

# UHI | INVERNESS

## MINUTES of the JOINT MEETING of the AUDIT & FINANCE AND GENERAL PURPOSES COMMITTEES held via Microsoft Teams on Tuesday 24 January 2023

**PRESENT:** Sally Blyth, Kelly MacKenzie, Chris O'Neil, Donald MacKenzie, Innis Montgomery, James Millar, Amy Goodbrand, Rojan Kumar Subramani, Michael Beveridge and Stephen Sheridan

**CHAIRS:** Donald MacKenzie and Sally Blyth

**ATTENDING:** Vice Principal – Finance and Audit  
Vice Principal – Operations and External Relations  
Operations and Commercial Manager  
Information Systems Manager  
Stephen Reid, Ernst & Young  
Olga Potapova, Ernst & Young  
Claire Robertson, BDO

**APOLOGIES:** Russell Edwards, Tina Stones, Gillian Galloway, Vice Principal – Academic and Research and Chloe Main, BDO

The Chair of the F&GP Committee welcomed everyone to the meeting.

There were no declarations of interests, statements of connections or transparency statements noted.

### 1. MINUTES FOR APPROVAL

The Chair of the F&GP Committee highlighted that minutes from the Committees would not ordinarily be taken to the Joint Meeting. Committee Members were advised that because of quorum difficulties experienced within our October meetings; there were several minutes which had yet to be given Committee approval. Committee members were advised that in order for them to be uploaded onto our website, approval was to be sought at this meeting.

#### a) Minutes of the Meeting of the Audit Committee held on 07 June 2022

**Decision:** The Minutes of the Meeting of the Audit Committee held on 07 June 2022 were **AGREED** as a correct record and were **APPROVED**.

**b) Minutes of the Meeting of the Audit Committee held on 18 October 2022**

**Decision:** The Minutes of the Meeting of the Audit Committee held on 18 October 2022 were **AGREED** as a correct record and were **APPROVED**.

**c) Minutes of the Meeting of the Finance and General Purposes Committee held on 18 November 2022**

**Decision:** The Minutes of the Meeting of the Finance and General Purposes Committee held on 18 November 2022 were **AGREED** as a correct record and were **APPROVED**.

*Innis Montgomery joined the meeting.*

**2. DRAFT AUDIT ACCOUNTS AND ANNUAL AUDIT REPORT 2021/22 (CONFIDENTIAL)**

**a) Draft UHI Inverness College Annual Audit Report by Ernst & Young**

Stephen Reid, Ernst and Young advised the Committee that once the financial statements are approved and signed, they will sign their opinion within the audit report. This report will then be updated and shared with Audit Scotland for publication on their website.

The following key messages from the report were highlighted to the Committee:

- Ernst and Young intend to provide an unqualified opinion on our Financial Statements. Confirming that they:
  - Gave a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council (SFC) of the state of the affairs of the College and Group as at 31 July 2022
  - Had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
  - Had been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).
- That four audit differences had been identified and that these have been reflected within the financial statements.
- That there was one unadjusted disclosure misstatement above their reporting thresholds which they are required to communicate.
- That the audit process had been undertaken in line with the agreed audit plan with the level of materiality being kept under review.

- That conclusions have been included throughout the report and Ernst and Young advised that they do not have any material matters which are required to be brought to the Committees attention.

The Committee was advised that three dimensions were considered as part of the audit: Financial Sustainability (Red RAG rated), Financial Management (Green RAG rated) and Governance and Transparency (Green RAG rated). The Committee noted that the red RAG rating in respect of financial sustainability had been concluded because of the challenges which the sector was facing and was not based on any specific actions that the College had or had not taken. The Committee was assured that this rating was consistent with audits carried out within the sector this year. A lengthy discussion in respect of sector challenges resulting from funding settlements, cost of living crisis, supply changes and Brexit took place with it being reiterated that colleges are consistently being given a red RAG rating in respect of financial sustainability.

The Committee noted the recommendations which have been made within the report.

Ernst and Young provided thanks to the Vice Principal – Finance and Audit and the Shared Finance Team for their cooperation and support in respect of the audit. Ernst and Young highlighted that this was their final year as external auditor and thanked both the Principal and the Executive Management Team for their support over the years.

The Committee expressed thanks to Ernst and Young for the work which they had undertaken and their valuable expertise and advice.

*The Information Systems Manager joined the meeting.*

**Decision:** The Committee **NOTED** the contents of the draft Annual Audit Report by Ernst and Young and **RECOMMENDED** it be taken to the Board of Management for approval.

