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| Meeting | Audit Committee |
| Date and time | Friday 28 April 2023 at 8.30 a.m. |
| Location | Virtually – via Microsoft Teams |

Board Secretary
20 April 2023

AGENDA

Welcome and Apologies

Declaration of Interests and/or any Statement of Connections or Transparency Statements.

CREATIVE SESSION – DISCUSSION AND LEARNING FROM SSSC AUDIT

ITEMS FOR DECISION

- 1. MINUTES**
Minutes of the Meeting of the Joint Audit and Finance and General Purposes Committee held on 24 January 2023
- 2. a. OUTSTANDING ACTIONS**
b. RECOMMENDATIONS LIST – EXTERNAL AUDIT - FOR YEAR ENDED 31 JULY 2022
c. RECOMMENDATIONS LIST – INTERNAL AUDIT
- 3. INTERNAL AUDIT**
 - a. Financial Planning Audit Report (December 2022)**
 - b. Internal Audit Progress Report 22/23 (April 2023)**
 - c. BDO Reporting Templates**
 - d. Complaints Management Audit Report (March 2023)**

ITEMS FOR DISCUSSION

- 4. EXTERNAL AUDIT**
Introduction to External Auditors
- 5. RISK MANAGEMENT**
Extract from Risk Register – 26 April 2023
- 6. BUSINESS CONTINUITY**
Committee Discussion

ITEMS FOR NOTING

- 7. AOCB**
Update of Inverness College Bank Signatories
Report by Joint Finance and Audit Director

- 8. DATE OF NEXT MEETING – 13 June 2023 at 8.30 a.m.**

If any member wishes to add an item of business to the Agenda, please inform the Chair and the Governance Officer 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.

UHI | INVERNESS

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

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

CHAIRS: Donald MacKenzie and Sally Blyth

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

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

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

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

1. MINUTES FOR APPROVAL

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

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

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

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

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

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

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

Innis Montgomery joined the meeting.

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

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

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

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

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

Item 01

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

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

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

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

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

The Information Systems Manager joined the meeting.

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

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

c) Report by Vice Principal – Finance and Audit

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

The Committee were provided with an explanation in respect of:

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

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

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

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

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

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

d) Letters of Representations

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

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

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

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

e) End of Year Return to SFC

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

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

3. MEETING WITH EXTERNAL AUDITORS

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

4. ANNUAL AUDIT COMMITTEE REPORT

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

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

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

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

5. INTERNAL AUDIT

a) Financial Planning Audit

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

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

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

b) Progress Report – January 2023

BDO spoke to the Progress Report advising that this provided Audit Committee Members with the progress against the internal audit plan. The Committee noted that the Student Support audit was currently taking place and that the Complaints Management audit was scheduled for March 2023.

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

6. AOCB

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

Signed by the Chair: _____

Date: _____

Outstanding Actions from Audit Committee Meetings

| Item | Action | Responsibility | Time Line | ACTIONED |
|--|--|----------------|---------------|----------|
| 07 June 2022 | | | | |
| Staff Recruitment Internal Audit | The Board Secretary will liaise with the HR Manager to ensure that updates on these recommendations are incorporated into the HR Quarterly report. | Board Sec | June 2022 | |
| Committee and Committee Chair Evaluations | The Committee and Committee Chair Evaluations will be carried out offline. | Board Sec | July 2022 | |
| Internal Audit – Closed Session | It will be checked that all audits are being discussed within EMT Meetings. | Board Sec. | June 2022 | |
| 18 October 2022 | | | | |
| Committee and Chair Evaluations | A recruitment exercise to be undertaken to co-opt members with financial expertise to both the Audit and the F&GP Committee. | Gov Off | December 2022 | |
| Internal Audit – Follow Up Report | A subgroup will be set up to review and align the outstanding recommendations from Internal Audit. | Gov Officer | December 2022 | |

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| AOCB | A timeframe for the Joint Audit and F&GP Committee to be sought from our External Auditors. | Gov Officer | October 2022 | |
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| Subject/Title: | Update of External Audit Recommendations from 31 July 2022 |
| Author: | Niall McArthur, Joint Finance and Audit Director |
| Meeting: | Audit and Risk Committee |
| Meeting Date: | 28 April 23 |
| Date Paper prepared: | 21 April 23 |
| Brief Summary of the paper: | To provide committee members with an update on the external audit recommendations from 31 July 2022. |
| Action requested: [Approval, recommendation, discussion, noting] | Noting |
| 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 | Complies with Risk Management |
| Resource implications: | None If yes, please specify: |
| Risk implications: | Yes If yes, please specify: Financial Operational Strategic Encompassing all major risks |

Item 02b

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| Equality and Diversity implications: | N/A |
| Student Experience Impact: | None |
| Consultation: [staff, students, UHI & Partners, External] and provide detail | None |
| 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

Recommendation

That members note the update on the College’s External Audit’s Recommendations from 31 July 2022.

Purpose of report

To review progress on the External Audit Recommendations from 31 July 2023.

Update on External Audit Recommendations

Accounting for Service Concession Arrangements

The first recommendation is for “management to review the current accounting model to consider the assumptions contained therein, whether they remained appropriate and in particular whether the model should incorporate contingent rent with the calculation”.

The plan is for this to be discussed with our new external auditors, Deloitte, to get their view of this and to make any changes accordingly.
Due to be completed by mid-August 2023.

Review of Financial Regulations

“The College’s Financial Regulations were last updated in December 2018 and therefore are overdue for review. The annual review process in place has been impacted by pressures caused by Covid-19, but we recommend a refresh of the regulations is now progressed to reflect the most up to date practices in place, including the shared service structure”.

The plan is to combine the Financial Regulation review and update in association with the new UHI merged College, UHI North, West & Hebrides.
Due to be completed by 31 July 2023.

NFI Governance Arrangements

“Audit Scotland recommend completion of the self-appraisal checklist in advance of undertaking NFI work, with oversight from the Audit Committee. This was not completed for the 2020/21 exercise and only a verbal update on progress was given to the Committee. The College should formalise reporting arrangements on NFI matches and ensure the self-appraisal checklist is completed in advance of the 2022/23 exercise”.

The plan is for the Self-Appraisal checklist to be reviewed and completed in line with Audit Scotland guidance.

Due to be completed by 30 April 2023.

Outstanding Internal Audit Recommendations

“The college regularly reviews the action tracker capturing internal audit recommendations, the most recent review being undertaken in October 2022. As part of this review, twelve recommendations were deemed to be low risk and removed in order to focus on higher priority areas. As a result, only 27% of recommendations were fully implemented in 2021/22. Management should ensure that a renewed focus is placed on the remaining recommendations during 2022/23”.

This was discussed at Audit Committee and work is ongoing to align Internal Auditor Follow-Up with Audit Committee decisions. This recommendation is in progress and

due to finalise revised actions by 31 March 2023. A separate report is included on the agenda for this Audit Committee meeting.

Monitoring of Financial Sustainability

“The College should continue to regularly monitor its forecast position, including delivery of its required savings, and its cash position and future forecast. The impact that staff cost reductions and other savings are having on operational and strategic delivery should be subject to ongoing review in conjunction with UHI, as RSB and SFC”.

This work is ongoing, with regular financial monitoring, FFR production, curriculum planning and FE/ HE course numbers. This is embedded in college processes and it is felt that this recommendation is being fulfilled and can therefore be removed.

External Effectiveness Review and Action plan

The external effectiveness review report was published in January 2021, resulting in a detailed action plan being formulated by the College. This is now very well progressed and there are recommendations stemming from the report which require urgent management action. The Board continue to review the progress of the actions twice yearly in order to ensure completion of all actions. It is anticipated that all remaining actions will have been completed by the end of the Academic Year 2022/23. Action Completed.

Audit Committee – Audit Recommendations List

| No | EY Finding for the period ended 31 July 2022 | Recommendation | IC Response | Responsible Officer | Timeframe | Update on Actions |
|----|---|--|--|--|---------------------------|-------------------|
| 1 | <p>We discussed the recommendation made in our 2016/17 Annual Audit Report with management relating to the College's model for accounting for service concession arrangements, which remained outstanding during previous audits. Management should progress the review of the NPD model at the earliest opportunity in 2022/23.</p> <p>GRADE 1</p> | <p>We recommended management review the current accounting model to consider the assumptions contained therein, whether they remained appropriate and in particular whether the model should incorporate contingent rent with the calculation.</p> <p>Management have advised that this will be progressed in 2022/23 at the beginning of the new audit appointment.</p> | <p>Aim to discuss with new auditors and what their view of this is. Can be discussed in Audit Planning. Sympathetic to address but will need external professional help.</p> | <p>Vice Principal – Finance and Audit</p> | <p>By Mid-August 2023</p> | |
| 2. | <p>The College's Financial Regulations are overdue for review, and this should now be progressed to ensure they reflect the most up to date practices in place.</p> | <p>The College's Financial Regulations were last updated in December 2018 and therefore are overdue for review. The annual review process in place has been impacted by pressures caused by Covid-19, but we recommend a refresh of the regulations is</p> | <p>Aiming to combine Financial Regulations update in association with new UHI merged college. This has been commenced. Aim to complete by 31 July 23.</p> | <p>Vice Principal – Finance and Audit.</p> | <p>31 July 2023</p> | |

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| | GRADE 2 | now progressed to reflect the most up to date practices in place, including the shared service structure. | | | | |
| 3 | Governance arrangements around the NFI exercise should be formalised in advance of the 2022/23 exercise. This should include completion of the self-appraisal checklist issued by Audit Scotland. | Audit Scotland recommend completion of the self-appraisal checklist in advance of undertaking NFI work, with oversight from the Audit Committee. This was not completed for the 2020/21 exercise and only a verbal update on progress was given to the Committee. The College should formalise reporting arrangements on NFI matches and ensure the self-appraisal checklist is completed in advance of the 2022/23 exercise. | Self-Appraisal checklist to be reviewed and completed in line with Audit Scotland guidance. | Vice Principal – Finance and Audit | 30 April 2023 | |
| | GRADE 2 | | | | | |

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| <p>4</p> | <p>Limited progress has been made in actioning internal audit recommendations due to a combination of various factors. Management should ensure these are an area of renewed focus in 2022/23.</p> <p>GRADE 2</p> | <p>The college regularly reviews the action tracker capturing internal audit recommendations, the most recent review being undertaken in October 2022. As part of this review, twelve recommendations were deemed to be low risk and removed in order to focus on higher priority areas. As a result, only 27% of recommendations were fully implemented in 2021/22. Management should ensure that a renewed focus is placed on the remaining recommendations during 2022/23.</p> | <p>This was discussed at Audit Committee and work is ongoing to align Internal Auditor Follow-Up with Audit Committee decisions. In progress and due to finalise revised actions by 31 March 2023.</p> | <p>Vice Principal – Finance and Audit</p> | <p>31 March 2023</p> | |
| <p>5</p> | <p>The College should continue to regularly monitor it's forecast position, including delivery of its required savings, and its cash position and future forecast. The impact that staff cost reductions and other savings are having on operational and strategic delivery should be subject to ongoing review in conjunction with UHI, as RSB and SFC.</p> <p>GRADE 1</p> | <p>We have outlined our consideration around the College's future financial position and planning in respect of this in more detail in the financial sustainability section of our wider scope reporting. This will continue to be an area of focus for the College going forward.</p> | <p>This work is ongoing with ongoing financial monitoring; FFR production: Curriculum Planning and course numbers. This is embedded and it is felt that this recommendation is being fulfilled and can be taken off.</p> | <p>Vice Principal – Finance and Audit</p> | | |

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| 6 | <p>The College has noted that due to Covid-19 it has not been able to undertake an externally facilitated review in 2020 and planned 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 external effectiveness review report was published in January 2021, resulting in a detailed action plan being formulated by the College. This is now very well progressed and there are recommendations stemming from the report which require urgent management action. The Board continue to review the progress of the actions twice yearly in order to ensure completion of all actions. It is anticipated that all remaining actions will have been completed by the end of the Academic Year 2022-23.</p> | | | ACTION COMPLETE | |
| GRADE 2 | | | | | | |

UHI | INVERNESS

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| Subject/Title: | Internal Tracker of Internal Audit Recommendations |
| Author: | Lisa Ross Governance Officer |
| Meeting: | Audit Committee |
| Meeting Date: | 28 April 2023 |
| Date Paper prepared: | 18 April 2023; updated 26 April 2023 |
| Brief Summary of the paper: | To present the reviewed and updated Internal Audit Recommendation Tracker. |
| Action requested: [Approval, recommendation, discussion, noting] | Review and Approval |
| 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 | Ensuring that we continue to comply with Risk Management |
| Resource implications: | None If yes, please specify: |
| Risk implications: | Yes If yes, please specify: Financial Operational Strategic Encompassing all major risks |

Item 02c.

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| Equality and Diversity implications: | N/A | | |
| Student Experience Impact: | None | | |
| Consultation: [staff, students, UHI & Partners, External] and provide detail | None | | |
| 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) | |

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

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Recommendation(s):

That members review the most up to date version of our Internal Audit Recommendation Tracker.

Purpose of Report

To review progress on all outstanding Internal Audit Recommendations.

Review of Internal Audit Recommendations

The Principal and Governance Officer met on 09 March 2023 to review the current list of outstanding Internal Audit Recommendations. All outstanding actions were able to be grouped together under the following sub-headings:

- Complete
- Remains Active
- Requires Committee Sign Off

Recommendations which are Complete

From the 28 outstanding recommendations; 8 have been approved and previously agreed by the Audit Committee for removal. The Principal has reviewed each recommendation and concurs that all work has been carried out in respect of.

- Recommendation 1
- Recommendation 2
- Recommendation 3
- Recommendation 4
- Recommendation 5
- Recommendation 11
- Recommendation 21
- Recommendation 22

Recommendations which Remain Active

Cash Handling

Recommendations 6-9 all remain active with the VAT issues continuing to be addressed. The Committee should note that the Shared Finance Team will continue to work through these recommendations. Part of this work will include the review and alignment of the Financial Regulations with that of the newly merged UHI North, West and Hebrides. The Committee should note that this will be a priority action for the Shared Service and debate will take place between the Principal and the Designate Principal of the merged College around this issue. A Finance Director Designate has been appointed for the merged College.

Systems

Recommendations 16-18 all remain active. This area continues to be critical; especially in respect of the expected UHI changes from the UHI 2024 Revitalisation Programme. The Committee should note that a new procurement exercise in respect of a combined and shared HR and Payroll system is currently being undertaken and is expected to conclude in late Spring 2023. Key staff members will begin the project

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planning with implementation of the new system expected to be concluded by April 2024.

Procurement

Recommendation 19 – still requires the Procurement Strategy to be completed and approved by the Board of Management.

Cyber Security

An update on this recommendation was sought from the ICT Manager who advised that no further action was required and that we look to address critical and high risks within 7 days as recommended by BDO and as per the recommendation of the Scottish Government Cyber Security Action Plan. It is therefore recommended that this item be considered for Committee sign off.

Staff Recruitment

An update to these recommendations was provided by the HR Manager. The revised Staff Recruitment and Selection Procedures are currently going through the Policies and Procedures Review Panel (PPRP) approval process. The next aspect of the Talent Management Framework to be rolled out will be Talent Attraction; where we will be looking to move from compliance to best practice, including a training programme for managers.

Student Application, Enrolment and Induction

An update on this recommendation was sought from the Information Systems Manager who advised that discussions had taken place with the Director of IT and Digital Infrastructure, UHI and the University Archivist and Records Manager, UHI who confirmed that from 24 March 2023, unsuccessful applications (incomplete/withdrawn/rejected/declined) beyond the current Academic Year and the previous Academic Year are to be deleted from SITS as part of the database clean-up which is being undertaken by the UHI LIS Team. It is therefore recommended that this item be considered for Committee sign off.

Recommendations which Require Committee Sign Off

It is requested that the Committee consider the following recommendations for removal. All the undernoted recommendation actions have been carried out.

