

Board of Management

Meeting	Audit Committee
Date and time	Tuesday 19 October 2021 at 8.30 a.m.
Location	Via Microsoft Teams, Calendar Link

Board Secretary
07 October 2021

AGENDA

Welcome and Apologies
Declaration of Interests

ITEMS FOR DECISION

- 1. MINUTES**
 - Minutes of the Meeting of the Audit Committee held on 01 June 2021
- 2. a. OUTSTANDING ACTIONS**
b. RECOMMENDATIONS LIST
- 3. TERMS OF REFERENCE**
- 4. INTERNAL AUDIT**
 - a) Cyber Security Audit - Confidential
 - b) Follow Up Report
 - c) CJRS Report
 - d) Annual Report

ITEMS FOR DISCUSSION

- 5. RISK MANAGEMENT**
- 6. BUSINESS CONTINUITY DISCUSSION**
- 7. DRAFT ANNUAL AUDIT COMMITTEE REPORT AND LETTER OF REPRESENTATIONS**
- 8. FEEDBACK FROM COMMITTEE EVALUATION**

ITEMS FOR NOTING

9. AOCB

10. DATE OF NEXT MEETING – 20 JANUARY 2022

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

MINUTES of the MEETING of the AUDIT COMMITTEE held via Microsoft Teams on Tuesday 01 June 2021

PRESENT:	Innis Montgomery, Sally Blyth, Gillian Galloway, Amy Goodbrand,
CHAIR:	Gillian Galloway
APOLOGIES:	Chris O'Neil, Mark Sheridan, Samantha Cribb, Information Systems Manager, Olga Potapova EY, External Auditors and Chloe Ridley, BDO LLP, Internal Auditors
ATTENDING:	Assistant Principal – Finance & Audit Assistant Principal – Academic & Research Health and Safety Manager Claire Robertson, BDOLLP, Internal Auditors Stephen Reid, EY, External Auditors Contracts and Procurement Co-Ordinator Head of Procurement – Shared UHI Service ICT Services Manager Board Secretary

The Chair welcomed everyone to the meeting and introductions were made.

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

There were no declarations of interest noted.

The Assistant Principal – Academic and Research joined the meeting.

1. MINUTES

Minutes of the Meeting of the Audit Committee held on 09 March 2021

Decision: The Minutes of the Meeting of the Audit Committee held on 09 March 2021 were **AGREED** as a correct record and were **APPROVED**.

2. OUTSTANDING ACTIONS

Action: The Board Secretary will amend the layout of the outstanding actions and recommendation lists following feedback from Committee Members.

Committee Outstanding Actions:

- Risk Register – The Assistant Principal – Finance and Audit advised that he along with the Principal and the Principal's PA had updated the risk register. Further updates are pending with regards item 30 on the register and a new risk is to be added with regards infection management. The Committee noted that our risk register is now interlinked with that of UHI.

Decision: It was **AGREED** that this item can be removed from the list.

- Internal Audit Procurement – the Committee noted that this was now part of our Internal Audit Procurement Strategy.

Decision: It was **AGREED** that this item can be removed from the list.

- Health and Safety Update – It was noted that this item would be discussed within the agenda.

Decision: It was **AGREED** that this item can be removed from the list.

- Review of External Auditors – The Committee noted that this was an Inverness College process and not a legal or regulatory requirement. The Assistant Principal – Finance & Audit will complete his feedback and the Board Secretary will process this appropriately.
- Cyber Incident - it was noted that this item would be discussed within the agenda.

Decision: It was **AGREED** that this item can be removed from the list.

Outstanding Recommendations from Internal Audit:

Decision: The Committee discussed and **AGREED** the removal of items 2, 6, 7, 8, 9, 10 and 18 from the Outstanding Recommendations from Internal Audit. These recommendations have now been actioned to the satisfaction of the Committee.

- Recommendation 1 – The Assistant Principal – Finance and Audit advised that this is being addressed and will soon be finalised.
- Recommendations impacted by Covid-19 – the Committee noted that recommendations 11, 13, 14, 15, 16, 17 and 20 would be delayed due to Covid-19.

Decision: it was **AGREED** that the Board Secretary would update the list to reflect this.

- Recommendations 3, 4 & 5 – The Committee noted that these related to Business Continuity which would be discussed within the agenda.
- Recommendation 12 – The Committee noted that this had been delayed due to Covid-19 however the Principal and EMT are now progressing the matter.
- Recommendation 19 – The Assistant Principal – Operations and External Relations and the Estates and Campus Services Manager are progressing this matter however the Committee noted that it was felt that the timescale for completing this action is not feasible and that this should be extended.

Outstanding Recommendations from External Audit:

2020 Recommendations:

- Recommendation 1 – The Committee noted that the Finance Team are progressing this matter.

- Recommendation 2 – The Committee noted that finance continues to be heavily monitored by the F&GP Committee and that the FRP was delivered ahead of schedule.

Decision: The Committee **AGREED** to the removal of this item from the list.

- Recommendation 3 – The Committee noted that the Finance Team are progressing this matter.
- Recommendation 4 – The Committee noted that this issue had been highlighted and discussed within the HR Committee. The situation will be subject to continuous Board Review.
- Recommendation 5 – The Committee noted that the Assistant Principal – Finance and Audit would revisit this matter in the near future.
- Recommendation 6 – The Committee noted that a further review of the code of good governance will be carried out within June 2021.
- Recommendation 7 – The Committee noted that the EER has been completed and an action plan from this has been drawn up. A review of all Committees and their Terms of Reference will take place over the summer.

2019 Recommendations:

Decision: Following the discussion with EY, the Committee **AGREED** the removal of this item from the list.

3. POLICY FOR APPROVAL

a.) Freedom of Information Policy

The Board Secretary advised that updates to the policy were made in respect of legislation, to reflect that requests which are received through our social media are considered a permanent form of request and to confirm that all FOI activity will be overseen by the Information Development Manager.

Decision: The Committee approved this policy. It will now go to the Board of Management for final approval.

b.) Food Safety and Allergen Management Policy

The Committee noted that this policy had been updated to reflect the changes to the new EMT structure and roles.

Decision: The Committee approved this policy. It will now go to the Board of Management for final approval.

The Contracts and Procurement Co-ordinator joined the meeting.

c.) Marketing Policy

Decision: The Committee approved this policy. It will now go to the Board of Management for final approval.

d.) Health and Safety Wellbeing Policy

The Committee noted that feedback on this policy had been provided at the previous meeting. The Health and Safety Manager provided a rationale behind what is included within the policy to the Committee highlighting in particular that the policy did not reference Covid-19 as this was considered a hazard which was addressed at a strategic level and risk assessed as such.

Decision: The Committee approved this policy. It will now go to the Board of Management for final approval.

4. INTERNAL AUDIT

The Committee noted the contents of the Internal Audit Annual Plan for Year Ended July 22 and the associated terms of reference for each audit.

The Chair highlighted to the Committee that UHI had requested that our internal auditors provide an opinion on Value for Money within all audits. BDO advised that Value for Money is considered during each audit however they will ensure that this is made clearer within all future reports.

BDO provided guidance to the Committee on how audits are planned and chosen for the year ahead. The Committee noted that whilst the cyber security audit had recently taken place it was felt that it would be beneficial to revisit this given the recent cyber incident.

Action: BDO to undertake an update to the Cyber Security Audit. To ensure this is a valuable exercise, the timing of this will be determined by UHIs overall progress on addressing the Cyber Incident and Inverness College being able to draw on any lessons learned.

The Committee held a lengthy discussion on internal audit reports and how recommendations are accepted with BDO requesting that draft reports do not come to the Committee for discussion as these draft reports are subject to change.

Decision: The Committee **APPROVED** the internal audit annual plan for the year ended July 22 and the associated terms of reference for each audit.

5. EXTERNAL AUDIT ANNUAL PLAN

EY provided the Committee with an overview of the external audit annual plan summarising the key risks that they will be focussing on. EY advised that the timetable for external audit has been discussed with the relevant EMT members out with this meeting and that they were happy to proceed on the same timescale as this year; meaning that they would expect a copy of the accounts in Mid-October with a Joint Audit & F&GP meeting being held in January/February of 2022.

6. HEALTH AND SAFETY UPDATE

The Health and Safety Manager provided the Committee with a summary of his report highlighting in particular that no RIDDOR or injurious accidents had occurred and provided guidance to the Committee with regards the proposed new health and safety system HASMAT summarising to them what this system is and the benefits of it. The Health and Safety Manager highlighted to the Committee the associated schedule

which can be used as part of any internal audits on health and safety going forward. BDO confirmed that it should not be an issue for internal audit to use this system.

Decision: The Committee **AGREED** to the adoption of the HASMAT system for health and safety.

The ICT Services Manager joined the meeting.

The Committee held a lengthy discussion with regards Health and Safety training noting that we will be moving to a new system in April 2022. A further lengthy discussion on home working took place with the Committee noting that DSE guidance along with the Hybrid Working Plan should allow for discussions to take place with staff members.

The Committee thanked the Health and Safety Manager on a comprehensive and considered report which provided to the Committee a greater level of assurance.

7. INTERNAL AUDIT REPORT – DRAFT CYBER SECURITY AUDIT

BDO advised that the cyber security audit had been superseded by the cyber incident and that the report was currently in draft format. BDO are to have discussions with management over their proposed recommendations.

The Health and Safety Manager left the meeting.

Action: The Committee advised that they would consider the findings of this audit once the final version was agreed by BDO and management.

8. CONTRACT STRATEGY – INTERNAL AUDIT SERVICES

*Claire Robertson, BDO left the meeting.
Stephen Reid, EY left the meeting*

Head of Procurement – Shared UHI Service joined the meeting

The Head of Procurement – Shared UHI Service provided the Committee with a background to our current Internal Audit Contract advising that an extension had been agreed at the last meeting for one further year to our current BDO contract. This contract will then end on 31 July 2022.

The Head of Procurement – Shared UHI Service spoke to her report and took the committee through the options available to us with regards direct award, the Scottish national framework, mini competitions, other frameworks, possible added value elements that we could consider and how we could ensure all applicants abilities.

Decision: The Committee **AGREED** to a mini-competition taking place through the APUC system.

Action: Further discussions will take place at the September 2021 meeting to decide who would represent the Committee on the procurement panel.

The Committee extended their thanks to the Head of Procurement – Shared UHI Service and the Contracts and Procurement Co-Ordinator for their work on this strategy.

*The Head of Procurement – Shared UHI Service left the meeting.
The Contracts and Procurement Co-Ordinator left the meeting.*

Claire Robertson, BDO joined the meeting.

9. RISK MANAGEMENT

It was reiterated to the Committee that updates to the Risk Register are pending with regards item 30 on the register and that a new risk is to be added with regards to infection management (general and non-Covid-19).

10. CYBER INCIDENT OVERVIEW

The ICT Services Manager advised the Committee that the cyber incident was still being investigated by UHI insurers however it was advised that the incident was flagged early within our systems and that there has been no evidence that any of our data was impacted.

A lengthy discussion took place with regards our vulnerabilities, learning from the incident, our infrastructure and functionality and accessibility of our current systems.

Stephen Reid, EY joined the meeting.

The Committee was advised that it was unknown when we would receive a copy of the investigation report but noted that this would be made available to them in due course.

Action: A further update will be brought to the September 21 meeting.

The Committee extended their thanks to the ICT Services Manager and his team for all their work during this incident.

11. BUSINESS CONTINUITY PLAN – UPDATE ON ANNUAL REVIEW CYCLE

Action: The Committee noted that this would be discussed at the September 21 meeting as the Principal is required to lead the discussion on the plan.

*Innis Montgomery left the meeting
Assistant Principal – Finance & Audit left the meeting*

12. FREEDOM OF INFORMATION REPORT

The Board Secretary spoke to her report highlighting the number of requests that were received within 2020, the format, source and types of requests, response times, fees, reviews and our publication scheme.

13. COMMITTEE EVALUATION

The Committee noted that the annual Committee evaluation was due to take

place. The Board Secretary explained that as the Chair was new to the role it had been agreed that we would not carry out the Chair Evaluation this year but that one would be carried out next year as normal.

Decision: It was **AGREED** that the Committee Evaluation would be carried out off line due to time constraints.

Action: The Board Secretary will circulate the relevant paperwork and ensure that this is completed off-line.

14. COMPLAINTS – QUARTERLY REPORT

The Committee noted the contents of the quarterly complaints report.

15. HEALTH AND WELLBEING MINUTES

The Committee noted the contents of the minutes of the Health, Safety and Wellbeing Committee held on 10 March 2021.

16. DATE OF NEXT MEETING – 14 September 2021

Signed by the Chair: _____

Date: _____

Subject/Title:	Outstanding Actions
Author: [Name and Job title]	Lisa Ross Board Secretary
Meeting:	Audit Committee
Meeting Date:	19 October 2021
Date Paper prepared:	15 September 2021
Brief Summary of the paper:	An updated list of outstanding actions is attached.
Action requested: [Approval, recommendation, discussion, noting]	For discussion. An update on outstanding actions to be given.

Item 02a

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	Governance Compliance		
Resource implications:	Yes / No If yes, please specify:		
Risk implications:	Yes / No If yes, please specify: Operational: Organisational:		
Equality and Diversity implications:	Yes/ No If yes, please specify:		
Student Experience Impact:	Yes/ No If yes, please specify:		
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A		
Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should not 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 confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

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

Item 02a.**Outstanding Actions from Audit Committee Meetings**

Item	Action	Responsibility	Time Line	ACTIONED
01 June 2021				
Internal Audit	BDO to undertake an update to the Cyber Security Audit.	BDO		
Internal Audit Procurement	Further discussions to take place to decide who will represent the committee on the procurement panel.		Sept 21	
Business Continuity Plan – Update on Annual Review Cycle	To be discussed at the September 21 meeting as the Principal is required to lead on the discussion.	Principal	Sept 21	
Committee Evaluations	The Board Secretary will circulate paperwork to ensure that the committee evaluation is carried out off-line.	B. Sec.	June 21	

Item 02b.

Subject/Title:	Audit Recommendation List
Author: [Name and Job title]	Lisa Ross Board Secretary
Meeting:	Audit Committee
Meeting Date:	19 October 2021
Date Paper prepared:	15 September 2021
Brief Summary of the paper:	An updated list of External and Internal Audit Recommendations.
Action requested: [Approval, recommendation, discussion, noting]	For discussion. An update on relevant actions and recommendations to be given. Approval of the removal of external audit recommendation no's 01, 03, 04, 06 and 07 from the list. Approval of the removal of the internal audit recommendation 01.

Item 02b.