#### **b) Annual Report and Accounts for the Year Ended 31 July 2022**

##### **c) Report by Vice Principal – Finance and Audit**

The Vice Principal – Finance and Audit advised that he had provided an explanation as to how our management accounts feed into the Annual Report and Accounts.

The Committee were provided with an explanation in respect of:

- Variances
- FE Clawback
- Increase in bad debts. The Committee noted that the Shared Finance Service are examining the debts which are sitting within SITS.
- Bank position.
- Arm's Length Foundation (ALF). The Committee was advised that the ALF was due to be closed and that discussions on how to spend the monies

within this are taking place. The Committee noted that applications for monies must be submitted by early February 2023.

- Main income drivers.
- Provisions in respect of the Local Government Pension Scheme.
- Executive Office Top Slice. The Committee noted that this is being reviewed as part of UHI 2024 and that it is expected that this will be reduced.

The Committee noted that as part of the UHI 2024 review our curriculum and portfolio offer was being revised.

The Committee was advised that some slight adjustments will be made to the Annual Report and Accounts that would be taken to the Board of Management on 07 February 2023 but noted that these adjustments would not affect the bottom line.

**Decision:** The Committee **NOTED** the contents of the draft Annual Report and Accounts for the year ended 31 July 2022 and **RECOMMENDED** they be taken to the Board of Management for approval.

#### **d) Letters of Representations**

The Committee noted that there were two separate letters of representation. The first one being our response to Ernst and Young to provide them with an understanding of our arrangements for oversight of management processes and arrangements annually. The Committee noted that this letter is to be signed by the Audit Chair.

**Decision:** Members of the Audit Committee **APPROVED** the signing of the Letter of Representation by the Chair of the Audit Committee.

The Committee was advised that the second letter of representation is a standard letter provided by Ernst and Young in connection to the audit of the financial statements for the year ended 31 July 2022. The Committee noted that this document is to be approved by the Board at the same time as the Annual Report and Accounts.

**Decision:** It was **AGREED** that this letter should be **RECOMMENDED** for signature by the Board of Management.

#### **e) End of Year Return to SFC**

The Vice Principal – Audit and Finance advised that the information within the return had been taken from the statutory accounts. The Committee was provided with an explanation in respect of variances.

**Decision:** It was **AGREED** that the End of Year Return to the SFC should be **RECOMMENDED** for approval by the Board of Management. Following Board approval, it will be submitted to the SFC.

### **3. MEETING WITH EXTERNAL AUDITORS**

The Governance Officer advised that this report outlined the areas which were discussed with the External Auditors during the private session held with Non-Executive and Co-opted members of the Audit Committee on 08 March 2022. The Committee noted that a further private session would be arranged for the Audit Committee being held on 14 March 2023.

#### **4. ANNUAL AUDIT COMMITTEE REPORT**

The Governance Officer spoke to the Annual Audit Committee Report for the Academic Year 2021-22. The Committee noted that this report provided a summary of the membership of the Committee, internal and external audit assessment of performance as well as the other work undertaken by the Committee.

The Committee noted that this draft report had previously been taken to the Audit Committee in October 2022 who had recommended that it come to this meeting.

The Committee was advised that the report, following approval from the Board of Management will be submitted to Executive Office.

**Decision:** It was **AGREED** that the Annual Audit Committee Report should be **RECOMMENDED** for approval by the Board of Management.

#### **5. INTERNAL AUDIT**

##### **a) Financial Planning Audit**

BDO spoke to the Financial Planning Audit and provided apologies for the late submission of this report. The Committee were provided with a brief background to the audit, the scope and approach of the audit, the areas of good practice identified and the key findings. Two low level recommendations were identified.

**Decision:** It was **AGREED** that due to the limited time available to members to review this audit, it would be discussed at the Audit Committee being held on 14 March 2023. Finance and General Purposes members should highlight any queries they have in respect of this audit to the Audit Chair or Vice Chair by the end of February 2023.

*Kelly MacKenzie, Donald MacKenzie, Rojan Kumar Subramani, Stephen Sheridan, Vice Principal – Operations and External Relations, Operations and Commercial Manager, Stephen Reid, Ernst and Young and Olga Potapova, Ernst and Young left the meeting.*

##### **b) Progress Report – January 2023**

BDO spoke to the Progress Report advising that this provided Audit Committee Members with the progress against the internal audit plan. The Committee

noted that the Student Support audit was currently taking place and that the Complaints Management audit was scheduled for March 2023.

The Committee expressed their thanks to BDO for attending this meeting.

**6. AOCB**

The Committee extended their thanks to the Vice Principal – Audit and Finance and the Shared Finance Team for the work they have undertaken for both Committees.

**Signed by the Chair:** Tina Stones

**Date:** 28 April 2023