- Recommendation 10
- Recommendation 12
- Recommendation 13
- Recommendation 14
- Recommendation 15
- Recommendation 20
- Recommendation 28

Internal Audit Recommendations Tracker - Updated 26 April 2023

| Finding Reference (per report) | Reporting Year | Audit | Recommendation | Recommendation Significance | Management Response | Implementation Date | Responsible Officer | BDO status at July 2022 | BDO status at October 2022 | Comment Provided to Audit Committee | Audit Committee Comments | Status Update (Reviewed by Principal on 09 March 2023) |
|--------------------------------|----------------|--|---|-----------------------------|--|---|--|--|---|---|--|--|
| 1 | 2018/19 | Business Continuity Management | 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. In addition, we recommend that the outcomes, lessons learned and required actions are formally documented within the plan for each test. | Medium | Original - Agreed. Implemented for the next induction in June 2019 October 2021 - 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. | Jun-19 | Martin Kerr | Not Implemented - Committee agreed to remove from further follow up: College Management have other actions they want to prioritise and therefore the Audit Committee agreed to remove this recommendation at their meeting on 7th June 2022. This risk was rated medium as it is important that Business Continuity Plans are tested regularly to ensure that they well understood and that actions are taken on any lessons learned in order to ensure that the Plan can be effectively enacted in the event of a business disruption. Although the College was able to continue operations in the face of the recent pandemic, there may be another type of disaster which requires a different response and therefore it would be beneficial to resume regular testing of the Business Continuity Plan. | N/A | March 22 - Director of Finance advised: The College's business Continuity Plan has been stretched to the limit in relation to the Cyber Incident and Covid-19. Any further work or checking or lessons learned are no longer required. It is recommended to close this on the Internal Tracker and advise Internal Auditors to take this off the Follow Up Review. | 08 March 2022 - the Committee AGREED that this item could be removed from the list. | COMPLETE |
| 2 | 2018/19 | Business Continuity Management | 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. | low | Original - Agreed. October 2021 - BCP contact review was undertaken 15th September. Review document being drafted. Contact details to be updated by end Oct 2021. | Mar-19 | Martin Kerr | Not Implemented - Committee agreed to remove from further follow up: College Management have other actions they want to prioritise and therefore the Audit Committee agreed to remove this recommendation at their meeting on 7th June 2022. This is a low risk recommendation but it remains important that accurate contact details are included within the BCP in case of an emergency. | N/A | March 22 - Director of Finance advised: Contact Details have been completed. Recommend to remove from Internal Tracker and Internal Auditor Follow Up Review. | 08 March 2022 - the Committee AGREED that this item could be removed from the list. | COMPLETE (Changes to contacts have been implemented) |
| 3 | 2018/19 | Curriculum Planning | 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. | low | Original - 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. The college will ensure that room utilisation audits are re-instated and reported regularly through an appropriate group. October 2021 - 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. | Academic Year 2019/20 | Depute Principal - Planning and Student Experience | Superseded: College Management have other actions they want to prioritise and therefore the Audit Committee agreed to remove this recommendation at their meeting on 7th June 2022. This is a low risk recommendation and does not pose a significant risk to the College if not implemented. | N/A | March 22 - Director of Finance advised: Room utilisation audits are difficult even using software. Sometimes classrooms can be blocked booked, and not necessarily used. However, prior to Covid 19 the issue Inverness College faced was a challenge on teaching space with extensions into the evenings to cope with teaching pressures. With Covid 19 and its effects, this is making us consider hybrid working, and how much professional staff will be on site, and that they are not likely to go back to the old office routine. There may be consideration given to transferring some office space and converting them into classrooms. As the curriculum side hopefully gets back to a more normal trend, this will be considered. This recommendation is probably superseded by a wider consideration of the estate. The college has established a short life working group to look at our future workspaces. Alongside this, our curriculum review have taken place in Feb and March to ascertain any changes in curriculum delivery and modes of study for AY 22-23 going forward. This will enable us to make best use of space whilst maintaining an excellent student experience. The college will re-start analysis of room utilisation in Sept 22 with reports coming to EMT on a quarterly basis from the Central Administration Team Manager. Staff utilisation is monitored closely by schools within the monthly data presentations which were introduced in September 2021 and through the review of curriculum plans in February and March, as above. Staff utilisation is also reported on the KPI matrix monthly. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review. | 08 March 2022 - the Committee AGREED that this item could be removed from the list. | COMPLETE |
| 4 | 2019/20 | Business Planning and Performance Management | We recommend that the Board is provided with an annual performance report on the Strategic Plan and associated KPIs covering the preceding academic year. We recommend that progress on departmental enhancement plans is summarised and reported quarterly at SMT meetings, with exceptions highlighted. | Medium | Original: 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. Quarterly reporting, by summary and exception, on departmental Enhancement Plans will be implemented for the June 2020 SMT meeting. 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. | Oct-20 | Depute Principal - Planning and Student Experience | Superseded: College Management have other actions they want to prioritise and therefore the Audit Committee agreed to remove this recommendation at their meeting on 7th June 2022. It can be inferred from the Audit Committee's acceptance of the removal of this recommendation that they are satisfied with the level of oversight the Board have over the implementation of the Strategic Plan. | N/A | March 22 - Director of Finance advised: The KPI matrix was presented to the Board. This action is complete. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review. | 08 March 2022 - the Committee AGREED that this item could be removed from the list. | COMPLETE (Strategic Audit is planned and will be carried out in March 2023). |
| 5 | 2019/20 | Business Planning and Performance Management | 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. | Low | Original: The college will ensure that all departmental enhancement plans are signed off by the relevant senior manager. October 2021: Following the departure of the Depute Principal, the Enhancement Planning process is being led by the Assistant Principal, Student Experience & Quality (APSEQ). 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 APSEQ. These are added to the annual quality improvement plan, which is monitored throughout the year by the Quality Team and APSEQ. The new process was presented to LT&R Committee in September 2021. Each year, the main themes will be presented to LT&R. | Jun-20 | Depute Principal - Planning and Student Experience | Superseded: College Management have other actions they want to prioritise and therefore the Audit Committee agreed to remove this recommendation at their meeting on 7th June 2022. This is a low risk recommendation in order to align with best practice and therefore the threat to the College from not implementing the recommendation is minimal. | N/A | March 22 - Director of Finance advised: Annual Enhancement Plans - This action is complete. It is recommended that it be removed from Internal Tracker and External Follow Up Review. | 08 March 2022 - the Committee AGREED that this item could be removed from the list. | COMPLETE (Weekly reviews are undertaken by Curriculum Teams) |
| 6 | 2019/20 | Cash Handling | 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. | Medium | Originally Agreed. October 2021 - 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. | Within one calendar month of lockdown ending. | Morag Jarvis | Partially Implemented - The College have advised us that there has been problems with the tills with regards to accounting for VAT. Meetings have been held with the software supplier and it is hoped that progress will be made towards a resolution in July 2022. | Progress has been made although hair and beauty takings prints need to disclose cash takings by notes and cash. Expected to be implemented by end of October 2022. | June 2022 - Director of Finance has undertaken discussions with the Team Leader - Income and Expenditure. The tills set up needs further review. There has been a meeting with the till software supplier. There are issues regarding accounting for VAT and also the file and paperwork regarding the cash takings. This is providing a more difficult issue than expected. If software requires amending, then the College is willing to pay for this to get as smooth and efficient process as possible in terms of accounting for cash. | 07 June 2022 - Audit Committee Agreed that this item would remain on the outstanding actions list. | REMAINS ACTIVE - VAT issues are continuing to be addressed. The Shared Finance Team will action this. Financial Regulations will be reviewed and aligned with the shared service for the newly merged UHI North, West and Hebrides. This will be a priority action for the Shared Service. The Finance Director Designate has been appointed for the merged College. This will form debate between the Principal and the Principal Designate for the newly merged college. |
| 7 | 2019/20 | Cash Handling | 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. | Medium | Originally Agreed. October 2021 - 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. | Within one calendar month of lockdown ending. | Morag Jarvis | Partially Implemented - The college have advised us that this recommendation will be address once the issues with the tills has been resolved. | Variance Analysis of cash differences will be implemented commencing mid October 2022 | June 2022 - Director of Finance has undertaken discussions with the Team Leader - Income and Expenditure. The tills set up needs further review. There has been a meeting with the till software supplier. There are issues regarding accounting for VAT and also the file and paperwork regarding the cash takings. This is providing a more difficult issue than expected. If software requires amending, then the College is willing to pay for this to get as smooth and efficient process as possible in terms of accounting for cash. | 07 June 2022 - Audit Committee Agreed that this item would remain on the outstanding actions list. | REMAINS ACTIVE - VAT issues are continuing to be addressed. The Shared Finance Team will action this. Financial Regulations will be reviewed and aligned with the shared service for the newly merged UHI North, West and Hebrides. This will be a priority action for the Shared Service. The Finance Director Designate has been appointed for the merged College. This will form debate between the Principal and the Principal Designate for the newly merged college. |
| 8 | 2019/20 | Cash Handling | 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 & Beauty department have a safe which will be used to hold cash from evening appointments overnight. | Low | Originally Agreed. October 2021 - 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 and Beauty are only taking card payments at present. | Within one calendar month of lockdown ending. | Morag Jarvis | Partially Implemented - Example daily reconciliations have been provided and the Hair and Beauty Dept have a safe. This recommendation will be fully implemented when procedures are updated and finalised. | Management Recommend to close. Management advised that cash takings are mostly daily but sometimes refectories can be short staffed meaning this is not wholly complied with. Effectively the College is complying with the recommendation, but sometimes unable to deliver 100%. | June 2022 - Director of Finance has undertaken discussions with the Team Leader - Income and Expenditure. The tills set up needs further review. There has been a meeting with the till software supplier. There are issues regarding accounting for VAT and also the file and paperwork regarding the cash takings. This is providing a more difficult issue than expected. If software requires amending, then the College is willing to pay for this to get as smooth and efficient process as possible in terms of accounting for cash. | 07 June 2022 - Audit Committee Agreed that this item would remain on the outstanding actions list. | REMAINS ACTIVE - VAT issues are continuing to be addressed. The Shared Finance Team will action this. Financial Regulations will be reviewed and aligned with the shared service for the newly merged UHI North, West and Hebrides. This will be a priority action for the Shared Service. The Finance Director Designate has been appointed for the merged College. This will form debate between the Principal and the Principal Designate for the newly merged college. |

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| 9 | 2019/20 | Cash Handling | We recommend that the Banking Process and Procedures document is updated to include the following areas: - 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. | Low | Originally Agreed. October 2021 - 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. | Within one calendar month of lockdown ending. | Morag Jarvis | Partially Implemented - the College have advised us that the procedures are in draft but still to be reviewed. | Finance procedures to be reviewed by Team Leader by end of November 2022. | June 2022 - Because the tills situation needs resolved, procedures cannot be done. | 07 June 2022 - Audit Committee Agreed that this item would remain on the outstanding actions list. | REMAINS ACTIVE - VAT issues are continuing to be addressed. The Shared Finance Team will action this. Financial Regulations will be reviewed and aligned with the shared service for the newly merged UHI North, West and Highlands. This will be a priority action for the Shared Service. The Finance Director Designate has been appointed for the merged College. This will form debate between the Principal and the Principal Designate for the newly merged college. |
| 10 | 2019/20 | Health & Safety | We recommend staff are required to log DSE Assessments and questionnaires in a way that allows completion to be monitored centrally. We recommend the Health & Safety Manual is updated and clearly documents where completed assessments should be retained. 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. We recommend new staff are required to complete a DSE Assessment and questionnaire as part of their induction. | Medium | 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. The Health & Safety Manual is in the process of being reviewed and instruction on the administration of records will be included. The requirements for DSE assessments (including reviews will be stipulated in the Health & Safety Manual DSE training and self-assessment will be included in the staff induction process and included in the Health & Safety Manual | Jan-21 | Health and Safety Manager | Partially Implemented - Staff are required to undertake a DSE module and assessment as part of the IHASCO online mandatory training. Not all staff have received the training. Non-compliance is being followed up with management. No update has been provided regarding the update to the Health and Safety Manual | All staff are required to undertake a DSE training module and subsequently undertake a DSE assessment as part of the IHASCO online mandatory training. The status is partially implemented as not all staff have completed the training. Non-compliance is being followed up by managers. | October 22 - Director of Finance recommended that this item be closed advising that managers are being asked to follow up re non-compliance and that health and safety learning and training is being followed up by internal processes. | Audit Committee did not make a decision as to whether to close or retain this action. | COMPLETE - Actions have been carried out - Requires Committee Sign Off. |
| 11 | 2019/20 | Estates Management | 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. | Medium | Original: 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. October 2021: Estates strategy in development, awaiting finalisation of overall strategic plan from 2021 | Sep-20 | Estates and Campus Service Manager and Management Accountant | Superseded: College Management have other actions they want to prioritise and therefore the Audit Committee agreed to remove this recommendation at their meeting on 7th June 2022. It would be good practice for the College to have their budget and plan in place before the year begins, but if the College decide not to implement this recommendation the risk is not significant as long as a budget and plan are in place during the year. | N/A | March 22 - Director of Finance advised: There is on-going monitoring of Estates capital and spend. It is not so much the annual capital budget allocation that is the issue. Having the main site and Balloch managed by a third party, GTFM, makes the planning and delivery of estates spend a much more complex issue. It is not so much on the Finance side but the actual specification and agreement of work that is the difficult issue. It is recommended that it be removed from Internal Tracker and Internal Audit Follow Up Review | 08 March 2022 - The Committee noted that plans for capital spends for this year were being agreed. It was reiterated to the Committee that delays with regards the allocation of spends is due to a third party managing the site. The Assistant Principal - Finance and Audit advised that a report on capital spend will be discussed at the Finance and General Purposes Committee Meeting being held on 17 March 2022 and that a draft Estates Plan is being agreed with GTFM. The Committee noted that this issue will continue to be monitored. Decision: It was AGREED that this item could be removed from the list. | COMPLETE |
| 12 | 2020/21 | Workforce Planning | 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. | Medium | Original - 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. October 2021 - 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. | Staff Recruitment and Selection Procedure to be updated by 30 June 22. Implementation to be determined by PRRP dates which yet to be set for AY 22/23 | Professional Development Manager | Partially Implemented - The College have seen an increase in staff updating training records electronically over the lockdown period in which reliance on paper systems decreased. The College have an HR system review scheduled for July 2022 which will allow them to consider the potential for add-ons which will facilitate an organisation wide skills gap analysis. | Most training records are currently held centrally within the HR system. The lockdown periods decreased staff reliance on paper systems and we now see staff more regularly updating training records electronically. Responsibility for skills gap analysis remains within Schools/Professional Services teams. The review of our HR System is ongoing with a refresh scheduled for July 2022 | June 2022 - an update from the Professional Development Manager has been provided to BDO. | 07 June 2022 - Audit Committee Agreed that this item would remain on the outstanding actions list. | COMPLETE - Requires Audit Committee sign off |
| 13 | 2020/21 | Workforce Planning | We recommend identifying critical roles and preparing a documented succession plan. | Medium | What we do not necessarily have a 'list' of critical roles - I must re-iterate some of the comments made: • 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, CM 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. • 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 Deputy 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 mtrs 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 retirets. • A personal skills framework is in place which forms part of every staff member's annual PRR process. A documented succession plan procedure as outlined above will be formalised. 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. We 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 01 September 2021 following evaluations of tenders. | 01/04/2021 *Update as at June 2022 - This is planned to commence at the start of the next academic year. | HR Manager | Partially Implemented - The College has advised us that their HR and Professional Development teams are developing a three stage approach to the general principles of Succession Planning; identifying those employees who may have development potential (a) now (b) 1-3 years from now, or (c) 3-5 years from now. They have proposed that the current Performance Review and Development (PRD) process be amended to accommodate succession planning as an outcome, where appropriate, at the conclusion of the PRD process. This is planned to commence at the start of the next academic year. | The succession planning process has been developed and will be launched within semester 1, after staff have been trained in the process. | June 2022 - an update from the HR Manager has been provided to BDO. | 07 June 2022 - Audit Committee Agreed that this item would remain on the outstanding actions list. | COMPLETE - Requires Audit Committee sign off |
| 14 | 2020/21 | Workforce Planning | We recommend the College adopts UHI's Staff Development Policy and Procedure and these are reviewed on a regular basis. | Low | Original - 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. October 2021 - 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 and Development Policy is currently being implemented across the whole college. | As soon as UHI release the new policy and procedure, anticipated before the end of 2020/21 academic year. | Professional Development Manager | Not implemented - The College have advised us that the single UHI Staff Development Policy has not yet been launched. The College stated that if this Policy does not become available by the end of academic year 2021/22, work will commence to review and redevelop the current UHI Inverness Staff Development Policy and Procedure to bring it in line with current best practice. | A common UHI has yet to be progressed. In light of this we are developing our own Professional Development policy and procedure which will be in place by the end of the calendar year. | June 2022 - an update from the Professional Development Manager has been provided to BDO. | 07 June 2022 - Audit Committee Agreed that this item would remain on the outstanding actions list. | COMPLETE - Requires Audit Committee sign off UHI Inverness Policy approved by HR Committee and Board of Management - Awaiting further input from UHI Executive Office. |
| 15 | 2020/21 | Workforce Planning | We recommend the Workforce Plan is completed and is reviewed and approved on a timely basis. 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. | Low | Original - 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. 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. | Jun-21 | HR Manager and SMT | Partially Implemented - The College has advised us that they are moving to a new approach that encompasses workforce planning, human resource management, organisational and staff development which will result in the creation of a Talent Management Strategy. In order for this recommendation to be fully implemented, the Talent Management Strategy which replaces the Workforce Plan should be reviewed on a regular basis. The document owner, reviewer and approver, and when it is next due for review should be documented. | The College has traditionally conducted workforce planning activities on an annual basis. The College are now moving 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 - Workforce Planning, Talent Attraction, Induction and Engagement, Talent Development, Performance Management and Succession Planning | June 2022 - an update from the HR Manager has been provided to BDO. | 07 June 2022 - Audit Committee Agreed that this item would remain on the outstanding actions list. | COMPLETE - Actions have been carried out - Requires Committee Sign Off. |
| 16 | 2020/21 | Systems | We recommend the College prepares a project management framework and that all people responsible for managing projects are trained in the methodology. We recommend the methodology includes and considers the following: • 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 | Medium | Original - 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. October 2021 - 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. | Jun-21 | SMT - still to allocate | Not implemented - No update has been provided. | Management recommended that this be closed. | June 22 - From Discussion with senior colleagues, this needs further consideration by EMT. There has been some progress such as capital project matrix being developed and enhancement tracker, but some of this is still ongoing. October 22: From discussion with senior colleagues trying to comply with recommendations may be difficult. Projects can come under the following areas: 'Research', 'Estates', 'One-off Assessments involving the Commercial Manager e.g. Sports Pitch *HR considering transferring from CiphR to Citrus System. All the above projects are different in scope and type and having a standard methodology may simply not be achievable. | Committee Agreed that these items should be referred to as wider Project Management - rather than Finance System Upgrade. In June 22, the Committee discussed project management methodology, and learning and teaching activity. The Committee discussed the PRINCE2 training methodology which several staff have been trained in and further discussed the potential for this training to be extended to more members of staff. The Committee Agreed that this item would remain on the list. | REMAINS ACTIVE - this continues to be a critical area with structured UHI changes expected. A procurement exercise has begun in respect of a combined and shared HR and Payroll system. Conclusion of this exercise is expected by late Spring 2023. Project Planning will begin with key staff members looking at an implementation deadline of April 2024. |