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	Risk Management. Audit Compliance		
Resource implications:	Yes / No If yes, please specify:		
Risk implications:	Yes / No If yes, please specify: Operational: Risk Management implications Organisational:		
Equality and Diversity implications:	Yes/ No If yes, please specify:		
Student Experience Impact:	Yes/ No If yes, please specify:		
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A		
Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should not 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 confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

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

Audit Committee – Audit Recommendations List

Recommendations from the External Audit

No	EY Finding for the period ended 31 July 2020	Recommendation	IC Response	Responsible Officer	Timeframe	Update on Actions
1	From 2016/17 we have recommended to management that it review the model and accounting treatment to ensure it continues to meet the requirements of FRS 102. This was specifically in respect of whether the model should contain contingent rent. This process has yet to be fully implemented.	Management should ensure that its review of the NPD model and accounting treatment is completed as quickly as practically possible at this stage. Grade 2	Discussed with E & Y and agreed that some progress is needed on reviewing the agreement and E & Y's recommendations	Assistant Principal – Finance & Audit	31 August 2021	The Finance Team are progressing this recommendation. Recommendation – be removed from the list
3	As part of its financial forecasting arrangements the College has forecast its cash flow at a summary level for the three years of the FFR and at a detailed level through to February 2022. The College forecasts holding cash of at least £3.4 million during this period, however recognises this is subject to significant volatility risk depending on the future impact of Covid-19 on the College's operations	Management should ensure that its cash flow position and forecast for at least the next 12 months is subject to rigorous review on a routine basis. Grade 2	Monitoring to 21 January 21 shows an improving position. Also there is work across the partnership on efficiency/income agenda of £20 million	Assistant Principal – Finance & Audit	Over the year to 28 February 2022	The Finance Team are progressing this recommendation. Recommendation – be removed from the list

Item 02b.

4	During the year management made us aware of the new joint working arrangement in place with Inverness College, in particular the shared responsibility for the Director of Finance role across both Colleges.	It is important that, particularly in the context of the additional pressures placed on management during this Covid- 19 period, this arrangement is subject to ongoing review to ensure it does not impact the College’s financial management arrangements. Grade 2	For Board review	Chairs and Principal	Over the coming year	The Committee noted that this issue had been highlighted and discussed within the HR Committee. The situation will be subject to continuous Board Review. Recommendation – be removed from the list
5	Progress has been made, however there is still work outstanding for the College finance team to progress actions in respect of involvement in the NFI exercise.	Management should ensure the College finance team is able to comply with relevant timetables and good practice in respect of NFI requirements going forward. Grade 2	Staff cost data and purchase (supplier) data was sent. Matching needs progress including other departments	Finance Manager and HR staff assisting with managers	Ongoing	The Committee noted that the Assistant Principal – Finance & Audit would revisit this matter in the near future. Update – Assistant Principal – Finance and Audit will liaise with Finance Manager over timescales.

Item 02b.

6	<p>Management has noted that due to the impact of Covid-19 it has not been able to implement the recommendation from last year around development of a more formal assessment of compliance.</p>	<p>In line with previous years we continue to recommend the College formalises its assessment of compliance with the Code and good practice consideration around governance statement disclosures.</p> <p style="text-align: right;">Grade 2</p>	<p>The Board of Management have carried out a review against the Code of Governance in January 2021. From this an action plan has been drafted and will be discussed at the Board of Management meeting on 18 February.</p>	<p>Board of Management</p>	<p>February 2021</p>	<p>A further review of the Code of Good Governance will be carried out within June 2021.</p> <p>Update: Review has been carried out. Board Development Plan will be reviewed in October and presented to the Board in December.</p> <p>Recommendation – be removed from the list</p>
7	<p>The College has noted that due to Covid-19 it has not been able to undertake an externally facilitated review this year, and plans to address this going forward in early 2021. This has been accordingly disclosed as an area of non-compliance with the Code of Good Governance in the Governance Statement.</p>	<p>The externally facilitated review of Board effectiveness should be completed at the first reasonable opportunity. All recommendations should be agreed to a detailed action plan, including timeframes for implementation.</p> <p style="text-align: right;">Grade 2</p>	<p>The External Effectiveness Review has been undertaken and feedback is due to be given by the facilitator on 28 January during the Board Away Day Workshop. Following this a working group will be set up (this will involve Secretary to the Board of Management as Board Secretary and three members of the BOM) to review the recommendations and the group will ensure that an action plan and timeframe for implementation of these actions are available for approval at the Board of Management meeting on 1st April 2021.</p>	<p>Board of Management</p>	<p>April 2021</p>	<p>The EER has been completed and an action plan drawn up. A review of all Committees and Terms of Reference will be carried out throughout the Summer.</p> <p>Update: Review of Committees and Terms of Reference have been carried out.</p> <p>Recommendation – be removed from the list</p>

Outstanding Recommendations from the Internal Audit

No	BDO Audit up to January 2021	Recommendation	IC Response	Responsible Officer	Timeframe	Update on Actions
1	Student Fees and Contracts – 2016/17	<p>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.</p> <p>2018/19 follow up identified plans are now in place to implement a process that will allow daily reconciliations to be conducted. No further update or evidence has been provided.</p>	<p>This task has been reallocated and reconciliations will be brought fully up-to-date. Thereafter this reconciliation is to be embedded into month end procedures.</p>	Assistant Principal – Finance and Audit	31 July 2021	<p>Work has commenced on reconciling the past year. We will be going back two years regarding reconciliation and then write off.</p> <p>Commenced and in progress.</p> <p>Due to be finalised by mid-June 21.</p> <p>Recommendation – be removed from the list</p>
3	Business Continuity Management 2018/19	<p>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>This will be looked at once the new Health and Safety Manager commences post in November 2019.</p> <p>Briefing sessions were held in August 2019, however not all staff were in attendance. Further training sessions for Duty managers have been held, however attendance records are still outstanding. Duty Manager and Fire Marshall refresher training are still ongoing.</p>	Health and Safety Manager	BC Refresher training to be delivered in/post April 2021.	<p>Attending records for Feb 2020 duty manager training have been forwarded.</p> <p>We are currently reviewing on-call support. As part of implementation BC refresher training will be undertaken.</p>
4	Business Continuity Management 2018/19	<p>We recommend that the College develops a testing plan/schedule for BCP which should be reviewed on an annual basis to ensure a</p>	<p>Recommendation agreed. Business Continuity testing schedule has been developed and is in place for 2019/20.</p>	Estates and Campus Services Manager	2021 test plan to be issued in April 2021.	<p>2021 test plan to be issued.</p>

		<p>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 as 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>A BCP plan was prepared for 2019, however no evidence has been provided to support whether the plan was completed and whether lessons learned and required actions were documented. Additionally no plan has been provided for 2020, a fire drill was completed in October 2020 and an evaluation exercise was completed following the test.</p>				
5	Business Continuity Management 2018/19	We recommend that the College reviews the BCP Contact List to ensure that full contact details are provided for external parties. Any external contacts which are not necessary should be removed from the BCP.	Recommendation agreed. This task will be delegated to an appropriate team member to ensure all contact details are updated and relevant.	Estates & Campus Services Manager	March 2021	BCP Contact review planned – post SMT restructure.
11	Curriculum Planning – 2018/19	We recommend that the college produce more regular utilisation reports for it’s estate and staff, and that these reports are	Agreed. The college recognises the need to re-establish regular room utilisation audits and the enhanced functionality of Celcat should	Assistant Principal – Operations and External		The process will be reintroduced for 2021-22, covid restrictions permitting.

		<p>monitored and scrutinised by an appropriate group within the college.</p>	<p>improve the information available through these audits. The audits were reported previously via the Academic Management Group which is no longer in existence.</p> <p>The College will ensure that room utilisation audits are re-instated and reported regularly through an appropriate group.</p> <p>This process is currently not in place due to Covid-19 restricting the numbers of students that can be in a classroom at one time.</p>	Relations		<p><u>Delayed Due to Covid-19</u></p>
12	Business Planning and Performance Management 2019-20	<p>We recommend that the Board is provided with an annual performance report on the Strategic Plan and associated KPI's covering the preceding academic year.</p> <p>We recommend that progress on department enhancement plans is summarised and reported quarterly at SMT meetings, with exceptions highlighted.</p>	<p>The college will ensure that annual reporting on KPI's is included in the October Board meeting and will discuss the possibility of introducing interim reporting throughout the year.</p> <p>Quarterly reporting by summary and exception on department Enhancement Plans will be implemented for the June 2020 SMT meeting.</p> <p>The new strategic plan has been delayed due to the financial recovery plan and the effects of Covid-19.</p>	EMT		<p>Strategic KPI's will be reported to the Board annually (or as advised by the Board) once agreed via the Strategic Planning process. These have now been agreed.</p> <p>Department Enhancement Plans were not created as resource was diverted to deal with COVID and the emergency response measures. The plans will be reinstated in 2021-22 all going well. However the KPI's of student activity, retention, completion and satisfaction</p>

Item 02b.

						continue to be monitored and reported on at school and college levels and actions taken in response. The Inspector of Education assigned to the College engages regularly including attending college committee and team meetings, to provide ongoing external review and support.
13	Business Planning and Performance Management 2019-20	We recommend that to align with best practice that the department enhancement plans review and approval section is completed, preferably by either a senior college group or a senior member of staff, such as the Depute Principal.	The College will ensure that all department enhancement plans are signed off by the relevant senior manager. Departmental enhancement plans were not created in 19/20 due to Covid-19. These are planned to be reinstated after the Covid-19 pandemic has concluded.	EMT		Plans will be signed off, once reinstated. <u>Delayed Due to Covid-19</u>
14	Cash Handling 2019/20	It is our recommendation that Finance staff are reminded of the need to ensure takings sheets are fully completed and signed to evidence that totals have been verified. This should form part of the checks done by the second finance officer who countersigns the banking sheet. A further check could be made by the Finance Team Leader when	Agreed. There is a new joint Finance Director and Finance Manager who are in the process of developing new processes and procedures.	Assistant Principal – Finance & Audit		Finance Procedures are currently under review with the new Shared Finance Team. This process may change when we returned to normal operating. Covid-19 has hindered progress with this.

Item 02b.

		posting the journal to the finance system.				<u>Delayed Due to Covid-19</u>
15	Cash Handling 2019/20	It is our recommendation that the College develops a procedure for monitoring and investigating variances in cash takings. The procedure should detail the variance tolerance level, the arrangements for monitoring variances to highlight any trends, and the remedial action which may be taken to address any identified issues such as re-training or disciplinary action. The existing banking procedures should be updated to include a section which refers to the procedure for monitoring and investigating variances.	Agreed. There has been no cash handling during the pandemic. There is a new joint Finance Director and Finance Manager who are in the process of developing new processes and procedures.	Assistant Principal – Finance & Audit		Finance Procedures are currently under review with the new Shared Finance Team. This process may change when we return to normal operating. Covid-19 has hindered progress with this. <u>Delayed Due to Covid-19</u>
16	Cash Handling 2019/20	It is our recommendation that there is a daily reconciliation completed for each department, showing zero sums if there are no takings and that this is confirmed by the department. We also recommend that the procedures are updated to reflect this arrangement and that the Hair and Beauty Department have a safe which will be used to hold cash from evening appointments overnight.	Agreed. There has been no cash handling during the pandemic. There is a new joint Finance Director and Finance Manager who are in the process of developing new processes and procedures.	Assistant Principal – Finance & Audit		Finance Procedures are currently under review with the new Shared Finance Team. This process may change when we return to normal operating. Covid-19 has hindered progress with this. <u>Delayed Due to Covid-19</u>
17	Cash Handling 2019/20	We recommend that the Banking Process and Procedures document is updated to include the following areas: – Which members of staff may	Agreed. There is a new joint Finance Director and Finance Manager who are in the process of developing new processes and procedures.	Assistant Principal – Finance & Audit		Finance Procedures are currently under review with the new Shared Finance Team. This process may change when we

Item 02b.

		<p>operate the till in each department and what the training arrangements are for till operators; and</p> <ul style="list-style-type: none"> – The procedure for maintaining a float including the arrangements for picking up, counting, storing and dropping off the float. 				<p>return to normal operating. Covid-19 has hindered progress with this.</p> <p><u>Delayed Due to Covid-19</u></p>
19	Estates Management 2019/20	<p>We recommend that the planning timetable is amended so that there is a budget and operational plan in place for the coming year before it begins.</p>	<p>Building capital grants are released by the funding council in year. Since ONS and reclassification of colleges these grants have been time barred and do not take account of delays or projects that might straddle financial years. This is a particular issue with Covid-19 which we are still to receive SFC clarification. Given the capital funding mechanism aligned to condition surveys undertaken not long after the completion of the new campus facilities this funding is significantly reduced. The capital expenditure plan, subject to funding, therefore reflects this reduced allocation and is designed to be flexible in response to potential other funding streams.</p>	<p>Estates and Campus Services Manager & Assistant Principal – Finance & Audit.</p>		<p>New capital strategy in line with college sustainability strategy is currently under development to improve forward project planning and capital spending plans. Detailed discussions on capital budget and spend. Estates Strategy to be developed and presented to EMT in May 2021.</p> <p>Timescale for action to be completed is to be extended.</p>
20	Marketing and Communications 2019/20	<p>We recommend ‘Use of Photography for Promotional Purposes’ Forms are reviewed to identify whether the forms can be simplified or made more user friendly.</p> <p>We recommend Consent Forms are checked by a member of staff when they are with the students</p>	<p>We will review our student consent form and practice to improve accuracy and mitigate risk.</p>	<p>Marketing and Communications Manager</p>		<p>The consent form in it’s current format is compliant with data protection legislation. The Marketing and Communication Manager will liaise with the Data Protection Manager to simplify the form</p>

Item 02b.

		<p>to ensure they are completed appropriately.</p> <p>A meeting is to take place with the DPO to discuss in more detail. Minimal photography has taken place on campus since the beginning of lockdown.</p>				<p>when restrictions ease and we are in a position to recommence photography (Covid-19 has hindered progress)</p> <p><u>Delayed Due to Covid-19</u></p>
--	--	---	--	--	--	--

Subject/Title:	Terms of Reference
Author: [Name and Job title]	Lisa Ross Board Secretary
Meeting:	Audit Committee
Meeting Date:	19 October 2021
Date Paper prepared:	07 October 2021
Brief Summary of the paper:	Terms of Reference with suggested amendments. These amendments were discussed during the committee review meeting.
Action requested: [Approval, recommendation, discussion, noting]	Discussion and then recommendation for approval by the Board of Management.

Item 03

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	Governance Compliance		
Resource implications:	Yes / No If yes, please specify:		
Risk implications:	Yes / No If yes, please specify: Operational: Organisational:		
Equality and Diversity implications:	Yes/No If yes, please specify:		
Student Experience Impact:	Yes/No If yes, please specify:		
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A		
Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should not 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 confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

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

ITEM 03

Audit Committee Terms of Reference

Membership

Not less than 5 members of the Board of Management.

At least one member of the Committee should have recent and relevant experience in finance, accounting or auditing.

Board members not eligible for appointment are the Chair of the Board, the Principal, members elected by the teaching and non-teaching staff of the college and the persons appointed by the Students Association.

No member of the Finance and General Purposes Committee shall also be a member of the Audit Committee

The Chair of the Board and the Principal may be invited to attend meetings.

Membership of the Committee should satisfy the requirements of the SFC Code of Audit Practice, and / or other appropriate guidance, as may be directed by the Board of Management.

Quorum

Three members of the Committee entitled to vote upon the items before the meeting.

Frequency of Meetings

The Committee will meet no less than four times each year.

