University of the
Highlands and Islands
Moray College

Meeting of Audit Committee
On Tuesday 18 May 2021
At 1330 by Teams
A G E N D A

Number	Item	Presented By	Action Required: Decision, Discussion, For Noting
A.21.03.01	(i) Resignations	Clerk	Noting
	(ii) Appointments		
A.21.03.02	Apologies for Absence	Clerk	Noting
A.21.03.03	Any Additional Declarations of Interest including specific items on this Agenda	Convenor	Noting
A.21.03.04	Draft Minutes of Joint Audit and Finance & General Purposes Committee meeting held on 11 February 2021 *	Convenor	Decision
A.21.03.05	Draft Minutes of Audit Committee meeting held on 16 February 2021 *	Convener	Decision
A.21.03.06	Draft Matters Arising of Audit Committee meetings held on 11 and 16 February 2021	Convener	Noting
A.21.03.07	Review of Risk Register	Shelly	Noting/Discussion
	(i) Current Risk Register and Mitigating Actions		
	(ii) Follow up on climate change and achieving carbon neutrality		
A.21.03.08	Internal Audit Reports	Shelly/Wylie Bisset	Noting/Discussion
	(i) Board Effectiveness Review		
	(ii) Budgetary Controls		
	(iii) Update on plan for 2020/21		

A.21.03.09	Review of Audit Register	Shelly	Noting
A.21.03.10	External Audit: Scope and Plan for Annual Audit for AY 2020/21	EY	Noting
A.22.03.11	OSCR Return: Status of College's 2021 Annual OSCR Return	Shelly	Noting
A.21.03.12	National Fraud Initiative	Shelly	Noting
	(i) College Return for 2021		
	(ii) Review of Committee Input		
A.21.03.13	Cyber Security	Derek	Noting
	(i) Framework for ongoing assurance to the committee		
A.21.03.14	College Policies		
	(i) Status of all College Policies, Plan for Review	Derek	Noting
	(ii) Approval of amended Fraud Policy	Shelly	Discussion/Decision
A.21.03.15	Emerging Issues	Convener	Noting
	(i) Feedback from UHI Audit Committee Chairs Meeting		
	(ii) Status of Committee Evaluation		
	(iii) UHI-wide considerations impacting Audit Committee work		
RESERVED ITEMS			
A.21.03.16	Draft Reserved Minutes of Joint Audit and Finance & General Purposes Committee meeting held on 11 February 2021 *	Convenor	Decision
A.21.03.17	Draft Reserved Minutes of Audit Committee meeting held on 16 February 2021	Convener	Decision
A.21.03.18	Draft Reserved Matters arising from Audit Committee meetings held on 11 and 16 February 2021 *	Convener	Noting
A.21.03.19	Update on Cyber Incident	Derek	Noting
A.21.03.20	Date of Next Meeting – 7 October 2021	Clerk	Noting

Agenda Item:

BOARD OF MANAGEMENT

Joint Meeting of Audit Committee & Finance and General Purposes Committee
Draft Minutes of Meeting
held on
Thursday 11 February 2021
at 1330 by Teams

Present: J McLeman   Convener
                 D Newton
                 D McKinstrey
                 G Johnston
                 K Gee (HISA)
                 M Easton
                 P Graham
                 D Patterson
                 R McCormack
                 H Morris (HISA)

In attendance:
                 S McInnes
                 G Scanlin   EY – External Auditors
                 G Gillespie   Wylie & Bisset LLP – Internal Auditors
                 D Duncan
                 C Fair   Clerk

		ACTION	**DATE**
A.21.01.01	**Resignations and Appointments**		
1.1	There were no resignations nor appointments.		
A.21.01.02	**Apologies for Absence**		
2.1	Apologies were received from: Steven Reid - EY El Melton		
A.21.01.03	**Any additional Declarations of Interest including specific items on Agenda**		
3.1	There were no additional declarations of Interest		
RESERVED ITEMS			
A 21.01.04	**Draft External Audit Report EY**		
4.1	This item is reserved and the minute held in confidence.		
A.21.01.05	**Draft Annual Financial Statements 2019-20 ***		
5.1	This item is reserved and the minute held in confidence.		
A.21.01.06	**Draft Annual Report from the Audit Committee to the Board**		
6.1	This item is reserved and the minute held on confidence.		

		ACTION	DATE
A.21.01.07	**Statement of Compliance with Code of Good Governance Checklist**		
7.1	This item is reserved and the minute held in confidence.		
A.21.01.08	**Date of Next Meeting of Audit Committee 16-02-2021**		

BOARD OF MANAGEMENT
Audit Committee
Draft Minutes of Meeting
Held on
Tuesday 16th February 2021
At 13.30 by Teams

Present :   J McLeman   Convenor
                D Newton
                D McKinstrey
                G Johnston
                K Gee

In attendance: S McInnes
                G Scanlin   Ernst & Young – External Auditors
                S McCready   Wylie & Bisset LLP – Internal Auditors
                D Duncan
                E Kingham   Clerk

		ACTION	DATE
A.21.02.01	**Resignations and Appointments**		
1.1	There were no resignations or appointments		
A.21.02.02	**Apologies for Absence**		
2.1	Stephen Reid – Ernst & Young Cathie Fair		
A.21.02.03	**Any Additional Declarations of Interest including specific items on this Agenda**		
3.1	There were no additional declarations of interest		
A.21.02.04	**Draft Minutes of Audit Committee meeting held on 24 November 2020**		
4.1	The minutes were accepted as a true and accurate record and approved by the Committee: Proposed: D McKinstrey Seconded: G Johnston		
A.21.02.05	**Draft Matters Arising/Action Sheet from Audit Committee meeting held on 24 November 2020**		
5.1	The Committee reviewed the status of the actions arising, the majority of which have been completed and closed or were on the agenda for discussion. The following actions remain open:		
5.2	6.2.1 - To suggest a Risk Workshop take place prior to June or Sept [2020] Board meeting – remains open. Jessie to speak to Peter. Following discussion, it was felt not to be appropriate to hold a Risk Workshop by Teams but to plan for one in Spring, or as can be arranged.	J McLeman	Remains open
5.3	11.1.2 status of review of college policies; In the meantime, to circulate the paper to all Convenors	C Fair	Immediate -
A.21.02.08	**Risk**		
8.1.1	**(i) Review of Risk Register** In her presentation, Ms McInnes noted that the risk levels of three risks had been amended, and the residual risk rating of all three was increased,		

	namely Ineffective curriculum planning; Graduate, Modern and Foundation Apprenticeships not achieving target; and Technology not fit for purpose. The Committee noted that overall, the updated risk register showed high levels of risk with all risk areas either red or amber apart from three. The Committee questioned some of the mitigating actions in place. The impact of Brexit was still considered a high risk because of ongoing uncertainty and also and having to unpick the impact on the College for example of Erasmus.		
8.1.2	Mr Johnston commented that he did not think the situation was as bad as portrayed in the report; for example, the Principal had done a lot to enhance The College's reputation. He also commented that as the College estate was not fit for purpose, the re-evaluated needs to include the impact of changing work patterns caused by COVID.		
8.2	**(ii) Overview of obligations and risks relating to carbon neutrality.** Mr Duncan presented a paper setting out the legal and policy obligations applying and initial commentary on the key risks to the college achieving Scottish Government's targets by 2045.		
8.2.1	D Duncan commented that the college has a number of particular risks due to its reliance on fossil fuels and the condition of the estate which includes two listed buildings. There is also a lack of internal expertise. In the discussion there was consensus that further work needs to be done to develop an approach and a plan, and then follow-up and monitoring. It was noted that this is a very specialist area and input will be needed to help deliver on future plans. While the Audit Committee has an interest from a compliance perspective, there should be Board visibility given the scope of the issues involved, the impact on estates and financial planning and also from a governance perspective, including involvement of appropriate committees, e.g. F&GP for Estates matters. The matter can be highlighted in the Board discussion of the Audit Committee's report.		
8.2.2	It was also commented that the College should look at carbon offset as well as reduction, and the importance of having expert advice as the issues are complex. The Committee agreed this matter needs further work, the risks areas set out in the paper, which includes financial impacts, are a starting point for the SLT in the development of an approach and a plan.		

ACTION	Re addressing carbon neutrality, D Duncan to follow up on the areas set out in the paper with a view to developing an approach and a plan, and to update the Committee on the status at its meeting in October 2021.	D Duncan	October 2021 Audit Committee
8.3	(iii) **ICT Security update for Boards and Senior Managers**; **and** (Iv) **UHI Information and Cyber Security (ICS) Risk and Maturity Report** Mr Duncan presented papers on each of the above areas		
8.3.1	Mr Duncan commented that some colleges have been subject to ransomware attacks. UHI is being proactive to seeking to mitigate risks and the briefing paper for Board members and senior staff provides an overview and includes recommendations on the approach to be taken by Boards and senior management.		
8.3.2	Given the importance of this subject, it was suggested that this issue be taken to the Board meeting in March. The Committee noted that the paper included discussion of the use of personal devices, a matter which the Board has discussed before but which merited further discussion in view of current risks.		
ACTION	**Re ICT Security Briefing for Board Members, D Duncan to brief Board of Management at its March meeting.**	**D Duncan**	**Board meeting March 2021**
8.3.3	Regarding the UHI wide risks, the Committee questioned how the risk status is updated. A register is kept and constantly updated when internal and external actions are taken. UHI colleges use the same systems and technology and so are able to pool resources and expertise to enable a stronger response to this threat.		
8.3.4	The Committee noted the work undertaken to mitigate ICS risks as set out in the UHI Risk and Maturity report. However, it raises questions relating to assurance and monitoring as affects the Board of the College. It would be appropriate to raise the matter at the Board discussion.		
Action	**Re ICS risks, Convenor to raise at the March Board meeting approach to assurances the Board should be seeking on this matter.**	**J McLeman**	**Board meeting March 2021**
A.21.02.09	**Internal Audit**		
9.1.1	(i) Confirmation of scope of Learning and Teaching Audit. A proposed scope for the above audit was presented by Scott McCready from Wylie Bisset.		
9.1.2	There was a question as to whether students would be involved in the audit. Mr McCready advised that before the detail can be agreed, a discussion would need to take place with both staff and students to understand how that might fit in with the audit.		

