

**BOARD OF MANAGEMENT  
Audit Committee  
Approved Minutes of Meeting on  
Thursday, 25 November 2021  
at 13.30 by Teams**

Present:           Jessie McLeman           Convenor  
                      Dawn McKinstrey  
                      Grenville Johnston

In attendance: Shelly McInnes  
                      Grace Scanlin               Ernst & Young – External Auditors  
                      Scott McCready            Wylie & Bissett LLP – Internal Auditors  
                      Graham Gillespie         Wylie & Bissett LLP – Internal Auditors  
                      Derek Duncan             Present from 13:45 (Item A.21.05.06)  
                      Elaine Sutherland        Clerk  
                      Jane Donald                Minutes

		<b>ACTION</b>	<b>DATE</b>
	A closed session was held beforehand with members of the Committee and the Internal Auditors.		
<b>A.21.05.01</b>	<b>(i) Resignations</b>		
1.1	There were no resignations.		
	<b>(ii) Appointments</b>		
1.2	There were no new appointments.		
<b>A.21.05.02</b>	<b>Apologies for Absence</b>		
2.1	An apology was received from Rhiannon Stradling.		
<b>A.21.05.03</b>	<b>Any Additional Declarations of Interest including specific items on this Agenda</b>		
3.1	There were no additional declarations of interest.		
<b>A.21.05.04</b>	<b>Draft Minutes of Audit Committee meeting held on 7 October 2021</b>		
4.1	The minutes were accepted as a true and accurate record and approved by the Committee: Proposed: Dawn McKinstry Seconded: Grenville Johnston		
<b>A.21.05.05</b>	<b>Draft Matters Arising of meeting held on 7 October 2021</b>		
5.1	The majority of actions were either complete or on the agenda.		
5.2	Dawn had provided a high-level template for a paper that could be used of periodic reporting of current risks to the Board, which was discussed at the Board meeting on 28 October. It was noted that it had been shared with the SLT		

	and was on the agenda for the next SLT meeting on 8 December. Dawn was happy to help, if clarification was needed on any aspects of the template.		
5.3	Action 8.1: It was noted that Shelly and Scott had reviewed and agreed the process for closing out audit actions in a timely way, although it was not documented.		
5.4	Action 10.1.1: The NFI template provided by Grace was not appropriate for reporting to the Board/Audit Committee, but Shelly agreed to consider using it to submit data to the NFI, if required for future submissions.		
<b>Action</b>	Action 10.1.2: Shelly to check if the College's insurance policy includes cover for fraud and circulate the position to Committee.	Shelly	ASAP
5.5	Action 12.1.1: Clerk has copied paper on the review of policies to the Chairs of all Board Committees.		
5.6	Action 12.1.2: The proposed Commercialisation Policy will be developed alongside the College's new Strategic Plan 2021-25; and is separately actioned to be presented to the next Board.	Shelly/Derek	Closed here; plan will be presented at Board.
5.7	Action 12.2.1: The revised Draft Fraud and Response Plan Policy had been amended following the Committee's last meeting and subsequently approved by correspondence.		
<b>Action</b>	Action 12.2.2: Shelly to check Companies House to ascertain whether it is Moray College or the Board that is registered.	Shelly	ASAP
5.8	Action 13.1: A decision on whether to use the UHI evaluation questionnaire for the next Committee evaluation is outstanding.	Elaine	Next Committee meeting
<b>A.21.05.06</b>	<b>Risk</b>		
	<b>(i) Review of Risk Register</b>		
6.1	It was noted that the only change to the risk profile since the last meeting was in risk 21, 'College Estate not fit for purpose'. The rating had increased significantly following recent inspections and fire audits, and although mitigations had been put in place, the risk rating was still very high at 5/5. It should be noted the Regional Fire Officer, who had recently visited the College, was satisfied with those arrangements.		
6.2	Derek joined the meeting to give a verbal report on the current strategy, which is to maintain the building as wind and watertight in line with SFC guidance and to deal with all safety-related issues. The scale of the funding required to make the estate fit for purpose is c£12-14M, but the College receives nowhere near that amount. Meanwhile the buildings continue to age, and we have to prioritise. The budget is £600K for this year but £2-3M pa is needed just to maintain the buildings.		
6.3	In response to a question from Dawn, Derek confirmed that the last condition survey was performed in 2018, as part of an SFC-led survey of the whole sector. The report had been passed to the RSB, to draw it to the attention of the SFC. The report would have provided the basis of the business case for re-development, but was not taken forward at the time. Derek and David had met with SFC, who were sympathetic,		

