www.itpublicknowledge.info/web/FILES/Public\\_Interest\\_Test.pdf](http://www.itpublicknowledge.info/web/FILES/Public_Interest_Test.pdf)

## Executive Summary

There was one reportable incident for academic year 2018-2019 in comparison to 3 RIDDOR's for 2017-2018. This reportable incident took place in Q4.

### RIDDOR report - HSE Reference 17AA913B13

The individual was attending a Union meeting in the Lecture Theatre. The individual was sitting in the 2nd row on the right-hand side of the theatre. Upon conclusion of the meeting, the individual was exiting the row and walking towards the central stairway of the lecture theatre, to exit the room. As the individual reached the end of the row, and upon turning to her left to walk down 1 step, she went over her ankle and fell down to the floor. The step height is approximately 18cm. There were multiple first aiders in the room who attended, and an ambulance was called and attended as it was clear the individual's ankle was broken.

On investigating the incident, it appears that the individual misplaced their footing on descending the step which resulted in her twisting and falling. The central steps on the Lecture theatre stairwell do not carry the width of the walkway and this may have played a part in the loss of footing. This is the first incident recorded of this nature and the design of the steps would not allow an adaptation without creating another potential hazard and/or accessibility issue to arise. The only control measure available therefor is to remind individuals to take due care and attention descending the steps.

## Summary of Incidents

<b>Accident/Incident/Near Miss Reporting Summary Sheet</b>			
		<b>2017-18</b>	<b>2018-19</b>
No. of reports		<b>340</b>	<b>280</b>
<b>2017-18 Incident Severity</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>
	<b>243</b>	<b>36</b>	<b>1</b>
<b>Incidents by Locality</b>	<b>Total</b>		
<b>Inverness Campus</b>	<b>158</b>		
<b>SSOF</b>	<b>9</b>		
<b>Nursery</b>	<b>112</b>		
<b>UHI Research Hub</b>	<b>1</b>		
<b>Who was involved</b>	<b>2017-18</b>	<b>2018-19</b>	
<b>Student</b>	<b>140</b>	<b>88</b>	
<b>Staff Member</b>	<b>37</b>	<b>32</b>	
<b>Member of the public</b>	<b>5</b>	<b>-</b>	
<b>Child</b>	<b>112</b>	<b>111</b>	
<b>Not Set</b>	<b>38</b>	<b>45</b>	
<b>Contractor</b>	<b>3</b>	<b>1</b>	
<b>Other</b>	<b>5</b>	<b>3</b>	
<b>Type of Incident</b>	<b>Total</b>		



<b>UE (Undesired Event/Near Miss)</b>	<b>150</b>
<b>Property Damage</b>	<b>9</b>
<b>Theft</b>	<b>3</b>
<b>Dangerous Occurrence</b>	<b>3</b>
<b>First Aid Case</b>	<b>91</b>
<b>MTC (medical treatment Case)</b>	<b>20</b>
<b>Specified injury</b>	<b>2</b>
<b>Dangerous Occurrence</b>	<b>3</b>
<b>Definitions:</b>	
<ul style="list-style-type: none"> <li>• <b>First Aid case</b> - An injury for which an injured person requires treatment by a First Aider and returns to full duties</li> <li>• <b>Medical treatment case</b> - is an injured or sick person who requires treatment (more than First Aid) and is advised to seek professional medical treatment or an ambulance is called.</li> <li>• <b>Undesirable Event/Near miss</b> – An event during which injury, ill health, loss of equipment/asset or death could have occurred, but didn't actually occur.</li> <li>• <b>Specified Injury</b> – Injuries specified by HSE which are reportable</li> </ul>	

### HAND & FINGER INJURIES, 3 Year Analysis

Between August 2018 and July 2019 hand and finger injuries accounted for 8% of the colleges recorded accidents and incidents. This academic year has seen an increase of 1% in the amount of hand injuries. For 2018-19 there were 22 reported hand/finger injuries, compared to 21 in 2017-18. However there was a decrease in the 1<sup>st</sup> Quarter of 2018-19 from 13 to 9.