9.1.3	The Committee agreed the scope of the Learning and Teaching audit as presented.		
9.2	(ii) Status of audits in progress		
9.2.1	Budgetary and Planning Control Audit; a draft report to be ready for management by 1st March 2021, and a final report will be presented to the Committee at its meeting on 18th May 2021.		
9.2.2	Estates Management Audit: the draft scope was presented to management. However, it was felt to be too focused on Health & Safety aspects, and further work was needed. If it's not possible, the audit may need to be changed for another area, following a review of page 52 of the Audit Needs Report.		
ACTION	**S McCready to provide the Committee with the proposed scope for the Estates Management Audit, or, failing that, with an alternative scope in line with above.**	**S McCready**	**May 2021 Audit Committee**
9.2.3	Board Effectiveness Review: This audit is in hand and on target – next step the March Board meeting.		
A.21.02.10	**External Audit**		
10.1	(i) Any matters arising from External Audit, Governance letter and report to the Board. Re the External Audit, Mrs Scanlin advised that follow up actions arising from the recent joint Committee meeting are still in hand, and their report will be finalised as soon as possible. In its report, the Committee noted that relevant sections of the risk register will be shared on an on-going basis with the appropriate Committees (other than the F&GP who already see the Risk Register), following Board discussion.		
ACTION	**The Committee asked that relevant risks be shared with other appropriate Committees on an on-going basis.**	**C Fair**	**ASAP as required.**
A.21.02.11	**College Policies**		
11.1.1	(i) Overview of status of all College policies, plan for review of all policies		
11.1.2	D Duncan stated that policy schedules are being updated onto Sharepoint which will give better visibility, control and reporting. There is some backlog with HR due to current working. By the next meeting there will be a report on the status of all policies, and the plan to review them.		
11.1.3	The Committee asked if it was possible for the Governance Committee to review 8 policies in 1 sitting. D Duncan responded that this was not possible as there is too much to look at. Also, no dates are associated with any of the F&GP policies. A realistic plan needs to be proposed. As it stands, the Committee is not able to assess how much of a		

	backlog has built up, and it wishes to avoid the previous situation.		
Action	**Derek Duncan to provide a report giving an overview of the status of all College policies, and a review plan to deal with the backlog.**	**D Duncan**	**May 2021 Audit Committee**
11.2	(ii) Review of Fraud Policy and Response Plan		
11.2.1	S McInnes updated the Fraud Policy to include the College's participation in the National Fraud Initiative.		
11.2.2	The Committee asked if there was a requirement for mandatory fraud and bribery training for staff. Although the policy contains no requirement for such training, the area is covered in a mandatory training module as part of induction training. There was a question as to how this process aligns with the Whistle-blower Policy – unclear from the documentation. Ms McInnes to review the Fraud Policy in light of the questions and to re-circulate to Committee Members for approval by correspondence.		
11.2.3	The National Fraud Initiative contains a recommendation for the Audit Committee to complete a checklist. This will come to the next meeting as part of the NFI agenda item.		
ACTION	**Ms McInnes to review and update the Fraud Policy and Response Plan in light of the comments received, and to circulate to members for approval by correspondence.**	**S McInnes**	**ASAP**
A.21.02.12	**GDPR Update** Presented by D Duncan		
12.1	The Committee noted that while continuing vigilance is required, the reports had stabilised over some period now. D Duncan commented that there has been an attitude change throughout the College with the experience of GDPR implementation, but continuous training is still required. Working from home has not seen a notable increase in potential breaches. The Committee commented on the importance of a 'just culture' and that appears to be the case from the reports.		
ACTION	**D Duncan to update the Committee annually in October in relation to GDPR, unless there are any exceptions or serious incidents which should be reported immediately. The Committee could also review cyber security matters as part of the same report, approach to be confirmed following Board discussion.**	**D Duncan**	**October 2021 Audit Committee**
A.21.02.13	**Monitoring and responding to requests for institutional information** Presented by S McInnes		
13.1	The Committee had asked how the College ensures that it responds in a timely way to such		

	requests. Ms McInnes prepared a paper in response, setting out the arrangements in place at the College. Ms McInnes was thanked for the paper and the very helpful overview.		
A.21.02.14	**Audit Committee Terms of Reference** Presented by Convenor		
14.1	An amendment was proposed to address a recommendation from the SFC that internal management and governance arrangements ensure the robustness of the efficiency information by including a review of the underlying processes within the scope of the Audit Committee's remit. The proposed amendment is to para 1.2.8 of the TORs as set out in the accompanying paper. The Committee had separately received a copy of the Committee of University Chairs (CUC) Code of Practice for Higher Education Audit Committees, along with model terms of reference. The Committee agreed to recommend to the Board the proposed change to para 1.2.8 of the TORs following the SFC recommendation; and at its next periodic review of TORs, to include review of the material from the CUC.		
ACTION	**Amendment to the Terms of Reference to be proposed to the next meeting of the Board.**	**C Fair** **J McLeman**	**March Board meeting**
A.21.02.15	**Emerging Issues**		
15.1	(i) Committee Workplan There were no specific matters discussed As Mrs Fair was unable to attend the meeting.		
15.2	(ii) Update on status of Financial Services Alignment discussion. S McInnes updated the Committee that the plan to achieve £20m of savings has now taken priority, and there is a pause on the discussions to align financial services.		
15.3	(iii) Next UHI Audit Committee Chair's meeting		
ACTION	**J McLeman to raise at the next UHI Audit Committee Chair's meeting the issues of carbon reduction targets and cyber security**	**J McLeman**	**May 2021**
15.4	(iv) Any other matters. There were no other matters arising		
A.21.02.16	**Date of next meeting 18-5-2021**		
RESERVED ITEMS			
A.21.02.17	**Draft Reserved Minutes from Audit Committee held on 24 November 2020**		
17.1	This item is Reserved and the Minute held on Confidence.		
17.2	This item is Reserved and the Minute held in Confidence.		

Matters Arising from Audit Committee 16 February 2021

		ACTION	DATE	Update
A.21.02.05	**Matters Arising/Action Sheet from Audit Committee meeting held on 24 November 2020**			
5.1	6.2.1 - To suggest a Risk Workshop take place prior to June or Sept [2020] Board meeting – remains open. Jessie to speak to Peter. Following discussion, it was felt not to be appropriate to hold a Risk Workshop by Teams but to plan for one in Spring, or as can be arranged.	J McLeman	Remains open	
5.2	11.1.2 status of review of college policies; In the meantime, to circulate the paper to all Convenors	C Fair	Immediate	
A.21.02.08	**Risk**			
	(ii) **Overview of obligations and risks relating to carbon neutrality.**			
8.2.2	Re addressing carbon neutrality, D Duncan to follow up on the areas set out in the paper with a view to developing an approach and a plan, and to update the Committee on the status at its meeting in October 2021.	D Duncan	October 2021 Audit Committee	
	(iii) **ICT Security update for Boards and Senior Managers**			
8.3.2	Re ICT Security Briefing for Board Members, D Duncan to brief Board of Management at its March meeting.	D Duncan	Board meeting March 2021	
8.3.4	Re ICS risks, Convenor to raise at the March Board meeting approach to assurances the Board should be seeking on this matter.	J McLeman	Board meeting March 2021	
A.21.02.09	**Internal Audit**			
	(ii) **Status of audits in progress**			
9.2.2	S McCready to provide the Committee with the proposed scope for the Estates Management Audit, or, failing that, with an alternative scope in line with above.	S McCready	May 2021 Audit Committee	
A.21.02.10	**External Audit**			
10.1	The Committee asked that relevant risks be shared with other appropriate Committees on an on-going basis.	C Fair	ASAP as required	
A.21.02.11	**College Policies**			
	(i) **Overview of status of all College policies, plan for review of all policies**			
11.1.2	Derek Duncan to provide a report giving an overview of the status of all College policies, and a review plan to deal with the backlog.	D Duncan	May 2021 Audit Committee	
	(ii) **Review of Fraud Policy and Response Plan**			
11.2.2	Ms McInnes to review and update the Fraud Policy and Response Plan in light of the comments received, and to circulate to members for approval by correspondence.	S McInnes	ASAP	

A.21.02.12	GDPR Update			
12.1	D Duncan to update the Committee annually in October in relation to GDPR, unless there are any exceptions or serious incidents which should be reported immediately. The Committee could also review cyber security matters as part of the same report, approach to be confirmed following Board discussion.	D Duncan		
A.21.02.14	Audit Committee Terms of Reference			
14.1	Amendment to the Terms of Reference to be proposed to the next meeting of the Board.	C Fair J McLeman	March Board meeting	
A.21.02.15	Emerging Issues			
15.3	(iii) Next UHI Audit Committee Chair's meeting			
	J McLeman to raise at the next UHI Audit Committee Chair's meeting the issues of carbon reduction targets and cyber security	J McLeman	May 2021	

Moray College UHI

Internal Audit 2020-21

Budgetary & Financial Reporting
February 2021

Overall Conclusion
Strong

The matters raised in this report came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Moray College UHI's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are of greatest risk and significance.

Overview

Purpose of review

The purpose of this review was to ensure that the College has appropriate budgetary and financial reporting arrangements in place and that these arrangements were embedded throughout the whole College. We also reviewed the steps taken by the College to assess and forecast for the impact of COVID-19 on the College. We also benchmarked the arrangements in place at the College with our other college clients.

This assignment forms part of our 2020/21 Annual Internal Audit Plan.

Scope of review

Our objectives for this review were to ensure:

➢ The College has a set of comprehensive Financial Regulations to ensure that financial matters are managed professionally.

➢ There is appropriate control of the budgetary process within the College, with an appropriate member of management having ultimate responsibility for the process.

➢ The budget setting process is effectively linked to the operational planning process.

➢ Budget Holders are adequately trained and receive information regarding their budgets in a timely manner.

➢ Deviations from budget are identified and investigated at an early stage.

➢ The Board/Senior Management receive sufficient reporting of performance against budget and against plans throughout the year to enable informed decision making.

➢ Budgetary processes are in line with good practice observed across our education client base.

➢ Any changes made to the budgeting process and arrangements as a result of COVID-19 are appropriate and are operating effectively. This should include the re-forecasting of budgets for the current year as a result of COVID-19.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background Information

Financial Regulations & Procedures

The College has Financial Regulations and Financial Procedures in place. The Financial Regulations consider the Financial Memorandum between the University of the Highland and Islands, the Regional Strategic Body and the College. The document comprises of 2 sections – Governance and Controls. As per the Financial Regulations, the Board of Management is responsible for the overall administration and management of the College. The Director of Finance is responsible for all reporting by the Finance Department.