	but it was made clear that the scale of funding needed was unlikely to come back into the sector any time soon. Derek had also met with the new Chair of University Court, who had noted the message. However, other colleges with a similar scale of issues had received campus redevelopment funding, suggesting that lobbying was needed at the right level, including with the local MP and MSPs if any progress is to be made. The outline business case would have to be reinitiated but in the first instance the wider policy and funding questions have to be addressed. .		
6.4	Grenville sought and was given an assurance that anything urgent or dangerous will be dealt with immediately; and he also questioned how other colleges had managed to secure funding whilst we had not.		
<b>Action</b>	It was agreed that in relation to estates development the Board should consider its lobbying approaches, and the matter should be raised at the next Board meeting. The Convenor to raise.	Convenor	16-12-21
	<b>(ii) Risk Register Reporting – feedback from UHI Chairs meeting</b>		
6.5	Jessie advised that she had raised the issue of risk register reporting at the recent meeting of the UHI Audit Chairs meeting. The issue had first been raised two years ago, when it was agreed in principle that a development was needed to allow better reporting to Audit Committees and management. Derek advised that he had also previously spoken to the UHI Head of Governance. At the Chairs’ meeting there was support from those present and Nicholas Oakley had been actioned to take this matter forward.		
<b>Action</b>	Jessie agreed to resend Derek the committee’s composite requirements for risk register reporting, so that he can take this up again with Roger Sendall and Nicholas Oakley.	Jessie/Derek	ASAP
<b>A21.05.07</b>	<b>Internal Audit – Wylie Bisset</b>		
	<b>(i) Complaints Handling Report</b>		
7.1	Graham and Scott summarised their report on the audit of the College’s Complaints Handling process, part of the WB annual internal audit plan for 2021/21. The report provided an overall ‘substantial’ level of assurance meaning that controls are largely satisfactory. Thirteen good practice points were noted but some weaknesses were identified; and 8 recommendations were made, 4 medium grade and 4 low grade.		
7.2	Jessie commented that the proposed timescales for completion of the recommendations looked a bit challenging, but Derek confirmed that the College was happy to accept the recommendations as they stood. A Staff Development Day has been arranged for 6 January 2022, which includes a session for managers on the Complaints Process.		
7.3	Grenville suggested that to receive only 19 complaints over the course of the year was remarkable, the proposed annual report on complaints handing would be useful and ensure we get the process right. Derek explained that the number of		

	complaints was low because college occupancy has been very low. As more students return to campus, he anticipated that the level of complaints would increase significantly.		
7.4	In response to a question from Dawn, Derek confirmed that UHI are satisfied that the Red Button process is working effectively. It is a less intimidating way for a student to make a complaint, but the College must ensure that if a complaint comes in via the Red Button, it is logged as a complaint.		
7.5	Jessie asked about the process for handling a complaint where the investigating officer is its subject. Derek advised that there is an escalation process for more serious complaints that require more detailed investigation. Scott confirmed that this is in line with the Scottish Public Services Ombudsman (SPSO) requirements.		
7.6	The Committee noted the report and its recommendations, which will be reported on in the usual way through the audit register.		
	<b>(ii) Credits Audit 2020/21</b>		
7.7	Graham and Scott summarised the Credits Audit for 2020/21. The report included the audit certificate for 2020/21, which was submitted to SFC on 1 October. It was a clean audit, the certificate was unqualified, there being no recommendations or weaknesses identified. The College was subject to a Cyber Incident within the UHI Partnership that impacted some testing, but WB were happy with the overall controls in place.		
7.8	The College delivered 14,381 credits against a target of 19,148, this being 75.10% of the target. SFC have indicated that there will be no clawback of funding against this shortfall and therefore no financial implications for 2020/21. It was a matter for UHI to meet the regional target. Derek reported that the College had reduced its FE tariff from 18 to 16, so had lost 2 credits off all students except for Skills for Life.		
	<b>(iii) Student Support Funds Audit 2020/21</b>		
7.9	Graham gave a short summary of the Student Support Funds audit, which contained no recommendations, and noted that the prior year recommendation has been implemented. Although the College did not complete its spot checks due to the cyber incident, WB were satisfied with the systems and controls in place.		
7.10	Derek noted that total income was £1.7M whilst the total spend was £1.5M and so there had been a small clawback but slightly lower than the benchmark figure.		
	<b>(iv) EMA Audit 2020/21</b>		
7.11	The EMA Audit for 2021/21 was straightforward, with no recommendations. It was noted that the cyber incident had impacted the conduct of spot checks. It was agreed that for the current year, spot checks should be carried out at an early stage.		
	<b>(v) Annual Internal Audit Report and opinion for 2020/21</b>		
7.12	Graham confirmed that WB were satisfied that sufficient internal audit work had been undertaken to allow them to		