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| 17 | 2020/21 | Systems | 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. | Medium | Original - 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. October 2021 - 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. | Jun-21 | Director of Finance | Not Implemented - No update has been provided. | The response of no further action being undertaken at 31 October 21 was accepted by Committee. If this was not minuted then it can go back to Committee for them to agree to take off follow up. | June 22 - From Discussion with senior colleagues, this needs further consideration by EMT. There has been some progress such as capital project matrix being developed and enhancement tracker, but some of this is still ongoing. October 22- From discussion with senior colleagues trying to comply with recommendations may be difficult. Projects can come under the following areas: 'Research, 'Estates, 'One-off Assessments involving the Commercial Manager e.g. Sports Pitch *HR considering transferring from CipHR t Cintra System. All the above projects are different in scope and type and having a standard methodology may simply not be achievable. | Committee Agreed that these Items should be referred to as wider Project Management - rather than Finance System Upgrade. In June 22, the Committee discussed project management methodology, and learning and teaching activity. The Committee discussed the PRINCE2 training methodology which several staff have been trained in and further discussed the potential for this training to be extended to more members of staff. The Committee Agreed that this item would remain on the list. | REMAINS ACTIVE - this continues to be a critical area with structured UHI changes expected. A procurement exercise has begun in respect of a combined and shared HR and Payroll system. Conclusion of this exercise is expected by late Spring 2023. Project Planning will begin with key staff members looking at an implementation deadline of April 2024. |
| 18 | 2020/21 | Systems | The College's Project Management Methodology should outline the expected process to follow when there are changes to a projected and the required level of approval for a change. It may be useful to create a Change Form template. Project managers should ensure change forms are completed appropriately when necessary. | Medium | Original - 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. October 2021 - 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). | Jun-21 | SMT - still to allocate | Not implemented - No update has been provided. | Management recommended that this be closed. | June 22 - From Discussion with senior colleagues, this needs further consideration by EMT. There has been some progress such as capital project matrix being developed and enhancement tracker, but some of this is still ongoing. October 22- From discussion with senior colleagues trying to comply with recommendations may be difficult. Projects can come under the following areas: 'Research, 'Estates, 'One-off Assessments involving the Commercial Manager e.g. Sports Pitch *HR considering transferring from CipHR t Cintra System. All the above projects are different in scope and type and having a standard methodology may simply not be achievable. | Committee Agreed that these items should be referred to as wider Project Management - rather than Finance System Upgrade. In June 22, the Committee discussed project management methodology, and learning and teaching activity. The Committee discussed the PRINCE2 training methodology which several staff have been trained in and further discussed the potential for this training to be extended to more members of staff. The Committee Agreed that this item would remain on the list. | REMAINS ACTIVE - this continues to be a critical area with structured UHI changes expected. A procurement exercise has begun in respect of a combined and shared HR and Payroll system. Conclusion of this exercise is expected by late Spring 2023. Project Planning will begin with key staff members looking at an implementation deadline of April 2024. |
| 19 | 2021-22 | Procurement | 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. 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 | Medium | Original - 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. Project Management Methodology can be combined with the work Quality will be doing on this. October 2021 - 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). | Jun-21 | SMT - still to allocate | Not implemented - No update has been provided. | Management recommended that this be closed. | October 22 - Director of Finance advised; sampling review has been done and continues. This can be closed off. There is a first draft of the Procurement Strategy. The AFUC Manager has reviewed this but hopes to make further changes by 31 December 22. | Committee did not make a decision in respect of closing this item off. | REMAINS ACTIVE - Procurement Strategy is required to be finalised. |
| 20 | 2020/21 | Cyber Security | 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. | Medium | Original - 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 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 NVT's 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. | Dec-21 | Director of LIS, ICT Services Manager | Not implemented - The College has advised us that there is a UHI Partnership approach to this to meet Cyber Essentials certification and that there is currently no plan to change this as a result of this audit recommendation. | 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 NVT's, 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. | October 22 - Director of Finance advised: refer to follow up by Internal Auditor | Committee did not make a decision in respect of closing this item off. | REMAINS ACTIVE - An update is to be provided by the ICT Manager to the Audit Committee. |
| 21 | 2020/21 | Coronavirus Job Retention Scheme Grant Claims | 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. | High | 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. | Sep-21 | Roddy Ferrier | Not Implemented - Committee agreed to remove from further follow up: College Management have other actions they want to prioritise and therefore the Audit Committee agreed to remove this recommendation at their meeting on 7th June 2022. Whilst our sample of 15 showed a net under-claim, it indicates that there is inaccuracy in the CJRS submissions and there could be an overall over-claim which was not reflected in the sample; there is no way to know this without implementing the recommendation. This is a high risk recommendation as the College could be charged if they are found to have over-claimed, and we would therefore recommend that the College reconsider implementing it. | N/A | November 2021 Audit Meeting: The Director of Finance and Audit provided the Committee with the background to these forms being completed and submitted and highlighted that errors were due to resource issues within the Finance Team, out of date systems in use as well as human error. The Committee was advised that improvements have been made to the Finance Team including a payroll system upgrade however it was noted that additional training on the new payroll system is still being rolled out to appropriate staff members. The Committee whilst mindful of the exceptional circumstances surrounding Covid-19 and the additional pressures this has placed on staff felt that this audit has exposed additional risks and that we need to consider how confident we are with regards the information coming from our finance systems. | November 2021 - ACTION: The Committee advised that they would like to see responses and updates with regards this audit recommendation to enable them to track the actions being taken to address the concerns which have been highlighted by BDO. Action: The committee requested that the Principal in conjunction with the HR Dept prioritise the finance department re-structuring and training. March 2022: Corona Virus Job Retention Scheme Grant Audit - The Assistant Principal - Finance and Audit advised that a paper would be shared with the Joint Audit and Finance and General Purposes Committee on 17 March 2022 which will address the demands placed upon the Shared Finance Team. The Chair advised that this Page 2 of 6 report provides both Committees with the background to a number of elements which impacted upon the Shared Finance Team and | COMPLETE |
| 22 | 2020/21 | Coronavirus Job Retention Scheme Grant Claims | We recommend that staff are updated in writing when their employment status changes. | Medium | 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. | Sep-21 | Roddy Ferrier | Superseded: College Management have other actions they want to prioritise and therefore the Audit Committee agreed to remove this recommendation at their meeting on 7th June 2022. We recognise that there are procedures in place and, if these are applied consistently, staff should be updated in writing when their employment status changes; therefore the risk associated with not following up on this recommendation is low. | N/A | November 2021 Audit Meeting: The Director of Finance and Audit provided the Committee with the background to these forms being completed and submitted and highlighted that errors were due to resource issues within the Finance Team, out of date systems in use as well as human error. The Committee was advised that improvements have been made to the Finance Team including a payroll system upgrade however it was noted that additional training on the new payroll system is still being rolled out to appropriate staff members. The Committee whilst mindful of the exceptional circumstances surrounding Covid-19 and the additional pressures this has placed on staff felt that this audit has exposed additional risks and that we need to consider how confident we are with regards the information coming from our finance systems. | November 2021 - ACTION: The Committee advised that they would like to see responses and updates with regards this audit recommendation to enable them to track the actions being taken to address the concerns which have been highlighted by BDO. Action: The committee requested that the Principal in conjunction with the HR Dept prioritise the finance department re-structuring and training. March 2022: Corona Virus Job Retention Scheme Grant Audit - The Assistant Principal - Finance and Audit advised that a paper would be shared with the Joint Audit and Finance and General Purposes Committee on 17 March 2022 which will address the demands placed upon the Shared Finance Team. The Chair advised that this Page 2 of 6 report provides both Committees with the background to a number of elements which impacted upon the Shared Finance Team and | COMPLETE |
| 23 | 2021/22 | Staff Recruitment | We recommend that recruiting managers are reminded to complete Shortlisting Forms and return completed Forms to HR. The Staff Recruitment and Selection Procedure should be updated to reflect that the shortlisting panel should return the completed shortlisting forms to HR. | Medium | Original - As noted, there is a range of guidance available to recruiting managers on all aspects of the recruitment processes, which includes an extensive set of guidance for managers and interview guidance and assessment templates as well as a recruitment process chart outlining who is responsible for completion of each key stage. This is made available on the HR SharePoint site. The HR team continue to support recruiting managers on all aspects of the process. Management proposes that links to these guidance documents are added to the Staff Recruitment and Selection Procedure. | | HR Manager | Not Implemented - The College has advised us that due to unplanned leave within the team, these updates are now scheduled to be completed by the end of this Academic Year. | This recommendation will be fully implemented when Procedure has been approved and published. To be presented to PPRP in November 2022. | October 22 - Director of Finance advised: HR is seeking to address all outstanding recommendations. It is intended to seek to have the necessary procedures for review by the end of November 2022. | Committee did not make a decision in respect of closing this item off. | REMAINS ACTIVE - An update is to be provided by the HR Manager |
| 24 | 2021/22 | Staff Recruitment | We recommend management require all interview panel members to complete and return an Interview Panel Questions Form following interview assessments. Completed forms should be returned as early as possible from the date interviews were held. We recommend the Staff Recruitment and Selection Procedure is updated to reflect when the interview panel question scoring form is required to be completed and returned to HR | Medium | Original: As noted, there is a range of guidance available to recruiting managers on all aspects of the recruitment processes, which includes an extensive set of guidance for managers and interview guidance and assessment templates. This is made available on the HR SharePoint site. The HR team continue to support recruiting managers on all aspects of the process. Management proposes that links to these guidance documents are added to the Staff Recruitment and Selection Procedure. In addition, HR commit to a completion check of the relevant interview forms and marking and reject/return these to the recruiting manager if no fully completed. | | HR Manager | Not Implemented - The College has advised us that due to unplanned leave within the team, these updates are now scheduled to be completed by the end of this Academic Year. | This recommendation will be fully implemented when Procedure has been approved and published. To be presented to PPRP in November 2022. | October 22 - Director of Finance advised: HR is seeking to address all outstanding recommendations. It is intended to seek to have the necessary procedures for review by the end of November 2022. | Committee did not make a decision in respect of closing this item off. | REMAINS ACTIVE - An update is to be provided by the HR Manager |

| | | | | | | | | | | | | |
|----|---------|--|---|--------|--|---|-------------------------------------|--|---|---|--|---|
| 25 | 2021/22 | Staff Recruitment | We recommend employment contracts are signed and dated by both the College and the employee at the earliest possible opportunity following verbal acceptance of an offer of employment. The original and copies of signed employment contracts should be retained securely and should also be available digitally. | Medium | Original - Following verbal acceptance of an offer of employment, writing confirmation of a conditional offer of employment (including a provisional start date) is issued. Upon completion of all satisfactory pre-employment checks, the conditional offer and start date are confirmed and the employment contracts are signed and dated by both the College and the employee at the earliest possible opportunity. In the event that not all pre-employment checks are completed prior to the provisional date, a risk assessment will be undertaken and if it is recommended to proceed with the provisional start date, the contract of employment will still be issued, conditionally as above. Upon completion of all satisfactory pre-employment checks, a letter will be issued to confirm. As a consequence of remote working, all copies of signed employment contracts are retained securely digitally. Hard copies are not held. The risk assessment provision is to be included within the Staff Recruitment & Selection Procedure. | Staff Recruitment and Selection Procedure to be updated by 30 June 22. Implementation to be determined by PPRP dates which yet to be set for AY 22/23 | HR Manager and HR Business Partners | Not Implemented - The College has advised us that due to unplanned leave within the team, these updates are now scheduled to be completed by the end of this Academic Year. | This recommendation will be fully implemented when Procedure has been approved and published. To be presented to PPRP in November 2022. | October 22 - Director of Finance advised: HR is seeking to address all outstanding recommendations. It is intended to seek to have the necessary procedures for review by the end of November 2022. | Committee did not make a decision in respect of closing this item off. | REMAINS ACTIVE - An update is to be provided by the HR Manager |
| 26 | 2021/22 | Staff Recruitment | We recommend new staff do not start until completion of satisfactory pre-employment checks. | Medium | Original - Following verbal acceptance of an offer of employment, writing confirmation of a conditional offer of employment (including a provisional start date) is issued. Upon completion of all satisfactory pre-employment checks (including two references, the conditional offer and start date are confirmed and the employment contracts are signed and dated by both the College and the employee at the earliest possible opportunity. In the event that not all pre-employment checks are completed prior to the provisional date, a risk assessment will be undertaken and if it is recommended to proceed with the provisional start date, the contract of employment will still be issued, conditionally as above. Upon completion of all satisfactory pre-employment checks, a letter will be issued to confirm. The risk assessment provision is to be included within the Staff Recruitment & Selection Procedure. | Staff Recruitment and Selection Procedure to be updated by 30 June 22. Implementation to be determined by PPRP dates which yet to be set for AY 22/23 | HR Manager and HR Business Partners | Not Implemented - The College has advised us that due to unplanned leave within the team, these updates are now scheduled to be completed by the end of this Academic Year. | This recommendation will be fully implemented when Procedure has been approved and published. To be presented to PPRP in November 2022. | October 22 - Director of Finance advised: HR is seeking to address all outstanding recommendations. It is intended to seek to have the necessary procedures for review by the end of November 2022. | Committee did not make a decision in respect of closing this item off. | REMAINS ACTIVE - An update is to be provided by the HR Manager |
| 27 | 2021/22 | Staff Recruitment | We recommend the Staff Recruitment and Selection procedure is updated: •to clearly outline who is responsible for completion of each key stage within the recruitment process, including the separate responsibilities of HR and recruiting management. •to clearly states the documentation that must be returned to HR by the recruiting manager and shortlisting panel as part of the recruitment process. | Medium | Original - As noted, there is a range of guidance available to recruiting managers on all aspects of the recruitment processes, which includes an extensive set of guidance for managers and interview guidance and assessment templates as well as a recruitment process chart outlining who is responsible for completion of each key stage. This is made available on the HR SharePoint site. Management proposes that links to these guidance documents are added to the Staff Recruitment & Selection Procedure. | Staff Recruitment and Selection Procedure to be updated by 30 June 22. Implementation to be determined by PPRP dates which yet to be set for AY 22/23 | HR Manager | Not Implemented - The College has advised us that due to unplanned leave within the team, these updates are now scheduled to be completed by the end of this Academic Year. | This recommendation will be fully implemented when Procedure has been approved and published. To be presented to PPRP in November 2022. | October 22 - Director of Finance advised: HR is seeking to address all outstanding recommendations. It is intended to seek to have the necessary procedures for review by the end of November 2022. | Committee did not make a decision in respect of closing this item off. | REMAINS ACTIVE - An update is to be provided by the HR Manager |
| 28 | 2021/22 | Student Application, Enrolment & Induction | It is understood that these policies are owned by UHI, however it is recommended that actions are taken to prompt the review of these policies to ensure their adequacy and accuracy. | Low | Original - We have reported this issue to UHI and requested that the policies are reviewed. | Forwarded to UHI Admissions Manager 10/05/22 | Sheree Grant | Partially Implemented - An email was sent by the Admissions and Student Funding Team Leader to UHI on 4th July 2022 requesting information on the plans to review the HE and FE Admissions Policies - the College are still awaiting a response. | The UHI-wide group agreed that the policy would not be reviewed after three years due to covid disruption. There has been a new appointment of a Head of Student Recruitment. Further review and progress awaits this person to take ownership of this. | October 22 - Director of Finance advised: the outstanding action point rests with UHI staff, as the recommendation refers to UHI-wide policies | Committee did not make a decision in respect of closing this item off. | REMAINS ACTIVE - An update is to be provided by the Vice Principal - Student Experience and Quality |



INVERNESS COLLEGE

INTERNAL AUDIT REPORT

FINANCIAL PLANNING
DECEMBER 2022

| LEVEL OF ASSURANCE | |
|--------------------|---------------------------|
| Design | Operational Effectiveness |
| Substantial | Substantial |

INVERNESS COLLEGE, FINANCIAL PLANNING

| | |
|--|----|
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DISTRIBUTION

| | |
|---------------------------------|---|
| Roddy Ferrier Members of the | Vice Principal Finance & Audit Audit Committee |
|---------------------------------|---|

REPORT STATUS LIST

| | |
|-----------------------|--|
| Auditors: | Yufei Zhao |
| Dates work performed: | 28 November - 20 th December 2022 |
| Draft report issued: | 6 January 2023 |
| Final report issued: | 10 January 2023 |

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EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design  There is a sound system of internal control designed to achieve system objectives.