The Financial Procedures provide an up to date financial and operational infrastructure. The Financial Procedures should be used in conjunction with the College's Financial Regulations. As per the Financial Procedures, the Director of Finance shall advise the Principal, the Board of Management and relevant Committees on all financial matters.

Designated Individual

The Finance Department oversees the financial affairs of the College. The Department consists of the following:

- ➢ The Director of Finance,
- ➢ The Financial Accountant,
- ➢ The Payroll Officer, and
- ➢ Assistant Finance Officers x 5

The initial draft of the budget is prepared by the Financial Accountant annually in March/April. During this period, the Director of Finance will meet with the various Budget Holders and discuss their budgets with them. The figures are based on the prior year's figures and consider any large areas of spend or income the Budget Holder is expecting, and this is discussed in greater detail. Once the discussions between the Director of Finance and the Budget Holders are complete, the Financial Accountant will then draft the final budget for the College. The draft budget is reviewed and amended as required by the Director of Finance and then presented to the Finance & General Purposes Committee for review and approval. The Finance & General Purposes Committee approved the draft budget for 2020/21 in June 2020, however, this was then subsequently revised and updated based on the discussions at the meeting and then approved at the September 2020 meeting. The budget was reforecast in light of COVID-19 and funding uncertainty.

Management Accounts

Management accounts are presented to the Finance & General Purposes Committee every quarter. They are also issued to the College's Budget Holders along with budget accounts for the various cost centres they are responsible for.

Budget Holders have live read only access to the finance system to monitor their budgets and they meet with the Finance Department on a regular basis to discuss the performance of their budget. This allows the Budget Holders to go through their budget line by line and for any concerns or queries to be answered.

The management accounts are split into the following sections:
➢ Revised Financial Forecast Return (FFR) – this being the approved budget;
➢ Latest position – this being the year-to-date figures;
➢ Latest position – this being the estimated budget for the remainder of the year, these figures are reforecast each quarter to ensure they are accurate and based on the latest and known assumptions;
➢ Anticipated Out-turn at year end – this being the expected figures at the end of the year; and
➢ Variance: Anticipated Out-turn v Revised FFR (budget) – this being the difference between the budgeted and forecasted year-end figures.

Quarter 1 2020 - Management Accounts & Financial Year 2020/21

	Approved Budget, (2020/21)	Latest Position		Anticipated Out-Turn	Variance
		Actuals (Aug-Oct 2020/21)	Estimated reforecast figures (Nov-July 2020/21)	YE 31 July 2021	(Anticipated Out-Turn v Revised Budget)
	£'000	£'000	£'000	£'000	£'000
Income					
FE Recurrent Funding	£5,387	£1,356	£4,031	£5,387	
HE Recurrent Funding	£2,375	£598	£1,777	£2,375	
Other Recurrent Funding	£5		£5	£5	
Maintenance Funding	£250	£37	£213	£250	
Commercial Income	£330	£45	£200	£245	-£85
Other Education Activity/Income	£462	£108	£354	£462	
Tuition Fees (HE & FE)	£1,513	£364	£1,149	£1,513	
Other Income (excl release of DCG)	£1,137	£269	£868	£1,137	

Release of DCG	**£379**	**£101**	**£294**	**£395**	£16
Scot Teachers Superannuation Funding	**£306**	**£77**	**£229**	**£306**	
National Bargaining Funding	**£968**	**£242**	**£726**	**£968**	
Furlough Income	**£200**	**£80**	**£120**	**£200**	
Total	**£13,312**	**£3,277**	**£9,966**	**£13,243**	**-£69**

Expenditure	**-£14,031**	**-£3,276**	**-£10,755**	**-£14,031**	

Total Surplus/(Deficit)	-£719	£1	-£789	-£788	-£69

Depreciation	£877	£222	£655	£877	
Repayment of Loan	-£97	-£24	-£73	-£97	
Deferred Capital Grant	-£379	-£101	-£294	-£395	-£16

Underlying Deficit	**-£318**	**£98**	**-£501**	**-£403**	**-£85**

The management accounts for quarter 1 2020/21 show that the College has £1,000 surplus (before depreciation, repayment of loans and deferred capital grants) for the quarter while the forecast year end deficit is £788,000 against a budgeted deficit of £719,000. The College are projecting a year end underlying deficit of £403,000 against a budgeted deficit of £318,000. The reason for the expected increase in the deficit relates to the expected decrease in FWDF income while the College's Finance Department are undertaking further reviews to identify additional efficiencies within their operating costs that could help reduce the forecast deficit.

Reforecast
As part of the annual budgeting process, the College reforecast the expected out turn figures on a quarterly basis and these are reported within the management accounts.

Cash Flow

The management accounts contain a separate section that explains the College's cash flow. The Director of Finance and the Financial Accountant monitor cash flow daily.

The College closed the quarter with a positive cash balance of £467,000, (this excludes student support funds).

COVID-19

The College has considered the financial impact the COVID-19 pandemic has had on its income and the effect it has had on its performance. In its response to the Scottish Funding Council call for information, the Director of Finance explained that the pandemic was one of three drivers which had resulted in the College producing a deficit in 2019/20 and an expected deficit for 2020/21.

Commercial income was largely impacted by the pandemic. The College predicts it will take three full years to return to the pre-pandemic levels.

Work Undertaken

As part of our review, the following work was undertaken:

➤ A discussion with the Director of Finance, the Financial Accountant and Budget Holders to establish the budget setting and monitoring arrangements and their involvement in this process.
   ➤ We spoke with 3 out of 13 Budget Holders to gain their prospective on the budget setting process.

➤ An evaluation of the budgetary arrangements in place to confirm their adequacy and whether they comply with current guidance and good practice.

➤ A review of documentation to confirm that policies and procedures are in place and comply with good practice.

➤ An appraisal of the adequacy of information provided to Senior/Executive Management and the Board for decision making.

➤ A consideration of the re-forecasting arrangements at the College, as a result of the COVID-19 Pandemic.

➢ Evaluating the budgetary arrangements in place to confirm their adequacy and whether they comply with current guidance and good practice.

Conclusion

Overall conclusion

Overall Conclusion: Strong
We can provide a strong level of assurance that the College has appropriate budgetary and financial controls in place and that these have been embedded throughout the whole of the College. As a result of that, we have raised a number of good practice points. However, we have raised 3 low grade recommendations for improvement. Please see section 3 for further information. We have also raised 1 observation, please see section 4 for further information.

Summary of recommendations

Grading of recommendations				
	High	**Medium**	**Low**	**Total**
Budgetary & Financial Reporting	0	0	3	3

As can be seen from the above table there were no recommendations made which we have given a grading of high or medium.

Areas of good practice

	The following is a list of areas where the College is operating effectively and following good practice.
1.	Management accounts are prepared by the Finance Department quarterly and reported to the Finance & General Purposes Committee.
2.	Cash flow is appropriately monitored within the College by the Director of Finance. The Finance & General Purposes Committee is updated on the College's cash flow position on a quarterly basis.
3.	The College's budget is prepared in line with the operational plans. Budgeted income is based on funding for further and higher education. Other income streams for the College include, but are not limited to, commercial income via the Flexible Workforce Development Fund, leisure course income and the Oil and Gas Assessment centre income.
4.	In line with the Scottish Funding Council's request, the College completed a Financial Forecast Return. This medium-term forecast covered the period 2019/20 - 2023/24.
5.	Budget Holders have access to live information on the finance system regarding their budgets and also meet with the Finance Department on a regular basis to discuss and review reports.

The following is a list of areas where the College is operating effectively and following good practice.

6.	We spoke with 3 of the 13 Budget Holders; they explained the following: ➢ They were fully aware of the budgeting process, ➢ They were happy with the support provided by the Finance Department, ➢ The information received was helpful and easy to understand, ➢ In the event they had any concerns/queries, they could contact the Director of Finance and /or the Financial Accountant for support, and ➢ They were happy with the overall process.
7.	The College has evidenced performance against budget is monitored effectively and on a regular basis. The Senior Leadership Team meet monthly where they discuss various issues such as the budget v actual spend, estimated outturn for the year, cashflow, mitigating actions, new funding opportunities and cost-saving opportunities.
8.	The Finance Department oversee the financial affairs of the College. The Director of Finance will meet with the various Budget Holders to discuss areas of income and spend. The Financial Accountant will then prepare the initial draft version of the budget. Upon conclusion of these meetings, the Financial Accountant will then prepare the final version of the budget. The final version is reviewed by the Director of Finance prior to being presented to the Finance & General Purposes Committee for approval.
9.	The College has fully considered the impact of COVID-19 during the budgetary process and the effect it would have on it. Financial effects of the pandemic were highlighted to the Finance & General Purposes Committee and to the Scottish Funding Council via the Financial Forecast Return. We note that the College reforecast their expected year end income/expenditure/cash quarterly.

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Budgetary & Financial Reporting

Benchmarking				
	High	**Medium**	**Low**	**Total**
Average number of recommendations in similar audits	0	1	1	2
Number of recommendations at Moray College UHI	0	0	3	3

From the table above it can be seen that the College has a higher number of recommendations compared to those colleges it has been benchmarked against.

Financial Regulations & Financial Procedure			
Ref.	Finding and Risk	Grade	Recommendation
1.	Old policies and procedures may fail to comply with new legislation and regulations and/or may not address new systems or technology, which can result in inconsistent practices. Regularly reviewing such documents keeps the College up to date with regulations, technology and industry best practices. During our review, we found that the Financial Regulations and Financial Procedures contained track changes. The Director of Finance confirmed both documents were in the process of being reviewed and updated. Upon completion of the review, they would be presented to the Audit Committee for approval. There is the risk that the College are following updated Financial Regulations that have yet to be approved.	**Low**	We recommend the College updates both documents and obtains approval from the relevant Committee prior to circulating internally.

Management response	Responsibility and implementation date
Agree. In progress prior to Cyber incident.	*Responsible Officer:* Director of Finance *Implementation Date:* 31 Aug 2021

Budget Setting Procedure			
Ref.	Finding and Risk	Grade	Recommendation
2.	A procedure document contains clear and concise instructions on how to abide by a policy. It should detail the sequence of activities that are required to complete the task. Procedure documents also include "how to" guidelines" to achieve the necessary results. During our review, we found that the College did not have a "Budget Setting" procedure document in place. The Director of Finance and the Financial Accountant are fully aware of the process and were able to explain the process verbally, but the process was not documented for audit and record keeping purposes. In the absence of such a document, there is the risk that the correct process may not be followed should a member of the current Finance Department leave the College.	**Low**	We recommend that the College draft and implement a procedure document dedicated to the budget setting process.