	form an opinion; namely that the college had adequate and effective risk management, control and governance arrangements in place to manage the achievement of its objectives; and that proper arrangements were in place to promote and secure value for money. No observations or qualifications were noted. The plan for the year was complete, albeit the Estates Management Review had been postponed until 2021/22 and replaced by the Complaint Handling review.		
7.13	In reviewing the KPIs, it was noted that the draft internal audit report was proposed to be provided by 31 August each year. It was acknowledged that this would never be achieved due to the necessary timing of some audits, and it was <b>AGREED</b> to adjust the deadline to 31 October for future years.	WB	For 2021-22 Annual Internal Audit Report
7.14	In response to questions from Dawn, Graeme confirmed that the External Quality Assessment (EQA) of the internal audit has been done and the Committee would be notified of the outcome. They were expecting written feedback within a fortnight, and this would be shared over the course of the next month.		
7.15	Jessie commented that 2020/21 year had been a very challenging year and that the committee had not met in person during that time. She enquired whether it might be possible to meet in person in the new year. Derek noted that there has been a significant rise in positive COVID-19 tests. The College wanted more activity on site but there were constraints.		
<b>Action</b>	To revisit the possibility of holding face-to-face meetings at the next committee meeting.	Elaine	17-02-21
	<b>(vi) Finalisation of Internal Audit Plan for 2021/22</b>		
7.16	It was noted that this was the second year of WB's Internal Audit Plan. Following a meeting on 29 October with WB, Shelly and Derek, the plan for 2021-22 as now proposed to the Committee was discussed and supported.		
7.17	In summary, the plan would cover Income Collection and Credit Control; the College's use of the SITS System; Cyber Security Arrangements, as implemented by the College following the recent incident; arrangements for the development of the Estates Strategy; Commercial Income / Business Development arrangements; and the three obligatory audits.		
7.18	In response to a question from Jessie, Derek confirmed that he was comfortable with the proposed timeframes for the audits of his areas, providing nothing else arises. In response to point made by Dawn around the potential to have an annual audit of cyber security arrangements conducted in accordance with the themes set out under the framework, Derek acknowledged that such an annual audit should be a standing item. WB commented that other clients were taking that approach.		

	The Committee <b>AGREED</b> the audit plan for 21/22 as summarised above and set out in the detailed plan document presented to the Committee by WB.		
<b>Action</b>	It was agreed to await the outcome of the planned cyber security audit before deciding an approach for the following year, i.e. 2022/23.	<b>WB</b>	
	<b>(vii) Income Collection and Credit Control - Scope and Approach</b>		
7.17	The detailed scope for this audit was presented to the Committee. In response to a question from Dawn, Shelly advised that the college made limited use of third-party agencies for debt collection. Graeme indicated that WB will look at whether appropriate use has been made of such agencies. Other elements covered by the review included invoice creation and whether invoices are being issued promptly. Shelly advised that this will also be covered in the SITS review, because most invoices are generated by SITS.		
7.18	Jessie thanked WB for their reports and the details provided in the various areas covered.		
<b>Action</b>	WB to ensure in the audit of SITS that invoice creation and issue is covered in the audit, to align with the Audit of Income Collection and Credit Control.	<b>WB</b>	February 2022 Audit Committee meeting
<b>A.21.05.08</b>	<b>Review of Audit Register</b>		
8.1	Shelly indicated that the three outstanding audit recommendations relating to Budgetary and Financial Reporting have now all been closed off by WB, but the audit register needs to be updated accordingly. A further 5 recommendations are due to be closed between the Committee meeting and 31 March 2022. The eight recommendations from the complaints handling review will be added to the register. Additionally, a further 5 recommendations are overdue; a revised date of 31 July 2022 was proposed and agreed by the Committee for the two outstanding Learning and Teaching recommendations.		
8.2	Regarding the three outstanding recommendations from the Board Effectiveness Review (BER), Shelly thought that most had been met, but the issue was to evidence this, and agree a suitable revised date for closing them.		
<b>ACTION</b>	Shelly to contact the former Clerk to the Board to check the position regarding the BER recommendations and come back to the Committee with a sensible date for closing these off.	Shelly/Elaine	ASAP
<b>A.21.05.09</b>	<b>External Audit for 2021</b>		
	<b>(i) Status update and matter arising</b>		
9.1	Grace reported that EY's work on the external audit for 20/21 was underway and that Shelly would receive some pension requests today. Data requests have recently been received from the College for analysis. The External Audit Report will be presented in February at the joint meeting of the Committee and the F&GP, in advance of the Board and SFC.		
9.2	Grace indicated that discussions had taken place with Audit Scotland (AS) following the last Audit Committee meeting.		