Remit

The Committee's remit is to review and monitor the following aspects of the College's operations, and to advise the Board appropriately on:

1. The comprehensiveness, reliability and integrity of assurance of the governance and management of the College.
2. The comprehensiveness, reliability and integrity of assurance of the risk management and business continuity of the College.
3. The comprehensiveness, reliability and integrity of the College's financial management and other internal control and management systems.
4. The effectiveness of arrangements for safeguarding the assets of the College and the public funds at its disposal.
5. The economy, efficiency and effectiveness of the College's activities, including value for money.
6. The effectiveness of the corporate governance and conduct of the College operations.
7. All aspects of the provision of an effective Internal audit service.
8. All aspects of the provision of an effective External audit service

ITEM 03

~~9. The effective provision of Health and Safety arrangements to meet all legislative requirements~~

~~10.9. Public interest disclosure (whistle-blowing) arrangements.~~

~~10. Data Protection and Freedom of Information arrangements.~~

Formatted: Not Expanded by / Condensed by

11. Specifically, the Audit Committee shall:

Formatted: Font: 12 pt

Formatted: Normal, Left, Indent: Left: 0.18 cm, No bullets or numbering

1. Receive updates to and review the contents of the risk register maintained by the College.
2. Review the reports submitted by the College's Internal Auditors and receive progress reports from College Management on the Internal Audit recommendations.
3. Jointly with the Board's Finance and General Purposes Committee review the annual report of the College's external auditors and the associated College financial statements on which that report is based
4. Prepare an annual report for the Board of Management which once approved will be shared with the Head of Internal Audit at University of the Highlands and Islands.
5. Sit privately without any non-members present for all or part of the meeting if it so decides. The Committee will meet privately with the internal and external auditors at least annually.
6. The Audit Committee shall conduct its business in accordance with the requirements of any guidance and/ or codes of practice issued from time to time by the SFC and/ or any other relevant statutory or regulatory authority, as directed by the Board of Management.
- ~~6.7. The Audit Committee will ensure that the University of the Highlands and Islands are provided with appropriate updates and access to all papers and business to ensure that they are appraised of all aspects being monitored by the Committee.~~

Formatted: Indent: Left: 1.93 cm, No bullets or numbering



INVERNESS COLLEGE

INTERNAL AUDIT REPORT

CYBER SECURITY
MAY 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Limited	Limited



INVERNESS COLLEGE, CYBER SECURITY

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	6
OBSERVATIONS	ERROR! BOOKMARK NOT DEFINED.
STAFF INTERVIEWED	13
APPENDIX I - DEFINITIONS.....	14
APPENDIX II - TERMS OF REFERENCE	15

DISTRIBUTION

Martin Robinson	ICT Services Manager
Roddy Ferrier	Director of Finance and Estates
Members of the	Audit Committee

REPORT STATUS LIST

Auditors:	Abigail McGurn
Dates work performed:	22/02/21 - 10/05/21
Draft report issued:	21/05/21
Final report issued:	28/07/21

INVERNESS COLLEGE, CYBER SECURITY

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design  System of internal controls is weakened with system objectives at risk of not being achieved.

Effectiveness  Non-compliance with key procedures and controls places the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		0
Medium		4
Low		2

TOTAL NUMBER OF RECOMMENDATIONS: 6

BACKGROUND:

As part of the 2020-21 Internal Audit Plan, it was agreed by management and the Audit Committee that Internal Audit would carry out a review of key cyber security controls in place within Inverness College (the College).

The College's Information & Communication Technology (ICT) Team comprises of 10 staff including the ICT Services Manager and they are also supported by UHI's Information Technology (IT) Team.

The College adopts UHI's IT related policies including information security, anti-virus and password policies. These policies are available on the staff intranet.

All staff are required to logon with their own unique account at the active directory level. There are 24 T2 accounts, which can re-set passwords, create accounts and update basic account information. No one within the College has access to domain and enterprise admin accounts, as these are controlled by UHI.

ICT is responsible for creating new staff network accounts following Human Resources (HR) submitting a New User Ticket to the service desk. ICT will remove a leaver when HR advise ICT of staff that are leaving with a leaving date. HR will notify ICT of any staff who are appointed to a new post so ICT can update their access rights to any systems.

Prior to a third party being given access to the College's network a risk assessment should be completed and signed by both parties. Each third party account has its own unique login details and access is terminated when access is no longer required.

INVERNESS COLLEGE, CYBER SECURITY

To assess the network, staff must use multifactor authentication. Additionally, network password settings are configured within the active directory for all user. The settings require a minimum of 8 characters and the account is locked out for 30 minutes after 30 failed log on attempts.

Patching is managed centrally by UHI. Microsoft patches are automatically run on desktops when they become available and this is monitored by the System Developer. Server patches are manually run by the ICT Team when they become available.

UHI use a vulnerability scanning tool, App Check which includes scanning of the Inverness College network. Any vulnerabilities identified in the scan are automatically raised as a ticket to the service desk to resolve. Vulnerabilities rated as critical or high risk should be resolved within 14 days. Scans are completed once a week and the output reports are reviewed by the College's ICT Services Manager and Director of Learning and Information Services (LIS).

The firewall is managed centrally by UHI. There are two Watchguard firewalls; one is located at Inverness College and the other at Perth College. There are five individuals across UHI with access to the firewall, each with their own unique user name and password. Alerts from the firewall are sent via email to the relevant Learning and Information Services staff. Depending on the type of incident, logs are kept for up to a year. Changes to firewall rules are made by raising a service desk ticket and the request will be reviewed by the Firewall Change Control Group.

The College has two server rooms; one on the Inverness College Campus and one in the Lochran Building. Both are accessed by key card. Estates, Facilities, IT, the Health and Safety Manager and the Principal have cards. The server rooms have CCTV, fire protection, air conditioning and environmental monitoring systems in place.

Microsoft anti-virus is on all devices and is centrally configured. Updates are completed as soon as they are released and the ICT team monitor implementation.

The College has two domain controllers, one at Inverness College and one at Perth College, therefore in the event of a disaster situation, if one of the sites was no longer in use, staff would still be able to access the network. The College's Business Continuity Plan includes a checklist for steps to take for a number of disaster situations including power failure and cyber security breach.

The Inverness College ICT team has an Operational Risk Register which is reviewed on a monthly basis by the Information Development Manager. Additionally UHI has an IT Risk Log for UHI wide IT risks. Once a month all IT staff across UHI meet to discuss information security across the partnership.

The College has their own Information Security Management Procedure, which would be used in the event a breach was identified at the College. There is also a UHI Incident Management Process which would be followed in the event of a UHI wide incident.

On the 5th March 2021, during the course of this audit the College suffered a cyber incident. The precise cause of the incident is still unknown, and is subject to an ongoing forensic investigation. The UHI Incident procedure was initiated. Services and devices were isolated from the network and the firewall closed to contain the incident. By the end of the day the infection was largely contained, but access to a number of core services such as student records and reporting services, timetabling and attendance system and finance and payroll systems were turned off. Most student facing services were unaffected such as the virtual learning environment and video conferencing services.

INVERNESS COLLEGE, CYBER SECURITY

Advice was sought from sector experts including the Scottish Government Cyber Resilience Unit, National Cyber Security Centre and Police Scotland. The core ICT infrastructure has been rebuilt or refreshed from user identification and management (Active Directory) through to local on campus network services. The way these services are being managed and administered is also being reviewed to ensure there is a consistent and logical approach going forward.

The College's migration to Sharepoint has not been affected. On campus services were enabled in time to support the return to on campus delivery with wi-fi and relevant PCs enabled onsite. There main issues still ongoing relate to the new way of delivering services, for example deploying software packages via Intune rather than SCCM has not been fully addressed, access to some systems such as Celcat and SITS may be more restricted than previously and not all networked data has been restored yet to Sharepoint.

SCOPE AND APPROACH:

The scope of our review was to assess whether:

- Network security policy and acceptable usage guidance has been developed and published;
- Acceptable usage and awareness of cyber and broader IT security threats is actively promoted to staff;
- Powerful access to the network is controlled;
- There is effective user access and authorisation controls in place for staff and third parties, including the management of new starts, movers and leavers;
- Network password settings are in line with policy requirements and best practice recommendations;
- There is regular security vulnerability scanning and network perimeter testing;
- Network devices are patched in line with supplier recommendations;
- Firewalls and other security appliances have been deployed and their configuration is securely administered and maintained;
- There are physical and environmental security controls in place for data hosting facilities;
- There is network security monitoring and filtering including: anti-virus, mail scanning and internet content filtering;
- Effective IT disaster recovery arrangements have been implemented; and
- Effective network security monitoring, logging and incident response procedures have been implemented.

Our approach was to conduct interviews to establish the controls in operation for each of our areas of audit work. We then obtained documentary evidence that these controls are designed as described. We evaluated these controls to identify whether they adequately address the risks.

We then sought to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control.

GOOD PRACTICE:

We identified a number of areas of good practice during our review:

- Information Security related policies and procedures have version control and are reviewed on a regular basis;

INVERNESS COLLEGE, CYBER SECURITY

- The Colleges Business Continuity Plan includes checklists for steps to take in the event of a cyber security incident or power cut;
- There are strong physical and environmental controls in place for the server rooms;
- There are monthly meetings of ICT staff across UHI to discuss information security matters;
- UHI utilises vulnerability scanning software, App Check; and
- The College has an IT Operational Risk Register which is reviewed on a regular basis.

KEY FINDINGS:

Notwithstanding the areas of good practice noted above, we have also identified some areas where improvements could be made:

- **Penetration Testing:** UHI carry out vulnerability scanning which searches for infiltration vulnerabilities, however no penetration testing is performed;
- **Vulnerability Scanning:** there is no documented policy for expected timescales for medium and low risk vulnerabilities. There is no regular monitoring and reporting on whether vulnerabilities are being resolved in line with timescales;
- **Admin Accounts:** Each member of IT share the admin account, each does not have their own account;
- **Leavers:** There was two leavers out of a sample of five tested which were removed as part of a mass deletion as ICT were not informed in advance of their leaving;
- **Patching:** There is no documented policy for the College's patching process;
- **Information Security Training:** Inverness College currently do not have access rights to monitor completion rates of their Information Security e-learning, as it is managed by UHI. Additionally refresher training is not required on an annual basis.

CONCLUSION:

At this time we are able to offer limited assurance over the design and operational effectiveness of controls surrounding cyber security at Inverness College. In this report, we have made recommendations which will serve to improve the cyber security control environment and mitigate the risk.

OUR TESTING DID NOT IDENTIFY ANY CONCERNS SURROUNDING THE CONTROLS IN PLACE TO MITIGATE THE FOLLOWING RISKS:

- ✓ A consistent and policy driven approach has not been implemented to maintain network security.
- ✓ Network devices are not effectively deployed, monitored or managed.
- ✓ Security incident monitoring and response procedures are ineffective.

INVERNESS COLLEGE, CYBER SECURITY

DETAILED FINDINGS

RISK: THE NETWORK IS NOT ADEQUATELY PROTECTED FROM EXTERNAL THREATS.

Ref	Sig.	Finding
1		<p>Penetration Testing Penetration testing is vital in identifying whether the UHI's network has any vulnerabilities.</p> <p>UHI carry out vulnerability scanning which searches for infiltration vulnerabilities, however no penetration testing is performed.</p> <p>There is a risk that the vulnerability scanning does not pick up on a weakness that more extensive penetration testing would.</p>

RECOMMENDATION:

We recommend penetration testing is completed on an annual basis.

MANAGEMENT RESPONSE:

This has been done previously, but not to any schedule. This will be looked into as part of Cyber Essential Plus certification process.

Responsible Officer: Director of LIS

Implementation Date: December 2021

INVERNESS COLLEGE, CYBER SECURITY

RISK: THE NETWORK IS NOT ADEQUATELY PROTECTED FROM EXTERNAL THREATS.

Ref	Sig.	Finding
2		<p>Vulnerability Scanning</p> <p>It is important that any vulnerabilities identified in are addressed in a timely manner. It is good practice to have target response times for vulnerabilities which are dependent upon their rating, for example we would expect a critical vulnerability to be resolved within 7 days.</p> <p>UHI's Computer Operations Policy, which the College adopts outlines vulnerabilities with a severity of critical or high risk is to be addressed within 14 days. There is no difference for critical and high risk vulnerabilities and 14 days is longer than expected for a critical vulnerability.</p> <p>The Policy does not include target completion times for medium and low risk vulnerabilities.</p> <p>There is no regular monitoring and reporting on whether vulnerabilities are being resolved in line with timescales.</p> <p>There is a risk vulnerabilities are not resolved in a timely manner and the network is not adequately protected.</p>

RECOMMENDATION:

We recommend the College documents their policy for expected completion times for medium and low rated vulnerabilities and lowers their target response time to 7 days or lower for critical vulnerabilities.

We also recommend IT and management monitor whether vulnerabilities have been addressed within these timescales

MANAGEMENT RESPONSE:

Cyber Essentials certification and processes in place across UHI recommend addressing critical and high risks within 14 days of a patch being made available. We obviously, work to an asap on these so would address these within the 7 days recommended.

These timescales are reviewed and escalated by the UHI ICT Security Officer to the Director of LIS as part of his role

There is also monitoring of risks as they are reviewed and reported to the UHI Information Security Group on a weekly basis.

In terms of mediums and lows we have a risk-based approach to information security and due to the initial numbers of high and critical NVTs the focus has been on them. We now have a period where there are no critical or highs, or they are appearing in manageable numbers and are now looking at lowering the score threshold and setting time limits for mediums and lows.

INVERNESS COLLEGE, CYBER SECURITY

Responsible Officer: ICT Services Manager, Director of LIS

Implementation Date: December 2021

INVERNESS COLLEGE, CYBER SECURITY

RISK: THERE IS A LACK OF CONTROL OVER HOW STAFF, THIRD PARTIES AND OTHER STAKEHOLDERS GAIN ACCESS TO INVERNESS COLLEGE'S NETWORK.

Ref	Sig.	Finding
3		<p>Admin Accounts</p> <p>It is important that the default admin account is disabled and each member of the IT team has their own admin account to ensure accountability and support a secure IT environment.</p> <p>IT share the admin account, rather than each individual having their own account.</p> <p>There is a risk that changes to active directory cannot be traced to an individual member of staff.</p>

RECOMMENDATION:

We recommend each member of the IT team has their own admin account.

MANAGEMENT RESPONSE:

We do not, and did not use, a default admin account. The password when there was a shared account was via a random LAPs password as recommend by Microsoft.

No issue with recommendation to not share an admin account (we do not do this in current configuration as considerable infrastructure changes during timescale of the audit). There were previous schools of thought on this, but we concur with the recommendation currently.

Responsible Officer: ICT Services Manager

Implementation Date: N/A (this is already in place)

INVERNESS COLLEGE, CYBER SECURITY

RISK: THERE IS A LACK OF CONTROL OVER HOW STAFF, THIRD PARTIES AND OTHER STAKEHOLDERS GAIN ACCESS TO INVERNESS COLLEGE'S NETWORK.

