

MINUTES of the MEETING of the AUDIT COMMITTEE held in the Boardroom, 1 Inverness Campus, on Monday 29 May 2017

PRESENT: Hazel Allen, Sarah Burton, Louise James, Lindsey Mitchell, Innis Montgomery, Fiona Neilson, Steve Walsh

CHAIR: Hazel Allen

APOLOGIES: Jaci Douglas

ATTENDING: Acting Principal
Director of Organisational Development
Finance Services Manager
Stuart Inglis, Henderson Loggie
John Boyd, Ernst & Young
Secretary to the Board of Management

Stuart Inglis of Henderson Loggie declared an interest in Item 7, Appointment of Internal Auditors. The Chair confirmed that the report was an update only on the tender process and that there would be no requirement for him to leave the room.

1. MINUTES

The minute of the Meeting of the Audit Committee held on 28 February 2017 was **AGREED** as a correct record and was approved and signed.

2. EXTERNAL AUDIT ANNUAL AUDIT PLAN FOR THE YEAR ENDED JULY 2017

The Financial Services Manager spoke to her covering report which explained the background to the appointment of Ernst and Young as the College's External Auditors for the 5 year period from August 2016, highlighted the audit fee which had been set by Audit Scotland and referred to the draft audit timetable within the proposed audit plan.

John Boyd of Ernst & Young spoke to the external audit plan for the year ended 31 July 2017. The plan set out the responsibilities of the College and those of Ernst & Young as well as the responsibilities under the wider scope audit. The significant and inherent risks were also highlighted.

There was a brief discussion as to whether the Finance Team had sufficient resources to deliver on the audit given that a Director of Finance had not yet been appointed. The Finance Services Manager confirmed that it would be challenging but she was confident that the team would deliver. It was recognised that the post of Director of Finance had to be filled as a matter of urgency.

The Committee **APPROVED** the annual audit plan for the year ended July 2017 and an audit fee of £15,930.

3. **INFORMATION SECURITY POLICY**

A number of minor revisions had been made to the information security policy and these had been discussed at Scrutiny Panel (8 March 2017) and SMT (18 May 2017).

The Committee **APPROVED** the information security policy.

4. **AUDIT REPORTS**

a) **PROCUREMENT AND CREDITORS/PURCHASING**

Mr Inglis advised that the scope of the audit focused on the systems of internal control in place for the ordering of goods and services and the payment of invoices. The overall level of assurance given was "Satisfactory". A considerable number of strengths had been identified as well as a small number of weaknesses which were being addressed by the College.

The Committee **NOTED** the positive report.

b) **DATA PROTECTION**

Mr Inglis advised that the scope of the audit assessed the adequacy and effectiveness of the processes and procedures in place to ensure compliance with the Data Protection Act 1998 and the College's preparations for the implementation of the GDPR in May 2018. The overall level of assurance given was "Good". A considerable number of strengths had been identified. Two minor weaknesses were being addressed by the College.

The Committee **NOTED** the excellent audit report and thanked the Information Development Manager for all the work undertaken.

d) **IT NETWORK ARRANGEMENTS**

Mr Inglis advised that ICT security was an important element of ensuring that business applications were available for use and that sensitive information could not be accessed by unauthorised users. The scope of the audit considered the controls in place to ensure that ICT security was adequate. The overall level of assurance was "Good". A considerable number of strengths had been identified. There were no weaknesses although one area of concern had been raised by the ICT Manager and this was being addressed.

The Committee **NOTED** the excellent audit report and thanked the ICT Manager for all the work undertaken

5. **OUTSTANDING AUDIT RECOMMENDATIONS**

A report by the Principal provided an update on the outstanding action points from previous audit cycles in addition to those arising from the most recent reports.

The outstanding action points from previous years had been reduced to two and one of these, relating to a function managed by UHI, was beyond the College's control.

A number of actions from the 2016/17 audits, namely Health and Safety, Data Protection and Procurement and Creditors/Purchasing were in the process of implementation or would be addressed during the calendar year

The Committee **NOTED** the report.