	Moray College is not alone in the February completion of the external audit, and AS were understood to be relaxed about that.		
9.3	Jessie asked about how confident are we that the SFC are aware of the position; Grenville noted that the assurances we have are indirect and proposed that EY ask for assurance in writing from AS that the delay is acceptable. Dawn noted that we will be in a similar position next year, albeit one month earlier at the end of January, and agreed that we need documentary evidence to protect the College. Regarding the response to EY's letter to Those Charged with Governance, Jessie indicated this was to be discussed under Reserved Matters and should be with EY in early December.		
<b>ACTION</b>	Grace to contact Audit Scotland to ask their written confirmation of the timetable for the completion of the College's external audit by the end of February 2021.	Grace Scanlin	November 2021
<b>A.21.05.10</b>	<b>College Policies</b>		
	<b>(i) Status of plan for review of College Policies</b>		
10.1	Regarding status against plan, Derek explained that he was slightly behind with the Learning and Teaching Committee policies that are due for review, due to the current volume of activities. He was planning to arrange some days off campus to work on these to take to the SLT, prior to presentation to the Committee. Jessie urged that it would be helpful if we can recover the position set out in the plan in the next round of committee meetings.		
<b>Action</b>	In response to a query from Dawn, Derek agreed to send her a copy of the UHI ICT Acceptable Use Policy, part of the overarching framework that applied to the whole of the university.	Derek	ASAP
	<b>(ii) Confirmation of College Institutional Returns for 2020/21</b>		
10.2	Shelly confirmed that all the College's SFC institutional returns were submitted on time to the SFC.		
<b>A.21.05.11</b>	<b>Emerging Issues</b>		
	<b>(i) Feedback from Joint AP Audit Chairs &amp; UHI Committee Meeting held on 10 November 2021</b>		
11.1	Jessie pointed the committee to the (already circulated) paper produced by the UHI Internal Auditor (IA) summarising the relevant carbon management and sustainability legal references and responsibilities that apply to the sector. Derek confirmed that he had received the paper which provided a useful summary. The Non-Domestic Energy Efficiency Framework would allow the College to undertake a complete audit and identify priorities that would help the Committee going forward.		
11.2	During discussion, the point was made that further work would be needed on clarifying what is for the College to address and what for UHI.		

<b>Action</b>	It was agreed that the Good Practice Guide produced by the National Audit Office to help Audit Committees to support and challenge senior management in their approach to managing climate change risks be considered at the October 2022 Committee meeting, this to be noted in the revised Board Plan for that meeting.	Elaine	ASAP and October 2022 meeting
	<b>(ii) Action from Board Development Day – Risk Work Package for New Strategic Plan 2021-2025</b>		
11.2	Jessie indicated that once initial work had been done on the new Strategic Plan (SP), which had been agreed at the Board Development Day on 27 October, it would be appropriate to progress an associated risk work package, on which assistance from other members would be most appreciated. It was confirmed that the development of the new SP was on the agenda for the next SLT meeting and also for the December meeting of the Board.		
<b>Action</b>	Elaine to re-circulate to all, the note of the discussion held around the preparation of a new Strategic Plan and the related template she had prepared.	Elaine	ASAP
<b>Action</b>	Elaine to ensure that Grenville is included in the distribution for all Board and Audit Committee papers, including relevant policy documents.	Elaine	ASAP
<b>A.21.05.12</b>	<b>Date of next meeting</b>		
12.1	It was noted that the Committee's next meeting will be on 17 February 2022, namely the Joint Meeting with the F& GP Committee, followed by an Audit Committee meeting. The focus for the joint meeting will be the External Auditor's Report and the College's Annual Report. There would be a closed session with the external auditors beforehand.		
	<b><i>The meeting closed at 15:30.</i></b>		