Management response	Responsibility and implementation date
Agree	*Responsible Officer:* Director of Finance *Implementation Date:* 31 Aug 2021

Formal Training - Budget Holders			
Ref.	Finding and Risk	Grade	Recommendation
3.	Well-trained employees are essential to the success of an organisation and ensure they are fully aware of their roles, responsibilities and tasks. As per the Financial Procedures, the Director of Finance has responsibility for ensuring that all budget holders are routinely and appropriately trained in budgetary control.

During our review, we spoke with 3 out of 13 Budget Holders and enquired if the College had provided formal training on their roles as Budget Holders. The Budget Holders explained they had not been provided with such training. However, the Director of Finance and the Financial Accountant are always on hand to answer any questions and run through certain processes with them etc.

The risk to the College is without formal training on budgets, the Budget Holders may not understand the layout of the budget/reports. Furthermore, the Budget Holders may over-rely on the Director of Finance and/or the Financial Accountant and not be able to identify variances etc. | **Low** | We recommend that the College provide Budget Holders with formal training to improve their knowledge and understanding of the budgeting process etc. We also recommend that refresher training is also provided in line with the College's Financial Procedures. |

Management response	Responsibility and implementation date
We are currently in the process of upgrading the accounting software. Once upgraded we will roll out updated training to all budget holders. All budget holders have received training previously and will continue to receive refresher training on a regular basis.	*Responsible Officer:* Director of Finance *Implementation Date:* 31 Aug 2021

The following is a list of observations from our review
1.	During our review, we considered the College's budgeting and financial reporting arrangements with those of our other Scottish college clients. We found the following: ➤ It is common practice for management accounts to be prepared monthly rather than quarterly; and ➤ While the format and layout of the management accounts differs between our clients. Some of our clients report the budget v actual for the year to date and report the overall year end forecast within the management accounts. We note that Moray College do not currently time apportion their budget figures once the budget has been completed. Therefore, if the College was to report the management accounts in this format, they would have to time apportion the budgets per the reporting cycle. We have highlighted the above to inform the College of practice we see at our other college clients.

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit Committee meeting.

Audit stage	Date
Fieldwork starts	18 January 2021
Closing meeting	22 January 2021
Draft report issued	10 February 2021*
Receipt of management responses	23 April 2021
Final report issued	23 April 2021
Audit Committee	18 May 2021
Number of audit days	4

*Issue of the draft report was delayed due to Wylie & Bisset seeking further clarifications with the College.

We detail below our staff who undertook the review together with the College staff we spoke with during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Manager	Scott McCready	Internal Audit Manager	scott.mccready@wyliebisset.com
Senior	Faisal Kayani	Internal Audit Senior	faisal.kayani@wyliebisset.com

Moray College UHI			
Key Contacts:	Shelly McInnes	Director of Finance	shelly.mcinnes.moray@uhi.ac.uk
	Michaela Munro	Financial Accountant	michaela.munro.moray@uhi.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

For each recommendation, we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit Committee and addressed by senior management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

Purpose of review

The purpose of the review is to ensure that the College has appropriate budgetary and financial reporting arrangements in place and that these have been embedded throughout the whole College. We will also review the steps taken by the College to assess and forecast for the impact of COVID-19 on the College. We will also benchmark the arrangements in place at the College with our other college clients.

This assignment forms part of our 2020/21 Annual Internal Audit Plan.

Scope of review

Our objectives for this review are to ensure:

➢ The College has a set of comprehensive Financial Regulations to ensure that financial matters are managed professionally.

➢ There is appropriate control of the budgetary process within the College, with an appropriate member of management having ultimate responsibility for the process.

➢ The budget setting process is effectively linked to the operational planning process.

➢ Budget Holders are adequately trained and receive information regarding their budgets in a timely manner.

➢ Deviations from budget are identified and investigated at an early stage.

➢ The Board/Senior Management receive sufficient reporting of performance against budget and against plans throughout the year to enable informed decision making.

➢ Budgetary processes are in line with good practice observed across our education client base.

➢ Any changes made to the budgeting process and arrangements as a result of COVID-19 are appropriate and are operating effectively. This should include the re-forecasting of budgets for the current year as a result of COVID-19.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

➢ Discussion with relevant management, finance staff and Budget Holders to establish the budget setting and monitoring arrangements and their involvement in this process. This shall include consideration of the consultations held with Budget Holders to establish their budget needs for the forthcoming year. We shall also ensure that if these needs are not met that there is an understanding of the consequences for the department, students, and the College.

➢ Evaluate the budget setting and monitoring arrangements in place to confirm their adequacy and whether they comply with current guidance and good practice. We shall consider the budget setting process to ensure that any assumptions made are justifiable and based on sound rationale. We shall assess whether the budgeting arrangements and procedures are flexible and can react to any unforeseen risk factors.

➢ We shall establish and evaluate the process for any in year changes and/or reforecasting of the budget to ensure that these are subject to the same controls as the setting of the original budget.

➢ Interviews with a sample of Budget Holders to establish their involvement with the budget setting, re-forecasting, and monitoring process.

➢ Review of the Financial Regulations and policies and procedures in place in relation to budgeting to confirm that these are complete, appropriately reviewed, and comply with good practice.

➢ Appraisal of the adequacy of information and financial reporting provided to Senior/Executive management and the Board/Committees for decision making. We shall also consider the timeliness and accuracy of the information presented.

➢ Discussion with management to establish what the changes were, if any, to the budget process and arrangements in light of COVID-19. We shall

assess this to ensure that any changes made were appropriate and provide the necessary controls and assurance over the budget setting and monitoring process.

➢ We shall consider any re-forecasting of the 2020/21 budgets as a result of COVID-19. We shall also assess any remedial action taken as a result of COVID-19.

Potential key risks

The potential key risks associated with the area under review are:

➢ The College may not comply with financial regulations and may not consider funding guidelines.

➢ There may be no central point of control for the budgetary process within the College.

➢ The budget setting process may not effectively link to the operational planning process.

➢ Budget Holders are inadequately trained and do not receive information regarding their budgets in a timely manner, resulting in an increased risk of bad decision making.

➢ The College does not effectively monitor deviations between budgeted and actual income.

➢ The Board/Senior Management may not be provided with sufficient reporting of performance against budget and against plans throughout the year.

➢ Budgetary processes may not be in line with good practice observed across our education client base.

➢ Any changes made to the budgeting process and arrangements as a result of COVID-19 may not be appropriate and could result in weaknesses in the budget setting and monitoring process. There is also a risk that the College may not have effectively re-forecast its current year budget as a result of COVID-19 which could result in budget overspends and financial loss.

Moray College UHI

Audit Needs Assessment

2020-21 to 2022-23

November 2020

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Background

Wylie & Bisset LLP were appointed as Internal Auditors by the Board of Management with effect from 1 August 2020 for a period of 2 years until 31 July 2022 with the option to extend for 2 further 12-month periods.

Internal Audit

In accordance with Moray College UHI ("the College") Financial Memorandum with the Scottish Funding Council("the Council") the Board of Management is required to secure the provision of an effective Internal Audit Service (IAS). The prime responsibility of the IAS is to provide the Board of Management, the Principal and other Senior Management of the College, with an objective assessment of the adequacy and effectiveness of management's internal control systems.

The IAS objectively examines, evaluates and reports on the adequacy of internal control thus contributing to the economic, efficient and effective use of resources and to the reduction of the potential risks faced by the College. Also, the operation and conduct of the IAS must comply with the guidelines set down by the Chartered Institute of Internal Auditors and Public Sector Internal Audit Standards.

Terms of Reference – Internal Audit

The provision of the IAS by Wylie & Bisset LLP is covered by the letter of engagement dated 6 November 2020.

Formal Approval

The plan will be presented to the Audit Committee of the College for approval on 24 November 2020.

2. Approach

The Audit Needs Assessment ("ANA") has been produced based on the following:

➤ Review of the College's Risk Register;

➤ Review of previous Internal Audit reports and plans;

➤ Meeting with the College's Principal

➤ Meeting with the College's Director of Finance;

➤ Meeting with the Chair of the Audit Committee;

➤ Undertaking an Assurance Mapping exercise;

➤ The identification of all areas of work by system and sub-system;

➤ The grouping of systems for audit purposes;

➤ The identification of key controls and associated risks for each system and sub-system;

➤ The determination of the internal audit resource required to meet the identified audit needs.