Ref	Sig.	Finding
4		<p>Leavers</p> <p>The leavers process outlines that Human Resources should advise ICT of staff that are leaving and advise of a leaving date.</p> <p>There was two leavers out of a sample of five tested which were removed as part of a mass deletion as ICT were not informed in advance of their leaving.</p> <p>There is a risk leavers are not removed from the network in a timely manner.</p>

RECOMMENDATION:

We recommend HR are reminded to notify ICT when a member of staff hands in their notice or leaves.

MANAGEMENT RESPONSE:

The two leavers identified were supply staff who do not have in notice or have a defined leave date. Supply staff accounts stay active until they resign or their manager confirms they will no longer be used so should be removed from the supply bank. Other than having a contract for a specific time period, they may be used to cover unplanned sickness cover which will not covered by the contract.

HR now have in place, as part of our quarterly reporting, a process where we share the organisation charts with managers and ask them to confirm any supply staff to be removed from the bank. We then remove and inform ICT.

Thanks

Responsible Officer: HR Manager

Implementation Date: Now in place

INVERNESS COLLEGE, CYBER SECURITY

RISK: RESILIENCE AND REDUNDANCY CONSIDERATION ARE NOT BUILT INTO THE NETWORK

Ref	Sig.	Finding
-----	------	---------

- | | | |
|---|---|---|
| 5 | ● | <p>Patching</p> <p>It is good practice to have a test environment for patches before applying across the whole network to ensure operational acceptance.</p> |
|---|---|---|

There is no documented policy for the College's patching process.

There is a risk that patching updates cause system errors, affecting functionality.

RECOMMENDATION:

We recommend documenting the patching process.

MANAGEMENT RESPONSE:

There is a patch approach in place but will write this down and create a policy for this. That is, we upgrade key systems (SITS, Celcat, SUN accounts) and test before deployment, or when we upgrade a switch configuration, but we would not do this for Microsoft or other OS patches. As a) this would delay critical patches being installed, b) we do not have resources to duplicate testing done by OS providers.

Responsible Officer: ICT Services Manager

Implementation Date: September 201

INVERNESS COLLEGE, CYBER SECURITY

RISK: A CONSISTENT AND POLICY DRIVEN APPROACH HAS NOT BEEN IMPLEMENTED TO MAINTAIN NETWORK SECURITY.

Ref	Sig.	Finding
6	●	<p>Information Security Training Regular cyber security training for staff helps to educate staff on phishing attacks and reduce network breaches.</p> <p>The College's learning management software does not record completion dates of e-learning courses, only that it has been completed.</p> <p>We reviewed rates of completion at February 2021 and found 14% had not completed training. Also due to set up we could not tell when the training was undertaken by those who had completed.</p> <p>Additionally refresher training is not required on an annual basis.</p> <p>There is a risk staff are not undertaking mandatory training.</p>

RECOMMENDATION:

We recommend the College monitor completion rates of Information Security e-learning and that the training is required to be completed annually by all staff with access to the network.

MANAGEMENT RESPONSE:

The monitoring is already in place and has been for 3 or 4 years, with mails to managers to chase up staff and reports provided to senior management. A temporary issue with the new VLE was addressed prior to the audit which allows us to proceed with the annual refresh of the training.

Responsible
Officer: N/A

Implementation
Date: N/A

INVERNESS COLLEGE, CYBER SECURITY

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Martin Robinson	ICT Services Manager
Simon Young	Information Technology Manager
Darryl Thompson	Operations Manager, Learning & Information Services
Fiona Gunn	Development Manager

INVERNESS COLLEGE, CYBER SECURITY

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

INVERNESS COLLEGE, CYBER SECURITY

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review will be to assess whether Inverness College has adequate procedures in place to classify and secure its information security assets and to protect against malicious activity and whether there are adequate arrangements in place to identify and respond to cyber threats.

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- A consistent and policy driven approach has not been implemented to maintain network security;
- There is a lack of control over how staff, third parties and other stakeholders gain access to Inverness College's network;
- Network Infrastructure devices are not securely configured;
- Network devices are not effectively deployed, monitored or managed;
- The network is not adequately protected from external threats;
- Resilience and redundancy consideration are not built into the network; and
- Security incident monitoring and response procedures are ineffective.

INVERNESS COLLEGE, CYBER SECURITY

SCOPE OF REVIEW:

The scope of our review is to assess whether:

- Network security policy and acceptable usage guidance has been developed and published;
- Acceptable usage and awareness of cyber and broader IT security threats is actively promoted to staff;
- Powerful access to the network is controlled;
- There is effective user access and authorisation controls in place for staff and third parties, including the management of new starts, movers and leavers;
- Network password settings are in line with policy requirements and best practice recommendations;
- There is regular security vulnerability scanning and network perimeter testing;
- Network devices are patched in line with supplier recommendations;
- Firewalls and other security appliances have been deployed and their configuration is securely administered and maintained;
- There are physical and environmental security controls in place for data hosting facilities;
- There is network security monitoring and filtering including: anti-virus, mail scanning and internet content filtering;
- Effective IT disaster recovery arrangements have been implemented; and
- Effective network security monitoring, logging and incident response procedures have been implemented.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

During the course of the review we will keep management informed of any issues which arise as a result of our testing.

A de-brief meeting will be undertaken before completing the review on-site to discuss findings and initial recommendations.

FOR MORE INFORMATION:

Claire Robertson

Claire.robertson@bdo.co.uk

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

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2021 BDO LLP. All rights reserved.

www.bdo.co.uk

Inverness College UHI

INTERNAL AUDIT REPORT

Follow up review

October 2021



IDEAS | PEOPLE | TRUST



CONTENTS

Executive Summary	3
Recommendation Status	5
Appendices:	
I Staff Interviewed/Consulted	29
II Definitions	30
III Terms of Reference	31

REPORT STATUS

Auditor:	Mark Reynolds
Dates work performed:	13 July - 19 August 2021
Draft report issued:	19 August 2021
Final report issued:	8 October

DISTRIBUTION LIST

Roddy Ferrier	Director of Finance
Audit Committee	Members

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

Scope and Work Undertaken

Background

As part of the provision of continual assurance with regard to internal control arrangements, a review of the degree of implementation of previously agreed Internal Audit recommendations was conducted in July 2021. On request of the Audit Committee we are completing a follow-up audit part way through the year. We have considered the implementation status of all recommendations raised from the Internal Audit work carried out which were due to be implemented at the time of this review.

A total of 40 audit recommendations were followed up. These relate to 15 separate internal audit reports, as shown below:

- Student Fees and Contracts (2016/17) (1 recommendation)
- Partnership Working (2017/18) (1 recommendation)
- Business Continuity Management (2018/19) (3 recommendations)
- Financial Planning (2018/19) (5 recommendations)
- Curriculum Planning (2018/19) (1 recommendation)
- Business Planning and Performance Management (2019/20) (2 recommendations)
- Cash Handling (2019/20) (4 recommendations)
- Health and Safety (2019/20) (8 recommendations)
- Estates Management (2019/20) (2 recommendations)
- Marketing and Communications (2019/20) (1 recommendation)
- Workforce Planning (2020/21) (6 recommendations)
- Covid-19 Health and Safety (2020/21) (2 recommendations)
- Finance System Upgrade (2020/21) (4 recommendations)
- Cyber Security (2020/21) (6 recommendations)
- Covid-19 Job Retention Scheme Grant Claims (2020/21) (2 recommendations)

Methodology

Inverness College's Internal Audit recommendation progress reports were reviewed to ascertain Management's assessment of the degree of implementation achieved. Where the report stated that recommendations had been implemented or partially implemented testing was undertaken to verify compliance.

Acknowledgement

We appreciate the assistance provided by the staff involved in the review and would like to thank them for their help and on-going co-operation (see Appendix I for a list of staff consulted during the follow-up review).

EXECUTIVE SUMMARY

Item 04b.

Status of recommendations due for implementation as at October 2021

The summary below and overleaf provides a simple overview of the status of each recommendation. Of the 40 recommendations due to be implemented, thirteen recommendations (33%) have been categorised as fully implemented, eight (20%) have been categorised as partially implemented, twelve (30%) as not implemented, and seven (18%) have been superseded. Details of the partially implemented and not implemented recommendations are included on the pages which follow. The superseded recommendations were agreed at the May 2021 Audit Committee. Eight recommendations are not yet due for implementation.

The implementation rate is lower than average, continued focus is necessary to ensure the remaining outstanding recommendations are implemented.

Audit	Status at August 2021					Total
	Fully Implemented	Partially Implemented	Not Implemented	Superseded	Not yet due for Implementation	
Student Fees and Contracts (2016/17)	1	-	-	-	-	1
Partnership Working (2017/18)	-	-	-	1	-	1
Business Continuity Management (2018/19)	1	2	-	-	-	3
Financial Planning (2018/19)	-	-	-	5	-	5
Curriculum Planning (2018/19)	-	1	-	-	-	1
Business Planning and Performance Management (2019/20)	-	1	1	-	-	2
Cash Handling (2019/20)	-	-	4	-	-	4
Health and Safety (2019/20)	6	2	-	-	-	8
Estates Management (2019/20)	-	1	-	1	-	2
Marketing and Communications (2019/20)	1	-	-	-	-	1
Workforce Planning (2020/21)	2	1	3	-	-	6
Covid-19 Health and Safety (2020/21)	2	-	-	-	-	2
Finance System Upgrade (2020/21)	-	-	4	-	-	4
Cyber Security (2020/21)	-	-	-	-	6	6
Covid-19 Job Retention Scheme Grant Claims (2020/21)	-	-	-	-	2	2
TOTAL	13	8	12	7	8	48

RECOMMENDATION STATUS – BUSINESS CONTINUITY MANAGEMENT 2018/19

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
1	<p>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><u>Original</u> Agreed. Implemented for the next induction in June 2019</p> <p><u>September 2021</u> Plan tested via Covid and Cyber incidents. Plan to be reviewed and test, agreed and reported at EMT Committee on an annual basis.</p>	<p><i>Responsible Officer: Martin Kerr</i></p> <p><i>Implementation Date: June 2019</i></p>
Status at October 2021				
<p>Partially Implemented</p> <p>Internal Audit have been advised that BCP plans have been tested with Covid and Cyber incidents, however a test plan, evidence of testing and lessons learned exercises has not been provided. The test plan for next year has not yet been agreed by EMT.</p>				
Management Response - October 2021				
<p>BCP Testing. As you are aware the current pandemic and the colleges respond to the unfolding events of the last 18 months had demonstrated our ability to continue our operations , Off site and online to deliver academic studies to our students. Also within this period we have been subject to a cyber incident, once again our current BCP has been enacted to reduce its effect on the running of this facility. Both events has shown our BCP has been robust so all other testing has been suspended until 2022 when we are back to some sort of normality.</p>				

RECOMMENDATION STATUS – BUSINESS CONTINUITY MANAGEMENT 2018/19

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
2	We recommend that the College reviews the BCP Contact List to ensure that full contact details are provided for external parties. Any external contacts which are not necessary should be removed from the BCP.		<u>Original</u> Agreed. <u>September 2021</u> Plan tested via Covid and Cyber incidents. Plan to be reviewed and test, agreed and reported at EMT Committee on an annual basis.	<i>Responsible Officer: Martin Kerr</i> <i>Implementation Date: March 2019</i>
Status at October 2021 Partially Implemented Management have advised this will be completed by the end of October 2021.				
Management Response - October 2021 BCP contact review was undertaken 15 th September. Review document being drafted. Contact details to be updated by end Oct 2021.				

RECOMMENDATION STATUS - CURRICULUM PLANNING 2018/19

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
3	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><u>Original</u></p> <p>Agreed - The college recognises the need to re-establish regular room utilisation audits, and the enhanced functionality of Celcat should improve the information available through these audits. The audits were reported previously via the Academic management Group, which is no longer in existence.</p> <p>The college will ensure that room utilisation audits are re-instated and reported regularly through an appropriate group.</p>	<p><i>Responsible Officer: Depute Principal - Planning and Student Experience</i></p> <p><i>Implementation Date: Academic Year 2019-20</i></p>
<p>Status at October 2021</p> <p>Partially Implemented</p> <p>Implementation of this recommendation has been put on hold due to Covid-19, utilisation is not a primary focus currently due to Covid-19 restrictions classrooms are still not at full capacity.</p>				
<p>Management Response - October 2021</p> <p>Since March 2019, occupancy of the campus has been severely restricted. Student and staff occupancy rates have been monitored regularly, to ensure that we have been operating line with the relevant Covid restrictions that are in place. We have put a KPI monitoring process in place, which is being updated and presented to EMT, the Board and to all staff. This includes a room utilisation measure, which will be reported as soon as Covid measures are lifted. G Parker</p>				

RECOMMENDATION STATUS - BUSINESS PLANNING & PERFORMANCE MANAGEMENT 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
4	<p>We recommend that the Board is provided with an annual performance report on the Strategic Plan and associated KPIs covering the preceding academic year.</p> <p>We recommend that progress on departmental enhancement plans is summarised and reported quarterly at SMT meetings, with exceptions highlighted.</p>		<p><u>Original</u></p> <p>The college will ensure that annual reporting on KPIs is included in the October Board meeting, and will discuss with the board the possibility of introducing interim reporting throughout the year.</p> <p>Quarterly reporting, by summary and exception, on departmental Enhancement Plans will be implemented for the June 2020 SMT meeting.</p> <p><u>September 2021</u></p> <p>KPIs have been agreed and will be monitored monthly at EMT and relevant Board committees. Processes are in place to take forward from the 2021 academic year. KPI Matrix and monthly data monitoring presentations in diary from August 2021.</p>	<p><i>Responsible Officer: Depute Principal - Planning and Student Experience</i></p> <p><i>Implementation Date: October 2020</i></p>

Status at October 2021

Partially Implemented

Management agreed a suite of KPIs which will be monitored. Monitoring of these KPIs is yet to take place
Progress on departmental enhancement plans will be reported to the Board for the first time in October.

Management Response - October 2021

The KPI matrix was launched in August 2021, containing a number of KPIs relating to each section of the strategic plan. Relevant measures from the KPI matrix will be presented at Board Committees and the full KPI matrix will form part of the Principal's report to the full Board in October. G Parker

RECOMMENDATION STATUS - BUSINESS PLANNING & PERFORMANCE MANAGEMENT 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
5	We recommend that to align with best practice that the departmental enhancement plans review and approval section is completed, preferably by either a senior College group or a senior member of staff, such as the Depute Principal.		<u>Original</u> The college will ensure that all departmental enhancement plans are signed off by the relevant senior manager. <u>September 2021</u> New process agreed for enhancement plans.	<i>Responsible Officer: Depute Principal - Planning and Student Experience</i> <i>Implementation Date: June 2020</i>
Status at October 2021 Not Implemented The new process for the departmental enhancement plans was presented to the LT&R committee in September 2021.				
Management Response - October 2021 Following the departure of the Depute Principal, the Enhancement Planning process is being led by the Assistant Principal, Student Experience & Quality (APSE&Q). The process has been significantly developed, including improved monitoring. The new process is being rolled out, supported by training delivered by the new Interim Quality Manager. Once teams have set departmental goals, these are reviewed, discussed and approved as appropriate by the APSE&Q. These are added to the annual quality improvement plan, which is monitored throughout the year by the Quality Team and APSE&Q. The new process was presented to LT&R Committee in September 2021. Each year, the main themes will be presented to LT&R.				