Effectiveness  The controls that are in place are being consistently applied.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

| | | |
|--------|---|---|
| High |  | 0 |
| Medium |  | 0 |
| Low |  | 2 |

TOTAL NUMBER OF RECOMMENDATIONS: 2

BACKGROUND:

As part of the 2022-23 Internal Audit Plan, it was agreed that Internal Audit would review the design and operating effectiveness of the controls in place at Inverness College (“the College”) surrounding financial planning arrangements.

The Vice Principal Finance & Audit is responsible for preparing a revenue budget on an annual basis. Preparing the budget starts once the Curriculum Development Plan (CDP) has been complete, as it outlines the staffing required to deliver the planned curriculum.

For 2022/23 the budget preparation process started in early March. The Accountant produced budget templates for each budget, which include prior year actuals and budget figures. The Accountant held meetings with each budget holder to discuss their budget requirements and populate the budget figures for 2022/23. The College has approximately 60 budgets, with individuals commonly being responsible for multiple budgets.

The draft income allocation was received from UHI in May and the budget was uploaded onto the finance system, SUN.

In June the draft budget was shared with the Executive Management Team (EMT) and presented to the Finance and General Purposes Committee (FGPC) for review. The 2022/23 budget was approved by the Board of Management at their 28th June 2022 meeting.

The College’s approved budget position for 2022/23 comprised of an operating surplus of £228k. Budgeted income was £28.2mill, comprising: £21.8mill grant income, £3.1mill tuition fees, £0.5mill refectory income, £1.8mill Skills Development Scotland income, £0.4mill commercial income and £0.5mill miscellaneous income. Budgeted expenditure was £28mill, comprising: £17.7mill staff costs, £2.1mill premises costs, £7.2mill other operating costs and £0.9mill loan repayments.

Key assumptions within the 2022/23 budget include:

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- Further education funding is based on achieving a credit target of 29,511. This was a draft target received from UHI as the final funding announced was not received until after the budget was approved
- Higher education students were budgeted at 1,410. This is less than the college target of 1,441. The budget is based on the 2021-22 projection of 1,370, which compares with the target of 1,556
- Energy costs have increased, gas by 27% and electric by more; and
- Refectory income is assumed to increase due to greater student footfall, following the easing of Covid related restrictions

The College is also required to submit a five-year Financial Forecast Return (FFR) to the Scottish Funding Council (SFC) on an annual basis, the deadline is normally the end of September. SFC issue a template which has to be completed and returned and also provide guidance on some of the key assumptions which should be used. The College's FFR is prepared by the Vice Principal Finance & Audit and approved by the Principal and the FGPC before submission to the SFC.

The Vice Principal Finance & Audit prepared two versions of the FFR. The first version was using the SFC mandated assumptions: SFC income remains the same over the 5 years, non-SFC income increases by 2% per annum, staff costs increase by 3% per annum for 2022-23 and 2% thereafter, overheads increase by 2.3% in 2023-24 and 2% thereafter. The second model took a more pessimistic view. SFC income remains the same over the 5 years, non-SFC income increase by 3% per annum, staff costs increase by 5% per annum for 2022-23 and 2023-24 and 3% thereafter and overheads increase by 7%. In the SFC model, the College goes into an increasingly deficit position, however the College's solid cash position allows the College to sustain the losses projected. In the second model, the College runs out of cash in 2026-27.

The Financial Regulations outline that budget holders are responsible for working within their budgetary limits. The Financial Assistant prepares and issues budget monitoring reports to budget holders on a monthly basis. Reports are provided to budgetholders via access restricted sharepoint folders. Reports include detail about actual spend to date compared to budgets, including staff costs, and provide a detailed breakdown of individual transactions. The reports are provided a few days after the month end, following completion of month end processes. The Financial Assistant pulls the data from SUN into the budget monitoring template, using an excel add-on, Q&A.

The Vice Principal Finance & Audit prepares consolidated budget monitoring reports for themselves and EMT on a monthly basis, and on a quarterly basis for the FGPC. The reports include spend to date, prior year actuals, approved budget and the forecast year-end position. There is also a variance column to help identify variances between budget and the forecast year-end position. A covering letter is presented alongside the budget monitoring report to explain significant variances and to bring to attention any relevant matters to the FGPC.

SCOPE AND APPROACH:

The scope of our review was to assess whether:

- Financial plans are developed in a timely manner in accordance with a clearly defined timetable.
- Financial Plans are subject to appropriate consultation, review and approval arrangements
- Financial plans are based on reasonable assumptions and forecasts and accurate, reliable information

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- Scenario planning and sensitivity analysis has been carried out to ensure budgets are flexible and robust enough to meet organisational requirements and respond to funding changes
- Budget monitoring occurs on a regular basis, by budget holders, management and the Board of Management; and
- Explanations are provided for variances in budget monitoring reports and appropriate action is taken.

Our approach was to conduct interviews to establish the controls in operation for each of our areas of audit work. We obtained documentary evidence that these controls are designed as described. We evaluated these controls to identify whether they adequately address the risks. We then obtained 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 kept management informed of any issues which arose as a result of our testing. A de-brief meeting was undertaken before completing the review to discuss findings and initial recommendations.

GOOD PRACTICE:

The areas of good practice we identified during the review included:

- The 2022/23 budget was subject to appropriate consultation, review and approval
- In the September 2022 budget monitoring reports which were presented to the FGPC two scenarios of the year-end forecast position were given one was based on a 3% staff pay increase and the other was a 5% pay increase
- Two scenarios were used to complete the FFR and have helped to assess the College's future flexibility and robustness
- We reviewed a sample of five budget lines and found them to be based on reasonable information and assumptions
- Budget monitoring reports are provided to budget holders on a monthly basis and are presented to the FGPC on a quarterly basis

KEY FINDINGS:

Notwithstanding the elements of good practice noted above, we have identified opportunities where improvements could be made:

- **Financial Regulations:** The Financial Regulations were due for review in June 2019 and have not been reviewed. There are references to outdated job titles, for example the Director of Finance is referenced where it should be the Vice Principal Finance & Audit. We note that the College are aware of this, and it has been delayed as there is a plan to update the financial regulations of all bodies within UHI and ensure they are consistent.
- **KPIs:** The College's Financial Strategy includes a set of KPIs to help monitor the implementation of the strategy's objectives. The KPIs in the strategy are not being monitored and reported on. The financial climate has changed since the strategy was created and the KPIs no longer provide useful information to management and the Board.

CONCLUSION:

We are pleased to report that we can provide substantial assurance over the design and operational effectiveness of the controls in place in relation financial planning. We suggest management implement the recommendations to improve the control environment.

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

- ✓ The financial planning process may not be carried out in a timely manner in accordance with a clearly defined timetable.
 - ✓ Financial plans may not be subject to effective consultation, review or approval.
 - ✓ Financial plans may be based upon unreasonable assumptions or information.
 - ✓ No, or limited, scenario planning or sensitivity analysis has been undertaken.
 - ✓ Budget monitoring may not be carried out on a regular basis.
 - ✓ Appropriate action may not be taken by management to resolve issues identified in budget monitoring reports.
-

INVERNESS COLLEGE, FINANCIAL PLANNING

DETAILED FINDINGS

RISK: THE FINANCIAL PLANNING PROCESS MAY NOT BE CARRIED OUT IN A TIMELY MANNER IN ACCORDANCE WITH A CLEARLY DEFINED TIMETABLE.

| Ref | Sig. | Finding |
|-----|---|--|
| 1 |  | <p>Financial Regulations</p> <p>It is good practice for policies and procedures to be reviewed on a regular basis to ensure they reflect current expected practices and processes of the College.</p> <p>The Financial Regulations were due for review in June 2019 however have not been reviewed. There are references to outdated job titles, for example the Director of Finance is referenced where it should be the Vice Principal Finance & Audit. We note that the College are aware of this and it has been delayed as there is a plan to update the financial regulations of all bodies within UHI and ensure they are consistent.</p> <p>There is a risk that financial regulations are outdated and do not reflect current expected practice.</p> |

RECOMMENDATION:

We recommend the Financial Regulations are updated and reviewed on a regular basis.

MANAGEMENT RESPONSE:

The key issues facing the Finance Service the last 36 months were improving a) budget and financial preparation, monitoring and reporting; b) improve the speed of year-end accounts and c) improve the input functions. All have improved although the latter still has some further work to be done. Hence other work was less prioritised. However, the Financial Regulations are now a priority. We will be working with the Merged College and Inverness College to produce a set of updated Finance Regulations with a date of 31 July 23 for this.

Responsible Officer: Vice Principal, Finance and Audit

Implementation Date: 31 July 23

INVERNESS COLLEGE, FINANCIAL PLANNING

RISK: BUDGET MONITORING MAY NOT BE CARRIED OUT ON A REGULAR BASIS.

| Ref | Sig. | Finding |
|-----|---|--|
| 2 |  | <p>KPIs</p> <p>The College's Financial Strategy includes a set of KPIs to help monitor the implementation of the strategy's objectives.</p> <p>The KPIs in the strategy are not being monitored and reported on. The financial climate has changed since the strategy was created and the KPIs no longer provide useful information to management and the Board. We note that budget monitoring reporting is in place and provides financial information.</p> <p>There is a risk that the objectives of the finance strategy are not being achieved</p> |

RECOMMENDATION:

We recommend that a suite of financial KPIs are put in place by the College and they are monitored and reported on, as part of the College's quarterly performance reporting

MANAGEMENT RESPONSE:

Work has been done by the Operations and Commercial Manager. His recommendations have been discussed at UHI Finance Directors Group in early winter, and the Group have agreed some revised KPIs. The key issue for an Incorporated College centres around monitoring liquidity. However, the Scottish Funding Council insists that Incorporated colleges with healthy bank balances should not draw down FE funding in advance of need. Hence for months outwith March and July, Inverness College's Bank and Current Assets is deliberately under trend. The Finance Committee is advised of this. New KPIs should be introduced for next Finance Committee monitoring.

Responsible Officer: Vice Principal, Finance and Audit

Implementation Date: 16 March 23

INVERNESS COLLEGE, FINANCIAL PLANNING

OBSERVATIONS

GRANT IN AID

The final grant allocation figures given by UHI were not included within the approved 2022/23 budget.

The budget was approved by the Board on the 28th of June 2022 and the final funding allocation from UHI was announced on the 30th of June.

The final funding allocation from UHI was delayed, as SFC did not announce their final funding allocation until the 26th of May 2022. Over the past few years funding allocations have been announced later and later by SFC. This puts additional strains on timelines for UHI and Inverness College and may be reflective of the increasing financial struggles of the sector.

INVERNESS COLLEGE, FINANCIAL PLANNING

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.

| | |
|---------------|--------------------------------|
| Roddy Ferrier | Vice Principal Finance & Audit |
| Morag Jarvis | Accountant |

INVERNESS COLLEGE, FINANCIAL PLANNING

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, FINANCIAL PLANNING

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to provide management and the Audit Committee with assurance that Inverness College has well designed, effective controls in place in relation to financial planning.

KEY RISKS:

- The financial planning process may not be carried out in a timely manner in accordance with a clearly defined timetable.
- Financial plans may not be subject to effective consultation, review or approval.
- Financial plans may be based upon unreasonable assumptions or information.
- No, or limited, scenario planning or sensitivity analysis has been undertaken.
- Budget monitoring may not be carried out on a regular basis.
- Appropriate action may not be taken by management to resolve issues identified in budget monitoring reports.

SCOPE OF REVIEW:

The scope of our review is to assess whether:

- Financial plans are developed in a timely manner in accordance with a clearly defined timetable.
- Financial Plans are subject to appropriate consultation, review and approval arrangements
- Financial plans are based on reasonable assumptions and forecasts and accurate, reliable information
- Scenario planning and sensitivity analysis has been carried out to ensure budgets are flexible and robust enough to meet organisational requirements and respond to funding changes
- Budget monitoring occurs on a regular basis, by budget holders, management and the Board of Management; and
- Explanations are provided for variances in budget monitoring reports and appropriate action is taken.

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.

INVERNESS COLLEGE, FINANCIAL PLANNING

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 to discuss findings and initial recommendations.

FOR MORE INFORMATION:

CLAIRE ROBERTSON

Claire.robertson@bdo.co.uk

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INVERNESS COLLEGE

INTERNAL AUDIT PROGRESS REPORT 2022-23

April 2023



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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

EXECUTIVE SUMMARY

Introduction

The purpose of this report is to *advise* the Audit Committee of the progress of the Internal Audit Plan for 2022-23. This paper together with progress and assignment updates are discussed with management and the Audit Committee throughout the year. These reports will form the basis of information to support our Annual Internal Audit Report for 2022-23.

Internal Audit Plan 2022-23

Since the last Audit Committee meeting, the following internal audits have been completed:

- Student Support
- Complaints Management

Conclusion

The Audit Committee is asked to *note* this report.

WORK COMPLETED

| Reports Issued | Overall Report Conclusions - see appendix I | | | | |
|-----------------------|---|---|---|-------------|---------------------------|
| |  |  |  | Design | Operational Effectiveness |
| Financial Planning | 0 | 0 | 2 | Substantial | Substantial |
| Student Support | 0 | 0 | 1 | Substantial | Substantial |
| Complaints Management | 0 | 2 | 4 | Moderate | Moderate |

PERFORMANCE AGAINST OPERATIONAL PLAN

| Visit | Date of visit | Proposed Audit | Planned Days | Actual Days | Status |
|-------|---------------|-----------------------|--------------|-------------|-------------|
| 1 | November 2022 | Financial Planning | 5 | 5 | Completed |
| 2 | January 2023 | Student Support | 5 | 5 | Completed |
| 3 | March 2023 | Complaints Management | 5 | 5 | Completed |
| 4 | April 2023 | Strategic Planning | 6 | - | In progress |
| 5 | April 2023 | Curriculum Planning | 5 | - | In progress |
| 6 | | Follow Up | 3 | - | |

AUDIT PERFORMANCE

| AUDIT | COMPLETION OF FIELDWORK | DRAFT REPORT | FINAL MANAGEMENT RESPONSES | FINAL REPORT |
|-----------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Financial Planning | 20 December 2022 | 6 January 2023 | 9 January 2023 | 10 January 2023 |
| Student Support | 24 th January 2023 | 10 th February 2023 | 10 th February 2023 | 13 th February 2023 |
| Complaints Management | 23 rd March 2023 | 6 th April 2023 | 13 th April 2023 | 7 th April 2023 |

On average:

- All reports were issued in draft within 10 working days of completion of our fieldwork and a debrief meeting with management.
- Final reports were issued within 1 working day of final management responses being received.

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. |

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Item 03c.

UHI | INVERNESS

| | |
|--|--|
| Subject/Title: | BDO Template Report and Terms of Reference |
| Author: [Name and Job title] | Lisa Ross Governance Officer |
| Meeting: | Audit Committee |
| Meeting Date: | 28 April 2023 |
| Date Paper prepared: | 18 April 2023 |
| Brief Summary of the paper: | <p>The Committee have been provided with a copy of the new BDO templates for Internal Audit. These have been created by BDO's Operations Team.</p> <p>The Committee is asked to look at these new templates and decide whether they would like these to be used when work commences on our 2023/24 plan or whether they prefer to receive reports as they are currently presented.</p> |
| Action requested: [Approval, recommendation, discussion, noting] | Discussion and Decision |
| 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 | Audit 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: |

Item 03c.

| | | | |
|---|------------------|--|--|
| | | | |
| 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

ABC

SERVICE CHARGES

INTERNAL AUDIT REPORT - EXAMPLE REPORT

NOVEMBER 2022

LEVEL OF ASSURANCE:

| | |
|---------------|----------|
| DESIGN | MODERATE |
| EFFECTIVENESS | MODERATE |

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RESTRICTIONS OF USE

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| | X | Head of Department Y |

REPORT STATUS

| | |
|------------------------------------|------------------------|
| LEAD AUDITOR(S): | X |
| DATES WORK PERFORMED: | 20 June - 21 July 2022 |
| ADDITIONAL DOCUMENTATION RECEIVED: | 26 August 2022 |
| DRAFT REPORT ISSUED: | 11 October 2022 |
| MANAGEMENT RESPONSES RECEIVED: | TBC |
| FINAL REPORT ISSUED: | TBC |



EXECUTIVE SUMMARY

| LEVEL OF ASSURANCE: (SEE APPENDIX III FOR DEFINITIONS) | | |
|--|----------|--|
| DESIGN | Moderate | Generally a sound system of internal control designed to achieve system objectives with some exceptions. |
| EFFECTIVENESS | Moderate | Evidence of non compliance with some controls, that may put some of the system objectives at risk. |

| SUMMARY OF FINDINGS (SEE APPENDIX III) | | | # OF AGREED ACTIONS |
|--|---|--|---------------------|
| H | - | | - |
| M | 1 | | 1 |
| L | 4 | | 7 |
| TOTAL NUMBER OF FINDINGS: 5 | | | |

BACKGROUND

The statutory framework for service charges has developed over time through a number of Acts of Parliament. In summary, the law says that landlords need to identify accurately the costs of managing the services provided to tenants and leaseholders. It says that ‘reasonable’ costs of this should be passed on to tenants and leaseholders, and a breakdown/explanation should be provided to tenants. The Landlord and Tenant Act 1985 (as amended) states that a service charge is only recoverable by a landlord so far as the costs have been reasonably incurred. Also, it states that it is only recoverable if works carried out for the charge are of a ‘reasonable’ standard.