Below is a diagram which details our planning process:
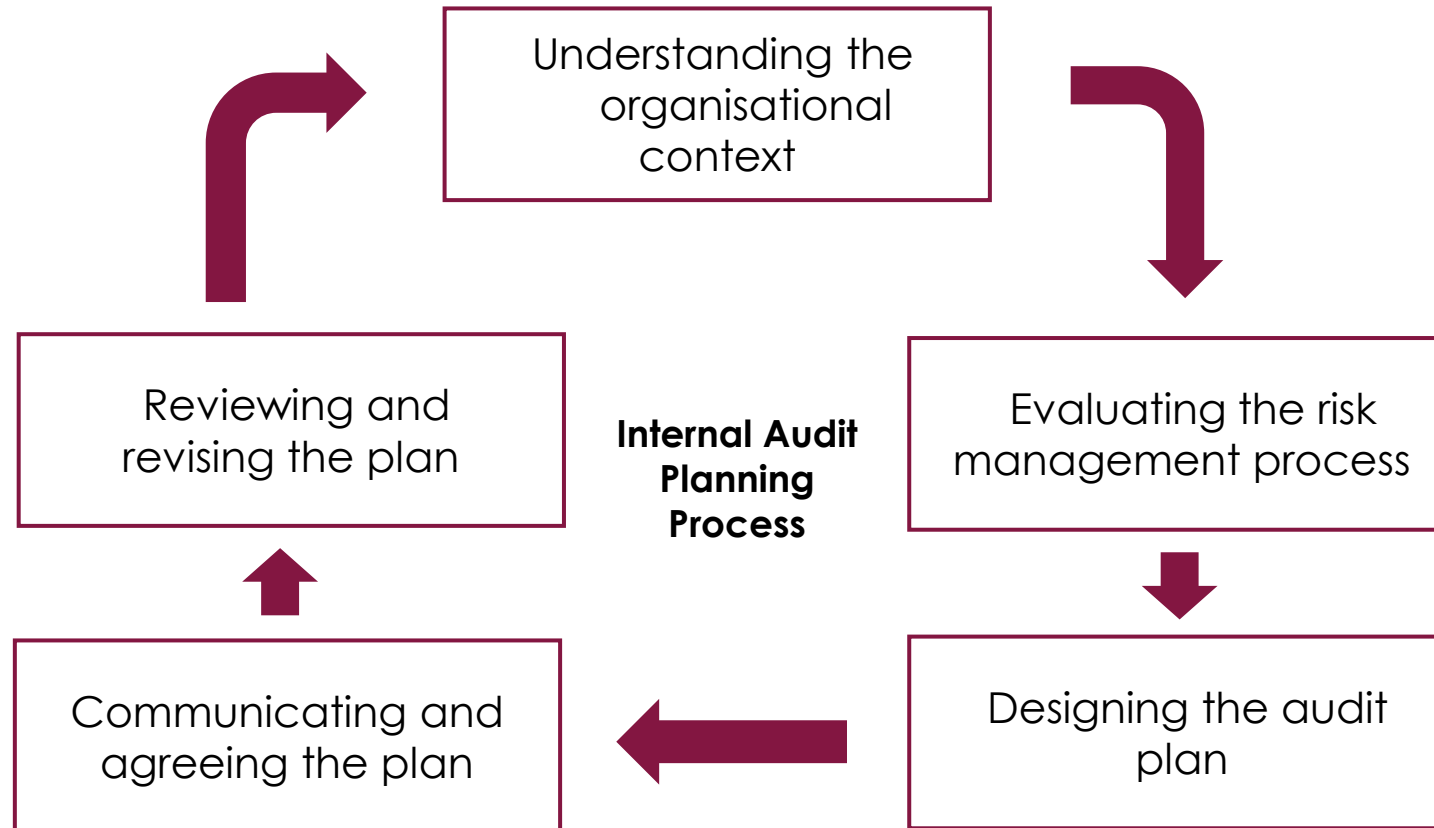
Revisiting the ANA

The ANA will be reviewed continuously throughout our appointment, and will take account of the results of audit work, the development of new systems and any other risk factors identified.

Any proposed changes to the ANA will be presented to the Audit Committee for discussion and approval.

Core Audit Team

	Name	Role	Email Address
	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
	Scott McCready	Manager	scott.mccready@wyliebisset.com
	Faisal Kayani	Audit Senior	faisal.kayani@wyliebisset.com

Audit Area	High level indicative summary scope	Total Number Of Days
Budgetary & Financial Reporting	The purpose of the review is to ensure that the College has appropriate budgetary and financial reporting arrangements in place and that these have been embedded throughout the whole College. We will also review the steps taken by the College to assess and forecast for the impact of Covid-19 on the College. We will also benchmark the arrangements in place at the College with our other college clients.	4
Board Effectiveness Review	We will undertake a Board Effectiveness Review to ensure that: ➢ The Board assesses its effectiveness and has a robust self-evaluation process in place. ➢ The effectiveness review covers the five sections of the Code of Good Governance. ➢ The Board sends its self-evaluation and board development plan to the funding body. ➢ There is sufficient input by Board members into the self-evaluation process. ➢ Any actions arising from the self-evaluation are being actioned. The deadline for submission of the review to the SFC is 30 April 2020.	7
Complaints Handling	The purpose of this assignment is to review the processes in place for the management, monitoring and reporting of complaints. We will seek to provide assurance that the process is robust and that performance against targets are being monitored. We will also look to ensure that complaints are being addressed in line with SPSO requirements. We will also review the process and management of complaints received from students through the 'red button'.	4
Leadership of Learning & Teaching by Promoted Lecturers	The purpose of this review is to evaluate to what extent promoted lecturers are able and supported to offer leadership and teaching. This specifically relates to How Good is Our College questions and aspects of the Professional Standards for Lecturers in Scotland's Colleges. We will look to establish any areas for development to promote effective learning and teaching, particularly in relation to blended learning in the current context.	7

Audit Area		High level indicative summary scope	Total Number Of Days
SSF Audit	2	Mandatory review of the Student Support Funds Returns.	2
EMA Audit		Mandatory review of the Education Maintenance Allowance Returns.	1
Credits Audit		Mandatory review of the Credits Return.	2
Follow Up Review		A review will be undertaken to follow up on prior year audit recommendations to ensure that these have been fully implemented by the College.	2

3. Operational Plan (cont'd)

Assignment Plans

A detailed assignment plan will be prepared for each audit undertaken, setting out the scope and objectives of the work, allocating resources and establishing target dates for the completion of the work. Each assignment plan will be agreed and signed off by an appropriate sponsor from the College.

Key Dates

Visit	Audit Areas	Key College Personnel	Provisional Date for Visit	Date of Issue of Draft Report	Provisional Date for Reporting to the Audit Committee
Visit	Board Effectiveness	Catherine Fair	15 December 2020	1 March 2021	23 March 2021 (Board Meeting)
Visit 1	Budgetary & Financial Reporting	Shelly McInnes	18 January 2021	29 January 2021	18 May 2021
Visit 2	Leadership of Learning & Teaching by Promoted Lecturers	Nikki Yoxall	29 March 2021	13 April 2021	18 May 2021
Visit 4	EMA Audit SSF Audit Credits Audit	Derek Duncan Derek Duncan Derek Duncan	6 September 2021	17 September 2021	November 2021
Visit 5	Complaints Handling	Caroline Thomson & Derek Duncan	19 July 2021	6 August 2021	November 2021
	Follow Up	Shelly McInnes	Quarterly	N/A	Various

4. Reporting

The reporting arrangements for internal audit have been discussed and agreed with the Audit Committee. The following reports will be produced by internal audit.

➢ An Audit Needs Assessment;

➢ A report for the internal audit assignments undertaken each year;

➢ An annual report on IAS's activities.

For each recommendation a target date for remedial action will be set taking into the account the degree of priority associated with the recommendation.

The draft report for each assignment will be discussed with the auditees and the factual accuracy agreed prior to issue of the report in its final form.

The auditees will be required to respond to the recommendations stating their proposed action and nominating the person responsible for each action point.

Appendix A – Summary of Internal Audit Input

1 August 2020 to 31 July 2023		Operating Plan (No. Of days)			Potential Audit Areas
System	**Audit Area**	**2020/21**	**2021/22**	**2022/23**	
Financial Systems	Budgetary & Financial Reporting	4			
	Income Collection & Credit Control		4		
	Purchasing & Payments			4	
	Procurement			5	
	Course Costing		4		
Staff	Leadership of Learning & Teaching by Promoted Lecturers	7			
	Staff Wellbeing & Mental Health				*
Students	Curriculum Planning		5		
	Student Retention			4	
Operational	Policy Awareness				*
	Complaints Handling	4			
	Health & Safety				*
Systems	Implementation and Use of Brightspace		5		
	SITS System			5	
	IT Systems				*
	Business Continuity Planning				*
Corporate Affairs & Governance	Board Effectiveness	7			
	Risk Management			4	
	Carried Forward	**22**	**18**	**22**	

Appendix A – Summary of Internal Audit Input

1 August 2020 to 31 July 2023		Operating Plan (No. Of days)			Potential Audit Areas
System	**Audit Area**	**2020/21**	**2021/22**	**2022/23**	
	Brought Forward	**22**	**18**	**22**	
*	Corporate Planning, Monitoring & KPIs				*
Area to be Agreed	Area to be Agreed		4		
Mandatory	Credits Audit	2	2	2	
	SSF Audit	2	2	2	
	EMA Audit	1	1	1	
Required	Follow Up review	2	2	2	
	Audit Management	4	4	4	
	Total Days	**33**	**33**	**33**	

We have added a column headed up 'potential audit areas'. These were areas that arose through discussions with the Chair of the Audit Committee, Principal and Director of Finance however due to the budgeted internal audit days being 33 days per annum, we have been unable to fit these within the original 3 year plan.

Appendix B – Grading Structure

For each area of review we provide a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, some minor recommendations identified
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately

For each recommendation we make we assign a grading either as High, Medium or Low priority depending upon the degree of risk assessed as outlined below:

Grading	Risk	Classification
High	High Risk	Major weakness that we consider needs to be brought to the attention of the Audit Committee and addressed by senior management of the College as a matter of urgency
Medium	Medium Risk	Significant issue or weakness which should be addressed by the College as soon as possible
Low	Low Risk	Minor issue or weakness reported where management may wish to consider our recommendation

Analysis of Performance Indicators

Performance Indicator	Target
Internal audit days completed in line with agreed timetable and days allocation	100%
Draft scopes provided no later than 10 working days before the internal audit start date	100%
Draft reports issued within 20 working days of exit meeting	100%
Management provide responses to draft reports within 15 days of receipt of draft reports	100%
Final reports issued within 10 days of receipt of management responses	100%
Recommendations accepted by management	100%
Draft annual internal audit report to be provided by 31 August each year	100%
Attendance at Audit Committee meetings by a senior member of staff	100%
Suitably experienced staff used on all assignments	100%

Risk	Residual Risk	Internal Audit Assurance	Mitigating Actions by College	Further Assurance
Ineffective curriculum planning (College + Region)	6	➢ Curriculum Planning Review	➢ Develop short course programme using flexible delivery models to address upskilling and reskilling need.	➢ Curriculum Planning Programme and Continuous Review
Funding of National Bargaining not meet actual costs	15	➢ Budgetary & Financial Reporting Review	➢ Develop non-funded/commercial income generated by the College (i.e. via Commercial Activity Group).	➢ Policies & Procedures ➢ Investigating Commercial Income Opportunities
H&S non-compliance: risk to students/staff and risk of litigation	10	➢ Health & Safety Review listed as a potential future review	➢ H&S Monitor role has been agreed with trades unions, staff allocated to those roles and monthly reviews of each area begun prior to Lockdown ➢ H&S Committee has been re-established and is working effectively (has also met during Lockdown).	➢ Policies & Procedures ➢ H&S Committee Oversight
Ineffective business continuity planning	20	➢ Business Continuity Planning listed as a potential future review	➢ Externally facilitated BCP testing to take place during session 20/21 once Covid-19 restrictions are lifted.	➢ Business Continuity Plan
Ineffective and lack of employer & external stakeholder engagement	6	➢ Staff Wellbeing & Mental Health Review listed as a potential future review	➢ Continue to submit bids for Innovation Vouchers.	➢ Employer Engagement Officers in Post ➢ UHI Partnership Working
Failure to develop a student performance management system	8	➢ Student Retention Review ➢ SITS Review	➢ Implementation of Quality processes to include MORAGAA meetings to improve intervention and enhanced support opportunities for learners at risk.	➢ Student Data Reporting Group

