

**BOARD OF MANAGEMENT**  
**Audit Committee**  
**Draft Minutes of Meeting on**  
**Thursday, 19 May 2022**  
**at 13.30 by Teams**

Present :        Jessie McLeman        Convenor  
                   Dawn McKinstrey  
                   Grenville Johnston

In attendance: Shelly McInnes  
                   Grace Scanlin                Ernst & Young (EY) – External Auditors  
                   Scott McCready              Wylie & Bisset (WB) – Internal Auditors  
                   Derek Duncan  
                   Eleanor Melton               Minute Secretary

		ACTION	DATE
<b>A.22.02.01</b>	<b>(i) Resignations</b>		
1.1	There have been no new resignations.		
	<b>(ii) Appointments</b>		
1.2	There have been no new appointments.		
<b>A.22.02.02</b>	<b>Apologies for Absence</b>		
2.1	There were no apologies for absence received prior to the meeting.		
<b>A.22.02.03</b>	<b>Any Additional Declarations of Interest including specific items on this Agenda</b>		
3.1	There were no additional declarations of interest.		
<b>A.22.02.04</b>	<b>Draft Minutes of Joint Audit and Finance and General Purposes Committee meeting held on 17 February 2022</b>		
4.1	The minutes were accepted as a true and accurate record and approved by the Committee: Proposed: Grenville Johnstone Seconded: Dawn McKinstrey		
<b>A.22.02.05</b>	<b>Draft Minutes of Audit Committee meeting held on 17 February 2022</b>		
5.1	The minutes were accepted as a true and accurate record and approved by the Committee: Proposed: Grenville Johnstone Seconded: Dawn McKinstrey		

<b>A.22.02.06</b>	<b>Draft Matters Arising of meetings held on 17 February 2022</b>		
6.1	<p>Most actions were noted as complete or are to be discussed as part of today's agenda, those noted as ongoing are set out below;</p> <p>Action 10.2 Ongoing</p> <p>Action 10.3 Ongoing</p> <p>Action 10.4 Ongoing – To be presented at June meeting of Board of Management</p> <p>Action 14.4 &amp; 14.5 Ongoing – To be included on October's agenda of Audit committee</p>		
<b>A.22.02.07</b>	<b>Risk</b>		
	<b>(i) Review of Risk Register</b>		
7.1	<p>Shelly updated committee members; , the main changes since the last meeting are set out within the covering paper included. The risk score for item 14, HE recruitment, had increased to red from amber and increasing trend; the score for FE credits had decreased from 12 to 9 to reflect an improving position; and item 19, governance failure increased from 8 to 12 and increasing trend to reflect the ongoing recruitment of Board members.</p> <p>A discussion was had on Stakeholder Management, and what could appear as potential overlap between that and other risk items such as recruitment.</p>		
<b>ACTION</b>	Shelly to clarify the text to differentiate between Stakeholder Management and other risk items.	<b>SM</b>	Next iteration of Risk Register.
	<p>The Committee discussed HE recruitment. Shelly advised that the situation has not changed in the last 4 weeks. Currently, applications are looking the worst in a long time, with a forecast significant decrease in numbers for 2022/23.</p> <p>Recruitment marketing is ongoing and will continue into the beginning of next session.</p> <p>This is looking like a national problem, UHI may have been hit a little harder, but overall, within the sector numbers are lower. UHI no longer has a USP on online learning as this is now offered by all colleges/universities.</p> <p>Grenville noted that marketing efforts were not going unnoticed.</p>		
	<b>(ii) Update on Risk Register reporting</b>		
7.2	An informal meeting had been held with Members of the Committee, Shelly, Derek and Roger Sendall regarding risk register reporting. Following that, the College has now been provided with the necessary software licences to allow reporting from the Risk Register and online training is being completed.		