Stats have again shown that the 1<sup>st</sup> Quarter of a new year is when most hand injuries occur. As a result of this our hand safety presentation and campaign is being continuously used throughout the academic year and is a focus at student induction.

## **Analysis of Incidents**

While previous years has seen a significant rise in reportable incidents, 2018/19 for the first time, saw a slight reduction on the previous year from 340 reported accidents, incidents and near misses to 280.

Academic Year	No. of reports	Percentage increase/decrease
August 2018- July 2019	280	-18%
August 2017- July 2018	340	94%
August 2016 –July 2017	175	73%
August 2015 - July 2016	101	—

## **H&S Management System (HASMAPP)**

Utilising the HASMAP audit standard, audits have continued over the year focussing on risk assessment and risk control. Of the Audits carried out this year, reports have been submitted to the department along with actions to close out any observations made. There were no issues subjecting the organisation to material risk which would require the attention of management and the H&S Committee. They were matters which if addressed would enhance efficiency and effectiveness. As we progress through the year we will be looking at other audit areas such as Leadership, Competence and Communication.

Audits Completed thus far include:

- Forestry
- Welding and Fabrication
- Hospitality/Professional Cookery
- Construction – Machine shop
- Electrical Installation

## **PUWER Audit**

PUWER questionnaire forms have been distributed to the following heads of schools for completion;

- Paul Moody - Construction
- Iain King - Engineering
- Amanda Bryan - Forestry

The purpose of this work is for these departments to establish whether they have appropriate management arrangements in place for their workshop and other equipment as defined under PUWER and the Management of Health and Safety at Work Regulations.

### **Summary**

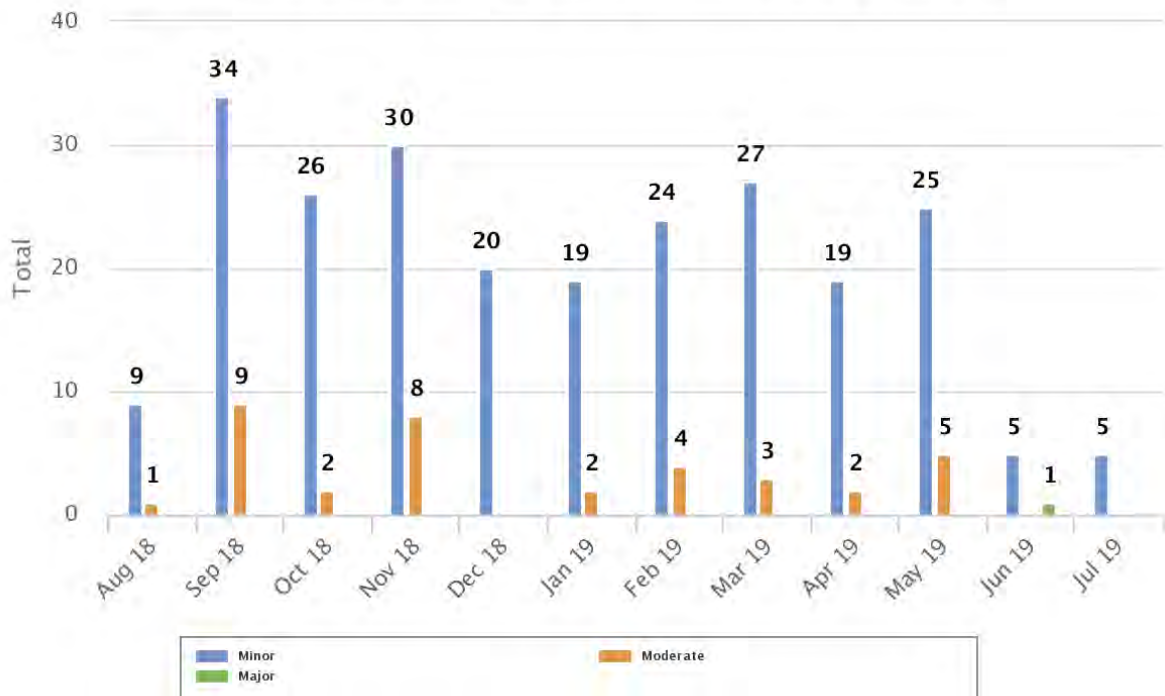
It has been another positive year for the College in terms of the Management of Health and Safety. We are now seeing a level of consistency in terms of reporting and seen some improvement in hand injuries since 2016-17 which was an area of concern and focus. Utilising the HASMAP audit standard and the implementation of the SHE system have been key drivers in these positive results, however there are still some areas for improvement. The new Academic Management school structure is a significant opportunity for the Schools to take greater responsibility for the management of H&S within their areas.