Appendix D – Assurance Map

Risk	Residual Risk	Internal Audit Assurance	Mitigating Actions by College	Further Assurance
Ineffective delivery of essential skills	4	➢ Curriculum Planning Review	➢ Core and essential skills requirements made explicit in updated CAMP documentation. Where discrete units removed to address credit reduction requirements, teams undertaking mapping exercises to ensure skills developed and recognised elsewhere in the programme.	➢ UHI Essential Skills Policy ➢ Core Skills Team in Place
Graduate, Modern & Foundation Apprenticeships not achieving target.	9	➢ Budgetary & Financial Reporting Review	➢ Quarterly report of FA activity to SLT.	➢ Direct Marketing ➢ SLT Monitoring Performance
Senior Phase programme offered/delivered does not meet needs of Moray (schools programme)	6	➢ Curriculum Planning Review	➢ Propose and Develop another 2 PDA programmes suitable for S6 pupils.	➢ Regular Curriculum Reviews ➢ Working closely with serval Partners and regular reporting
Technology not fit for purpose.	8	➢ SITS System ➢ Implementation and Use of Brightspace Review ➢ IT Systems Review	➢ Prioritise procurement of laptops for students using student support funding in line with updated SFC guidance.	➢ 5 Year IT Procurement Strategy ➢ Regional ICT Committee Oversight
Failure to attract, develop and retain a workforce fit for the 21st century in a tertiary teaching context and adapting to necessary change.	8	➢ Staff Wellbeing & Mental Health Review listed as a potential future review	➢ Covid-19 likely to restrict mobility and growth elsewhere in the UK and therefore likely to maintain current low retention levels.	➢ Workforce Planning & Development Strategy

Appendix D – Assurance Map

Risk	Residual Risk	Internal Audit Assurance	Mitigating Actions by College	Further Assurance
Failure to meet Commercial/FCR income generation targets	16	➢ Budgetary & Financial Reporting Review ➢ Course Costing Review	➢ Following confirmation of eligibility, the College has applied for HMRC's Furlough Scheme in an attempt to off set some of the income lost as a result of Covid-19. Ongoing regional and sector level engagement with the Government in relation to future financing.	➢ Maximise FWDF Income ➢ Monitoring & Reporting of Commercial Income
College does not achieve allocated HE student number targets.	15	➢ Funding Reviews ➢ Budgetary & Financial Reporting Review ➢ Student Retention Review ➢ Curriculum Planning Review	➢ Promotions to schools & internal students via additional marketing of HE offering at Moray College.	➢ Regular Monitoring of Academic Areas ➢ Further Promotions to Schools ➢ Curriculum Area and Marketing Operational Planning
College does not achieve allocated FE Credit targets.	9	➢ Funding Reviews ➢ Budgetary & Financial Reporting Review ➢ Student Retention Review ➢ Curriculum Planning Review	➢ Exploring options for partnership working.	➢ SFC Funding Guaranteed for 2020/21 ➢ Development of Additional In Year Short Course Provision
The institution has a poor reputation.	6	➢ Student Retention Review ➢ Curriculum Planning Review	➢ Increase Year on Year retention and attainment rates across FE & HE.	➢ Strong Open relationship with Students/HISA ➢ Positive HGIOC Review
Disruption to services/projects and/or partnership working resulting from loss of a key staff member.	3	➢ Curriculum Planning Review	➢ Staffing reductions measures to be informed by identified risk to projects and income generation.	➢ Implementation of Mid-Year Staff Meetings ➢ Succession Plan ➢ Workforce Planning

Appendix D – Assurance Map

Risk	Residual Risk	Internal Audit Assurance	Mitigating Actions by College	Further Assurance
Non-compliance with relevant statutory regulations.	8	➢ Risk Management Arrangements Review ➢ Board Effectiveness Review	➢ Develop a risk map to provide overview of risk areas.	➢ Policy Framework and Review Schedule ➢ Staff Training Programme ➢ Regular Reviews of Internal Policies ➢ UHI Single Policy Environment
Governance Failure.	8	➢ Board Effectiveness Review ➢ Risk Management Review	➢ Conduct annual review of good governance bets practice, utilise UHI Code of Good Governance checklist.	➢ Programme of Self Evaluation ➢ Completion of UHI Code of Good Governance Checklist ➢ Annual Review of Good Governance
Financial failure/operating loss. Inability to achieve a balanced budget.	20	➢ Budgetary & Financial Reporting Review ➢ Procurement Review	➢ Use of HMRC Furlough Scheme will help off-set loss of non-core income. ➢ Regional and Sector level engagement with the Government in relation to future financial support for covid-19 disruption.	➢ Close Monitoring of Budget and Performance ➢ Regional and Sector Engagement
College estate not fit for purpose.	20	➢ Estates Management Review	➢ Progress plans for Moray Growth Deal capital projects to Outline Business Case sign-off.	➢ Estates Strategy

Appendix D – Assurance Map

Risk	Residual Risk	Internal Audit Assurance	Mitigating Actions by College	Further Assurance
Academic quality is sub standard	9	➢ Implementation and Use of Brightspace Review ➢ Curriculum Planning Review	➢ Learning and Teaching forum set up to promote peer support for L&T staff. ➢ Regular "L&T Tips" being sent to all staff in response to feedback around staff challenges from curriculum teams. ➢ Weekly Brightspace Updates sent out By Brightspace Champion	➢ Support from Education Scotland ➢ Adaptation of Guidance from Education Scotland ➢ Management & Training of Staff ➢ Quality Cycle in Place
Poor Student Experience	6	➢ Student Retention Review	➢ Continual evaluative and enhancement activity by curriculum and support teams to focus on opportunities for enhanced student experience.	➢ Student Engagement ➢ HISA Reps ➢ Policy Framework for Support & Engagement of Students
Research outputs are sub standard	6		➢ Bid submitted under Covid Research fund. 15 active RIKE projects underway with a range of completions dates, to be project managed by DHAP to ensure successful completion and meaningful outputs.	➢ Strategic focus on recognition and development of research

Appendix D – Assurance Map

Risk	Residual Risk	Internal Audit Assurance	Mitigating Actions by College	Further Assurance
Institutional, personal and sensitive data is corrupted, lost, stolen or misused or services are disrupted through malicious and illegal activities by external individuals or bodies.	9	➢ IT Systems Review listed as a potential future review	➢ Review data protection breaches and target training at areas of weakness in session 20/21.	➢ Partnership DPO in Place ➢ UHI Security Group ➢ Cyber Essentials
Failure to seize the financial, reputational and developmental benefits offered by the Moray Growth Deal.	12	➢ Budgetary & Financial Controls Review	➢ Ensure positive support arrangements are in place from UHI EO and from key Academic Partners	➢ Budget Monitoring ➢ Governance & Monitoring Arrangements
Poor Employee Relations/ Industrial action	9		➢ Risk associated with progression of the national JE Scheme in terms of the expectations of staff, potential for turbulence in employee relations in relation to the development of a salary model and funding (see separate risk in relation to funding).	➢ Budget Monitoring & Planning ➢ Committee Oversight
Impact of Brexit on the College	15	➢ Budgetary & Financial Reporting Review ➢ Curriculum Planning Review	➢ Curriculum planning and financial planning to consider likely impact of reduced student FTE income (ERASMUS) and potential impact on goods and services if WTO tariffs are applied.	➢ Risk Register Monitoring ➢ Curriculum Planning Programme

Appendix D – Assurance Map

Risk	Residual Risk	Internal Audit Assurance	Mitigating Actions by College	Further Assurance
Health and wellbeing of staff	6	➢ Staff Wellbeing & Mental Health listed as a potential audit area	➢ Integration of the Health Safety and Wellbeing Officer into the wellbeing activities and processes in place at College	➢ Promotion of On-line Resources to support wellbeing ➢ Counselling Service Updates from Principal
Health and wellbeing of students	9	➢ Student Retention Review	➢ Student counsellor service implemented for start of new session.	➢ Student Counsellors Service in Place
Display Screen Equipment (DSE) regulation compliance for remote working	8	➢ Staff Wellbeing & Mental Health listed as a potential audit area	➢ Develop risk assessment and response to anticipation of longer term working from home for a range of staff. This needs to consider how best to replicate safe DSE compliant set-up in the home.	➢ DSE Self Assessment Toolkit ➢ Additional Support Provided to Staff
Staff confidence in health and safety arrangements for the re-opening of College buildings.	4	➢ Health & Safety listed as a potential audit area	➢ Regularly review the effectiveness of the Covid-19 arrangements and ensure staff and student feedback is responded to.	➢ UHI Partnership Group Workings on Covid-19 ➢ Recent Internal Audit Review

Purpose of review

The purpose of this assignment is to review the processes in place for the management, monitoring and reporting of complaints received from staff and students. We will seek to provide assurance that the process is robust and that performance against targets are being monitored. We will also look to ensure that complaints are being addressed in line with SPSO requirements. We will also review the process and management of complaints received from students through the 'red button'.

This review forms part of our 2020/21 Annual Internal Audit Plan.

Scope of review

Our objectives for this review are to ensure:

➢ The College has adequate policies and procedures in place in relation to complaints handling.

➢ Policies and procedures in place comply with the latest guidelines from the Scottish Public Services Ombudsman and the College has taken steps to ensure that the process is updated for the latest guidance.

➢ There are strong controls in place for the handling of complaints, including monitoring performance against target and action taken when poor performance has been identified.

➢ Complaints received from students via the 'red button' are appropriately managed and considered by the College.

➢ There are adequate communication levels between the College and its students/staff/other stakeholders in respect of the complaints handling process.

Our approach to the review will be:

➢ Discuss with relevant staff the current arrangements in respect of complaints handling and the 'red button' within the College. We shall assess these arrangements to ensure that the process used is open and transparent, easy to use and accessible to all stakeholders wishing to make a complaint.