RECOMMENDATION STATUS - CASH HANDLING 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
6	It is our recommendation that Finance staff are reminded of the need to ensure takings sheets are fully completed and signed to evidence that totals have been verified. This should form part of the checks done by the second finance officer who countersigns the banking sheet. A further check could be made by the Finance Team Leader when posting the journal to the finance system.		<u>Original</u> Agreed.	<i>Responsible Officer: Morag Jarvis</i> <i>Implementation Date: Within one calendar month of lockdown ending.</i>
Status at October 2021				
<p>Not Implemented</p> <p>Finance Procedures are still under review with the new Shared Finance Team. The Finance Team restructure has been delayed and procedures will be reviewed once the new structure is in place.</p>				
Management Response - October 2021				
<p>Finance Procedures are still under review with the new Shared Finance Team. The Finance Team restructure has been delayed and procedures will be reviewed once the new structure is in place.</p>				

RECOMMENDATION STATUS - CASH HANDLING 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
7	It is our recommendation that the College develops a procedure for monitoring and investigating variances in cash takings. The procedure should detail the variance tolerance level, the arrangements for monitoring variances to highlight any trends, and the remedial action which may be taken to address any identified issues such as re-training or disciplinary action. The existing banking procedures should be updated to include a section which refers to the procedure for monitoring and investigating variances.		<u>Original</u> Agreed.	<i>Responsible Officer: Morag Jarvis</i> <i>Implementation Date: Within one calendar month of lockdown ending.</i>
Status at October 2021				
<p>Not Implemented</p> <p>Finance Procedures are still under review with the new Shared Finance Team. The Finance Team restructure has been delayed and procedures will be reviewed once the new structure is in place.</p>				
Management Response - October 2021				
<p>Finance Procedures are still under review with the new Shared Finance Team. The Finance Team restructure has been delayed and procedures will be reviewed once the new structure is in place.</p>				

RECOMMENDATION STATUS - CASH HANDLING 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
8	It is our recommendation that there is a daily reconciliation completed for each department; showing zero sums if there are no takings and that this is confirmed by the department. We also recommend that the procedures are updated to reflect this arrangement and that the Hari & Beauty department have a sage which will be used to hold cash from evening appointments overnight.		<u>Original</u> Agreed.	<i>Responsible Officer: Morag Jarvis</i> <i>Implementation Date: Within one calendar month of lockdown ending.</i>
Status at October 2021				
<p>Not Implemented</p> <p>Finance Procedures are still under review with the new Shared Finance Team. The Finance Team restructure has been delayed and procedures will be reviewed once the new structure is in place.</p>				
Management Response - October 2021				
<p>Finance Procedures are still under review with the new Shared Finance Team. The Finance Team restructure has been delayed and procedures will be reviewed once the new structure is in place. Hair & Beauty are only taking Card Payments at present.</p>				

RECOMMENDATION STATUS - CASH HANDLING 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
9	<p>We recommend that the Banking Process and Procedures document is updated to include the following areas:</p> <ul style="list-style-type: none"> - Which members of staff may operate the till in each department and what the training arrangements are for till operators; and - The procedure for maintaining a float including the arrangements for picking up, counting, storing and dropping off the float. 		<p><u>Original</u> Agreed.</p>	<p><i>Responsible Officer: Morag Jarvis</i></p> <p><i>Implementation Date: Within one calendar month of lockdown ending.</i></p>
<p>Status at October 2021</p>				
<p>Not Implemented</p> <p>Finance Procedures are still under review with the new Shared Finance Team. The Finance Team restructure has been delayed and procedures will be reviewed once the new structure is in place.</p>				
<p>Management Response - October 2021</p>				
<p>Finance Procedures are still under review with the new Shared Finance Team. The Finance Team restructure has been delayed and procedures will be reviewed once the new structure is in place.</p>				

RECOMMENDATION STATUS - HEALTH & SAFETY

2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
10	<p>We recommend staff are required to log DSE Assessments and questionnaires in a way that allows completion to be monitored centrally.</p> <p>We recommend the Health & Safety Manual is updated and clearly documents where completed assessments should be retained.</p> <p>We recommend staff are required to refresh their assessments and questionnaires on a regular basis for example every three years, or whenever they move desks.</p> <p>We recommend new staff are required to complete a DSE Assessment and questionnaire as part of their induction.</p>		<p><u>Original</u></p> <p>A comprehensive programme of DSE assessments were undertaken during the transition from the Longman building to the Beechwood campus. Unfortunately, for unknown reasons, the record of these records is unavailable. As circumstances have changed due to the COVID-19 pandemic, a new programme of DSE Assessments will take place during the return to working within College buildings, which will consider both office working and, where applicable, home working arrangements.</p> <p>The Health & Safety Manual is in the process of being reviewed and instruction on the administration of records will be included.</p> <p>The requirements for DSE assessments (including reviews will be stipulated in the Health & Safety Manual</p> <p>DSE training and self-assessment will be included in the staff induction process and included in the Health & Safety Manual</p> <p><u>September 2021</u></p> <p>DSE Self-Assessments have been completed by all persons working from home during the pandemic. A review of DSE arrangements for in-College workstations will be undertaken with the assistance of a third party on the return to campus for the new semester.</p>	<p><i>Responsible Officer: Health & Safety Manager</i></p> <p><i>Implementation Date: January 2021</i></p>

RECOMMENDATION STATUS - HEALTH & SAFETY 2019/20

Status at October 2021

Partially Implemented

DSE assessments have been completed by all staff working from home. Review of DSE arrangements for in-College workstations will take place for the new semester. The Health and Safety Manual states that staff should refresh their DSE training every 2-3 years. It also states that DSE assessments should be undertaken as part of the induction process. The Health and Safety manual does not detail where completed DSE assessments should be retained.

Management Response - October 2021

As at Sep '21, procurement of third-party ergonomic specialist is in process - this has been delayed due to operational constraints caused by COVID-19 to various College functions. H&S Manual will be updated with specific DSE recording processes once in place.

RECOMMENDATION STATUS - HEALTH & SAFETY 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
11	We recommend line managers are reminded to actively monitor their staff's completion of Health & Safety learning.		<p><u>Original</u></p> <p>The completion of training will be monitored at School/Department level and a monthly report will be provided by the software to show completions against the set curriculum. This will be included in the reviewed Health & Safety Manual. A report on completion of training will also be provided to SMT on a 6 monthly basis.</p> <p><u>September 2021</u></p> <p>Online training for the year has been issued and completed by staff - Line Managers are responsible for making sure respective reports complete this training. The software and training system for online training is changing in the coming weeks and the manual will be updated to reflect the specific actions required.</p>	<p><i>Responsible Officer: Health & Safety Manager</i></p> <p><i>Implementation Date: January 2021</i></p>
<p>Status at October 2021</p> <p>Partially Implemented</p> <p>Internal Audit received a report showing which staff members had completed which training course, which showed over 3000 courses being incomplete. Much improved completion rates and management actively reminding staff to complete are required to evidence implementation</p>				
<p>Management Response - October 2021</p> <p>This is subject to the delivery and roll-out of the new online H&S training platform in October 2021.</p>				

RECOMMENDATION STATUS - ESTATES MANAGEMENT 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
12	We recommend that the planning timetable is amended so that there is a budget and operational plan in place for the coming year before it begins.		<p><u>Original</u></p> <p>Building capital grants are released by the funding council in year. Since ONS and reclassification of colleges these grants have been time barred and do not take account of delays or projects that might straddle financial years. This is a particular issue with COVID - 19 which we are still to receive SFC clarification. Given the capital funding mechanism aligned to condition surveys undertaken not long after the completion of the new campus facilities this funding is significantly reduced. The capital expenditure plan, subject to funding, therefore reflects this reduced allocation and is designed to be flexible in response to potential other funding streams.</p>	<p><i>Responsible Officer: Estates and Campus Service Manager and Management Accountant</i></p> <p><i>Implementation Date: September 2020</i></p>
Status at October 2021				
<p>Partially Implemented</p> <p>The Estates strategy is still in development.</p>				
Management Response - October 2021				
Estates strategy in development, awaiting finalisation of overall strategic plan from 2021.				

RECOMMENDATION STATUS – WORKFORCE PLANNING 2020/21

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
13	We recommend the College considers implementing a learning management system, which will allow training records and certifications to be held centrally and will allow skills gaps analysis to be completed which can inform the learning plan.		<p><u>Original</u></p> <p>We continue to work with staff and managers to ensure that all qualifications and certificates are forwarded to the PD team for accurate imputing to the system. We are currently exploring add-ons to our HR system which would allow skills gaps analysis to be completed on an organisation wide basis. Meanwhile, managers continue to undertake skills gap analysis for their areas as part of their overall management responsibilities.</p> <p><u>September 2021</u></p> <p>Review of HR system continues with next meeting scheduled for 24/08/2021. Discussions are ongoing regarding potential purchase of a new HR system.</p>	<p><i>Responsible Officer: Professional Development Manager</i></p> <p><i>Implementation Date: HR system review during academic year 2021/22</i></p>
<p>Status at October 2021</p> <p>Partially Implemented</p> <p>Discussions on procuring a new HR system have began and are ongoing.</p>				
<p>Management Response - October 2021</p> <p>Discussions are ongoing to evaluate the benefits of moving the HR system to the same system as the recently implemented Payroll system. This system incorporates a learning management system which would enable greater functionality than the current CipHR system. Meanwhile, the college is planning to implement a Talent Management Strategy which will entail a skills gap analysis.</p>				

RECOMMENDATION STATUS – WORKFORCE PLANNING 2020/21

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
14	We recommend identifying critical roles and preparing a documented succession plan.		<p><u>Original</u></p> <p>Whilst we do not necessarily have a 'list' of critical roles - I must re-iterate some of the comments made:</p> <ul style="list-style-type: none"> • We review our staffing in line with our annual curriculum plan and set our annual staffing budget accordingly. Anticipating future skill need / development of skill sets to support future curriculum developments. • Managers continually monitor staff numbers to ensure that sufficient resources are attached to each department to ensure curriculum and support service levels can be met. • Skills gaps are filled either through redeployment of staff from other areas of the College or, where necessary, through external recruitment in line with the budget. • A review and approval process has been established to ensure that appointments, both internal and external, are managed in line with available budgets, curriculum and service demand and strategic objectives. • Development opportunities are made available for staff internally in preparation for promoted posts when vacancies become available. Staff have been provided with learning and development support to help them achieve that. For example, through trainee roles/programmes, CMI training for new line managers and those aspiring to become, and secondment opportunities. • Within the Curriculum teams, Programme Co-ordinators roles were created several years ago which allow lecturers to be appointed on a fixed term basis allowing them to gain experience in reviewing quality of programmes and timetable management. 	<p><i>Responsible Officer: HR Manager</i></p> <p><i>Implementation Date: April 2021</i></p>

RECOMMENDATION STATUS – WORKFORCE PLANNING 2020/21

		<ul style="list-style-type: none"> • Academic Management/Schools Structure - over the past years we have also implemented a number of workforce structural changes including a transformation of our academic middle management structure and moving our curriculum groupings into wider 'schools' structure. For example, appointments to the Depute Head of School posts were made. • Although recruitment to specialist roles is challenging in the Highlands, the College has implemented a number of initiatives to develop some resilience. Processes are in place which ensure that critical positions are filled to ensure that staff resources are available to meet commitments. Managers continually monitor staff numbers to ensure that sufficient resources are attached to each department to ensure curriculum and support service levels can be met. We continue to use development opportunities to mitigate risk wherever possible. Attraction campaigns are enhanced and reviewed for hard to fill posts. • Variable supply staff are used to address resource gaps in the short term with the pool of variable staff reviewed annually in conjunction with dept mgrs. to ensure that skills are available to meet requirements. • Profiling of staff, in terms of age, qualifications and skills, is performed along with access to pension funds, and known retireals. • A personal skills framework is in place which forms part of every staff member's annual PDR process. <p>A documented succession plan procedure as outlined above will be formalised.</p> <p><u>September 2021</u></p> <p>We now wish to move to a Talent Management approach, encompassing workforce planning, human resource management, organisational and staff development.</p> <p>A new Talent Management Strategy will ensure that the College, now and into the future, has a constructive, demand led approach to recruiting, developing, recognising and retaining talented individuals and teams, who are Ambitious, Bold and Creative in meeting the needs of our communities.</p> <p>The Talent Management Strategy will be based around the Talent Management Framework (TMF) and will include Succession Planning.</p>	
--	--	--	--

RECOMMENDATION STATUS – WORKFORCE PLANNING 2020/21

		<p>The College are currently seeking tenders for HR Consultancy Services for developing this Talent Management Strategy through to initial implementation. The project is due to commence on 1st September 2021 following evaluations of tenders.</p>	
<p>Status at October 2021</p>			
<p>Not Implemented</p> <p>The College are planning to develop a Talent Management Framework which will include succession planning. They are currently seeking tenders for HR Consultancy Services for developing the Talent Management Strategy through to initial implementation. The project is due to commence on 1st September 2021 following evaluations of tenders.</p>			
<p>Management Response - October 2021</p>			
<p>We now wish to move to a Talent Management approach, encompassing workforce planning, human resource management, organisational and staff development. A new Talent Management Strategy will ensure that the College, now and into the future, has a constructive, demand led approach to recruiting, developing, recognising and retaining talented individuals and teams, who are Ambitious, Bold and Creative in meeting the needs of our communities.</p> <p>The Talent Management Strategy will be based around the Talent Management Framework (TMF) and will include Succession Planning.</p> <p>The College are currently seeking tenders for HR Consultancy Services for developing this Talent Management Strategy through to initial implementation. The project is due to commence on 1st September 2021 following evaluations of tenders.</p>			

RECOMMENDATION STATUS - WORKFORCE PLANNING 2020/21

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
15	We recommend the College adopts UHI's Staff Development Policy and Procedure and these are reviewed on a regular basis.		<p><u>Original</u></p> <p>The UHI Staff Development Policy and Procedures will be adopted and communicated to staff through the Professional Development committee and other channels as soon as it becomes available.</p> <p><u>September 2021</u></p> <p>The new UHI single policy on Staff Development has not yet been released to the partner colleges. Inverness College will adopt this policy when it becomes available. This is due to happen during academic year 2021/22 but there is no specific date.</p>	<p><i>Responsible Officer: Professional Development Manager</i></p> <p><i>Implementation Date: As soon as UHI release the new policy and procedure, anticipated before the end of 2020/21 academic year.</i></p>
<p>Status at October 2021</p> <p>Not Implemented</p> <p>The new single UHI Staff Development policy has not yet been released. The College will adopt this policy when it becomes available.</p>				
<p>Management Response - October 2021</p> <p>The UHI Staff Development Policy has not yet been released. Inverness College will adopt this policy when it becomes available. Meanwhile, a new Professional Review & Development policy is currently being implemented across the whole college.</p>				

RECOMMENDATION STATUS – WORKFORCE PLANNING 2020/21

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
16	<p>We recommend the Workforce Plan is completed and is reviewed and approved on a timely basis.</p> <p>The document owner, reviewer and approver and when it is next due for review should also be documented, and future reviews timetabled to ensure the plan is refreshed for the beginning of the years to which it relates.</p>		<p><u>Original</u></p> <p>The Workforce Plan 2020-23 is currently a draft version and the outstanding sections to be completed are Section 5, Recruitment and Retention of Workforce and Section 6, Succession Planning. The HR Manager will liaise with SMT to finalise, including documenting its owner and the review process.</p> <p><u>September 2021</u></p> <p>We now wish to move to a Talent Management approach, encompassing workforce planning, human resource management, organisational and staff development.</p> <p>A new Talent Management Strategy will ensure that the College, now and into the future, has a constructive, demand led approach to recruiting, developing, recognising and retaining talented individuals and teams, who are Ambitious, Bold and Creative in meeting the needs of our communities.</p> <p>The Talent Management Strategy will be based around the Talent Management Framework (TMF) and will include Succession Planning.</p> <p>The College are currently seeking tenders for HR Consultancy Services for developing this Talent Management Strategy through to initial implementation. The project is due to commence on 1st September 2021 following evaluations of tenders.</p>	<p><i>Responsible Officer: HR Manager and SMT</i></p> <p><i>Implementation Date: June 2021</i></p>

RECOMMENDATION STATUS – WORKFORCE PLANNING 2020/21

Status at October 2021

Not Implemented

The College are planning to develop a Talent Management Framework which will include workforce planning. The College are currently seeking tenders for HR Consultancy Services for developing the Talent Management Strategy through to initial implementation. The project is due to commence on 1st September 2021 following evaluations of tenders.

