

MINUTES of the MEETING of the AUDIT COMMITTEE held in the Boardroom, 1 Inverness Campus, on Tuesday 29 May 2018

PRESENT: Hazel Allen, Jaci Douglas, Innis Montgomery, Fiona Neilson, Steve Walsh

CHAIR: Hazel Allen

APOLOGIES: Sarah Burton,

ATTENDING: Depute Principal
Director of Organisational Development
Director of Finance
Claire Robertson, BDO
Andrew O'Donnell, BDO
Stephen Reid, Ernst & Young
Olga Potapova, Ernst & Young
Secretary to the Board of Management

1. MINUTES

- a. The Minutes of the Meeting of the Audit Committee held on 27 February 2018 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. POLICIES**a. Complaints**

The SQA Systems verification visit had identified the need for changes to wording within the complaints policy. These changes related primarily to the use of the wording around appealing complaints; and the extension of SQA criteria to include other regulatory bodies, for example, Ofqual, Qualification Wales.

Further changes included an alignment of the definition of a complaint across the documentation, and a review of the legislative frameworks covered by the policy.

The Committee **APPROVED** the revised complaints policy.

b. Data Protection

The Policy had been revised to take account of the introduction of the EU General Data Protection Regulation (GDPR) which would supersede the Data Protection Act 1998.

Although there were only minor revisions made to the existing policy, because of the high profile of GDPR, the Committee **AGREED** to recommend the revised data protection policy to the Board of Management for approval.

c. Records Management

The Policy had been revised to take account of the introduction of the EU General Data Protection Regulation (GDPR) which would supersede the Data Protection Act 1998. The records retention schedule had been associated with, but had not been formally recorded as being part of the policy. The revision took this into account.

Although there were only minor revisions made to the existing policy, because of the high profile of GDPR, the Committee **AGREED** to recommend the revised records management policy to the Board of Management for approval.

d. E mail usage and retention

A recent internal audit was carried out by BDO into the College's preparation for compliance with the new General Data Protection Regulations Act. Whilst the audit highlighted that the College had appropriate policies and procedures in place a recommendation was made to automatically delete email after a defined period of time.

This approach was not appropriate for Inverness College, with a diverse education portfolio, research activities and funding and legislative requirements across various works streams and functions. Therefore, an Email and usage retention policy had been drafted to address the need to manage email appropriately, and not to retain indefinitely.

Monitoring reports would be provided to the committee.

The Committee **AGREED** to recommend the new E Mail usage and retention policy to the Board of Management for approval.

e. Health and Safety

This Policy had been submitted to the last Audit Committee in February. The committee had requested some changes. Whilst incorporating these into the policy, the Director of Organisational Development saw the opportunity to add reference to the business continuity plan.

As the information on the business continuity plan had not been seen by the Committee, it was agreed that the policy be referred back to this meeting for consideration.

The Committee **AGREED** to recommend the revised Health and Safety Policy to the Board of Management for approval.

4. EXTERNAL AUDIT ANNUAL AUDIT PLAN FOR THE YEAR ENDED JULY 2018

A report by the External Auditors, Ernst & Young outlined their annual audit plan for the year ending July 2018. The financial statement audit included two fraud risks - fraud in revenue and expenditure recognition and management override 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. A letter had been sent to the Board Secretary in April 2018 in

this regard and the Chair confirmed that this would be considered at the next meeting of the Committee in September.

The Committee **APPROVED** the external audit annual plan for the year ended July 2018.

5. AUDIT REPORTS

a) DATA PROTECTION / GDPR

As part of the 2017-18 Internal Audit Plan, a review was undertaken of the arrangements in place to prepare for compliance with the EU General Data Protection Regulation (GDPR). The report, dated March 2018, provided a limited level of assurance for both design and operational effectiveness and four recommendations had been made (three medium and one low significance)

The Director of Organisational Development spoke to her report on GDPR (item 12 on the agenda) which detailed the actions which had been taken on the recommendations within the audit report. All actions had been implemented by 25th May when GDPR came into force.

