

MINUTES of the MEETING of the AUDIT COMMITTEE held in the Boardroom, 1 Inverness Campus, on Tuesday 24 May 2016

PRESENT: Hazel Allen, Louise James, Lindsay Mitchell, Steve Walsh
CHAIR: Hazel Allen
APOLOGIES: Elaine Harris
ATTENDING: Depute Principal
Director of Corporate Services
Director of Organisational Development
Stuart Inglis, Henderson Loggie
Gary Devlin, Scott Moncrieff
College Secretary

The Chair congratulated Stephen T Wells on his appointment as Director of Corporate Services

1. MINUTES - AUDIT COMMITTEE - 1 March 2016

The minute was **AGREED** as a correct record and was approved and signed.

Matters arising:-

Item 4 – Internal audit report – Student recruitment and retention/quality

As a matter of clarification, following the last meeting, the section of the report relating to student recruitment and retention had been extracted, sent to the Chair and had then been issued to the Education Scotland Review Team.

Item 12 – UHI Audits

The Chair of the FERB had discussed and agreed with the Chair of the UHI Audit Committee a way forward in regard to UHI audit activities. Principals would be the first point of contact for any audit activities and receive a copy of the draft report prior to it being considered by the UHI Audit Committee.

It was **AGREED** that it would be helpful for the Audit Committee to see a copy of the UHI Audit Plan and if necessary, write to all the Audit Chairs advising of this request.

2. EXTERNAL AUDIT PLANNING MEMORANDUM FOR THE YEAR ENDED JULY 2016

Gary Devlin of Scott Moncrieff spoke to the external audit planning memorandum for the year ended 31 July 2016. The plan set out their responsibilities, particularly the four areas of focus, namely, financial sustainability, financial management, governance and transparency and value for money. They followed a risk-based audit approach which ensured that they focussed on the areas of highest risk.

The key audit risks in the financial statements were

- Financial reporting council (FRS) 102 restatement
- NPD New Campus / estates developments

- Revenue recognition
- Management override

The audit timetable and the audit fee were outlined in the planning memorandum, with a proposal that the fee remain at the current level of £16,800.

The Committee discussed the possibility that the accounts might require to be consolidated and also that the timescale would have to be reviewed as a result of SFC bringing forward the deadline for return of the audited statements to them from 31 to 1 December. The committee also discussed the wider partnership implications of consolidation, including the increased public accountability and reputation of UHI for consolidated accounts and therefore partners financial performance.

The Committee also discussed the independent valuation of the new campus building which was being progressed and touched on the probable impairment which would result.

The Committee **AGREED** that

1. The audit fee be set at £16,800 but acknowledged that the fee might require to be revisited if the accounts required to be consolidated
2. Clarification was required on the deadline for the submission of the financial statements and
3. An item be added to the risk register on the reputational considerations of impairment, the risks associated with the consolidation of the accounts, and that the updated risk register be submitted to the next Audit Committee meeting.

3. **AUDIT REPORTS**

a) **STUDENT FEES AND CONTRACTS**

A report by Henderson Loggie provided the committee with the findings of their audit on student fees and contracts. The main purpose of the review was to ensure that the policies and procedures in place within Student Records, Admissions and Student Funding and the Finance Office for recording, processing, invoicing and receiving of student fees assisted the College to effectively manage the student fee income process.

The summary of the main findings set out the strengths and weaknesses and the overall level of assurance given was Satisfactory, with 6 recommendations being set out in an action plan.

The Committee **WELCOMED** the clean report and looked forward to the continued refinement of the processes.

b) **BUSINESS DEVELOPMENT**

A report by Henderson Loggie provided the committee with the findings of their audit on student fees and contracts. The main purpose of the audit was to establish whether procedures in place within the College were sufficient to maximise income generation and margin from commercial (non-SFC) activities.

The summary of the main findings set out the strengths and weaknesses and the overall level of assurance given was Satisfactory, with 4 recommendations being set out in an action plan.

The Committee **NOTED** the audit and **AGREED** that it would be appropriate to look at both the tax and VAT implications of research and commercial activities.

c) PROGRESS REPORT

A report by Henderson Loggie provided an update on the progress made with the annual plan which was approved by the Committee in September 2015. Two audits had been put on hold, namely Health and Safety and New Campus – Maintenance and Unitary Charge Controls.

It was **AGREED** that the Health and Safety Audit be progressed now that the new Health and Safety manager was in post. The New Campus audit would be deferred until after the GTFM performance issues had been addressed and correction of miscalculated deductions.

4. RISK MANAGEMENT AND BUSINESS CONTINUITY

A report by the Director of Corporate Services referred to the discussions by each of the standing committees during the February/March cycle of meetings on the risks within the corporate risk register which related to their specific remits. He confirmed that the risk register had been updated to reflect the amendments requested.

The Committee referred to the additional wording in the risk relating to the new campus and **REQUESTED** that the causes and impacts/evidence columns be amended to reflect the updated risk description by SMT and the Board.

The committee also discussed the red risks within the register, namely reduction in HE unit of resource and the financial instability of UHI. The Committee **REQUESTED** that reference be made to the risk mitigation by SMT in trying to build better links with UHI.