Management Response - October 2021

We now wish to move to a Talent Management approach, encompassing workforce planning, human resource management, organisational and staff development.

A new Talent Management Strategy will ensure that the College, now and into the future, has a constructive, demand led approach to recruiting, developing, recognising and retaining talented individuals and teams, who are Ambitious, Bold and Creative in meeting the needs of our communities.

The Talent Management Strategy will be based around the Talent Management Framework (TMF) and will include Succession Planning.

The College are currently seeking tenders for HR Consultancy Services for developing this Talent Management Strategy through to initial implementation. The project is due to commence on 1st September 2021 following evaluations of tenders.

RECOMMENDATION STATUS – FINANCE SYSTEM UPGRADE 2020/21

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
17	<p>We recommend the College prepares a project management framework and that all people responsible for managing projects are trained in the methodology.</p> <p>We recommend the methodology includes and considers the following:</p> <ul style="list-style-type: none"> • Includes templates for Business Cases, project plans, risk registers, monitoring, project evaluation • Outlines expected approval required of key documents • Change management process • Gateway process • Monitoring timelines, costs and risks through the project • Project evaluation and Lessons learned when the project is completed • Risk Management • Scalability, considers requirements for projects of differing sizes 		<p><u>Original</u></p> <p>It has been discussed with the Quality Manager and her manager which is SMT level. It has been agreed that the Quality team will create a Policy and Procedure for Project Management. This will be drafted and be put to the BOM to approve in June 2021.</p> <p><u>September 2021</u></p> <p>There may be a larger payroll/HR system project to be progressed, in which case some of this paperwork could be worked on in tandem or slightly before.</p>	<p><i>Responsible Officer: SMT still to allocate</i></p> <p><i>Implementation Date: June 2021</i></p>
<p>Status at October 2021</p> <p>Not Implemented</p> <p>Internal Audit have not received any supporting documentation to evidence the implementation of this recommendation. For this to be fully implemented, Internal Audit require to see the project management framework.</p>				
<p>Management Response - October 2021</p> <p>There may be a larger payroll/HR system project to be progressed, in which case some of this paperwork could be worked on in tandem or slightly before.</p>				

RECOMMENDATION STATUS - FINANCE SYSTEM UPGRADE 2020/21

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
18	We recommend as part of the College’s project management methodology, following a projects completion, there is a requirement to evaluate the project. This should include consideration of whether the objectives of the project have been achieved, and whether there are any lessons to be learned or actions to take forward.		<p><u>Original</u></p> <p>Evaluation is that the project has delivered an updated Finance System that works in terms of what it was supposed to deliver in that the Finance Service has an updated ledger and Finance reporting is now being modelled so that the College Finance Service can monitor college finances in a much more coherent way. I consider this complete. As far as the wider issue of evaluation - can be included as part of Policy and Procedures.</p> <p><u>September 2021</u></p> <p>Project is complete and the upgrade is working (the only issues affecting us are arising from the Cyber Incident) and no further action is being considered.</p>	<p><i>Responsible Officer: Director of Finance (Shared)</i></p> <p><i>Implementation Date: June 2021</i></p>
<p>Status at October 2021</p>				
<p>Not Implemented</p> <p>Internal Audit have not received any supporting documentation to evidence the implementation of this recommendation. Internal Audit need to see a sample of evaluations of projects after they have been completed.</p>				
<p>Management Response - October 2021</p>				
<p>Project is complete and the upgrade is working (the only issues affecting us are arising from the Cyber Incident) and no further action is being considered.</p>				

RECOMMENDATION STATUS – FINANCE SYSTEM UPGRADE 2020/21

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
19	<p>The College's Project Management Methodology should outline the expected process to follow when there are changes to a project and the required level of approval for a change. It may be useful to create a Change Form template.</p> <p>Project Managers should ensure Change Forms are completed appropriately when necessary.</p>		<p><u>Original</u></p> <p>I can see this some measure. I don't consider the delay here a large issue. The main thing is that it delivered in time to process the budget for 2020-21. However bigger projects can often get out of control without clear change parameters. See Quality Review re Procedure and time parameters. This should be combined. We also probably need to progress a Project Register.</p> <p><u>September 2021</u></p> <p>Project is complete and the upgrade is working (the only issues affecting us are arising from the Cyber Incident) and no further action is being considered.</p>	<p><i>Responsible Officer: SMT still to allocate</i></p> <p><i>Implementation Date: June 2021</i></p>
<p>Status at October 2021</p>				
<p>Not Implemented</p> <p>Internal Audit have not received any supporting documentation to evidence the implementation of this recommendation. Internal Audit require to see the project management methodology for this recommendation to be fully implemented.</p>				
<p>Management Response - October 2021</p>				
<p>Project is complete and the upgrade is working (the only issues affecting us are arising from the Cyber Incident) and no further action is being considered.</p>				

RECOMMENDATION STATUS – FINANCE SYSTEM UPGRADE 2020/21

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
20	<p>We recommend the College's project management methodology outlines the requirement for key roles and responsibilities, governance and reporting mechanisms to be documented in project planning documentation.</p> <p>Where there are changes to the project team throughout the project's implementation, it should be decided and clearly documented who will be taking over their responsibilities</p>		<p><u>Original</u></p> <p>Not accepted per this project - this was a small project. Only if there were problems of the project not being delivered would I advise the Board. I verbally updated the SMT but not recorded dates or anything. The back end of this project was being delivered at the same time budget collation for 2020-21 was taking place. Generally, I have been satisfied with the outcome. This also was being delivered with Finance Recovery and new Finance management. The SMT was dealing with Financial Recovery Plan; a Finance Director resigned; an Interim Finance Director was trying to find her feet; by the time the current Finance Director commenced in May the project was near complete. For larger projects there may be something here, but the reality is that sometimes in organisations other issues take precedence.</p> <p>Project Management Methodology can be combined with the work Quality will be doing on this.</p>	<p><i>Responsible Officer: SMT still to allocate</i></p> <p><i>Implementation Date: June 2021</i></p>
<p>Status at October 2021</p>				
<p>Not Implemented</p> <p>Internal Audit have not received any supporting documentation to evidence the implementation of this recommendation. Internal Audit require to see the project management methodology for this recommendation to be fully implemented.</p>				
<p>Management Response - October 2021</p>				
<p>Project is complete and the upgrade is working (the only issues affecting us are arising from the Cyber Incident) and no further action is being considered.</p>				

APPENDIX I - STAFF INTERVIEWED/CONSULTED

NAME	JOB TITLE
Roddy Ferrier	Director of Finance
Martin Kerr	Estates & Campus Services Manager
Allan Kerr	Health & Safety Manager
Melanie Smith	Director of Research & Innovation
Morag Jarvis	Finance Team Leader
Carol Sutherland	Marketing & Communications Manager
Nicola Quinn	HR Manager
Georgie Parker	Director of External Relations
Fiona Gunn	Commercial Courses Co-ordinator
Gillian Hossack	Finance Manager
John Newson	Estates and Campus Services Supervising Officer

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

APPENDIX II - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX III - TERMS OF REFERENCE

BACKGROUND

As part of the 2019/20 Internal Audit plan for Inverness College, we will follow up on previously agreed recommendations made in Internal Audit reports in previous years, and where relevant during the current year.

PURPOSE OF REVIEW

The purpose of this review is to provide assurance to management and the Audit Committee that previous internal audit recommendations have been implemented effectively and within targeted timescales.

KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risk associated with the area under review are:

- Action is not taken to implement recommendations resulting in weaknesses in control and subsequent loss, fraud or error.

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

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2021 BDO LLP. All rights reserved.

www.bdo.co.uk



INVERNESS COLLEGE

INTERNAL AUDIT REPORT

CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS
SEPTEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Limited	Limited

INVERNESS COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	5
STAFF INTERVIEWED	7
APPENDIX I - DEFINITIONS.....	8
APPENDIX II - TERMS OF REFERENCE	9

DISTRIBUTION

Gillian Hossack	Finance Manager
Roddy Ferrier	Director of Finance
Members of the	Audit Committee

REPORT STATUS LIST

Auditors:	Mark Reynolds
Dates work performed:	01 June - 10 September 2021
Draft report issued:	14 September 2021
Final report issued:	1 October 2021

INVERNESS COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design  System of internal controls is weakened with system objectives at risk of not being achieved.

Effectiveness  Non-compliance with key procedures and controls places the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		1
Medium		1
Low		0

TOTAL NUMBER OF RECOMMENDATIONS: 2

BACKGROUND:

As part of the 2020-21 Internal Audit Plan, it was agreed with management and the Audit Committee that Internal Audit would carry out a review of the Coronavirus Job Retention Scheme (CJRS) arrangements in place within Inverness College to provide assurance that claims made were accurate and compliant with HMRC requirements.

The UK Government's Coronavirus Job Retention Scheme (CJRS) was introduced in March 2020 as a short term measure to help businesses to protect jobs throughout the COVID-19 pandemic. Essentially, the UK Government allowed businesses that met the criteria to make a claim for furloughing their employees and not making them redundant.

The CJRS started in March 2020 and will run until 31 September 2021. During this period the College furloughed 41 staff. The College took the decision to pay their full salary, regardless of the contribution received from Her Majesty's Revenue and Customs (HMRC).

There are specific conditions which must be met in order to make a valid claim from HMRC. HMRC reserve the right to review records to ensure that organisations have made valid claims throughout the period. Employers can claim for employees on any type of employment contract, including full-time, part-time, agency, flexible or zero-hour contracts. Foreign nationals are eligible to be furloughed and employees on all categories of visa may be furloughed.

CJRS claims are made by the employer, rather than the employee. There have been revisions to the scheme throughout the claim period, including changes to the percentage contribution of salaries funded by CJRS and whether employer's national insurance and pension contributions are claimable.

The College used a spreadsheet provided by their payroll supplier to help calculate the claimable amount each month from their employee's base salary. Payroll input the required

INVERNESS COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

data in to the spreadsheet each month to calculate the claimable amount. When the conditions of the scheme changed, an updated spreadsheet was provided to the College, which included updated formulae to reflect the new conditions.

SCOPE AND APPROACH:

The following areas were covered as part of this review:

- Claimant Conditions and Employee Requirements (Qualifying Criteria)
- Regular Salary Definition and Grant Claim Calculations
- Retention of sufficient business records
- Monitoring and Change Management

We conducted interviews to establish the controls in operation. We sought documentary evidence that these controls are designed as described, and to confirm their satisfactory operation. To verify effectiveness we selected a sample of staff on furlough and agreed the claims in respect of these staff to supporting documentation.

A de-brief meeting was undertaken before completing the review to discuss findings and initial recommendations.

GOOD PRACTICE:

We noted some areas of good practice, which included:

- The College bore the cost of additional salary, NIC and pension payments made to employees; and
- The College engaged with the Unions about the furlough arrangements prior to any decisions being made.

KEY FINDINGS:

Notwithstanding the areas of good practice noted above, we have noted important areas of control weakness where improvement is required, including:

- **Furlough Claim Checks:** There was no review of the calculations prior to submission of the claim, and as a result there were a number of errors in all claims submitted to HMRC, including:
 1. February 2020 payroll figures should have been used as the basis for basic pay, however for all claim submissions from May 2020 to date, the current month's payroll figures have been used.
 2. In the May, June and July 2020 claims, the incorrect National Insurance (NI) thresholds rates were used. 2019/20 thresholds were used rather than 2020/21. 2019/20 rates are lower than 2020/21 rates, which results in an under claim. Additionally the full employers NI and pension contribution was claimed rather than the allowed 80%, which results in an over claim. The net result in these two in our sample testing resulted in an over claim.
 3. There were two hourly rate employees in our sample of 15 with incorrect basic pay calculations, as the average basic pay for 2019/20 was calculated incorrectly. For 1 individual this affected just the May 2020 claim and resulted in an under claim. For the other employee this affected claims from July 2020 to date and resulted in an over claim.

INVERNESS COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

- **Furlough Letters:** A sample of 15 employees were tested and the following issues were identified:
 1. One staff member was issued with a furlough letter, however the start date of their furlough on the letter did not agree to when their furlough started (their furlough started later)
 2. Two staff members were not issued with written agreements to go on furlough
 3. Two staff members were not issued with written agreements to extend their furlough, and
 4. Eight staff members were not issued with written agreements for going on flexible furlough.

CONCLUSION:

We are able to provide limited assurance over the design and over the operational effectiveness of the controls and processes in place in relation to the Coronavirus Job Retention Scheme Grant Claim.

OUR TESTING DID NOT IDENTIFY ANY CONCERNS SURROUNDING THE CONTROLS IN PLACE TO MITIGATE THE FOLLOWING RISKS:

- ✓ Failure to retain sufficient business records to support the claims made, leading to an invalid claim being made, which may lead to reputational damage, an investigation from HMRC and for the grant to be repaid in full.
- ✓ Lack of monitoring and escalation processes in the event furloughed employees are requested to work during the grant period, without a declaration being made to the HMRC advising them of any change in circumstances, leading to a full investigation by the HMRC, penalties, fines and repayment of the grant funding received.

INVERNESS COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

DETAILED FINDINGS

RISK: FAILURE TO ACCURATELY CALCULATE EMPLOYEES' "REGULAR SALARY" WHEN DETERMINING THE VALUE OF THE CJRS GRANT CLAIM, LEADING TO ERRORS AND AN OVER-OR-UNDERSTATED CLAIM BEING DECLARED TO THE GOVERNMENT AND HMRC (INCL. GHOST EMPLOYEES.)