BDO confirmed that the immediate implementation of the actions would be acknowledged in their annual report.

The Committee **NOTED** the key findings and recommendations within the data protection audit report.

A member of the Committee asked who was responsible for student records. It was **AGREED** that the Director of Organisational Development would submit a report to the next meeting of the committee clarifying who was the data controller and who was the data processor of these records.

b) PARTNERSHIP WORKING

The purpose of the review was to provide assurance on whether Inverness College UHI had effective arrangements in place to strategically manage key relationships and to ensure common understanding of aims, roles and responsibilities, and effective partnership working. The report, dated April 2018 provided a substantial level of assurance for both design and operational effectiveness. Two recommendations had been made (both low significance).

The stakeholder engagement review, which had recently been approved by the Learning, Teaching and Research Committee, would allow the quality and impact of the College's engagement with key stakeholders to be systematically captured and evaluated. The Learning, Teaching and Research Committee would monitor ongoing progress.

The Committee **NOTED** the key findings and recommendations within the partnership working audit report.

c) STUDENT SUPPORT

As part of the 2017-18 internal audit plan, an assessment was made of the key controls in relation to the provision of student support services within the college.

The report, dated May 2018 provided a substantial level of assurance for both design and operational effectiveness. One recommendation had been made (low significance).

The Committee **NOTED** the key findings and recommendation within the support services audit report.

6. OUTSTANDING AUDIT RECOMMENDATIONS

A report by the Director of Finance provided an update on progress against audit recommendations resulting from the risk management and financial control audit. A number of actions had been completed and others were still being progressed.

The Committee **NOTED** the outstanding actions and the Chair **REQUESTED** that an extra column be included in the report to identify whether actions had been completed or could be carried forward.

7. INTERNAL AUDIT PROGRESS REPORT – 2017/18 ANNUAL PLAN

A report by the Internal Auditors, BDO advised of the progress of the internal audit plan for 2017-18. All reports within the annual plan had been completed with the final three reports having been presented at this meeting.

The Committee **NOTED** the position.

8. RISK MANAGEMENT

A report by the Depute Principal presented the risk register for review.

The Committee **REQUESTED** that the wording of risk 32, relating to student residences be reviewed as both the risk description and the causes related to the recent specific incident as it was felt that it should be shown as a more generic risk.

9. FINANCE STRATEGY / RISK

The Chair referred to the financial risks to the college and suggested that the Board needed to consider a financial strategy going forward. She was unsure if all board members fully understood the level of risk from e.g. the recent outcomes of national bargaining.

The Board needed to further consider risk appetite and to consider proposals and developments which would mitigate the financial risks.

The Director of Finance advised that the SMT were currently working on the development of a 5 year financial strategy. The financial strategy would be discussed at the Board of Management meeting in October.

It was **AGREED** that the Chair would raise this with the Chair of the Board.

10. BUSINESS CONTINUITY

A report by the Director of Organisational Development provided an update to the Business Continuity Plan following the recent UHI Business Continuity Exercise. A number of key observations of what went well, identified areas for improvement as well as lessons learned from the exercise were highlighted in the report.

Members of the committee asked about the level of and the timescale for counselling support for staff after the event. It was suggested that the specific services of an external agency might be required.

It was **AGREED** that the Director of Organisational Development would look at the level of counselling support available across the college and investigate additional external support.

She also provided an update on the progress made with Police Scotland anti-terrorist officers, Emergency Planning and Staff training.

11. HEALTH AND SAFETY

A report by the Director of Organisational Development provided a quarterly report on matters pertaining to health and safety. During Q3 of 2017-18 the reporting of incidents throughout the College in comparison with the same point last year had increased by 11% from 54 to 60. However, out of the 54 incidents reported in Q3 2016-2017, only 18 were attributed to college activities. Further guidance was now provided to ensure that only those incidents within the college boundary and associated with college activity were recorded. There were no RIDDOR incidents over the period, but there were two significant incidents, namely

- A fire alarm activation on 13th March 2018
- An incident involving a cyclist and a child at the nursery on 20th March 2018.