➢ Obtain, review, and assess any documented policies and procedures in place in respect of complaints handling and the 'red button'. We shall ensure that these are fit for purpose and cover all stages of the complaints handling process, including the appeals process.

➢ We shall consider how complaints are logged, recorded, and monitored to ensure that process is fit for purpose. This will include an assessment of where the complaints are logged and who is responsible for logging and monitoring complaints. We shall also consider whether any training on complaints handling have been given to staff to ensure that complaints are being dealt with in a consistent manner.

➢ Undertake sample testing of the complaints handling and the 'red button' processes to ensure that complaints are being processed in line with documented policies and procedures, current legislation, and good practice.

➢ Comparison of the College's arrangements with the SPSO's guidance to ensure that these are compliant.

➢ We shall ascertain what analysis of complaints received the College undertakes and how this is used to shape decisions at the College, i.e., what does the College do about complaints of a recurring nature, what action plans are put in place to try to address these recurring complaints and how is this monitored?

➢ Reviewing what communication channels the College has with its staff/students/other stakeholders in respect of complaints.

➢ Obtaining and reviewing any feedback from students/staff/other stakeholders regarding the College's complaints handling arrangements.

➢ Obtaining and evaluating the reports provided to management in respect of complaints handling. We shall also assess whether performance against target is being monitored and reported. We shall consider what reporting on complaints is presented to the Board/committees.

Agenda Item Reference: a………

Committee:	Audit Committee
Subject/Issue	Update on Audit Register
Brief summary of the paper:	The key messages for the Audit Committee to note are as follows; - There are 5 existing audit recommendations that remain open. - Of these, 4 number had a completion date of prior to the May Audit committee meeting. - All four remain open due to the on-going Covid pandemic and the impact this has had on attendance on the Campus, a change in procurement personnel and the impact of the Cyber incident on priorities of UHI. Later implementation dates have been proposed within. - A further 3 additional recommendations have been proposed following completion of the Budgetary & Financial Reporting review. - All three additional recommendations have been agreed and the proposed implementation dates included within.
Action requested/decision required:	For review and feedback/comment from the Audit Committee

Status: *(please tick ✓)*	**Reserved:**		**Non-reserved:**	X

Date paper prepared:	9 May 2021
Date of committee meeting:	18 May 2021
Author:	Director of Finance
Link with strategy: Please highlight how the paper links to, or assists with:	
Equality and diversity implications:	N/A
Resource implications: *(If yes, please provide detail)*	N/A
Risk implications: *(If yes, please provide detail)*	N/A

Existing Open Audit Recommendations

The following internal audit recommendations fell due at the time of the May 2021 Audit Committee;

Risk Management

RM.R4 – *'Consider the ways in which those risks which exceed the agreed risk appetite can be highlighted and how to report on the actions being taken to bring the residual (or net) risk score within the agreed risk appetite level'*

The closing of this risk is dependent on the development of the UHI risk register and the timing is not within the control of Moray College. The recent cyber incident has furthered delayed the project and it is not clear when the project will start.

It is recommended that the date for completion of this action is delayed until 31 December 2021 and reviewed once the Partnership is able to prioritise the re-development of the UHI risk register.

Health & Safety

HS.R2 – *'Consideration should be given to implementing a programme of annual workplace inspections covering all curriculum and support areas on a rotational basis taking account of the assessed risk of each area'.*

It was noted during the health and safety follow up review that, whilst progress had been made, there had been Covid related delays and the recommendation could not be completely signed off. The situation remains the same and is unlikely to be resolved prior to the start of calendar year 2022.

It is recommended that the date for completion of this action is delayed until 31 March 2022.

Procurement

PR.R2 – *'Provide appropriate contract management training to staff.'*

PR.R4 – *'Implement procurement non-compliance reporting.'*

The member of staff that looks after procurement has recently left the College. The replacement role has been increased to full time (from 21 hours a week) and is being employed by APUC to work on Moray College's behalf. The recruitment process started on the 10 May. The new increased role will include the delivery of appropriate contract management training to all budget holders and the ongoing management of the non-compliance reporting.

It is recommended that the date for completion of the actions above are delayed until 31 December 2021, giving the new procurement resource time to start their new role.

New Open Audit Recommendations

Following completion of the Budgetary & Financial Reporting review there are an additional three internal audit recommendations. All recommendations were graded 'Low'.

Budgetary & Financial Reporting

BFR.R1 – '*During the review, it was found that the Financial Regulations and Financial Procedures contained track changes. The Director of Finance confirmed both documents were in the process of being reviewed and updated. Upon completion of the review, they would be presented to the Audit Committee for approval. It is recommended that the College updates both documents and obtains approval from the relevant Committee prior to circulating internally.*'

Management agrees with the recommendation and advise it was in progress prior to the cyber incident. An implementation date of 31 August 2021 has been proposed.

BFR.R2 – '*During the review it was found that the College did not have a Budget Setting procedure document in place. The Director of Finance and the Financial Accountant are fully aware of the process and were able to explain the process verbally, but the process was not documented for audit and record keeping purposes. It is recommended that the College draft and implement a procedure document dedicated to the budget setting process.*'

Management agrees with the recommendation and have proposed an implementation date of the 31 August 2021.

BFR.R3 – '*During our review we spoke with 3 out of 13 budget holders and enquired if the College had provided formal training on their roles as Budget holders. The Budget holders explained they had not been provided with such training. It is recommended that the College provide Budget Holders with formal training to improve their knowledge and understanding of the budgeting process.*'

Management agrees with the recommendation. The College is in the process of upgrading the accounting software. Once upgraded we will roll out updated training to all budget holders. An implementation date of the 31 August 2021 has been proposed.

Committee:	Audit Committee
Subject/Issue:	National Fraud Initiative ("NFI") – Update 2
Brief summary of the paper:	Update on NFI exercise for 2019/20 data set review. Key matters for awareness are: • Areas reviewed as part of NFI exercise were Payroll and Trade Creditors. • Data request was submitted to NFI within the required timescale. C11k lines of data provided • 57 matches/queries from NFI following data analytics process (which represented c0.5% of the data set provided/requested). • All matches/queries addressed, no instances of fraud/fraudulent activity. • NFI exercise provided further assurance to the College management and non-executive function that current internal controls and financial procedures are robust and fit for purpose.
Action requested/decision required:	For review and feedback/comment from the Audit Committee

Status: *(please tick ✓)*	Reserved:		Non-reserved:	X

Date paper prepared:	11 May 2019
Date of committee meeting:	
Author:	Director of Finance
Link with strategy: Please highlight how the paper links to, or assists with: compliance partnership services risk management strategic plan/enabler	

other activity (e.g. new opportunity) – please provide further information.	
Equality and diversity implications:	N/A
Resource implications: *(If yes, please provide detail)*	N/A
Risk implications: *(If yes, please provide detail)*	Non-compliance with NFI process, and potential fraud/fraudulent activity.

NATIONAL FRAUD INITIATIVE ("NFI") – 2020/21 EXERCISE

1. **BACKGROUND**

The National Fraud Initiative ("NFI") in Scotland is a counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.

Although NFI is new to the College sector, it is a well-established process, with the current exercise being the seventh iteration of NFI.

The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. The NFI remains the largest national fraud detection and prevention scheme that can provide data matches within and between public bodies. Its key features are that it:

- acts as a deterrent to potential fraudsters;
- identifies errors and fraud thus enabling appropriate action to recover money and/or press criminal charges;
- can provide assurances, similar to a regular health check, that systems are operating well and can also identify where improvements are required;
- operates across boundaries between public bodies in different sectors and countries;
- represents value for money in terms of the efficiencies deliverable through centralised data processing and identifying targeted high priority matches.

It means that public bodies can take action if any fraud or error has taken place, and it allows auditors to assess fraud prevention arrangements which those bodies have.

2. **INTRODUCTION**

The NFI exercise works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'.

A match **does not** automatically mean that there is a fraud or error and investigations are required to enable the correct conclusion to be drawn for each match. Bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.

The data requested from the College in regards to the NFI exercise were:

- Payroll.
- Trade Creditors.

3. **KEY FINDINGS**

In terms of the 2020/21 exercise, following the submission of the College's data in respect of AY19/20 (i.e. 1 August 2019 to 30 September 2020) the initial findings following the data matching process are noted as follows:

- Data sets for the requested areas (as highlighted above) were submitted in accordance with the prescribed timescale, which totalled 11,087 lines of data.

- Following the NFI computer data matching process 57 queries were raised, which represented c0.5% of the total data set submitted. A summary of the 57 queries by area are as follows:

  - Payroll – 10; and
  - Trade Creditors – 47.

A brief overview of the initial matches/queries raised is shown at **Appendix 1.**

4. ACTIONS TAKEN & IMPLICATIONS

The key findings (as noted at section 3 above, and further illustrated at Appendix 1) were investigated by the College, with further feedback/evidence provided via the secure online NFI portal.

All queries raised as part of the NFI matching process have been addressed, and closed off – with no instances of fraud/fraudulent activity raised.

As part of the NFI exercise the College was required to complete a Self-Appraisal Checklist, this is shown at **Appendix 2** to this report.

5. CONCLUSIONS/RECOMMENDATIONS

Following the College's participation in the NFI exercise for 2020/21 there were no instances of fraud/fraudulent activity, which is positive. This is further compounded by the low amount of queries/matches returned (i.e. c0.5% of the data submitted), as part of this exercise.

The NFI exercise has been useful in providing additional assurance (from an external independent party) that the College's internal controls and financial procedures are robust and fit for purpose.

The College recognises that this is an area that requires regular review to ensure the high standards set/in-place are maintained going forwards.