<b>ACTION</b>	Shelly to use the new software tool to produce reports on the Risk Register for October's meeting of Audit Committee.	<b>SM</b>	October Audit Committee meeting
	<b>(iii) MGD Risk Reporting</b>		
7.3	<p>Shelly advised there are risk registers for both projects reviewed by the project board. However, there are currently difficulties in presenting these as Moray College Risk Register items at this time due to uncertainties in relation to future status of and alignment between the projects.</p> <p>The MAATIC project does not contribute to the College's financial risks although there are reputational and commercial risks. .</p> <p>The Business Hub is a Moray College risk. A further discussion will be had on this matter at the next Committee meeting, to include discussion on Risk Register and alignment of the two projects. Note; outstanding action at 10.2 above refers.</p>		
<b>A22.02.08</b>	<b>Internal Audit – Wylie Bisset</b>		
	<b>(i) Update on Internal Audit Plan for 2021/22 and proposed change</b>		
8.1	<p>As part of the plan for 2021/22, two audits were planned to take place in July, namely a review of arrangements relating to commercial income and a review of the development of the College's estates strategy. Due to the current situation and comments on the Board relating to the College's marketing approaches, it is now proposed to delay the review of commercial income to AY2022/23. The Committee pack therefore includes proposed outline scopes for a review of Marketing Arrangements and of Development of the College's Estates Strategy. These are intended to be completed in July. Otherwise, the status of the plan is unchanged.</p>		
	<b>(ii) SITS System Report</b>		
8.2	<p>Scott supported the presentation of WB's report following the recent review of the SITS system. A 'Strong' level of assurance was found. Staff are happy with the system; the college is fully utilising the system; and controls are in place that are being adhered to. Eight good practice points were noted.</p> <p>Two recommendations were made, both low grade; these addressed refresher training to the finance team, and arrangements in the College for running reports as well as College involvement with wider UHI capabilities for reporting from the system Two observations were noted including, connection issues between SITS and CELCAT (attendance reporting system); and controls implemented since the cyber incident have had some negative impacts on staff experience, , as outlined within the report. Members discussed the report further, with Scott clarifying points where necessary.</p>		

<b>ACTION</b>	Derek to update the committee on progress in resolving the observations made within report on the SITS system.	<b>DD</b>	<b>October 2022</b>
	<b>(iii) IT Systems Report</b>		
8.3	<p>A 'Strong' level of assurance was found following the IT systems review. It should be noted that this review looked at areas within the responsibility of the College. There has been a significant amount of progress since the cyber incident/previous review. Eleven good practice points were noted and no recommendations made.</p> <p>One observation was made, namely that the UHI partnership apply for Cyber Essentials Plus accreditation. Derek explained that a Cyber Essentials Plus audit is now planned for July. Moray College would be looking at a complete replacement of desktop computers to comply with the up-to-date Cyber Essentials requirements.</p> <p>Dawn questioned the remote access controls and if they also had multi factor authentication. Derek explained that it does, and this is now a UHI requirement. A small number of staff have VPN access.</p> <p>Committee Members discussed the report with Scott clarifying points where necessary.</p>		
<b>ACTION</b>	To provide an update on the status of Cyber Essentials Plus accreditation at the committee meeting in October.	<b>DD</b>	<b>October 2022</b>
	<b>(iv) Marketing - Summary Scope</b>		
8.4	<p>This audit is to replace the commercial activities review. There has been an increase in marketing activity and a number of comments made in Board discussions. The audit will review marketing arrangements at the college to ensure they are effective in meeting the needs of the college, and help benchmark where we are alongside other colleges.</p> <p>A draft scope was provided for the committee to agree. Jessie provided suggestions for Scott to consider in relation to compliance with equalities requirements. Following discussion, the committee agreed that marketing review be conducted in place of the review of commercial activity and agreed to the scope as proposed and in light of the discussion.</p>		
	<b>(v) Estates Strategy – Summary Scope</b>		
8.5	The purpose of this review is to review the development of the College's estates strategy, WB will benchmark against similar areas of other clients to ensure it considers the areas they would expect to see, including alignment with other College strategies and plans.		
<b>ACTION</b>	To amend the reference to 'Estates Strategy' to 'DRAFT Estates Strategy' on June Board of Management agenda.	<b>ES</b>	<b>ASAP</b>
	<b>(vi) Internal Audit Plan for 2022/23</b>		
8.6	As part of the preparation of the plan for 2022/23, Scott will discuss a proposed draft plan with Shelly and Jessie. Jessie noted that a possible area to include in the consideration could be student experience, including		