The XXX system is an internally developed service charge calculator reliant on the accuracy of the data loaded in from various sources, such as the XXX housing management system and contract cost working files. The XXX tool is used to budget the estimated costs covered by the service charges and how much “income” in the form of service charges will be received each year. The service charge setting process is driven by the Rent Team, consisting of the Rent Manager, two Rent Officers and a Rent Administrator. Other parties involved throughout the process include Estate Officers (who are the designated budget holders), Heads of Service, Finance, the Executive Team and the Board. Refer to [Appendix I](#) for a process flow which captures the end-to-end service charges setting process.

SCOPE & APPROACH

The purpose of this review was to assess the design and operational effectiveness of the controls relating to service charges. We reviewed the Service Charges Policy and Procedure to verify that the process has been formally documented and we benchmarked their content against our wider housing client base. See [Appendix II](#) for detailed results.

We completed a walkthrough of the XXX application with the Rent Manager to establish the end-to-end service charge setting process and to assess whether access to the system is restricted appropriately. Where service charges are based on estimates and-or- assumptions, we sought to understand how management obtain assurance those estimates are reasonable. We tested a sample of 10 agreements with fixed service charges to assess whether the charges were accurate, fair, transparent and in line with ABC’s XX Tenancy Agreement rolled out in 2007.

Old legacy agreements are also outside of the scope of this review and leaseholders have been excluded as these are audited by external auditors. For each resident we also verified that a clear breakdown of the service charges was provided. We reviewed three consultations held with residents for additional services and three refunds issued to assess their fairness and timeliness, whilst also ensuring that in each case at least four weeks notice was provided in line with the Service Charges Policy and Procedure.

Rainbow data integrity testing was completed on key spreadsheets used throughout the service charge setting process. Finally, we reviewed and assessed the information provided to Finance, Senior Management and the Board throughout the service charge setting and collection process, including the service charge approval process.

LIMITATIONS OF SCOPE

The Director of Business Services and the Director of Strategy approved the removal of the proposed data analytics test to assess whether service charges have increased by less than CPI +1 in the last 12-month period. This was on the basis that the CPI+1 requirement of the Rent Standard applies only to rent, hence it was not deemed relevant for the purpose of the review.

We were also unable to complete data analytics testing in respect of a full population assessment of whether variable service charges have been allocated accurately to the different types of properties. This is because XXX does not hold physical property data, such as whether a property has access to a lift for example. Estate Officers are relied upon to allocate service charges accurately in the absence of this data. To note, it was not part of the scope of this review to confirm the accuracy or completeness of the data used within the reports presented to Management.



EXECUTIVE SUMMARY

SUMMARY OF GOOD PRACTICE

We identified the following areas of good practice:

- ▶ **XXX Tool - Calculation of Service Charges:** Despite the use of spreadsheets to load data in and out of the application, XXX allows ABC to automate the service charge calculation process. When benchmarking the service charge calculation process against our wider housing client base, we established that the calculation process tends to be manual and heavily spreadsheet driven.
- ▶ **Access Rights:** Budget Holder (Estate Officer) access rights are restricted such that they can only view and edit the service charges of properties in which they are flagged as an 'interested party' in XXX. However, we did identify one flaw with the approval rights assigned to Budget Holders within XXX (Finding 1).
- ▶ **Allocation of Service Charges:** Different property types are allocated to different service charges within XXX by the Rent Team. These allocations are reviewed and edited by Estate Officers. XXX has the functionality to save these service charge 'factors' so that only the relevant service charges are allocated to properties and to prevent service charges being applied as a blanket policy across an entire estate. For example, lift maintenance charges will be allocated to properties with a lift only.

SUMMARY OF MEDIUM AND LOW FINDINGS

Notwithstanding with the areas of good practice outlined above, we have raised five findings; one of medium significance and four of low significance.

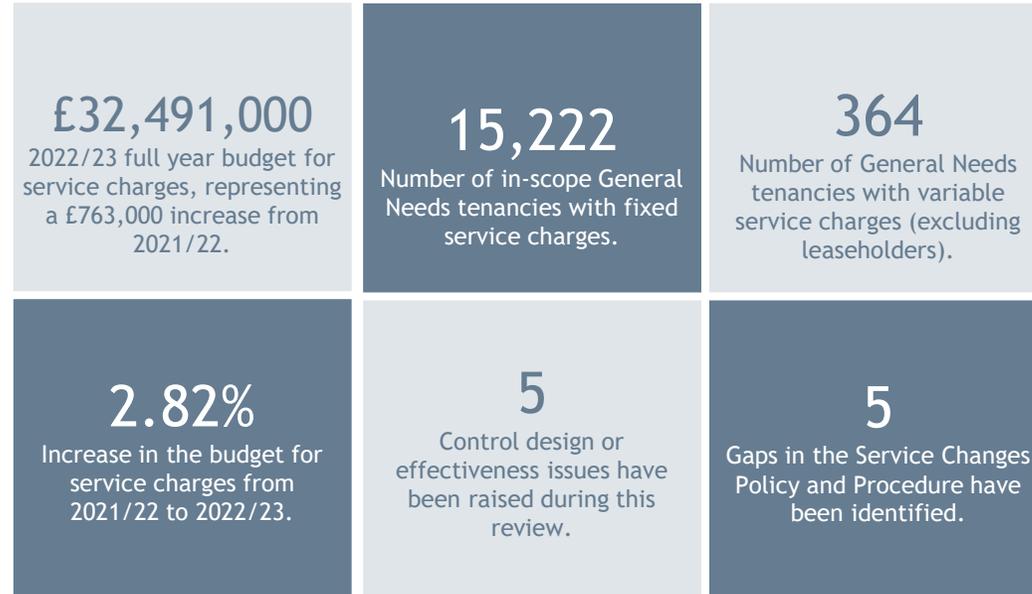
The medium significance finding was in relation to:

- ▶ **XXX Approval Levels:** Estate Officers (Budget Holders) have the ability within XXX to bypass Head of Service and Director approval and sign off the service charges allocated to properties. The inappropriate approval of service charges may result in errors in the calculation or allocation of service charges going unidentified.

The low significance findings were in relation to:

- ▶ **Missing Service Charge Documentation:** We reviewed 10 fixed service charge tenancies and 10 variable as part of this review. From this, we identified two properties from 20 (one fixed and one variable) with missing documentation. The causes of the missing documentation were documents not being scanned onto the system by the Lettings Team, or not being provided by XYZ Housing as part of the June 2021 stock swap. There is a lack of audit trail and no detection controls in place to identify when a tenant's account does not contain all the required supporting documentation. As such there is a risk that in the case of a dispute, ABC may not be able to provide adequate documentation to support the reasonableness and the accuracy of the service charges charged to its tenants.

USEFUL STATISTICS AND KEY TAKEAWAYS





EXECUTIVE SUMMARY

SUMMARY OF LOW FINDINGS (CONTINUED)

- ▶ **Mid-Year Changes and Dispute Tracking:** There is no overarching control in place to log, track and monitor mid-year changes (service additions and removals) or disputes. Instead, ABC are reliant on local knowledge within the Rent Team to deal with the changes and disputes appropriately. Without tracking changes to services or disputes, there is a risk that the Rent Team and Senior Management could lose oversight of refunds and disputes and as a result charge customers either inaccurately or inconsistently.
- ▶ **Service Charges Policy, Procedure:** From benchmarking the ABC Service Charges Policy and Procedure against our wider housing client base, the content was generally in line with what we would expect. However, we identified that the Service Charges Procedure is broad when compared with ABC's peers, and there are content gaps in both documents. There is a risk that without clearly defined and effective policies and procedures, inconsistencies in approach may occur. See [Appendix II](#) for further information.
- ▶ **XXX Training Arrangements:** We are advised that XXX training is delivered to new Estate Officers by the Rent Manager. However, we have not been able to evidence this training as only a hold is placed in Estate Officer diaries to raise questions and concerns and no training materials are presented. In the absence of formalised training arrangements, we are unable to verify that Estate Officers have the training or skillset required to use XXX effectively and set accurate service charges for their patch, therefore there is a risk of an inconsistent approach to service charge setting, particularly where new Estate Officers complete the process for the first time.

CONCLUSION

ABC has adequate arrangements in place to manage service charges. There is generally a sound system of internal control designed to achieve system objectives with some exceptions. The system of internal control is driven by the XXX application, which helps to reduce the risk of errors and inaccuracies that can arise from manual calculation processes.

However, we have noted a number of control design issues over the course of the review. One key design issue is the additional approval levels assigned to Estate Officers within XXX. We are informed by the Director of Housing that this is a defect which will be remediated with the external software developer, DEF Consulting. Another theme emerging from the review is the reliance on the local knowledge of the Rent Team throughout the service charges setting process. This is highlighted by the lack of tracking mechanism in place regarding mid-year changes and customer disputes, as well as the informal training arrangements in place for Estate Officers. There is a risk that key elements of the service charges setting process could be missed in the absence of the Rent Manager. We also identified a number of content gaps within the Service Charge Policy and Procedure when comparing both documents against our wider housing client base. As such, we have provided "Moderate" assurance over the Design of the internal controls.

We have identified one control effectiveness issue in respect of missing documentation to support the service charges levied against tenants. The root cause of the missing documentation is that there is no document (such as a checklist in place) for the Rent Team or the Lettings Team to refer to when saving documents electronically, which is compounded by a lack of detective controls to identify such omissions. Transparency and consistency in the service charge setting process is key to ensure the fairness and reasonableness of the charges raised, therefore a lack of supporting documentation may expose ABC to the risk of customer dissatisfaction in the event of a dispute, whilst also may result in a loss of income should the service charges calculated be inaccurate. Therefore, in line with our definitions, we have provided "Moderate" assurance over the Operational Effectiveness of the internal controls.

DETAILED FINDINGS



DETAILED FINDINGS

RISK: UNAUTHORISED CHANGES MADE TO THE DATA CAPTURED WITHIN THE XXX TOOL AND OTHER RELEVANT SYSTEMS GO UNIDENTIFIED, RESULTING IN ERRORS IN THE SERVICE CHARGE INFORMATION BEING MAINTAINED BY THE BUSINESS.

| FINDING 1 - XXX APPROVAL LEVELS | TYPE |
|--|---|
| <p>Estate Officers, who are the designated Budget Holders for properties, are assigned access to review and amend the service charges allocated to their properties within XXX. Their access rights to view such properties are driven by Northgate, where the Estate Officers are flagged as an 'interested party' within the system, which should then feed through to XXX through the dataloads completed throughout the service charge setting process. Service Charges are amended by the Rent Team following instruction by the Budget Holder, or by the Budget Holder directly. Budget Holders should only have the delegated authority to set properties to the 'Approved' stage of the service charges annual 'setting' process (Stage 4).</p> <p>The status of the service charge setting process for each property is defined by five stages in XXX:</p> <ol style="list-style-type: none"> 1. Not started - no changes have been made. 2. In progress - when a service charge has been amended. 3. Completed - status is set by the Rent Team after the initial service charges have been set. 4. Approved - status set by the Budget Holder following their review of the service charges allocated to each property, once they agree with the figures. 5. Sign off - material increases are reviewed at a high level by the Heads of Service and Directors. Verbal confirmation is then provided to the Rent Team to sign the property off and approve the service charge for the year. <p>Only the Rent Team (who are allocated XXX Administrator rights) should be able to sign off service charges in XXX following the receipt of approval from the Heads of Service and Directors. We have identified that Budget Holders are also able to 'sign off' service charges within XXX, without first seeking the relevant approval from Heads of Service and Directors. The Director of Housing stated that although ABC are looking to fix the defect which allows Estate Officers to progress the service charges allocated to Stage 5, the Estate Officers should not be aware of the defect in XXX, and no instances where this has occurred have been identified.</p> <p>This may result in the premature sign off of service charges without the appropriate level of challenge from those delegated with the authority to sign off the annual service charges. In addition, the lack of segregation of duties in the system means that preparers are able to review and approve their own changes in the system, potentially resulting in human error and-or instances of misappropriation going undetected.</p> | <p>DESIGN</p>  |
| <p>IMPLICATION</p> | <p>SIGNIFICANCE</p> |
| <p>The inappropriate approval of service charges may result in errors in the calculation or allocation of service charges going unidentified, exposing ABC to the risk of reputational damage as a result of customer dissatisfaction. We do note that the significance of this risk is reduced given that large variations in 'signed off' properties would still be reviewed as part of the reports presented to Finance, Executive Team and the Board. However, this would not detect changes made to individual properties.</p> | <p>MEDIUM</p> |



DETAILED FINDINGS

RISK: UNAUTHORISED CHANGES MADE TO THE DATA CAPTURED WITHIN THE XXX TOOL AND OTHER RELEVANT SYSTEMS GO UNIDENTIFIED, RESULTING IN ERRORS IN THE SERVICE CHARGE INFORMATION BEING MAINTAINED BY THE BUSINESS.

| FINDING 1 - SYSTEM APPROVAL LEVELS (CONTINUED) | | | |
|---|--------------------|---------------------|-----------------|
| RECOMMENDATIONS | ACTION OWNER | MANAGEMENT RESPONSE | COMPLETION DATE |
| 1. We recommend that Budget Holder approval levels within XXX are reduced to ensure that they can only sign off service charges to the 'approved' stage. This will reduce the risk of errors during the service charge setting process that either remain unidentified or are required to be amended. | NAME AND JOB TITLE | | DD MONTH YY |



DETAILED FINDINGS

RISK: CUSTOMERS ARE NOT ADEQUATELY CONSULTED BY ABC HEAD PRIOR TO THE SETTING AND AGREEMENT OF SERVICE CHARGES (VARIABLE); AND REBATES OR ADDITIONAL CHARGES FOR VARIABLE SERVICE CHARGES ARE UNFAIRLY OR UNTIMELY APPLIED, AND THE CUSTOMER IS NOT INFORMED. LETTERS ARE NOT ISSUED TO RESIDENTS AND DO NOT INCLUDE ADEQUATE NOTICE OF CHANGES IN CHARGES PAYABLE. ADDITIONALLY, A BREAKDOWN OF SERVICE CHARGES IS NOT INCLUDED IN THESE COMMUNICATIONS.

| FINDING 2 - MISSING SERVICE CHARGE DOCUMENTATION | TYPE |
|---|---|
| <p>Once service charges have been approved by the Board, the Rent Team send submission files from XXX to the printers. After which the letters are merged and sent back to the Rent Team for final review and approval before the letters are distributed to all relevant tenants. The Rent Manager informed us that letters are checked on a sample basis to ensure they are accurate and free from error, with focus on those with the largest service charges. The number of letters sampled is driven by the time available. Service charge documentation and tenancy agreements should be scanned electronically by PaperDO to ensure a clear audit trail is maintained.</p> <p>We reviewed 10 fixed service charge tenancies and 10 variable as part of this review. From this, we identified two properties (one fixed and one variable) of 20 with missing documentation. These instances were as follows:</p> <ul style="list-style-type: none"> • Fixed Service Charge Tenancies: One instance was identified from a sample of 10 fixed charge properties where a Schedule 1 had not been scanned onto the system by the Lettings Team, therefore we could not verify the accuracy of the original service charge. We did however confirm that the value of the service charge recorded within Northgate matched the Rent Review letter sent in February 2022. When investigated further with management, it was discovered that a mutual exchange had taken place at this property in July 2021. At the point of mutual exchange, a new Schedule 1 was generated in July 2021 for the tenant undertaking the old agreement. • Variable Service Charges Tenancies: For variable service charge properties, ABC should maintain supporting documentation to justify the surplus or deficit charge raised. Although our detailed testing focused on tenancies with fixed service charges, when testing a sample of 10 variable service charge agreements we identified one instance of missing documentation. X property did not have a tenancy agreement on file. This property was inherited from XYZ Housing during the stock swap completed in June 2021. It was advised that the Project Team set up during the exchange process completed checks to ensure all relevant documentation was provided by XYZ during the exchange process in June 2021. We are advised by the Executive Director of Operations that ABC were aware that some documentation such as tenancy agreements would not be available at the time of the stock swap. <p>Whilst we were advised that XYZ stock swap properties were outside of scope of this review on the basis that they are not under ABC's Standard General Needs Tenancy Agreement, this exception remained relevant in respect of this finding as it forms part of a wider issue around the retention of supporting documentation and lack of detective controls.</p> | <p>DESIGN AND EFFECTIVENESS</p>  |