Ref	Sig.	Finding
1		<p>Furlough Claim Checks</p> <p>It is good practise for claim calculations to be reviewed to gain assurance that calculations are correct and free from error.</p> <p>Furlough grant claims were prepared by Payroll. However, there was no review of the calculations prior to submission. As a result, there were a number of errors in the claims:</p> <ul style="list-style-type: none"> February 2020 payroll figures should have been used as the basis for basic pay, however for all claim submissions from May 2020 to date, the current month's payroll figures have been used. In the May, June and July 2020 claims, the incorrect National Insurance (NI) thresholds rates were used. 2019/20 thresholds were used rather than 2020/21. 2019/20 rates are lower than 2020/21 rates, which results in an under claim. Additionally the full employers NI and pension contribution was claimed rather than the allowed 80%, which results in an over claim. The net result in these two in our sample testing resulted in an over claim. There were two hourly rate employees in our sample of 15 with incorrect basic pay calculations, as the average basic pay for 2019/20 was calculated incorrectly. For 1 individual this affected just the May 2020 claim and resulted in an under claim. For the other employee this affected claims from July 2020 to date and resulted in an over claim. <p>As a result, the submitted claims are incorrect. Failure to notify HMRC of over claims could result in significant penalties.</p>

RECOMMENDATION:

We recommend that the College review and re-calculate their CJRS submissions and notify HMRC of the revised calculations. We recommend that when grants are applied for in future, these are reviewed by a second member of staff for accuracy.

MANAGEMENT RESPONSE:

Not accepted - Internal Audit Sample of 15 showed a net under-claim. Given the financial position of the college and the likely small amounts involved, it is not considered an effective use of staff resources to pursue this.

Responsible Officer: Roderick M Ferrier

INVERNESS COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

Implementation 30.09.2021
Date:

RISK: FAILURE TO ENSURE INVERNESS COLLEGE MEETS THE SET "CLAIMANT" AND "EMPLOYEE" REQUIREMENTS OUTLINED BY THE GOVERNMENT, PRIOR TO A CLAIM(S) BEING MADE TO HMRC, LEADING TO NON-COMPLIANCE WITH GOVERNMENT LEGISLATION, POTENTIAL FINES AND REPUTATIONAL DAMAGE.

Ref	Sig.	Finding
-----	------	---------

2		<p>Furlough letters</p> <p>Letters should be sent to staff members to inform them that they are going on furlough, having their furlough extended or that they are going on flexible furlough.</p>
---	---	---

In a sample of 15 furloughed employees, the following issues were identified:

- One staff member was issued with a furlough letter, however the start date of their furlough on the letter did not agree to when their furlough started (their furlough started later)
- Two staff members were not issued with written agreements to go on furlough
- Two staff members were not issued with written agreements to extend their furlough
- Eight staff members were not issued with written agreements for going on flexible furlough.

There is a risk that the College cannot evidence that these staff were on furlough and furlough conditions were not complied with.

RECOMMENDATION:

We recommend that staff are updated in writing when their employment status changes.

MANAGEMENT RESPONSE:

Written procedures are in place; however on occasions regarding this aspect of new work some pieces of paperwork were overlooked. However the staff involved did meet with their line manager and were aware of their employment status. It is not intended to revisit past paperwork and therefore no follow up is required from this.

Responsible Officer: Roderick M Ferrier

Implementation 30.09.2021
Date:

INVERNESS COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Jean McKeown	Payroll Team Leader
Nicola Quinn	HR Manager
Gillian Hossack	Finance Manager

INVERNESS COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

INVERNESS COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to establish whether adequate and effective controls are in place and maintained to mitigate risks associated with the management of CJRS grant claims. The review will assess internal controls and compliance with Government guidelines, and HMRC requirements, to provide assurance that they are being followed consistently to effectively claim CJRS grants from the Government.

Where appropriate, we will make recommendations to address control gaps, control weakness or operational effectiveness and compliance issues.

KEY RISKS:

- Failure to ensure Inverness College meets the set "Claimant" and "Employee" requirements outlined by the Government, prior to a claim(s) being made to HMRC, leading to non-compliance with government legislation, potential fines and reputational damage.
- Failure to accurately calculate employees' "regular salary" when determining the value of the CJRS grant claim, leading to errors and an over-or-understated claim being declared to the Government and HMRC (incl. ghost employees.)
- Failure to retain sufficient business records to support the claims made, leading to an invalid claim being made, which may lead to reputational damage, an investigation from HMRC and for the grant to be repaid in full.
- Lack of monitoring and escalation processes in the event furloughed employees are requested to work during the grant period, without a declaration being made to the HMRC advising them of any change in circumstances, leading to a full investigation by the HMRC, penalties, fines and repayment of the grant funding received.

FOR MORE INFORMATION:

CLAIRE ROBERTSON

Claire.robertson@bdo.co.uk

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

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2021 BDO LLP. All rights reserved.

www.bdo.co.uk

INVERNESS COLLEGE

INTERNAL AUDIT ANNUAL REPORT 2020-21

OCTOBER 2021



IDEAS | PEOPLE | TRUST



CONTENTS

Executive Summary	3
Review of 2020-21 work	7
Annual statement of assurance	8
Performance against operational plan	9
Audit performance	10
Appendices:	
I Definitions	11

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 2020-21

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

- Risk Management;
- Corporate Governance; 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 2020-21 Annual Internal Audit Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation.

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

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

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

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

Coverage

During 2020-21 BDO LLP has reviewed and evaluated Inverness College's processes in the following areas:

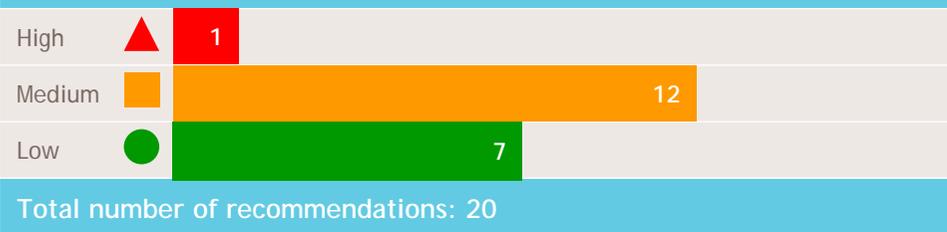
- | | |
|--|---|
| <ul style="list-style-type: none"> • Workforce Planning • Covid-19 Health & Safety • Finance System Upgrade | <ul style="list-style-type: none"> • Cyber Security • Coronavirus Job Retention Scheme • Follow up |
|--|---|

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 20.

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

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

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

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

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

Summary of work performed

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

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

REVIEW OF 2019-20 WORK

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

ANNUAL STATEMENT OF ASSURANCE

Report by BDO LLP to Inverness College

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

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

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

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

Conclusion

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

- In three of the five assurance audits performed, the risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements. Based on our verification reviews and sample testing, the risk management, control and governance arrangements in these three areas were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.
- However, our review of cyber security and the coronavirus job retention scheme identified that further work was required to ensure robust processes. As such, we are not able to provide reasonable assurance based on our verification review and sample testing, that risk management, control and governance arrangements were designed and operating with sufficient effectiveness in these areas to provide reasonable assurance that the related risk management, control and governance objectives were achieved for the period under review.

PERFORMANCE AGAINST OPERATIONAL PLAN

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

AUDIT PERFORMANCE

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

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

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

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © 2021 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk



Subject/Title:	Risk Register
Author: [Name and Job title]	Roddy Ferrier Assistant Principal – Finance and Audit
Meeting:	Audit Committee
Meeting Date:	19 October 2021
Date Paper prepared:	08 October 2021
Brief Summary of the paper:	<p>Copy of updated risk register attached for Committee review and discussion.</p> <p>This has been updated as follows:</p> <ul style="list-style-type: none"> • Increase of Risk with regards Student Residencies. • Inclusion of Infection Management Risk • Amendment to the narrative with regards to risk number 34.
Action requested: [Approval, recommendation, discussion, noting]	Discussion and consideration of risks.

Item 05

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	Risk Management - demonstrates our understanding of the key risks facing Inverness College UHI.		
Resource implications:	Yes / No If yes, please specify:		
Risk implications:	Yes / No If yes, please specify: Operational: Organisational: ineffective management of significant risks leading to adverse financial impacts		
Equality and Diversity implications:	Yes/ No If yes, please specify:		
Student Experience Impact:	Yes /No If yes, please specify: with regards student residences.		
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A		
Status – [Confidential/Non confidential]	Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	No		
*If a paper should not 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 confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

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

ITEM 07



Subject/Title:	Draft Annual Audit Committee Report for the Academic Year 20-21 & Draft Letter of Representation
Author: [Name and Job title]	Lisa Ross, Board Secretary
Meeting:	Audit Committee
Meeting Date:	19 October 2021
Date Paper prepared:	07 October 2021
Brief Summary of the paper:	<p>Attached is a draft version of the Annual Audit Committee report. It highlights the membership of the Audit Committee, meetings held, those attending and the key reports presented during 2020-21. This includes both the work carried out by the Internal Auditor BDO for 2020/21, and the External Auditor Ernst & Young for the audit of the 2019/20 financial statements. Other key areas of the work of the committee are highlighted, specifically risk management, health and safety and approval of policies relevant to the terms of reference of the Committee.</p> <p>Also attached is a draft copy of the letter of representations, which has been completed by the Assistant Principal – Finance and Audit.</p>
Action requested: [Approval, recommendation, discussion, noting]	For discussion. A final version of both this report and the letter of representation will be brought to the Joint Audit and F&GP Meeting scheduled for January 2022 following this it will be taking to the Board of Management in February 2022 for final approval.
Link to Strategy: Please highlight how the paper links to, or assists with: <ul style="list-style-type: none"> • compliance • partnership services • risk management • strategic plan • new opportunity/change 	<p>The Audit Committee is required, in accordance with Scottish Funding Council guidance to report annually to the Board of management.</p> <p>The report relates to the discussions and actions in relation to risk management</p> <p>Linked to Opportunity and Growth in Sustainability within the strategic plan, specifically managing our risks</p>
Resource implications:	Not directly, but indirectly in relation to the management of risk
Risk implications:	Yes Operational: as outlined in the Risk register Organisational: as outlined in the Risk register
Equality and Diversity implications:	N/A
Consultation: [staff, students, UHI & Partners, External] and provide detail	No consultation carried out – report is a statement of work carried out by the Audit Committee throughout 2020-21

ITEM 07

Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in "open" business* [Yes/No]	Yes		
*If a paper should not 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

ITEM 07

Annual Audit Committee Annual Report to the Board of Management

Title	Inverness College UHI Audit Committee Annual Report 2020-21
Introduction	The Audit Committee is required, in accordance with Scottish Funding Council guidance to report annually to the Board of Management. This report covers the work of the Audit Committee during the 2020-21 Academic Year.
Membership	The Membership of the Committee during the 2020-21 academic year was as follows:- Fiona Neilson, Interim Chair (September 2020 – January 2021) Gillian Galloway, Chair (January 2021 onwards) Innis Montgomery Sally Blyth Samantha Cribb Mark Sheridan Amy Goodbrand (Co-opted Member)
Meetings	4 meetings were held throughout the year and the attendance was as follows:- 15 September 2020 Fiona Neilson, Innis Montgomery, Samantha Cribb & Sally Blyth (Fiona Neilson chaired this meeting) 10 November 2020 Fiona Neilson, Innis Montgomery & Sally Blyth (Fiona Neilson chaired this meeting) 09 March 2021 Gillian Galloway, Innis Montgomery, Samantha Cribb, Sally Blyth, Mark Sheridan & Amy Goodbrand (Gillian Galloway chaired this meeting) 01 June 2021 Gillian Galloway, Innis Montgomery, Sally Blyth & Amy Goodbrand (Gillian Galloway chaired this meeting) <ul style="list-style-type: none">• Representatives from our internal auditors, BDO, attended all four meetings in 2020-21.• Representatives from Ernst & Young attended the meetings in September 2020, November 2020 & June 2021.• The Assistant Principal – Finance and Audit attended all four meetings.• The Principal attended the meetings held in September 2020, November 2020 and March 2021.• The Depute Principal – Planning and Student Experience attended the meetings held in September and November 2020.• The Assistant Principal – Academic and Research attended the meeting held in June 2021.

ITEM 07

	<p>Others in Attendance:</p> <ul style="list-style-type: none"> • In September 2020 Ron Hill, External Effectiveness Facilitator observed the meeting. • In March 2021, our Data Protection Officer attended the meeting. • In June 2021 the Contracts and Procurement Co-Ordinator, Head of Procurement – Shared UHI Service, ICT Services Manager and our Health and Safety Manager attended the meeting.
Terms of Reference	<p>The Terms of Reference were reviewed as part of our Committee Review meetings held in July 2021, a further review took place on 19 October 2021 by all Committee Members with the updated Terms of Reference being approved by the Board of Management on 14 December 2021. The Terms of Reference will next be due for review in June 2023.</p>
Internal Audit	<p>Provider</p> <p>The Internal Auditors are BDO. They were appointed for the three-year period 2017-2020. On May 2020 the Assistant Principal – Finance and Audit confirmed with BDO a 12-month extension to this contract for the period 01 August 2020 – 31 July 2021. All terms and conditions remained as per the original contract letter dated 29 June 2017.</p> <p>Audit committee assessment of performance</p> <p>The annual review of the performance of BDO was discussed within the meeting held on 09 March 2021. An assessment of performance by BDO took place within confidential discussions with regards the appointment of Internal Auditors.</p> <p>Review of internal audit plan</p> <p>During 2020-21 our Internal Auditors BDO reviewed and evaluated our processes in the following areas:</p> <ul style="list-style-type: none"> • Workforce Planning • Covid-19 Health and Safety • Finance System Upgrade • Cyber Security • Coronavirus Job Retention Scheme • Follow Up <p>The outcomes of all reviews has been presented to and discussed by Audit Committee. The initial conclusion is reflected in the summary table below and is not expected to change.</p> <p>The plan was based on the proposed allocation of days for set out in the 2020-21 operational plan. There was no change in the time spent – Planned v budget. 30 days' work was undertaken.</p>

ITEM 07

Summary of Internal Audit reports 2020-21

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

Overall gradings were defined as follows:

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied .
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

ITEM 07

Recommendation Significance	
High (RED)	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium (AMBER)	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low (GREEN)	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.

Audit reports

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

The Committee made specific comments on reports as follows:-

Workforce Planning

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

ITEM 07

importance of succession planning and underlined their concerns about the workloads of staff following the SMT restructure. It was noted that this too will be monitored and discussed at the next HR Committee meeting.

Covid-19 Health and Safety

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

Finance System

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

Draft Cyber Security Audit

BDO advised that the cyber security audit had been superseded by the cyber incident and that the report was currently in draft format. BDO are to have discussions with management over their proposed recommendations. The Committee advised that they would consider the findings of this audit once the final version was agreed by BDO and management.

Closed Meeting

No closed meeting with Internal Audit took place.