	<p>probing the student response rates on surveys as these rates have been low.</p> <p>Following discussion at the UHI Audit Chairs meeting, Jessie reported that Jason is looking at the following;</p> <ul style="list-style-type: none"> <li>• Student Recruitment</li> <li>• Financial Sustainability</li> <li>• Governance surrounding climate change and achieving carbon reduction targets</li> <li>• Fraud, including student fraud and student whistleblowing arrangements</li> </ul>		
<b>A.22.02.09</b>	<b>Audit Register</b>		
	<p><b>(i) Review of status of Audit Register</b></p> <p><b>(ii) Process for closing off Audit Actions</b></p>		
9.1	<p>There is one outstanding recommendation overdue and one additional recommendation.</p> <p>Shelly explained that it is hopeful these will be closed off by the next meeting in October. In total, there are 10 recommendations to be closed off by 30 September 2022. Members were pleased to note that recommendations, aside from the known cases being worked upon, are being completed and closed off in a timelier manner.</p> <p>In relation to the documented process presented to the Committee, Dawn asked if it was possible for it to be amended to show the procedure for closing off a recommendation with the internal auditors. Shelly explained that currently they work to the closure date. However, she could look at clarifying implementation/delivery dates going forward. It was agreed to aim for submission of the evidence of completion to the internal auditors two weeks prior to the due date, such that the action could be closed by the due date</p>		
<b>ACTION</b>	Shelly to amend the process for dealing with audit actions, such that it includes two weeks for the internal auditors to review the material and respond by the completion date.	<b>SM</b>	ASAP
<b>A.22.02.10</b>	<b>External Audit</b>		
	<b>(i) Matters Arising from Annual Audit and report for AY 2020/21</b>		
10.1	<p>In reviewing matters arising from the previous audit, comments made related to the need to avoid duplication of some disclosures, particularly those relating to governance, and questioning whether some of the detail in this area was appropriate, such as the detailed findings on internal audits. Additionally, it was felt that the timing of the review of the Code of Good Governance would be better discussed at the October Audit Committee meeting, thus making it easier to align with the work and timetable of the external auditors.</p> <p>In relation to the Code of Good Governance, Dawn noted that some comments had related to the previous financial</p>		

	year and others to the current financial year, and there needs to be clarity as to the period being assessment. Grace provided her suggestions and assured members that this year, the timings of activities will be much improved compared to the last audit. .		
	Compliance with the Code of Good Governance to be reviewed at the October 2022 meeting, noting the comments made by the Committee re period of assessment.	ES	October meeting
	<b>(ii) Scope and Plan for Annual Audit for AY 2021/22</b>		
10.2	<p>Grace introduced EY's audit plan for 2021/22, the details of which had been circulated to the Committee. There have been no changes to the audit risk dashboard compared to the previous year. The key financial statements risks continue to be fraud risk in relation to revenue and expenditure recognition; fraud risk in relation to fraud or error; inherent risk related to valuation of property, plant and equipment; and inherent risk in relation to pension assets and liabilities. The wider scope risks relate to the financial sustainability and the financial position. The wider scope audit will include financial sustainability, and governance and transparency.</p> <p>Grace supported the information provided and highlighted points and reasonings. The plan is to conduct the detailed fieldwork during October – November, agreed with the College, thus reverting to a normal timetable... The joint meeting of FGP and Audit is now planned for the beginning of December in time for presentation at the full Board later in December.</p> <p>Members were content with the presented timetable. This will represent EY's final year of undertaking the College's external audit, and the committee was informed that Deloitte have been appointed as External Auditors, taking over from EY after completion of their final report.</p>		
<b>A.22.02.11</b>	<b>OSCR Return: Status of Colleges 2022 Annual OSCR Return</b>		
11.1	Shelly informed the committee that the 2022 OSCR return had been submitted on time with no recommendations.		
<b>A.22.02.12</b>	<b>College Policies</b>		
	<b>(i) Status of plan of review of College Policies</b>		
12.1	Derek explained that the tracking of the status of policy reviews has been difficult, due to reporting from two separate sources. HR policies are currently tracked through to the HR Policy Review group to Staff Governance Committee and the other policy reviews are monitored through to the Audit Committee. It was noted that alternative reporting facilities could be more optimal.		