Appendix 1 – Summary of NFI Matches/Queries

Summary of NFI Matches/Queries					
Area	**Type of Query**	**Number of Matches / Queries**	**Basis of Match/Query**	**Comments/Responses**	**Final Position**
Payroll	Payroll to Payroll	2	Instance of employee data on two payroll systems	Primarily due to instances where current College employees had previously been/or are employed by other public sector bodies (i.e. on the college payroll system and local authority payroll system).	All matches/queries closed off with NFI. No issues of fraud.
	Payroll to Creditors	3	Instances of employee details on the College payroll system and creditor ledger.	Employee husband has business that Moray College has used therefore details such as address have been flagged as a match on both systems. Also an employee has own business again which flags same details on both.	All matches/queries closed off with NFI. No issues of fraud.
	Payroll to Companies house (Director)	5	Instance of a College Staff showing on the payroll that have a directorship.	College employees details have matched with those at Companies House having a directorship. Established this was not an issue or area of concern.	All matches/queries closed off with NFI. No issues of fraud.
	TOTAL PAYROLL MATCHES/QUERIES	**10**			
Trade Creditors	Duplicate creditors address	5	Several creditors on College ledger with same address.	Issue investigated, and shown to be occurrences where suppliers addresses were within a shared facility/building.	All matches/queries closed off with NFI. No issues of fraud.
	Duplicate records by amount & creditor reference	40	Related to regular/repeat monthly payments	The College makes regular payments to several creditors on a monthly basis (i.e.rents, leases, loan repayments, software licences etc). No issues of misappropriate payments made.	All matches/queries closed off with NFI. No issues of fraud.
	Duplicate creditors name	1	Supplier on system twice.	The College pays a supplier by Direct Debit and by invoice so to keep it straightforward two accounts have been set up, one for each method to ensure they are picked up correctly.	All matches/queries closed off with NFI. No issues of fraud.
	Duplicate records by invoice number & amount, but different creditor reference & name.	1	Relates to different suppliers providing same service at same amount.	Matter investigated, and there was a specific project that four different suppliers worked on and each charged the same rates due to the nature of the funding.	All matches/queries closed off with NFI. No issues of fraud.
	TOTAL TRADE CREDITOR MATCHES/QUERIES	**47**			
	TOTAL	**57**			

Appendix 2 – self appraisal checklist

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
Leadership, commitment and communication			
1. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?	Yes	A report on the findings of the 2019/20 NFI exercise shall be provided to the College's Audit Committee, for review and comment.	Director of Finance. Report to be provided to Audit Committee's May 2021 meeting..
2. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	Yes	The Fraud Response policy has been updated to include the impact of the NFI.	Director of Finance.
3. Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	Partly	Further discussions with NFI is required to understand whether this facility will assist the College in improving its approach to risk management.	Director of Finance Ongoing.
4. Are the NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?	Yes	Reports shared with SLT and required Committees.	Director of Finance Ongoing
5. Where we have not submitted data or used the matches returned to us, eg council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	Yes	No problems have been identified in the external audit, or latest internal audit reviews of payroll or trade creditors.	Director of Finance Ongoing
6. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	Partly	Please see above comments	Director of Finance Ongoing
7. Do we review how frauds and errors arose and use this information to improve our internal controls?	Partly	As part of the NFI initiative no instances of fraud have been identified. Should this	Director of Finance

		not have been the case then the College would have taken these onboard, and taken action to improve the existing internal controls to prevent fraud.	Ongoing
8. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?	No	As this is the second year of NFI for the College sector no such publications have been made at this stage. Further discussions within the College SLT and non-executive functions (i.e. Audit Committee and Board of Management) are required to determine what benefits publishing such information would bring.	Director of Finance

Ongoing |

Part B: for the NFI key contacts and users	Yes/No/Partly	Is action required?	Who by and when?
Planning and preparation			
1. Are we investing sufficient resources in the NFI exercise?	Yes	The primary resource for the NFI exercise is the College's finance department.	Director of Finance Ongoing
2. Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available? This includes considering the quality of data.	Yes	Please see above comment. 2019/20 NFI exercise was completed within the required timescale.	Financial Accountant Complete
3. Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?	Yes	The Financial Accountant is the KC, and the Director of Finance is the Senior Responsible Officer (SRO) for NFI matters.	Financial Accountant/ Director of Finance Complete
4. Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?	Yes	See above.	Director of Finance Ongoing
5. Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?	Yes	This is recognised in terms of the matches received. The College is committed to continued involvement in NFI exercises to ensure internal controls remain robust and effective.	Financial Accountant/ Director of Finance Ongoing
6. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Yes	All data requested as part of the NFI exercise was uploaded to the NFI secure portal within the required time-scale.	Financial Accountant Ongoing
7. Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Yes	Please see above comment.	Financial Accountant Ongoing

Part B: for the NFI key contacts and users	Yes/No/Partly	Is action required?	Who by and when?
8. Do we adequately consider the submission of any 'risk-based' data-sets in conjunction with our auditors?	Partly	Further discussions are required with the College's auditors in respect of the matter.	Director of Finance Ongoing
9. Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	Partly	Further discussions with NFI is required to understand whether this facility will assist the College in improving its approach to risk management.	Director of Finance Ongoing.
Effective follow up of matches			
10. Do all departments involved in NFI start the follow-up of matches promptly after they become available?	Yes	A full review was carried out.	Financial Accountant
11. Do we give priority to following up recommended matches, high-quality matches, those that become quickly out of date and those that could cause reputational damage if a fraud is not stopped quickly?	Yes	Following the matching process and responses from the College, there were no outstanding instances of fraud detected. Going forward, the College will take appropriate actions should there be instances of fraud identified as part of the NFI exercises.	Financial Accountant / Director of Finance Ongoing
12. Do we recognise that NFI is no longer predominantly about preventing and detecting benefit fraud? Have we recognised the wider scope of NFI and are we ensuring that all types of matches are followed up?	Yes	The benefits of this exercise have been recognised.	Financial Accountant Ongoing
13. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Yes	A full review was conducted as part of the follow-up to all initial matches.	Financial Accountant Ongoing
14. (In health bodies) are we drawing appropriately on the help and expertise available from NHS Scotland Counter Fraud Services?	N/A	N/A	N/A

15. Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Procurator Fiscal)? Are we recovering funds effectively?	N/A	To date no such instances have occurred. The College would take appropriate actions in the event of the occurrence of any fraudulent activities	Director of Finance Ongoing

Part B: for the NFI key contacts and users	Yes/No/Partly	Is action required?	Who by and when?
16. Do we avoid deploying excessive resources on match reports where early work (eg, on recommended matches) has not found any fraud or error?	Yes	The results of the matching process, will under-pin the resource requirements.	Director of Finance Ongoing
17. Where the number of recommended matches is very low, are we adequately considering the related 'all matches' report before we cease our follow-up work?	Yes	All matches identified were individually reviewed and addressed.	Financial Accountant / Director of Finance Ongoing
18. Overall, are we deploying appropriate resources on managing the NFI exercise?	Yes	Based on the experience to date, the College has appropriate resource to manage the NFI exercise. This will require to be monitored on an ongoing basis in the following years.	Financial Accountant / Director of Finance Ongoing
Recording and reporting			
19. Are we recording outcomes properly in the secure website and keeping it up to date?	Yes	Website is kept up to date on an ongoing basis.	Financial Accountant Ongoing
20. Do staff use the online training modules and guidance on the secure website and do they consult the NFI team if they are unsure about how to record outcomes (to be encouraged)?	Yes	The online training has been helpful as part of this process.	Financial Accountant Complete
21. If, out of preference, we record some or all outcomes outside the secure website have we made arrangements to inform the NFI team about these outcomes?	N/A	All outcomes are reported on the secure website.	Financial Accountant Ongoing

University of the
Highlands and Islands
Moray College

Committee:	Audit
Subject/Issue:	Cyber Security (Framework)
Brief summary of the paper:	Provides an overview of the UHI Cyber Security Risk Framework. This paper can be discussed in open business since it does not provide any detail regarding technical aspects of the College and UHI ICT systems.
Action requested/decision required:	For noting.

Status: *(please tick ✓)*	Reserved:		Non-reserved:	√

Date paper prepared:	12th May 2021
Date of committee meeting:	18th May 2021
Author:	Derek Duncan
Link with strategy: Please highlight how the paper links to, or assists with: compliance partnership services risk management strategic plan/enabler other activity (eg new opportunity) – please provide further information.	**Risk Register ID Moray/25**: Institutional, personal and sensitive data is corrupted, lost, stolen or misused or services are disrupted through malicious and illegal activities by external individuals or bodies.
Equality and diversity implications:	Yes – the College is both a Data Controller and Data Processor of large volumes of personal data, including special category data.
Resource implications: *(If yes, please provide detail)*	Significant – response to the cyber threat will require an acceleration in the implementation of the ICT strategy.
Risk implications: *(If yes, please provide detail)*	Cyber incidents carry significant risks in relation to finance, data security and reputation.

Introduction

A briefing paper by John Maher, UHI Director of Learning and Information Services (LIS), was circulated to the February 2021 Audit Committee provided an overview of the ICT security threat and on-going mitigation work within the UHI partnership.

The key mitigation in John Maher's paper is:

- *Ownership and proactive monitoring of cybersecurity risks by University and academic partner senior management level of a regular basis.*

Just 17 days later, the UHI partnership ICT systems were impacted by a cyber incident which highlighted the importance of cyber security approaches.

Cyber Risk Framework

This paper briefly describes the Cyber Risk Framework adopted from Scottish Government guidance by the partnership which has led to the development of a risk management group and overall risk process, with a separate group of technical staff responsible for the operational implementation of any controls identified through the risk process.

Details of the approach are however confidential, including supporting documentation and guidance from external organisations.

Scottish Government Guidance

The Cyber Resilience Framework was announced by John Swinney, Cabinet Secretary for Education and Skills on 20th January 2020.   The full framework and assessment tool can be viewed online at:

https://www.gov.scot/publications/cyber-resilience-framework/

The framework aims are clear in that organisations need to take steps to assess weaknesses, manage risk and have in place a decision-making process to improve security overall:

This framework aims to provide a consistent way for Scottish public sector organisations to:
- *assess their cyber resilience arrangements*
- *identify areas of strength and weakness*
- *gain reasonable confidence that they are adhering to minimum cyber resilience requirements*
- *take informed decisions on how/whether to achieve higher levels of cyber resilience on a risk-based and proportionate basis*

UHI Partnership Approach

The UHI partnership was supported by HEFESTIS (Higher Education/Further Education Shared Technology and Information Services) to help implement a framework for UHI.

From the HEFESTIS guidance, the UHI partnership has developed and continues to manage risk and mitigations with senior manager support.   The group is chaired by the UHI Director of LIS and the College is represented on the group by Derek Duncan.

Security improvements are implemented via an operational group which includes partner ICT staff representation.   The College is represented on the group by the ITU Manager.

The work of the security groups will continue and will take on board the lessons learned from the 5th of March cyber incident.