It is with regret that I have to notify that the Health and Safety Manager is leaving us at the end of August. He would like this opportunity to thank staff and particularly the members of the Audit and H&S Committee, for their support over the last 3 and a half years, and for the part they have played in making the College a safer environment.

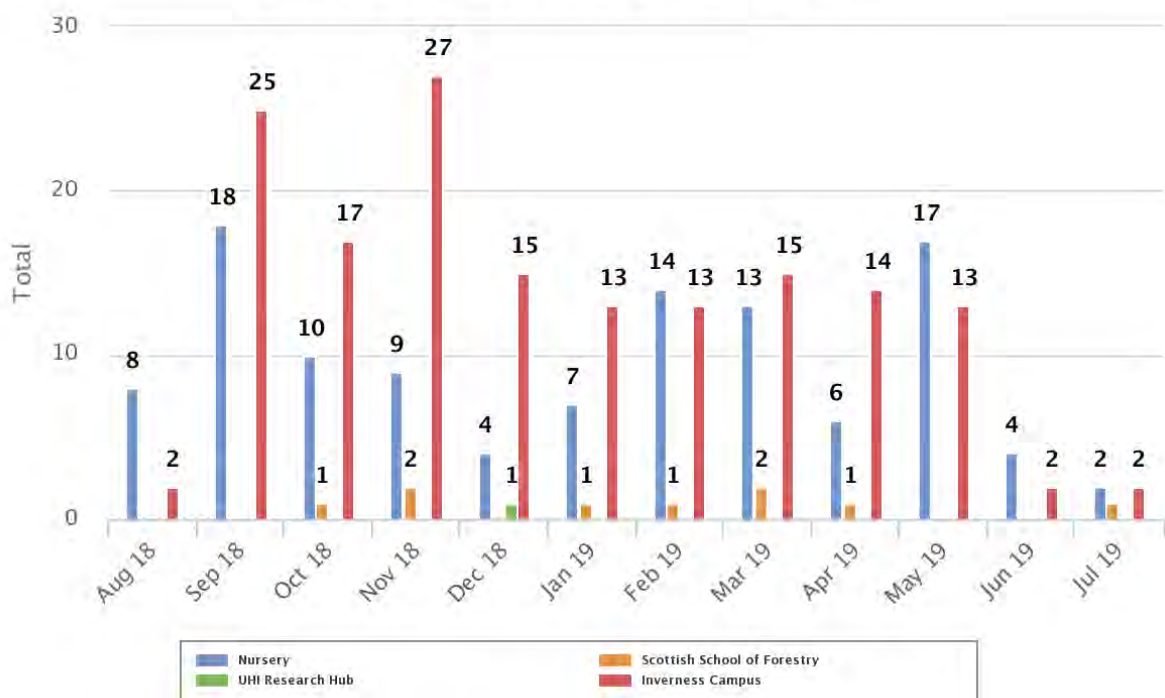
Interviews for Richi Hart's successor are scheduled in October. In the interim Martin Kerr, Estates and Campus Services Manager is covering.