It was **AGREED** that the move from WSumms to the new Credit system of funding did not need to be added as a potential risk as this was already covered within three risks within the register, namely instability of UHI, reduction in HE unit of resource and national pay bargaining.

5. ICT SERVICES REPORT

A report by the Director of Corporate Services provided an update on the activities of the ICT Services department which included

- New Campus ICT, including infrastructure and connectivity as well as snagging issues.
- Information Security
- UHI Intranet Solution
- UHI Wide Projects including the LAN Project Board and the SCCM (System Centre Configuration Manager)
- Records Management

The Committee welcomed the updates on how information security and records management were being progressed and **AGREED** that it would be helpful to receive a position statement by the end of the year on what protective measures the college had put in place to mitigate against the risk of cybercrime.

6. OUTSTANDING AUDIT RECOMMENDATIONS

A report by the Director of Corporate Services provided an update of the progress made on the outstanding internal audit recommendations since the previous Audit Committee in March 2016. Only 1 outstanding recommendation remained from the total number for 2014/15.

In respect of the follow-up recommendations, 6 had been completed since the last meeting with only three remaining relating to records management and business continuity.

The Committee **NOTED** the position.

7. HEALTH AND SAFETY

A report by the Health and Safety Manager provided the Committee with an update on matters pertaining to health and safety for the period between 1 February and 30 April 2016.

The Director of Corporate Services advised that the new Health and Safety Manager, Richard Hart (Richie) had taken up the role at the end of March 2016.

The Health and Safety Manager had used the HASMAP (Health and Safety Management profile) auditing framework to guide his auditing plan with the first area being Risk Assessments and Risk Control indicators. Two audits had been completed and a number of actions had been identified to take forward.

During Quarter 3 there were 32 reported accidents/incidents/near misses compared with 25 for the previous quarter. There was 1 near miss report, 15 incidents and 16 accidents in the quarter. Of the accidents/incidents and near misses reported none were of a serious nature with no RIDDOR reportable injury.

A variety of health and safety training continued to be rolled out in a number of areas.

A full review of the fire evacuation procedure and first aid procedure had been undertaken. Further training for fire marshals had been progressed along with post evacuation/emergency incident formal debriefing. Further clarification of Nominated First Aid roles and responsibilities had been provided by way of a formally signed declaration.

The Committee **WELCOMED** the increase in accident reporting as this safety culture within the College training environment would be taken out to the industry environment.

8. ANNUAL REVIEW OF AUDITORS' PERFORMANCE

The Committee considered the annual review of the internal and external auditors' performance for 2015/6 which was normally undertaken at this time.

The Committee **AGREED** to defer this exercise until the end of the year once the new board members on the committee and the new Director of Corporate Services had gained more knowledge on the work of the auditors and would be better able to input to the process in a meaningful way.

9. MEETING WITH INTERNAL AUDITORS

It was considered good practice for Audit Committees to meet with internal and external auditors at least annually in a private session where management was not present.

Mr Inglis of Henderson Loggie answered Committee members' questions on the relationship and candidness of senior managers with the internal auditors and any areas of concern or risk for the College. Mr Inglis stated that he had nothing negative to report. The internal auditors were beginning to build a relationship with the newly appointed Director of Corporate Services.

There was a general discussion on the delay to the audits on Health and Safety and to the New Campus – Maintenance and Unitary Charge Controls. Mr Inglis welcomed the agreement within item 3c above, that the audit of Health and Safety be progressed during summer. Mr Inglis would discuss with the Director of Corporate Services the timescale for progressing the New Campus audit.

It was agreed that the presentation made to the committee by Peter Reekie of the SFT on the importance of the relationship between the College and GTEIL in relation to the new campus maintenance contract be circulated to the new members.

The Committee expressed their thanks to Mr Inglis for the help and assistance provided by Henderson Loggie throughout the year.

10. APPOINTMENT OF NEW EXTERNAL AUDITORS

The 5 year appointment of Scott Moncrieff as the College's external auditors was almost complete. The Director of Corporate Services advised that although not yet official, it was understood that Audit Scotland would be inviting the Auditor General to appoint Ernst and Young LLP as the College's external auditors for the next 5 year period.

The Committee **NOTED** the position.

11. COMPLAINTS UPDATE REPORT

A report by the Quality Manager provided an overview of recorded complaints during Quarters 1 – 3 of 2015-16, covering the period of 1st July 2015 – 31st March 2016. Colleges were required to report quarterly complaints figures based on the reporting periods provided by the Scottish Public Services Ombudsman (SPSO).

The Committee **NOTED** the report.

12. MINUTES OF MANAGEMENT COMMITTEES

The Committee **NOTED** the minutes of the meeting of the Health and Safety Committee held on 5 March 2016.

13. DATE OF NEXT MEETING

Provisional – Tuesday 13th September 2016 at 8.30 a.m.

Signed by the Chair: _____

A handwritten signature in black ink, appearing to be 'M. J. ...', written over a horizontal line.

Date: _____

13/9/16