DETAILED FINDINGS

RISK: CUSTOMERS ARE NOT ADEQUATELY CONSULTED BY ABC HEAD PRIOR TO THE SETTING AND AGREEMENT OF SERVICE CHARGES (VARIABLE); AND REBATES OR ADDITIONAL CHARGES FOR VARIABLE SERVICE CHARGES ARE UNFAIRLY OR UNTIMELY APPLIED, AND THE CUSTOMER IS NOT INFORMED. LETTERS ARE NOT ISSUED TO RESIDENTS AND DO NOT INCLUDE ADEQUATE NOTICE OF CHANGES IN CHARGES PAYABLE. ADDITIONALLY, A BREAKDOWN OF SERVICE CHARGES IS NOT INCLUDED IN THESE COMMUNICATIONS.

| FINDING 2 - MISSING SERVICE CHARGE DOCUMENTATION (CONTINUED) | TYPE |
|--|--------------|
| IMPLICATION | SIGNIFICANCE |
| There is a lack of audit trail and no detection controls in place to identify when a tenant's account does not contain all the required supporting documentation. There is therefore a risk that in the case of a dispute, ABC may not be able to provide adequate documentation to support the reasonableness and the accuracy of the services charged to its tenants. However, as advised by the Executive Director of Operations, ABC typically enter cases into court circa. twelve times a year where they have legacy tenancy agreements missing and as ABC have a standard template statement confirming accuracy of the duplicate that is issued with a duplication tenancy agreement that was in force at the time, this is advised to be accepted by county court and so this finding has been given a low significance. | LOW |

| RECOMMENDATIONS | ACTION OWNER | MANAGEMENT RESPONSE | COMPLETION DATE |
|--|--------------------|---------------------|-----------------|
| 1. A document (such as a checklist) should be implemented which lists all the documents required to be maintained for each tenancy to justify the service charge provided to tenants. This should be reviewed by the Rent Team and the Lettings Team after a property is let to ensure that all supporting documentation is available should a future dispute arise. | NAME AND JOB TITLE | | DD MONTH YY |
| 2. The existence of all supporting documentation should form part of the continuous auditing programme to ensure full transparency with tenants, particularly where disputes arise. | NAME AND JOB TITLE | | DD MONTH YY |



DETAILED FINDINGS

RISK: TENANTS BEING CHARGED INCONSISTENTLY AND-OR- INCORRECTLY FOR SERVICE CHARGES, RESULTING IN CHARGES WHICH DO NOT COMPLY WITH THE STANDARD TERMS IN PLACE, ABC'S POLICIES AND-OR- THE RELEVANT STANDARDS.

| FINDING 3 - MID-YEAR CHANGES AND CUSTOMER DISPUTE TRACKING | | | TYPE |
|---|--------------------|---------------------|---|
| <p>Mid-year changes to the value of service charges may be the result of the addition of a new service, a customer dispute, or the removal of a service (due to the termination or expiration of a contract for example). The guidelines for which customers are required to be consulted following a change to a service charge are set out within the Service Charges Procedure. In addition, customers can follow ABC's Complaints Procedure if there are dissatisfied with their service charge. Following a successful dispute or a mid-year change to a service, the change is communicated via a letter.</p> <p>There is no control in place to record, track or monitor mid-year changes or disputes. In cases where these do arise, we are advised that all communications and supporting documentation is maintained on the Rent Team shared drive. The Rent Manager outlined that there are approximately 50 instances of mid-year changes and disputes each year. However, as there is not a record or listing of mid-year changes and disputes, it is unknown exactly how many service additions, removals and disputes have taken place since the 2022/23 service charges were set, nor whether these have been managed in line with the relevant procedures (unless assessed on a case-by-case basis).</p> <p>In the absence of a control to support the Rent Team to clearly track, monitor and review mid-year changes and disputes, ABC are reliant on local knowledge of the Rent Team to ensure such changes are managed in line with the Service Charges Procedure. This exposes the process to human error.</p> | | | DESIGN  |
| IMPLICATION | | | SIGNIFICANCE |
| <p>The reliance on the local knowledge of the Rent Team increases the risk that the Rent Team and Senior Management could miss, forget or lose oversight of refunds and disputes and as a result charge customers either inaccurately or inconsistently. This could lead to customer dissatisfaction, complaints and a subsequent loss of income. The significance of this risk has been deemed to be 'low' however given that we are advised that mid-year changes are of a low materiality to ABC.</p> | | | LOW |
| RECOMMENDATIONS | ACTION OWNER | MANAGEMENT RESPONSE | COMPLETION DATE |
| 1. The Rent Team should complete an analysis to determine the number of mid-year changes and disputes over the last year. | NAME AND JOB TITLE | | DD MONTH YY |
| 2. We recommend that all mid-year changes to services and customer disputes are logged centrally and tracked by the Rent Team. This will ensure that oversight of customer disputes or service changes is not lost. | NAME AND JOB TITLE | | DD MONTH YY |



DETAILED FINDINGS

RISK: TENANTS BEING CHARGED INCONSISTENTLY AND-OR- INCORRECTLY FOR SERVICE CHARGES, RESULTING IN CHARGES WHICH DO NOT COMPLY WITH THE STANDARD TERMS IN PLACE, ABC'S POLICIES AND-OR- THE RELEVANT STANDARDS.

| FINDING 3 - MID-YEAR CHANGES AND CUSTOMER DISPUTE TRACKING (CONTINUED) | | | TYPE |
|---|--------------------|---------------------|-----------------|
| RECOMMENDATIONS | ACTION OWNER | MANAGEMENT RESPONSE | COMPLETION DATE |
| 3. Reviewing service additions, removals and customer disputes should form part of the continuous auditing programme. | NAME AND JOB TITLE | | DD MONTH YY |



DETAILED FINDINGS

RISK: THERE IS A LACK OF TRANSPARENCY AND-OR- CONSISTENCY REGARDING THE APPROACH USED TO SET, CALCULATE, AND MONITOR SERVICE CHARGES, WITH COLLEAGUES UNCLEAR ON THEIR ROLES AND RESPONSIBILITIES THROUGHOUT THE END-TO-END SERVICE CHARGES PROCESS.

| FINDING 4 - SERVICE CHARGES POLICY AND PROCEDURE | TYPE |
|---|---|
| <p>The approach which should be followed to set service charges is outlined within the Service Charge Policy and the Service Charge Procedure. Both of which are available to staff via the ABC staff intranet. In addition, there is a 'XXX Design' document which visually captures how data flows between XXX, Open Accounts and ZZZ, and the XXX Definition document outlines the IT architecture of and development environment for XXX.</p> <p>From benchmarking the ABC Service Charges Policy and Procedure against our wider housing client base, the content was found to generally be in line with the content covered by others. However, ABC's Service Charges Procedure is broad when compared with other similar organisations' policies, and both documents do not contain the following content:</p> <ul style="list-style-type: none"> • An outline of the service charge calculation process (i.e. contractual cost estimations and use of the XXX application). • The service charge review/approval process. • Information around the training requirements for colleagues involved in service charge setting. • Recovery of service charges (method and frequency) and-or- reference to other relevant policies and procedures which cover this area. • Other performance measures (how success is defined other than external audit, such as the financial impact of service charges on the financial business plan, the number of customer complaints on service charges upheld etc.). <p>See Appendix II for detailed benchmarking results.</p> | <p>DESIGN</p>  |
| <p>IMPLICATION</p> | <p>SIGNIFICANCE</p> |
| <p>There is a risk that without clearly defined and effective policies and procedures, inconsistencies in approach may occur resulting in incorrect service charges levied against customers. An inconsistent approach would contribute towards reputational damage as a result of customer dissatisfaction.</p> | <p>LOW</p> |



DETAILED FINDINGS

RISK: THERE IS A LACK OF TRANSPARENCY AND-OR- CONSISTENCY REGARDING THE APPROACH USED TO SET, CALCULATE, AND MONITOR SERVICE CHARGES, WITH COLLEAGUES UNCLEAR ON THEIR ROLES AND RESPONSIBILITIES THROUGHOUT THE END-TO-END SERVICE CHARGES PROCESS.

| FINDING 4 - SERVICE CHARGES POLICY AND PROCEDURE (CONTINUED) | | | TYPE |
|--|--------------------|---------------------|-----------------|
| RECOMMENDATIONS | ACTION OWNER | MANAGEMENT RESPONSE | COMPLETION DATE |
| 1. We recommend that the Service Charges Policy and Procedure are updated to contain the following areas: <ul style="list-style-type: none"> • The service charge calculation process (i.e. use of the XXX application). • The service charge review/approval process. • Information around the training requirements for colleagues involved in service charge setting. • Recovery of service charges (method and frequency) and-or- reference to other relevant policies and procedures which cover this area. • Other performance measures (how success is defined other than external audit, such as the financial impact of service charges on the financial business plan, the number of customer complaints on service charges upheld etc.). | NAME AND JOB TITLE | | DD MONTH YY |



DETAILED FINDINGS

RISK: TENANTS BEING CHARGED INCONSISTENTLY AND-OR- INCORRECTLY FOR SERVICE CHARGES, RESULTING IN CHARGES WHICH DO NOT COMPLY WITH THE STANDARD TERMS IN PLACE, ABC'S POLICIES AND-OR- THE RELEVANT STANDARDS.

| FINDING 5 - XXX TRAINING ARRANGEMENTS | | | TYPE |
|---|--------------------|---------------------|---|
| <p>We are advised that XXX training is delivered to new Estate Officers by the Rent Manager. The Rent Manager runs those individuals through the system, showing how to amend, review and approve service charges for their patch. Training arrangements are of particular importance where new Estate Officers are completing the service charge setting process for the first time.</p> <p>We have not been able to evidence the xxx training as only a hold is placed in Estate Officer diaries to raise questions and concerns and there are no training materials presented.</p> <p>In the absence of formalised training arrangements, we are unable to verify that Estate Officers have the training or skillset required to use XXX effectively and set accurate service charges for their patch.</p> | | | DESIGN  |
| IMPLICATION | | | SIGNIFICANCE |
| <p>Without the appropriate training prior to the commencement of the service charges setting process, there is a risk that inconsistencies in approach may occur. This may result in incorrect service charges levied against customers, which in turn would contribute towards reputational damage as a result of customer dissatisfaction.</p> | | | LOW |
| RECOMMENDATIONS | ACTION OWNER | MANAGEMENT RESPONSE | COMPLETION DATE |
| 1. We recommend that the XXX training arrangements delivered by the Rent Manager are formalised and a log is maintained to ensure that all Estates Officers have received adequate training on how to use the XXX system to help ensure the consistency of the service charges setting process. | NAME AND JOB TITLE | | DD MONTH YY |

APPENDICES



APPENDIX I: SERVICE CHARGES PROCESS FLOW

The below process flow has been designed to visually capture the end-to-end service charges setting process.

Removed for anonymity



APPENDIX II: BENCHMARKING

SERVICE CHARGES POLICY AND PROCEDURE

The purpose of this benchmarking analysis was to verify that ABC have considered key areas / elements when creating their Service Charges Policy and Procedure.

| # | Good practice area identified | Is this captured within the Service Charges Policy or Procedure? | Notes |
|----|---|--|---|
| 1 | Version control section, approval, purpose and references to other policies | Yes | Version control section was present in both documents. |
| 2 | Service provided | Yes | Contracts for service captured within Section 4.5 of the Service Charges Procedure. |
| 3 | Calculation of service charges | No | No reference to use of the XXX application. |
| 4 | Notification of service charges to tenants | Yes | Process captured within the Service Charges Procedure. |
| 5 | Increases / variations to service charges | Yes | Process captured within the Service Charges Procedure. |
| 6 | Tenant consultation | Yes | Consultation for customer captured within Section 4.7 of the Service Charges Procedure. |
| 7 | Training | No | Training arrangements are not captured. |
| 8 | Sinking funds | Yes | Sinking fund outlined within the Service Charges Procedure. |
| 9 | Recovery of service charges | No | The policy and procedure do not set out the methods of obtaining service charges, or the frequency they are collected. |
| 10 | Appeal procedures | No | Appeal processes are set out by tenancy, but the procedure does not outline how these are identified and the approval processes required for processing a refund. |
| 11 | Risk management | Yes | 'Risks procedure' is captured within the Service Charges Procedure. |
| 12 | Performance measures | No | The policy / procedure does not specifically set out all the ways in which success is measured. (e.g. Annual review of the cost of service provision against charges levied; Financial impact of service charges on the financial business plan; or Number of customer complaints on service charges upheld). |
| 13 | Legislation | Yes | Legal framework captured within the Service Charges Policy. |

SUMMARY

When comparing ABC's Service Charge Policy and Procedure against our wider housing client base, the content was found to be generally in line with the areas covered by others. The key areas have been highlighted above. However, it was noted that the policy and procedure could be enhanced by including the following areas:

- Calculation of service charges using xxx.
- Training arrangements.
- Recovery of service charges (method and frequency).
- Appeal processes (appeal processes are set out by tenancy, but the procedure does not outline how these are identified and the approval processes required for processing a refund).
- Other performance measures (i.e. how success is defined).



APPENDIX III: 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. | | | |
| ADVISORY | A weakness that does not have a risk impact or consequence but has been raised to highlight areas of inefficiencies or potential best practice improvements. | | | |



APPENDIX IV: TERMS OF REFERENCE

EXTRACT FROM TERMS OF REFERENCE

PURPOSE

The purpose of this review will be to assess the design and operational effectiveness of the controls in place in relation to Service Charges. In particular, this review will focus on how ABC ensure Service Charges are accurate, fair and in line with ABC's Standard Tenancy Agreement and the actual costs incurred to service Tenants.

It will also focus on how ABC is ensuring fixed service charges are in line with tenancy agreements which were rolled out in 2007. All other tenancy agreements have been ruled out as exclusions of this review.

Old Legacy agreements will be considered outside of the scope of this review and leaseholders will be excluded as these are audited separately.

KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit plan, through our scoping workshop with key sponsors, and our collective audit knowledge and experience the key risk associated with the area under review is:

Tenants are over-or-undercharged in relation to their Service Charges due to poor management information, a lack of data integrity human error or misappropriation, resulting in non-compliance with internal and external requirements, an increase in complaints and reputational damage for ABC.

The sub-risks include:

1. There is a lack of transparency and-or- consistency regarding the approach used to set, calculate, and monitor Service Charges, with Colleagues unclear on their roles and responsibilities throughout the end-to-end Service Charges process.
2. Unauthorised changes made to the data captured within the XXX tool and other relevant systems go unidentified, resulting in errors in the Service charge information being maintained by the Business.
3. Tenants being charged inconsistently and-or- incorrectly for Service charges, resulting in charges which do not comply with the standard terms in place, ABC's policies and-or- the relevant standards.
4. Tenants are over-or-undercharged in relation to their Service Charges due to errors in the allocation of service charges (fixed and variable.)
5. Customers are not adequately consulted by ABC Head prior to the setting and agreement of service charges (variable); and Rebates or additional charges for variable service charges are unfairly or untimely applied, and the customer is not informed; and Letters are not issued to residents and do not include adequate notice of changes in charges payable. Additionally, a breakdown of service charges is not included in these communications.
6. Irregular or insufficient Management information to support the end-to-end Service Charges process, resulting in a lack of transparency in this area to support Senior Management and the Board to make informed decisions.



APPENDIX IV: TERMS OF REFERENCE

EXTRACT FROM TERMS OF REFERENCE

SCOPE

The review will focus on how ABC obtains accurate information and how this feeds into the Service Charge team to ensure the amount that is being charged reflects the ABC Standard Tenancy agreement which was put into place in 2007. It will also focus on how ABC is ensuring fixed service charges are in line with General Needs tenancy agreements. Old Legacy agreements will be considered outside of the scope of this review and leaseholders will be excluded as these are audited separately.

Included in the review the following areas will be covered:

1. Roles, Responsibilities, Policies and Procedures
2. Access Rights
3. Calculation of Service Charges
4. Allocation of Service Charges
5. Communication with Tenants
6. Management Information & Reporting

APPROACH

Our approach will be to conduct interviews and walk-through testing 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:

- Gain an understanding of the current procedures through discussions with key personnel, reading existing documentation and building on our knowledge obtained during scoping;
- Walkthrough the end-to-end processes and seek to understand the relevant data flows utilised within these processes. We will then identify and document the controls in place to mitigate the key risks set out above within a risk and controls matrix;
- Create a tailored test strategy, aligned to ABC' control framework, in line with Internal Audit's methodology;
- Evaluate the key controls identified to assess whether they adequately address the risks associated with this review through the performance of sample testing, full population testing (where appropriate) and the review of relevant documentation;
- Identify gaps and weaknesses in the design and operational effectiveness of controls; and
- Where applicable we will benchmark the processes in place against comparable size organisations to support any conclusions made and when developing the required recommendations.