## Appendix 1

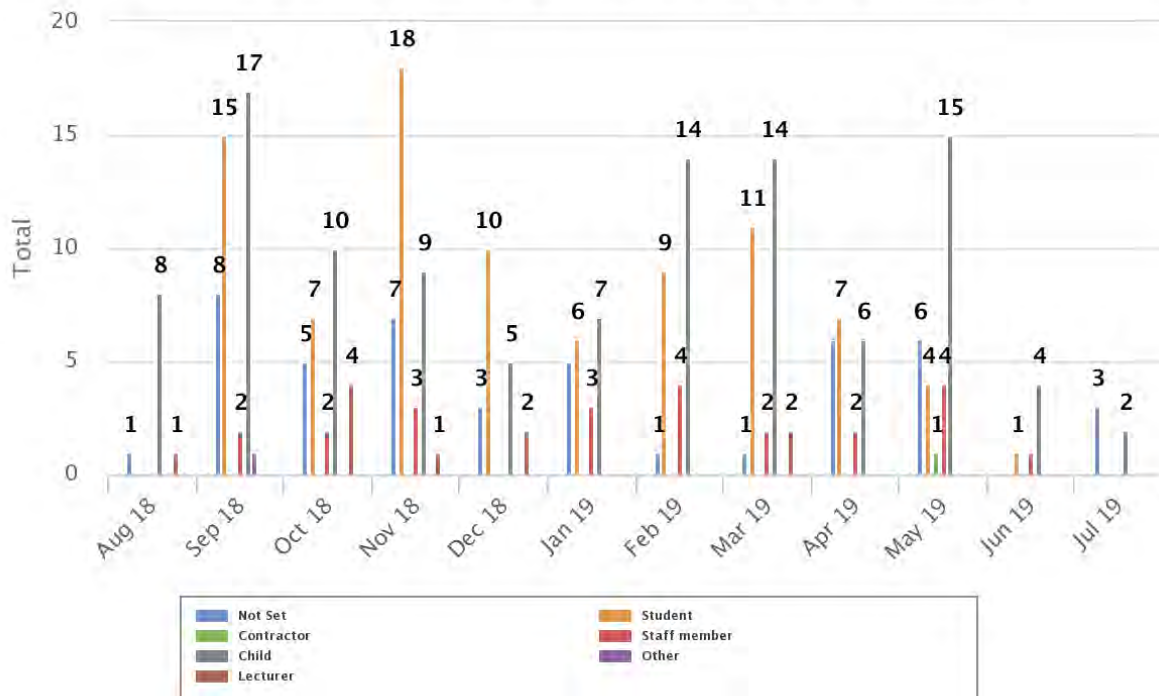
### Incident Record – Date Range – Incident Severity