	The approval of policies is being delayed for a variety of reasons with completion dates being pushed back. Two new policies have been introduced. Work is in progress to catch up with policies due to be closed off and approved.		
	Derek to provide an update on the status of the review of college policies to the October meeting of the Committee.	DD	October meeting
	<b>(ii) Risk Management Policy and Procedure</b>		
12.2	<p>Shelly supported the Risk Management Policy and Procedure which is being presented for review and approval. Only one minimal change had been proposed, namely the addition of the new post of Deputy Principal. Jessie queried section 2.2 which set out the relevant governing documents which comprise the overall framework, namely the omission there of the Partnership Agreement with UHI. It was agreed that this should be added.</p> <p>The policy and procedure were discussed and with the two minor amendments as set out above, were approved.</p> <p>Jessie noted that the changes proposed were essentially editorial, and no wider change was proposed, which would be a matter for the board.</p>		
<b>ACTION</b>	Shelly to amend the Risk Management Policy and Procedure to include the reference to the Partnership Agreement.	<b>SM</b>	<b>ASAP</b>
<b>A.22.02.13</b>	<b>Emerging Issues</b>		
	<b>(i) Joint AP Audit Chairs &amp; UHI Committee Meeting held on 5 May 2022</b>		
13.1	<p>Jessie attended along with Audit Committee chairs from around UHI. Jessie had updated members on relevant points of discussion throughout the meeting. Committee members further discussed carbon neutrality requirements and plans. Derek advised that progress has been made in developing the estates strategy, which will seek to capture what is required over the coming period. Requirements and plans will be discussed further when the proposed estates strategy is presented to the full board in June.</p>		
	<b>(ii) Audit Committee 2021/22 Evaluation Report</b>		
13.2	<p>A report has been provided by the Clerk to the Board following the submission of committee evaluations by members.</p> <p>Committee members felt the feedback was positive, and it was good to see the commentaries. These provided useful input to the further work of the committee.</p>		

	<p>The Committee members agreed it would be useful to meet informally at the College over lunch prior to the October meeting, giving the opportunity to meet new members.</p> <p>A full evaluation of the Board and Committees is to be presented at the Full Board meeting in June.</p>		
	<b>(iii) SFC Report on Financial Sustainability</b>		
13.3	The SFC's report has been provided for noting. Points were clarified where necessary. Final funding SFC allocations are to be announced on 26 <sup>th</sup> May 2022.		
	<b>(iv) Committee Work Plan</b>		
	There are a few changes to note compared to the previous version; the report on compliance with the Code of Good Governance is planned for the October meeting; and the Staff Development Report should be a standing item for the May meeting, the next meeting being in May 2023.		
<b>ACTION</b>	Elaine to add the Annual Staff Development Report to the – May 2023 meeting.	<b>ES</b>	<b>ASAP</b>
<b>A.22.02.19</b>	<b>Training Completion Compliance (Additional Item)</b>		
19.1	<p>A report on the status of training completion in AY2021-22 was provided by Carolyn Thomson. The background to this was a previous report submitted by the then FD. The Committee was in particular interested in completion rates in relation to compliance with mandatory training. The Committee noted its thanks for the report.</p> <p>The Committee made a number of observations on the report, which will need to be followed up. On the face of it, the completion rates look to be concerning in a number of areas, although some are much higher than others, raising questions for both compliance and staff development, but this needs to be looked at in further detail.</p> <p>Members noted their surprise that GDPR training was not considered to be a mandatory module.</p> <p>Derek explained that he has discussed this internally and training and refresher training needs to be reinvigorated.</p> <p>The Committee noted it was unclear as to what good or bad looks like, as these could vary between cases, and asked that further consideration be given to presentation.</p>		
<b>ACTION</b>	Following the report on training completion rates, Shelly and Derek to meet with Carolyn to discuss the points raised by the Committee.	<b>DD &amp; SM</b>	<b>ASAP</b>
<b>A.22.02.14</b>	<b>Date and Location of Next Meeting</b>		
14.1	6 October 2022 – It was agreed to plan for the meeting to be held in person at the College.	<b>ES</b>	<b>October meeting</b>
	<i>Grace and Scott left at 15.35pm</i>		
	<b>RESERVED ITEMS</b>		



<b>A.22.02.15</b>	<b>Draft Reserved Minutes of Joint Audit and Finance &amp; General Purposes Committee held on 17 February 2022</b>		
15.1	This item is Reserved, and the minutes held in confidence.		
<b>A.22.02.16</b>	<b>Reserved Minutes from Audit Committee held on 17 February 2022</b>		
16.1	This item is Reserved, and the minutes held in confidence.		
<b>A.22.02.17</b>	<b>Draft Reserved Matter Arising from Joint Meeting of Audit and Financial &amp; General Purposes Committee held on 17 February 2022</b>		
17.1	This item is Reserved, and the minutes held in confidence.		
<b>A.22.02.18</b>	<b>Internal Audit Services</b>		
18.1	This item is Reserved, and the minutes held in confidence.		
	<b><i>Meeting closed at 15.50pm</i></b>		