APPENDIX IV: TERMS OF REFERENCE

EXTRACT FROM TERMS OF REFERENCE

APPROACH (CONTINUED)

Specifically, we will:

1. Roles, Responsibilities, Policies and Procedures: Review and assess the adequacy of policies and procedures in place with regards to the end-to-end service charges process including setting, approvals, calculation, and collection, and verify these have been made available to the relevant members of staff, and staff are aware of how to access the policies and procedures;
2. Access Rights: Assess how relevant staff are identified and the appropriate access rights to the XXX tool and other relevant systems are granted, monitored, and amended, including new starters, movers, and leavers. Review how changes made to the data captured within the XXX tool and other relevant systems are identified and reported to ensure potential errors in the Service charge information are identified and maintained by the Business;
3. Calculation of Service Charges: Review the information provided to Management and confirm the accuracy and frequency of the information provided, to ensure service charges are calculated correctly and in line with annual rent reviews;
Review the documented methodology/guidance/training materials provided to staff for the calculation of service charges. Assess whether the Variable / Fixed service charge breakdown developed by ABC is appropriate and provides the relevant staff with the necessary guidelines to accurately calculate service charges;
Where service charges are based on estimates and-or- assumptions, we will seek to understand how management get assurance those estimates / forecasts / assumptions are reasonable;
Additionally, if service charges are calculated incorrectly, review the process for identifying errors in the calculation and the process to follow in order to address the errors and amend service charges;
4. Allocation of Service Charges: Review the agreed policy and resident agreements and confirm that service charges have been appropriately applied in accordance with the policy and resident agreements. Review how service charges are recorded within the xxx tool and financial accounting systems and investigate any anomalies with the relevant management;
5. Communication with Tenants: Assess the mechanisms in place to demonstrate how Tenants are adequately consulted by ABC Head prior to the setting and agreement of service charges (variable); Review how rebates or additional charges for variable service charges are applied and assess the fairness and timeliness of rebates or additional charges. For a sample of 10 rebates / additional charges, confirm the Tenant was adequately informed in a timely manner;
Verify the process for communicating service charges to Tenants and for a sample of 10 residents, confirm the letters were issued to residents in a timely manner and included sufficient notice of changes in charges payable. Confirm a breakdown of services was also included in the communications; and
6. Management Information & Reporting: Review and assess the information regarding service charge setting and collection and confirm this is reported internally to the appropriate Senior Management and the Board respectively.



APPENDIX IV: TERMS OF REFERENCE

EXTRACT FROM TERMS OF REFERENCE

APPROACH (CONTINUED)

Sample sizes quoted above have been stated as a guideline only and the final sample sizes will be determined following the completion of our walkthroughs using our Internal Audit Methodology, for example, if a control is performed daily, we may select a sample of fifteen and if monthly a sample of two to three. Where possible full population testing will be conducted.

A closing meeting will be held to discuss findings emerging from the review prior to issue of the draft report. When making recommendations we will take into account the size, scale and nature of ABC and the arrangements at other similar sized organisations.

The audit will evaluate the suitability of key controls in place and assess if these controls are followed consistently to effectively mitigate the risks identified above.

Internal Audit will also 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.

EXCLUSIONS

The scope of the review is limited to the areas documented under the scope and approach. All other areas are considered outside of the scope of this review. Specifically, we will not be providing assurance over old Legacy agreements. Following a request from Management, this review will solely focus on service charges and in particular; roles and responsibilities, budget setting, actual expenditure, access rights, service charge calculations, tenant communication, allocation of service charges and information reported to management. We will not be completing an assessment of ABC's compliance with the rent standard as part of this audit.

Following discussions with the Head of Risk and Assurance, due to the budget available for this review, it has been agreed we will remove the following two risk areas:

- Service Charges - Budget Setting & Approvals
- Actual Expenditure

These risk areas have been removed as the control environment sits within the Finance team and not the Rent team. The review will focus on how ABC is ensuring fixed service charges are in line with General Needs tenancy agreements which were rolled out in 2006. All other tenancy agreements have been ruled out as exclusions of this review.

In addition, leaseholders will be excluded as these are audited separately. See the 'Management Comments' section above for further information.



APPENDIX V: 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.

| | | |
|---|----------------------|-------------------|
| X | Executive Director | Executive Sponsor |
| X | Head of Department X | Key Sponsor |
| X | Director | Action Owner |
| X | Head of Department Y | Action Owner |
| X | Manager X | Action Owner |
| X | Manager Y | Action Owner |

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CLIENT NAME

STAFF RECRUITMENT

TERMS OF REFERENCE - DRAFT

MONTH YYYY

SIGN OFF

ON BEHALF OF BDO LLP

ON BEHALF OF CLIENT NAME

SIGNATURE: CLAIRE ROBERTSON

SIGNATURE: FULL NAME

TITLE: DIRECTOR

TITLE: TITLE

DATE:

DATE: DD MONTH YYYY

BACKGROUND

BACKGROUND

Staff recruitment involves attracting and selecting individuals into a job role. Quality recruitment is vital, as it helps to ensure that the workforce has the relevant skills and abilities for the CLIENT's current and future needs.

The recruitment process should allow candidates to find out more about the CLIENT and consider whether it's where they want to work, and CLIENT to assess candidate suitability for the role. The process should be transparent, timely and fair for all candidates.

The key areas of law affecting recruitment and selection include discrimination, the right to work in the UK, criminal records checks and data protection.

It is important that staff taking part in recruitment activities including shortlisting and interviewing are aware of relevant recruitment legislation and the need to avoid discrimination in recruitment and selection.

PURPOSE OF THE REVIEW

The purpose of this review is to provide assurance over the design and operational effectiveness of the key controls in risk management in the following areas:

- Documented policy
- Consistent approach
- Pre-employment checks
- Equality of opportunity
- Cost-effective
- Staff recruitment training

EXCLUSIONS/LIMITATIONS OF SCOPE

The scope of the review is limited to the areas documented under the scope and approach. All other areas are considered outside of the scope of this review.

Our work is inherently limited by sample testing and therefore will not provide assurance over all staff recruitment processes within CLIENT. We are reliant on the honest representation by staff and timely provision of information as part of this review.

MANAGEMENT COMMENTS

DETAILED SCOPE, RISKS & APPROACH

The table below and on the following pages outlines the areas which will be covered as part of this review, the key inherent risks associated with the areas under review and our high level approach to test the design and operational effectiveness (where applicable) of the controls in place to mitigate the risks outlined:

| SCOPE AREA | KEY RISKS | APPROACH |
|----------------------------|--|--|
| Document policy | 1. CLIENT may not have adequate policies and procedures in place for staff recruitment | <ul style="list-style-type: none"> Review the staff recruitment policy and confirm whether there are any omissions. Assess whether roles and responsibilities are clearly defined Confirm the staff recruitment policy was subject to appropriate review and approval Confirm the staff recruitment policy is available to staff |
| Consistent approach | 2. There may be inconsistencies in the approach taken for the recruitment of staff, and documentation to support recruitment decisions may not be maintained | <ul style="list-style-type: none"> Select a sample of new starts and walk through the process to confirm that a consistent approach has been followed, and fully completed records are maintained. |
| Equality of opportunity | 3. There may be insufficient controls in place to prevent discriminatory practices and to ensure equality of opportunity | <ul style="list-style-type: none"> Through discussion with staff and review of the staff recruitment policy we will confirm the arrangements in place to avoid discrimination and ensure equality of opportunity throughout the recruitment journey We will review a sample of new starts and confirm the selection process was fully documented |
| Pre-employment checks | 4. Pre-employment checks may not be carried out on staff members prior to their appointment | <ul style="list-style-type: none"> Through discussion with staff and review of the staff recruitment policy we will confirm the pre-employment checks that take place for new recruits We will select a sample of new recruits and confirm the following pre-employment checks have been carried out: identification checks, right to work checks, qualifications checks and references. |
| Cost Effective | 5. The approach to recruitment may not be cost effective | <ul style="list-style-type: none"> We will obtain the current year budget in place for recruitment and confirm there is regular budget monitoring in place We will analyse actual costs and assess whether this it is the most cost effective method |
| Staff Recruitment training | 6. CLIENT may not be providing appropriate staff recruitment training to relevant staff | <ul style="list-style-type: none"> Determine the process for providing staff recruitment training and who this is provided to Obtain any training materials and assess whether they are sufficient Obtain completion rates of any recent staff recruitment training |

Sample sizes will be determined following the completion of our walkthroughs using our Internal Audit Methodology; for example, if a control is performed daily, we may select a sample of fifteen and if monthly a sample of two to three. Where possible full population testing will be conducted utilising data analytics. See the following page for further information. Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the audit. A closing meeting will be held to discuss findings emerging from the review prior to issue of the draft report. Once the report and recommendations have been agreed following discussions with management, a summary of the findings will be presented to the Audit Committee at its next meeting.

KEY CONTACTS, TIMELINE & LOCATION

| KEY CONTACTS | | | |
|------------------|------------------------|------------------------|---|
| BDO LLP | | | |
| Claire Robertson | Director | Head of Internal Audit | T: 07583237579 E: Claire.robertson@bdo.co.uk |
| Chloe Main | Internal Audit Manager | Engagement lead | T: 07583 060 591 E: chloe.main@bdo.co.uk |
| | | Auditor | E: |
| CLIENT NAME | | | |
| Full Name | Job Title | Job | Email Address |
| Full Name | Job Title | Job | Email Address |

| PLANNED TIMELINE | |
|---------------------------------|------------|
| AUDIT ACTIVITY | DATE |
| SCOPING MEETING | DD/MM/YYYY |
| TERMS OF REFERENCE AGREED | DD/MM/YYYY |
| DOCUMENTATION REQUEST DEADLINE | DD/MM/YYYY |
| FIELDWORK COMMENCEMENT | DD/MM/YYYY |
| END OF FIELDWORK | DD/MM/YYYY |
| CLOSING MEETING | DD/MM/YYYY |
| ISSUE OF THE DRAFT REPORT | DD/MM/YYYY |
| RECEIPT OF MANAGEMENT RESPONSES | DD/MM/YYYY |
| ISSUE OF FINAL REPORT | DD/MM/YYYY |
| AUDIT COMMITTEE DATE | DD/MM/YYYY |

By accepting this Terms of Reference document, you are agreeing to the timing of this audit.

The staff listed above will be contacted during the fieldwork to assist in completion of the assignment. All these staff will be contacted prior to fieldwork to agree the timing of our visit and should be issued with a copy of this terms of reference. It is important that staff involved with the assignment are notified. To assist us in planning the logistics of the assignment, including provision of documents and meeting organisation the above audit coordinator has been nominated.

LOCATION

We plan to perform this review remotely as agreed with you. We will use a combination of conference calls, video conferencing facilities and emails. We will endeavour to limit the amount of time required of key colleagues via remote working and aim to perform these meetings on site.

ALLOCATION & FEES

ALLOCATION

This is a X day allocation, split as follows:

| AREA | DAYS |
|-------------------------|------|
| Planning | |
| Fieldwork | |
| Reviewing and Reporting | |

FEES

| ACTIVITY | DAYS | RATE (£) | COST (£) |
|--------------------------|------|----------|----------|
| Estimated cost of review | | | |

BUDGET & ASSUMPTIONS

We will charge fees for this assignment in line with our agreed Engagement Letter, including any subsequent changes agreed with you. Our fees for this engagement are set at £XXXX (excluding VAT), this includes planning, delivery, report writing and management review. This fee represents a total of X days on a blended day rate of £XXX. See the table to the left-hand side for a breakdown of the fees.

The fees are based upon our estimate of the time required to complete the engagement. These costs have been calculated on the assumption that we will receive all information outlined on this page by the dates specified and that we will be granted access to all key personnel.

The allocation outlined to the left-hand side above is based upon our estimate of the time required to complete the engagement outlined within this document. If the scope of work changes, we will communicate with management any predicted over-or-underspend, before invoicing. In addition, 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 day allocation may not be accurate.

TIMING CHANGES AND CANCELLATION

In accepting this Terms of Reference document, you are agreeing to the timing of this audit specified in this document. We will make every effort to accommodate timing changes or cancellation of the audit however any changes within 3 weeks of the start of the fieldwork may result in fees being charged in respect of the audit. Changes with more than 3 weeks' notice will be accommodated at no extra charge.

ACCESS TO INFORMATION & COLLEAGUES

Any unreasonable delay in gaining access to required information or key colleagues will place audit timings at risk and may result in additional fees to you. Any such charges would be notified to you and agreed at the time the issue is identified.

APPENDIX A: DOCUMENTATION REQUEST

Outlined below and on the following page is an initial information request relating to this audit. Timely receipt of this information is critical to ensure that the objectives of the audit are met and that the work is completed on time. We have provided an overview of what we require from you. If you can please ensure to present the requested documentation by DD MM YYYY that would be most appreciated. We have tried to be specific wherever possible; however, please do contact us as soon as possible if you are unsure about any of the information required. Please note that this is an initial request and is not exhaustive - further information requiring your attention (including meetings) will be required at the time of our fieldwork.

| INITIAL DOCUMENTATION REQUEST LIST | SCOPE AREA | COMMENT |
|--|---|--|
| Staff recruitment policy, procedures and templates | Documented policy | To assess whether policies and procedures are appropriately documented |
| Listing of staff recruitment in the last year | <ul style="list-style-type: none">• Consistent approach• Pre-employment checks• Equality of opportunity | Sample testing |
| Staff recruitment training slides | Staff recruitment training | Confirm suitability of training |
| Approved staff recruitment budget for 2022/23 | Cost-effective | Confirm approved budget is in place |
| Example monitoring reports for staff recruitment budget in 2022/23 | Cost-effective | Confirm monitoring of budget is in place |
| Completion rates of staff recruitment training | Staff recruitment training | Testing of training completion rates |

FOR MORE INFORMATION:

CLAIRE ROBERTSON, DIRECTOR

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Claire.robertson@bdo.co.uk

[Freedom of Information (FOIA)]

In the event you are required to disclose any information contained in this report by virtue of the Freedom of Information Act 2000 (“the Act”), you must notify BDO LLP promptly prior to any disclosure. You agree to pay due regard to any representations which BDO LLP makes in connection with such disclosure, and you shall apply any relevant exemptions which may exist under the Act. If, following consultation with BDO LLP, you disclose this report in whole or in part, you shall ensure that any disclaimer which BDO LLP has included, or may subsequently wish to include, is reproduced in full in any copies.]

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INVERNESS COLLEGE

INTERNAL AUDIT REPORT

COMPLAINTS MANAGEMENT
MARCH 2023

| LEVEL OF ASSURANCE | |
|--------------------|---------------------------|
| Design | Operational Effectiveness |
| Moderate | Moderate |

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

| | |
|--|----|
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DISTRIBUTION

| | |
|-------------------|--------------------------|
| Lindsay Snodgrass | Head of Student Services |
| Natalie Glasgow | Quality Manager |
| Audit Committee | Members |

REPORT STATUS LIST

| | |
|-----------------------|--|
| Auditors: | Gemma Macleod |
| Dates work performed: | 6 th March 2023 - 23 rd March 2023 |
| Draft report issued: | 6 th April 2023 |
| Final report issued: | 17 th April 2023 |

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design  Generally a sound system of internal control designed to achieve system objectives with some exceptions.

Effectiveness  Evidence of non-compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

| | | |
|--------|---|---|
| High |  | 0 |
| Medium |  | 2 |
| Low |  | 4 |

TOTAL NUMBER OF RECOMMENDATIONS: 6

BACKGROUND:

It was agreed with management and the Audit Committee within the 2022-23 Internal Audit Plan that Internal Audit would review the control arrangements which Inverness College (“the College”) has in place in relation to complaints management.

The Scottish Public Services Ombudsman (SPSO) developed a Further Education Model Complaints Handling Procedure (MCHP) in 2012 and adoption of the MCHP is a requirement for the College.

The College has a 5-part Complaints Handling Procedure which is based on the SPSO MCHP. Each part of the Procedure was reviewed by a scrutiny panel and was approved by the Senior Management Team (SMT) in March 2021. The Procedure is next due for review in March 2024. The Parts of the Procedure are as follows:

- Part 1 - Overview and Structure
- Part 2 - When to use the Procedure
- Part 3 - The Complaints Handling Process
- Part 4 - Governance
- Part 5 - Guide for Complainants

New staff are required to complete a training module on the Complaints Handling Procedure as part of their induction. SPSO provided training to staff on the MCHP in 2019 and in 2022. The College Quality Team receive monthly newsletters from SPSO to help keep them up to date with any learning points around complaints handling.

The College website has a page for complaints which shares the College’s procedure and particularly draws attention to the Part 5 guidance for complainants. The Student Handbook also outlines the complaints process.

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

The College has a Complaints Form, which is available on their website. This is their preferred way for complaints to be made as it captures all the necessary details for complaints to be recorded, including the complainants desired outcome. The Complaints Form is emailed to the Quality Team inbox which is accessible to the four members of the Quality Team. Complaints can also be made verbally or in writing, including face-to-face, by phone, letter, or email. The College has a Red Button system which is an online tool students can use to flag any issues, these are automatically emailed to the Quality Team.