Overall opinion of risk management, control and governance arrangements

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

- In three of the five assurance audits performed, the risk management activities and controls in the areas which we examined were found to be suitable to achieve the specific risk management, control and governance arrangements. Based on our verification reviews and sample testing, the risk management, control and governance arrangements in these three areas were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.
- However, our review of cyber security and the coronavirus job retention scheme identified that further work was required to ensure robust processes. As such we are not able to provide reasonable assurance based on our verification review and sample testing, that risk management, control and governance arrangements were designed and operating with sufficient effectiveness in these areas to provide reasonable assurance that the related risk management, control and governance objectives were achieved for the period under review.

ITEM 07

<p>External audit</p>	<p>Ernst & Young</p> <p>Ernst & Young completed their audit of the accounts for the year ending 31 July 2020. This was the fourth report by Ernst & Young who had been appointed by the Auditor General for Scotland as the external auditor for the financial years 2016/17 to 2020/21. The fee for the 2019-20 audit was £???</p> <p>These accounts were submitted to and approved by the Board of Management on 18 February 2021. Ernst and Young's independent auditor's report provided an unqualified opinion that the financial statements</p> <p>Ernst and Young's independent auditor's report provided an unqualified opinion that the financial statements</p> <ul style="list-style-type: none"> • gave a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council (SFC) of the state of the affairs of the College and Group as at 31 July 2019 and of its surplus for the year then ended; • had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and • 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). <p>Audit committee assessment of performance</p> <p>The annual review of the performance of EY for the year 2020/21 took place during the Audit Committee meeting held on 09 March 2021.</p> <p>Closed Meeting</p> <p>The Audit Committee held a closed session with the External Auditors following the Audit Committee held on 09 March 2021.</p> <p>Audit of annual accounts 2020-21</p> <p>EY has carried out the Audit of the Annual Accounts for 2020-21 and this forms part 05c of the agenda.</p>
<p>Other work done</p>	<p>Health and Safety</p> <p>Health and Safety reports are submitted to each audit committee throughout the year.</p> <p>Covid-19 continued to have a significant impact upon College operations. A Sub Committee of the Health, Safety and Wellbeing Group was set up to look at the wellbeing of staff. This Sub-Committee is an advisory group who provide reflective input with regards the impact of Covid-19 with regards staff working from home, our responsibilities as an employers and the responsibilities which staff themselves have, the contractual status of home working, the audit of DSE which staff are using at home. The internal audit on the management</p>

Commented [LR1]: Data to be sought from Finance Team.

ITEM 07

arrangements that have been implemented in response to Covid-19 took place on 08 December 2020. The result of the audit was highly positive, where there was a substantial level of assurance provided on how the College has, and continues to, manage the impact of COVID-19. This positive result is a reflection of the hard work and efforts made by the COVID-19 Management Team and the College workforce as a whole.

During 2020-21 the Committee were provided with detailed papers with regards a proposed new Health and Safety system HASMAT. The Health and Safety Manager provided guidance to the Committee with regards this system summarising to them what this system is and the benefits of it. The Health and Safety Manager highlighted to the Committee the associated schedule which can be used as part of any internal audits on health and safety going forward. BDO confirmed that it should not be an issue for internal audit to use this system. Following this the Committee agreed to the adoption of the HASMAT system.

Riddor

There have been no RIDDOR reportable incidents for academic year 2020-21. This is comparable to the previous year.

Incidents

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

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

Policies

The following key policies were reviewed during 2020/21

- Email Usage and Retention Policy
- Information Security Policy
- University Partnership IS Acceptable Use Policy
- Marketing Policy

ITEM 07

	<ul style="list-style-type: none"> • Health, Safety and Wellbeing Policy • Waste Management Policy • Freedom of Information Policy • Food, Safety and Allergen Management Policy <p>The Annual report on Freedom of Information was presented to the Committee in June 2021 and an update on GDPR was presented to the Committee in March 2021. No major issues were reported.</p> <p>Value for Money and Procurement Annual Report 2020-21</p> <p>A report on Value for Money and Procurement was discussed at the Finance and General Purposes Committee Meeting held on 27 January 2021 and then at the Board of Management meeting on 18 February 2021.</p> <p>Business Continuity Plan</p> <p>An update on our Business Continuity Plan including how this is shared, developed, stored, accessed and the work which is currently in progress was presented to the Committee in June 2021.</p>
<p>Opinion</p>	<p>The Audit Committee is of the opinion that the risk management of activities and controls in the areas examined by BDO were found to be suitably designed to achieve the specific risk management control and governance arrangements.</p> <p>The Audit Committee concurs with the (draft) opinion of BDO that the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.</p>
<p>Circulation</p>	<p>Copy to the Auditors once approved by the Board of Management</p>
<p>Conclusion</p>	<p>The Audit Committee is pleased to report to the Board of Management that in its opinion the College has adequate internal controls, procedures and systems in place</p> <p>Signed..... Chair, Audit Committee</p> <p>Date</p>



Ernst & Young LLP Tel: + 44 131 777 2000
Atria One Fax: + 44 131 777 2001
144 Morrison Street ey.com
Edinburgh
EH3 8EX

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

13 August 2021

Ref: SR/OP

Direct line: 0131 777 2839

Email: SReid2@uk.ey.com

Dear Audit Committee Members

External audit: Year ended 31 July 2021

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

1. How does the Audit Committee, as 'those charged with governance' at Inverness College ("the College"), exercise oversight of management's processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
 - **The College maintains a risk register that is subject to ongoing review and risk assessment by the Audit Committee on a regular (generally quarterly) basis.**
 - **Internal auditors are appointed and the Audit Committee agrees with them an internal audit plan for each year of their appointment covering a range of areas of the College's business, with input from other relevant Board Committees as to audit scope. The Audit Committee receives reports from the internal auditors on each area of internal audit (eg cash handling), highlighting any outstanding actions or non-compliance issues, usually with a risk rating, and their recommendations. The Audit Committee expects its Finance Director to deal with the year-end accounting process in a way that adheres to standards and ethics and to oversee and manage the College's finance and accounting staff; and SMT to assess and manage such risks more broadly and to report any concerns to the Committee. It expects the internal auditors and external auditors to approach it if they have any concerns.**
 - **The Audit Committee has open dialogue with SMT at quarterly meetings, seeking reassurance on matters such as sufficiency of finance and accounting resources and systems.**
 - identifying and responding to risks of fraud in the College, including any specific risks of fraud which management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
 - **Both internal and external auditors are contracted to provide services which includes looking at a wide range of audit activities across various aspects of the College, including these areas.**
 - **The Audit Committee pursues and monitors implementation of outstanding recommendations through internal reporting by the College's Finance Director and other members of its senior management team ("SMT") at quarterly meetings of the Audit Committee including eg steps being undertaken to comply with the National Fraud Initiative.**
 - **The Finance and General Purposes Committee of BOM also has oversight of financial information and reports presented to it by the SMT at regular quarterly meetings and would be expected to raise with Audit Committee any concerns.**

- communicating to employees its view on business practice and ethical behaviour, for example by updating, communicating and monitoring against the College's code of conduct;
- The Board of Management (BOM) has been open and accountable and this process includes the Chair and members of the Audit Committee. The Audit Committee takes a view before the academic year starts as to which areas of business practice and ethical behavior it wishes to internally audit. It scopes out those audit areas with input from relevant Board Committees and conducts the process through its appointed auditors. There have been drop-in sessions where employees have been present and able to have discussions with the Principal. The Principal reports back to the BOM with a summary of these sessions which he hosts and this includes highlighting employee's views on strategic and operational matters in progress. The outcome of all reviews are communicated to stakeholders by the Board directly via publication of the findings and to the employees by the executive functions and roles with that delegated responsibility. If there was a problem with any financial issue, it would be hoped that any staff member could approach a committee chair or member and raise an issue without undue concern. In terms of updating the timetable of reviews in this regard the Audit Committee and BOM works alongside the Quality Team. Additionally, the website includes regular updates and details of committee membership, agendas and minutes. This allows all staff and members of the public to clearly follow discussions on BOM and Audit Committee matters.
- encouraging employees to report their concerns about fraud; and
- The Committee and the Board of Management generally have encouraged openness with staff as much as possible, and also encourage drop-in sessions. The College has a "Whistleblowing" Policy in place and any employee with concerns is actively encouraged to report them. SMT reports to the Audit Committee on updates to relevant policies and procedures.
- communicating to you the processes for identifying and responding to fraud or error?
- Audit Committee receives reports from the Finance Director and other members of SMT (generally including updates on risk register review) at quarterly meetings of the Audit Committee and monitors actions taken to address outstanding internal audit recommendations through such internal reporting. The Committee would expect SMT or internal audit reports to highlight any deficiencies in relation to processes for identifying and responding to fraud or error and SMT to report on steps taken to address those.

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

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

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

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

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

Item 07

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

Internal auditors are also expected to address the impact of Coronavirus in course of internal audits and instructed to carry out additional audits including e.g. on Covid 19 Quality and Assessment and Covid 19 Health and Safety.

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

The Committee has been advised that some staff have been furloughed following an assessment made by senior management eg. refectory. The Committee is not aware of any issues of risk of segregation of duties being compromised. The Committee considers that the management is assessing and furloughing as appropriate after due consideration of any potential impact.

5. Is the Audit Committee aware of any:

- breaches of, or deficiencies in internal control; and
- The Audit Committee is not aware of any material breach or deficiencies.
- actual, suspected or alleged frauds during 2020/21?
- The Audit Committee is not aware of any actual, suspected or alleged frauds.

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

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

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

By regular management reporting, the Audit Committee is made aware of the College hitting or not academic targets. It is also made aware of management's efforts to ensure the College's finances are sound, including on-going reviews of curriculum and support services in response to business challenges as they arise. The management team leads on this, reporting to the Audit Committee at its quarterly meetings.



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

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

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

The Audit Committee is aware that there has been an Arbitration decision on a water claim raised by [Galliford Try Facilities Management] ("GTFM") which built the College's main Beechwood Campus. A legal adjudication decision found the College responsible for a delay in submitting an application for a water link up; however, it was **not** found liable for any financial implications to the contractor, GTFM; GTFM did **not** take up the right of appeal. Apart from this, the Audit Committee is not aware of any further potential litigation issues.

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

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

10. Has management considered the impact of the coronavirus outbreak as part of their going concern assessment, including:

- ▶ any changes in underlying assumptions
- ▶ additional or potential financial difficulties, impairments or write-offs

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

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

The Audit Committee expects the College's Finance Director to ensure compliance. The Audit Committee understands that monthly cash flow information is submitted to the SFC by the Finance Director; and an annual Financial Forecast Return is also sent to the SFC which

Item 07

ee. There is also a year-end certificate which is signed by the Principal. Again, if internal or external auditors discovered major breaches, then the Committee would expect them to be reported.

d by Management to BOM and financial performance is also monitored through regular reporting to the Finance and General Purposes Committee which meets quarterly.

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

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

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

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

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

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

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

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

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

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

Yours faithfully

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

Subject/Title:	Committee Evaluation Feedback
Author: [Name and Job title]	Lisa Ross Board Secretary
Meeting:	Audit Committee
Meeting Date:	19 October 2021
Date Paper prepared:	07 October 2021
Brief Summary of the paper:	Feedback on the Audit Committee Evaluation.
Action requested: [Approval, recommendation, discussion, noting]	Discussion and Noting

Item 08

Link to Strategy: Please highlight how the paper links to, or assists with:: <input type="checkbox"/> compliance <input type="checkbox"/> partnership services <input type="checkbox"/> risk management <input type="checkbox"/> strategic plan <input type="checkbox"/> new opportunity/change	Governance Compliance.		
Resource implications:	Yes / No If yes, please specify:		
Risk implications:	Yes / No If yes, please specify: Operational: Organisational:		
Equality and Diversity implications:	Yes/ No If yes, please specify:		
Student Experience Impact:	Yes/ No If yes, please specify:		
Consultation: [staff, students, UHI & Partners, External] and provide detail	N/A		
Status – [Confidential/Non confidential]	Non-Confidential		
Freedom of Information Can this paper be included in “open” business* [Yes/No]	Yes		
*If a paper should not 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 confident actionable in court (s36)	
Its disclosure would constitute a breach of the Data Protection Act (s38)		Other (Please give further details)	

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

Background

The Audit Evaluation was carried out offline during summer 2021. Three members of the Committee provided feedback and comment.

Chair Feedback

As the Audit Chair only took on this role at the beginning of 2021, it was agreed that no Chair Evaluation would be carried out this year.

Committee Feedback

A copy of the feedback from the Committee is attached as Appendix 1.

Action Required

Committee members highlighted the requirement for additional members to the Committee in particular those with a Financial or Accountancy background and as well as a demand for additional training with regards Audit.

In light of the above recommendation and due to the low levels of membership it was agreed at a Search and Nomination Committee Meeting held on 09 September 2021 that we would seek to recruit up to 6 new additional members to the Board of Management. It was also agreed that Chairs would liaise within their network to see whether they have any contacts who could be co-opted onto the Committee for an interim period.

The Board Training Programme has been revised and I am liaising with OnBoard Training over both a governance and an audit training session.

Next Steps

The feedback received was presented to the Board of Management on 05 October 2021 as part of the yearly report on Committee Evaluations.



Audit Committee Evaluation completed by the Audit committee collectively offline in August 2021.

Good Practice	Yes	No	N/A	Comments/Action
Composition, Establishment and Duties of the Committee				
Does the Committee meet regularly in accordance with the Board Standing Orders?	Y			
Does the Committee consistently have a quorum?	Y			
Do all Committee members attend meetings regularly?	Y			
Does the Committee have enough members?	Y			
Does at least one of the Committee members have a background relevant to the remit of the Committee?	Y			However, it was felt that the Committee would benefit from having a member who was an accountant or someone with a strong financial background.
Have new Committee members received all necessary training?		N		Committee members have been advised of CDN audit training. A review is to be carried out to ensure that all members have completed this training.
Does the Committee report regularly to the Board?	Y			

Good Practice	Yes	No	N/A	Comments/Action
Terms of reference				
Does the Committee have written terms of reference?	Y			
Do the terms of reference include all aspects of the Committee's role?	Y			
Does the membership of the Committee need to be changed?		N		However Committee requires an additional member with accountancy/financial knowledge
Are the terms of reference adopted by the full Board and reviewed annually?	Y			

Item 08

Appendix 1

Good Practice	Yes	No	N/A	Comments/Action
Compliance with the Law and Regulations				
Does the Committee have a mechanism to keep it aware of topical legal and regulatory issues?	Y			UHI, SFC, Board secretary, auditors, EMT advise board and committee.

Good Practice	Yes	No	N/A	Comments/Action
Internal Control				
Does the Committee monitor to ensure that risk is controlled?	Y			
Does the Committee regularly review relevant strategic plans?	Y			
Does the Committee consider the level of detail and information it receives appropriate?	Y			
Are appropriate internal performance measures monitored by the Committee?	Y			
Is the Committee addressing all matters delegated to it by the Board and under its terms of reference?	Y			

Good Practice	Yes	No	N/A	Comments/Action
Administrative arrangements				
Does the Committee have an independent secretary?	Y			
Are Committee papers distributed in sufficient time for members to give them due consideration?	Y			
Are Committee meetings scheduled prior to important decisions on specific matters being made?	Y			
Is the timing of Committee meetings discussed with all involved?	Y			At the time of annual diary and meeting setting.