Two Health and Safety Management (HASM) audits had been carried out, namely a GTEIL Audit and a GTFM PPM compliance audit and a risk assessment and risk control audit. A Health and Safety Management (HASM) audit had been undertaken at the Scottish School of Forestry in March 2018.

The Committee **NOTED** the report.

Jaci Douglas left the meeting during consideration of the following item.

12. FINANCE SYSTEM UPDATE

A joint report by the UHI Director of Business Improvement and the Director of Finance provided an update on the current status of the new finance system implementation. The agreed date of 8 May for Inverness College UHI to commence UAT had been postponed. Recognising the existing level of risk in relation to the 8 May date, the College decided that any further delays created an unacceptable risk for an August go live. Accordingly, the college could not commit to a 1 August go live date.

The Director of Finance suggested that the revised go live date might be February 2019.

The Committee expressed considerable concern about this further delay. It **REQUESTED** that a report be provided by UHI for the next Board of Management meeting on 26 June 2018 which outlined

1. The risks associated with this further delay against those risks of retendering for the project.
2. The costs of the overspend within the core team and
3. Whether any costs could be recovered by way of compensation.

13. FINANCE TEAM RESOURCING

The Director of Finance advised that a full review of the finance team structure would be undertaken by the Finance Manager and a member of staff would be appointed to backfill the Finance Manager role during the period of the review.

The Committee **REQUESTED** the Director of Finance to provide an update to the next meeting in September.

14. MEETING OF UHI AUDIT CHAIRS – 3 May 2018

The Chair provided a very brief update on the meeting of UHI Partner audit chairs held at the beginning of May.

The next meeting would be held in November 2018 and risk and risk management would be included on the agenda

The External Auditors and Members of the Senior Management team left the meeting.

15. 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 in their first year of appointment, BDO had ensured that there had been a consistency in the team providing the service, namely herself (Director), Andrew O'Donnell (Manager – Risk & Advisory Services) and Adam Brown (Senior – Risk & Advisory Services). She was pleased to report that Management had co-operated quickly with queries and had taken on board the recommendations made.

It had been helpful to agree in advance the dates and the terms of reference of the audits to be carried out. Very strong control arrangements had been found to be in place in the majority of audits.

A member of the committee asked whether the Committee were asking challenging enough questions and Claire confirmed that she thought this was the case.

A number of improvements would help the process in the next year including BDO having more regular conversations with management and an improved outline for the risk register would enhance the content and give Board members a clearer understanding of the key issues and of the remediation actions which were being taken. BDO were of the opinion that the current format of the UHI risk register was not helpful to either Board members or to management.

It was suggested that the Committee should consider in depth a number of risks at each committee, similar to the format which the SMT had adopted. This would lead to an improved discussion and understanding of the key risks. The Chair agreed to discuss this suggestion with the Depute Principal.

The first year of the internal audit service provision had been about establishing relationships and understanding the culture of the organisation and identifying the specific risks. The effectiveness of processes had been established through the identification of controls although this did not always guarantee a good outcome. Further reporting on the triangulation process would be beneficial.

16. ANNUAL REVIEW OF AUDITORS PERFORMANCE

Consideration of this item was deferred until the meeting in September.

17. AUDIT COMMITTEE SELF EVALUATION EXERCISE

Consideration of this item was deferred until the meeting in September

18. COMMITTEE CHAIR EVALUATION

Consideration of this item was deferred until the meeting in September

The following item was included in the agenda for noting only and therefore no discussion took place at the meeting.

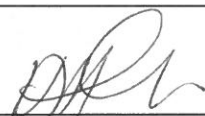
19. COMPLAINTS UPDATE REPORT

A report by the Quality Manger provided an update on complaints received for Quarters 1 – 3 of the academic year 2017 - 18.

20. DATE OF NEXT MEETING

18 September 2018 @ 8.30 a.m.

Signed by the Chair: _____



Date: _____

18/9/18.