Guidance is included within the Procedures on what is a complaint, who can make a complaint and what can be complained about. Straightforward issues are raised as a Stage 1 complaint, and are targeted to be resolved within 5 working days, although on the spot resolution is encouraged where possible. Responses to Stage 1 complaints may be face-to-face, on the phone or in writing.

For more complex complaints, or where complainants are not satisfied with the resolution of a Stage 1 complaint, complaints may be escalated to Stage 2. Stage 2 complaints must be acknowledged within 3 working days and resolved within 20 working days. Responses to Stage 2 complaints must be made in writing. Complainants who are dissatisfied with the response to a Stage 2 complaint may further escalate the complaint to the SPSO. The College advised that there have been no complaints escalated to the SPSO in the last 3 years.

Once a complaint is received, it is logged by a member of the Quality Team in the Complaints Database which is in spreadsheet form. For each complaint the details recorded include details of the person making the complaint, the category and sub-category of the complaint, a summary of the complaint, the investigating officer, details of the time taken to resolve the complaint, lessons learned, improvements or changes made, and the date that actions were completed. The four members of the Quality Team monitor open complaints and the completion of actions to address complaints.

Six weeks after the closure of complaints, the Quality Team sends a customer satisfaction survey to complainants to help identify improvements in the complaints handling process and to assess the effectiveness of the College's complaints response. Results from the survey are included in the College's internal reporting on complaints performance.

The Quality Officer produces both quarterly and annual reports on complaints handling performance which are presented to the Executive Management Team and the Board of Management. The quarterly reports are in a standard template which includes reporting on complaints by category in both graphical and narrative format, reporting on complaint outcomes, and the average number of days to resolve complaints. There are also sections which highlight some of the survey feedback and the lessons learned identified. The annual report contains similar information and additionally includes reporting on the number of complaints by sub-category, the number of complaints by department, and the number of complaints by mode of delivery. The annual report also includes information on how awareness has been raised of the complaints process and completion of staff training.

SCOPE AND APPROACH:

The scope of the review was to assess whether:

- Complaints handling and management policies and procedures are in place and comply with SPSO requirements
- The College has appropriate systems in place to allow for complaints to be recorded and monitored
- The College takes appropriate action following a complaint
- The College evaluates the underlying issues following a complaint

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

- Records of complaints are monitored regularly and therefore areas of concern are identified; and
- Monitoring and reporting of complaints is reported internally and to management.

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

We sought 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 review, we kept management informed of any issues which arose as a result of our testing. A de-brief meeting was undertaken before completing the review to discuss findings and initial recommendations.

GOOD PRACTICE:

During our testing, we identified the following areas of good practice:

- The College have based their complaints handling procedures on the SPSO MCHP
- Complaints are recorded in a database which is regularly monitored by the Quality Team
- Appropriate actions were taken to resolve complaints for the sample reviewed; and
- There is regular reporting to the Executive Management Team and the Board of Management about complaints.

KEY FINDINGS:

Notwithstanding the areas of good practice identified above, we also identified some areas for improvement as follows:

- **Consistency of Procedure Application:** There were some instances where we were unable to obtain evidence that complaints were managed in line with the Procedure: in one instance there was no evidence of an extension to a stage 1 complaint being agreed by management, in one instance the acknowledgment letter was not sent within 3 days and the complaint was not resolved within the specified timescales but there was no evidence of an extension to a stage 2 complaint being agreed by management or communicated to the complainant. We also found that lessons learned were only identified for a small number of the complaints sampled.
- **Annual Complaints Performance Report:** SPSO requires college's to publish an annual complaints performance report on their website. During testing we found that the College have not published an annual complaints performance report on their website.
- **KPI Reporting:** The College's quarterly reporting to Executive Management does not cover all of the SPSO KPI reporting requirements;
- **Action Reporting:** The quarterly reports published on the College's website do not include reporting on actions taken to improve services
- **Completion of Staff Training:** 33.18% of permanent staff haven't completed complaints handling training; and
- **Identification of Underlying Cause:** The College does not identify the underlying cause of complaints within their Complaints Database.

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

CONCLUSION:

The College have adopted SPSO's MCHP which ensures that their procedures follow best practice, however, there are some areas which could be improved, including ensuring that these procedures are consistently adhered to. Therefore, we are able to offer moderate assurance over the design and operational effectiveness of the controls surrounding complaints management at Inverness College at this time.

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

- ✓ Complaints handling and management policies and procedures may not be in place and are not compliant with SPSO requirements.
- ✓ The College may not take appropriate action following a complaint.
- ✓ The College may not undertake evaluation of underlying issues following a complaint.
- ✓ Records of complaints may not be monitored regularly and therefore areas of concern are not identified.

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

DETAILED FINDINGS

RISK: THE COLLEGE MAY NOT HAVE APPROPRIATE SYSTEMS IN PLACE TO ALLOW FOR COMPLAINTS TO BE RECORDED AND MONITORED.

| Ref | Sig. | Finding |
|-----|---|---|
| 1 |  | <p><u>Consistency of Procedure Application</u></p> <p>It is important that the College consistently apply the Complaints Handling Procedures to ensure that all complaints are handled correctly in line with the SPSO Model Complaints Handling Procedure.</p> <p>We reviewed a sample of 12 complaints and found:</p> <ul style="list-style-type: none"> • The Complaints Handling Procedures require that an extension must be agreed with management prior to communicating to the complainant. In one instance, there was no evidence of management agreeing to an extension to timescale for a stage 1 complaint. The College noted that this extension was agreed verbally • The SPSO requires that stage 2 complaints be acknowledged within 3 working days and resolved within 20 working days. In one instance, a stage 2 complaint was not acknowledged until 7 days after it had been raised due to some back and forth with UHI and another College over who should investigate the complaint. The complaint was not resolved until 22 working days after it had been raised. The College noted that an extension was verbally agreed; and • The Complaints Handling Procedure states that learning may be identified from individual complaints and from analysis of complaints data. We found that lessons learned were only identified for a small amount of complaints (2 of 12 complaints sampled). |

There is a risk that the College are not consistently complying with the SPSO Model Complaints Handling Procedure.

RECOMMENDATION:

We recommend that staff are reminded of the importance of consistently applying the complaints handling procedures and that random spot checks are completed on a sample of complaints to ensure that there is sufficient evidence that the procedure has been adhered to. Where timescales or extensions are communicated verbally, a record should be maintained of this.

We also recommend that the College considers implementing a Lessons Learned Form which can be completed by complaint investigators to evidence that consideration has been given to lessons learned. Completion of the form should be optional for stage 1 complaints and mandatory for stage 2 complaints.

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

MANAGEMENT RESPONSE:

Following this audit, I agree that we need greater rigour to be implemented in terms of the extension to timescales as at present this is being done verbally and via MS Teams chat which makes it difficult to evidence. Therefore, with immediate effect we will introduce that all extension requests must be via e-mail and stored within the complaints folder. It is worth noting though that I am satisfied that all extensions were authorised, but just not all documented.

As discussed at the initial stages of the audit, following a self evaluation meeting that the Quality Team held at the end of February 2023, focussing on complaints, we are introducing a close out meeting for stage 2 complaints where we will discuss actions and lessons learned. These are already on our tracker but will help place greater emphasis on this. It is worth noting that not all complaints will have a lessons learned as not all complaints are upheld/partially upheld and even when they are there may not be a required change to process - it may just have been a genuine mistake due to human error.

Responsible Officer: Natalie Glasgow

Implementation Date: 30th June 2023

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

RISK: MONITORING AND REPORTING OF COMPLAINTS MAY NOT BE REPORTED INTERNALLY AND TO MANAGEMENT.

| Ref | Sig. | Finding |
|-----|---|---|
| 2 |  | <p><u>Annual Complaints Performance Report</u></p> <p>SPSO requires colleges to publish an annual complaints performance report on their website. The report should summarise and build on the quarterly reports and include performance statistics in line with SPSO performance indicators and complaint trends and the actions that have been or will be taken to improve services as a result.</p> <p>Part 4 of the College's Complaint's Handling Procedure outlines the requirement to publish an annual complaints performance requirement in line with SPSO requirements.</p> <p>During testing we found that Inverness College have not published an annual complaints performance report on their website to date.</p> <p>There is a risk that the College are not compliant with SPSO requirements.</p> |

RECOMMENDATION:

We recommend that Inverness College commences the practice of publishing an annual complaints performance report on their website which builds on the quarterly reports and includes performance statistics, complaints trends and actions taken to improve services.

MANAGEMENT RESPONSE:

We currently publish quarterly complaints handling reports on our website ([Complaints handling - Complaints Handling Reports \(uhi.ac.uk\)](https://uhi.ac.uk)). Following this audit, it has been highlighted that we need to publish an annual complaints performance report which includes performance statistics and complaint trends and the actions that have been taken or will be taken to improve services as a result. Whilst we complete a report for our EMT and Board of Management, we do not publish this and do not make the outputs accessible to members of the public.

A agree that, in line with our complaints procedure, this needs to be implemented for 2022/23.

Responsible Officer: Natalie Glasgow

Implementation Date: 30th September 2023

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

RISK: MONITORING AND REPORTING OF COMPLAINTS MAY NOT BE REPORTED INTERNALLY AND TO MANAGEMENT.

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

3



KPI Reporting

SPSO requires reporting at least quarterly to senior management on the four mandatory KPIs and analysis of the trends and outcomes of complaints which are as follows:

- The total number of complaints received.
- The number and percentage of complaints at each stage that were closed in full within the set timescales of 5 and 20 working days
- The average time in working days for a full response to complaints at each stage (stage 1, stage 2 and after escalation)
- The outcome of complaints at each stage (the number and percentage of complaints upheld, partially upheld, not upheld and resolved at stage 1, stage 2 and after escalation).

We found that Inverness College's quarterly reports to the Executive Management Team include some of the KPI requirements above but we found that the following areas were not included:

- The College does not report on the average number of days for a full response to complaints after escalation;
- The College does not report on the outcomes of complaints after escalation; and
- The College does not report on the percentage of complaints upheld, partially upheld, not upheld or resolved at each stage.

There is a risk that Inverness College's quarterly reporting to Senior Management is not currently fully compliant with SPSO requirements.

RECOMMENDATION:

We recommend that Inverness College adds the following metrics to their quarterly reporting to Senior Management:

- The average number of working days to resolve a complaint after escalation;
- The outcomes of complaints after escalation; and
- The percentage of complaints upheld, partially upheld, not upheld and resolved at stage 1, stage 2 and after escalation.

MANAGEMENT RESPONSE:

A very detailed and thorough report is completed each quarter for EMT and the Board but agree that we will include the areas above going forward.

Responsible Officer: Natalie Glasgow

Implementation Date: 30th June 2023

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

RISK: MONITORING AND REPORTING OF COMPLAINTS MAY NOT BE REPORTED INTERNALLY AND TO MANAGEMENT.

| Ref | Sig. | Finding |
|-----|---|---|
| 4 |  | <p><u>Action Reporting</u> SPSO requires colleges to publish on a quarterly basis information on complaints outcomes and actions taken to improve services.</p> <p>This requirement is detailed in part 4 of the College's Complaints Handling Procedure. The College publishes quarterly complaints reports on their website which include information on complaints outcomes, however they do not detail actions taken to improve services.</p> <p>There is a risk the College are not complying with the SPSO requirements, and it is not clear to the public how the College are taking action to prevent the recurrence of causes of complaint.</p> |

RECOMMENDATION:

We recommend that Inverness College include a section on actions taken to improve services in their published quarterly complaints performance reports.

MANAGEMENT RESPONSE:

As above, this detail is provided in the reports for EMT and for the Board but not currently published. This will be implemented.

Responsible Officer: Natalie Glasgow

Implementation Date: 30th June 2023

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

RISK: COMPLAINTS HANDLING AND MANAGEMENT POLICIES AND PROCEDURES MAY NOT BE IN PLACE AND ARE NOT COMPLIANT WITH SPSO REQUIREMENTS.

| Ref | Sig. | Finding |
|-----|---|---|
| 5 |  | <p><u>Completion of Staff Training</u></p> <p>Part 4 of the Complaints Handling Procedures states that training on this procedure will be part of the induction process for all new staff and refresher training will be provided on a regular basis.</p> <p>We found that that 33.18% of permanent staff have not completed the complaints handling training.</p> <p>There is a risk that staff may not fully understand the complaints handling process and as a result, complaints may be mishandled.</p> |

RECOMMENDATION:

We recommend that completion rates for complaints management training are monitored and that reminders are sent out to those who have not completed the training.

MANAGEMENT RESPONSE:

Staff training falls within the remit of our Professional Development Team. I will arrange to meet with them to discuss how we can try to increase completion rates going forward for this.

Responsible Officer: Natalie Glasgow

Implementation Date: 30th June 2023

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

RISK: THE COLLEGE MAY NOT UNDERTAKE EVALUATION OF UNDERLYING ISSUES FOLLOWING A COMPLAINT

| Ref | Sig. | Finding |
|-----|---|--|
| 6 |  | <p><u>Identification of Underlying Cause</u> SPSO's Model Complaint Handling Procedure details a list of the minimum details to record for each complaint. This includes the underlying cause of the complaint.</p> <p>Part 4 of the College's Complaints Handling Procedure sets out this requirement. However, we found that the College does not identify the underlying cause of complaints within their Complaints Database.</p> <p>There is a risk that the College are not fully compliant with SPSO requirements and also that, if the underlying cause of complaints is not identified, there may be common causes which go unidentified and untreated.</p> |

RECOMMENDATION:

We recommend that the College adds a field to their complaints database which identifies the underlying cause of complaints and that the database is regularly reviewed for common causes.

MANAGEMENT RESPONSE:

The tracker currently has a section for lessons learned and improvements/changes made. With the implementation of the close out meetings for Stage 2 complaints these will be discussed there and will place greater emphasis on these.

This information is already reported to EMT and the Board and discussed there.

Responsible Officer: Natalie Glasgow

Implementation Date: 30th June 2023

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

OBSERVATIONS

TEMPLATE RESPONSES

There is an opportunity to improve the College's complaints handling arrangements further, by developing template acknowledgement and outcome letters in order to ensure all necessary details are included in responses, including SPSO contact details and timescales for response.

FUTURE REPORTING REQUIREMENTS

Inverness College will be required to publish an annual complaints performance report on their website from February 2024 which includes reporting against the mandatory KPIs. We have recommended under Finding 2 that the College commences annual reporting as this was a pre-existing requirement. Inverness College already report some of the KPIs as part of their quarterly Complaints Handling report but should ensure they are prepared to report against the 4 mandatory KPIs as part of their annual report by February 2024. Guidance is available at [Complaints KPIs for MCHPs \(spsos.org.uk\)](https://www.spsos.org.uk/complaints-kpis-for-mchps)

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

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.

Natalie Glasgow

Quality Manager

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

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

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| 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, COMPLAINTS MANAGEMENT

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to provide assurance to management and the Audit Committee that effective processes are in place in relation to complaints handling and management.

KEY RISKS:

- Complaints handling and management policies and procedures may not be in place and are not compliant with SPSO requirements.
- The College may not have appropriate systems in place to allow for complaints to be recorded and monitored.
- The College may not take appropriate action following a complaint.
- The College may not undertake evaluation of underlying issues following a complaint.
- Records of complaints may not be monitored regularly and therefore areas of concern are not identified.
- Monitoring and reporting of complaints may not be reported internally and to management.

SCOPE OF REVIEW:

The scope of the review is to assess whether:

- Complaints handling and management policies and procedures are in place and comply with SPSO requirements
- The College has appropriate systems in place to allow for complaints to be recorded and monitored
- The College takes appropriate action following a complaint
- The College evaluates the underlying issues following a complaint
- Records of complaints are monitored regularly and therefore areas of concern are not identified; and
- Monitoring and reporting of complaints is reported internally and to management.

INVERNESS COLLEGE, COMPLAINTS MANAGEMENT

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 to discuss findings and initial recommendations.

FOR MORE INFORMATION:

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| Subject/Title: | Update of Inverness College Bank Signatories |
| Author: | Niall McArthur, Joint Finance and Audit Director |
| Meeting: | Audit and Risk Committee |
| Meeting Date: | 28 April 2023 |
| Date Paper prepared: | 27 April 2023 |
| Brief Summary of the paper: | As part of a financial review currently being carried out, a list of revisions to the current list of approved bank signatories is required to be reviewed and approved by the Audit Committee. |
| Action requested: [Approval, recommendation, discussion, noting] | Approval and Recommendation to Chair of BOM for Chair's Action. |
| 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 | Complies with Risk Management |
| Resource implications: | None If yes, please specify: |
| Risk implications: | Yes If yes, please specify: Financial Operational Strategic Encompassing all major risks |

Item 07

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|---|--------------|--|--|
| | | | |
| Equality and Diversity implications: | N/A | | |
| Student Experience Impact: | None | | |
| Consultation: [staff, students, UHI & Partners, External] and provide detail | None | | |
| 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) | | Its disclosure would constitute a breach of confident actionable in court (s36) | |
| Its disclosure would constitute a breach of the Data Protection Act (s38) | Y | 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