6. INTERNAL AUDIT PROGRESS REPORT – 2016/17 ANNUAL PLAN

Stuart Inglis referred to the progress made against the 2016/17 annual audit plan. Two audits were outstanding, namely Staff Recruitment and Retention – Succession Planning and New Campus – Maintenance and Unitary Charge Controls. Both audits would be carried out over the summer with the audit reports being presented to the Committee at its next meeting in September 2017.

The Committee **NOTED** the report.

7. APPOINTMENT OF INTERNAL AUDITORS 2017

The Finance Services Manager referred to the last meeting of the committee in February when it had been agreed to enter into a collaborative process to procure internal audit services for 2017-18 onwards. Since that time, the other Colleges had withdrawn from the collaborative process and a tender would be issued by APUC for internal audit services to Inverness College only.

Presentations would be made as part of the procurement process and three members of the Committee had confirmed their availability for this part of the process. If a successful tenderer was identified, a recommendation to appoint would be made to the Board of Management at its meeting on 20th June.

The Committee **NOTED** the position.

8. RISK MANAGEMENT AND BUSINESS CONTINUITY

The Depute Principal referred to the updated risk register which now included the generic risks which had been adopted by the UHI partnership colleges and research institutes. The SMT had provisionally scored the generic risks but a further review would be undertaken following the approval of the underpinning strategies by the Board of Management at its meeting on 20 June.

The risk level appeared to have increased rather than decreased following mitigating actions on a number of risks within the register and these would require to be reviewed.

The Committee **REQUESTED** that the recent changes and improvements in the structure of the EO SMT, namely the establishment of the three part time Vice Principal posts and the current vacancies in the Inverness College SMT be included in the next review of the risk register.

9. HEALTH AND SAFETY

A report by the Director of Organisational Development provided an update on matters pertaining to health and safety in the previous three month period, namely

- HSG 65 (management system) H&S software
- One RIDDOR reportable incident
- Accident/incident/near miss reporting Q3

- Significant incidents
- Fire

The Committee **NOTED** the report

10. **OPERATIONAL PROCUREMENT REVIEW (OPR)**

A report by the Finance Services Manager provided some background information to the OPR which had been undertaken by APUC in February 2017 and presented the draft report to the Committee. The final version of the report had not been issued but the College had been advised that there would be no change to the summary findings or recommendations.

Overall the College had a positive outcome from the OPR, with a number of positive statements being made. However, the review identified adequate resourcing of the procurement function as a risk. The college was currently exploring the key risks relating to resourcing.

The Committee **NOTED** the report.

Steve Walsh left the meeting during consideration of the following item of business.

11. **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 it had been a difficult year with temporary appointments to the Director of Corporate Services position or the post remaining vacant. However, there had still been good communication with other members of the SMT and with the Finance Services Manager. He was confident that no actions had been missed and that all necessary controls were in place. The Director of Corporate Services was a key post and he acknowledged that the College understood the pressure caused by the long term vacancy, especially on the Finance team.

There was a brief discussion on procurement and the resources required for this function. This could be an area where a centralised approach across the partnership could be developed.

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

Mr Inglis in turn thanked the management team and the committee.

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

12. COMPLAINTS UPDATE REPORT

A report by the Quality Manager provided an overview of recorded complaints during quarters 1-3 of 2017-17.

13. STUDENTS' ASSOCIATION ACCOUNTS AND AUDIT 2015/16

A covering report by the Finance Services Manager highlighted the main points resulting from the finalisation of the 2015-16 financial statements for the Students' Association and presented the financial statements to the Committee.

14. DATE OF NEXT MEETING

19 September 2017 at 08.30

The Chair advised that this would be the last audit meeting attended by Louise James before she stepped down from the Board at the end of the month. On behalf of the Committee the Chair thanked Louise for her very valuable contribution during her time on the Committee.

Signed by the Chair: _____



Date: _____

19/9/17