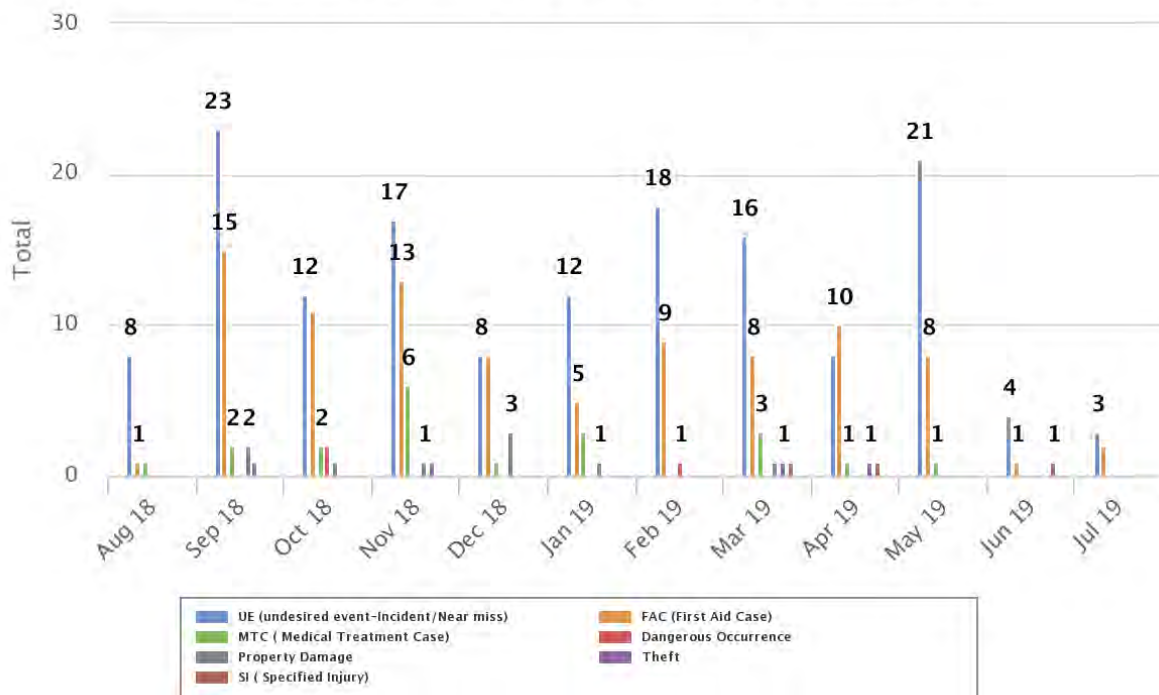
### Incident Record – Date Range – Locality



### Incident Record – Date Range – Who Was Involved



### Incident Record – Date Range – Type of Incident



Incident Record - Date Range - Incident Sub Type												
Type	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19	Jul 19
Not Set	5	8	6	11	2	1	5	0	0	0	0	0
Contact With Hot Surface	0	2	0	1	0	0	0	0	1	0	0	0
Contact With Sharp Object	1	2	2	1	3	1	2	2	1	1	1	0
Lifting and handling injuries	0	1	0	0	0	1	0	1	0	0	0	0
Slip,trip fall on same level	2	10	4	3	6	4	5	5	8	6	1	0
Struck against	0	2	2	7	0	0	2	1	1	2	0	0
Struck by moving,flying or falling object	0	0	1	3	0	0	1	1	0	1	0	0
Contact with hand tool	1	0	0	0	0	0	1	0	0	0	0	0
Overexertion/strain	0	1	0	0	0	4	0	0	1	0	0	0
Contact with machinery	0	1	0	0	0	0	0	0	0	1	0	0
Struck by moving,flying or falling objec	0	0	0	1	0	0	0	0	0	0	0	0
Dangerous Occurrence	0	1	0	1	0	0	2	1	1	1	0	0
Exposed to harmful substance	0	0	0	1	0	0	0	1	0	0	0	0
Fall from height	0	0	0	0	0	0	1	0	0	1	0	0
Fume inhalation	0	0	0	0	0	0	0	0	0	0	1	0
Personal items	0	0	0	1	0	0	0	1	1	0	0	0
Damage to college equipment	0	1	0	0	0	0	0	0	0	0	0	0
Damage to college property	0	0	1	0	1	0	0	0	0	0	0	0
Damage to personal items	0	1	0	0	2	1	0	1	0	0	0	0
General sickness	0	3	3	1	3	1	1	1	1	0	0	0
Medical issue	0	0	0	1	0	0	0	0	0	0	0	0
Bitten	1	3	1	1	1	0	0	0	0	0	0	0
Object in eye	0	1	0	1	0	2	0	0	0	0	0	0
Fire alarm activation	0	1	0	1	0	0	0	0	2	0	0	0
Other	0	4	7	3	1	6	7	14	2	14	2	5
Contact with hot liquid/vapour	0	0	0	0	0	0	0	1	0	0	0	0
Slip/Trip/Fall	0	0	0	0	0	0	0	0	1	0	1	0
Dangerous driving	0	1	0	0	1	0	0	0	0	3	0	0
Diabetic Incident	0	0	0	0	0	0	1	0	1	0	0	0