

# AUDIT COMMITTEE

Minutes of Meeting held on  
Thursday 20 February 2025 at 13.30pm  
in the Boardroom and by MS Teams

## Present:

James Walls (Convener)  
Jessie McLeman

## In Attendance:

Derek Duncan	Murray Easton (Interim Director of Finance)
Eleanor Melton (Clerk)	Sean Morrison (BDO – via MS Teams)
Alex Hastings (Minutes)	Grenville Johnston

Item		Action	Date
<b>A.25.01.01</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.25.01.02</b>	<b>Apologies for Absence</b>		
2.1	There were no apologies for absence received.		
<b>A.25.01.03</b>	<b>Any Additional Declarations of Interest including specific items on this Agenda</b>		
3.1	There were no additional declarations received.		
<b>A.25.01.04</b>	<b>Draft Minutes of Joint Audit &amp; FGP Committee meeting held on 11 December 2024</b>		
4.1	The minutes of the meeting held on 11 December 2024 were accepted as a true and accurate record: Proposed: Jessie McLeman Seconded: James Walls		
<b>A.25.01.05</b>	<b>Draft Minutes of Audit Committee meeting held on 11 December 2024</b>		
5.1	Jessie highlighted minor amendments that would require correcting.  It was agreed that following the agreed amendments, the minutes be circulated and approved via email.		
<b>ACTION</b>	El and Alex to action agreed amendments and circulate.	<b>EM/AH</b>	<b>ASAP</b>
<b>A.25.01.06</b>	<b>Matters Arising from Joint Audit Committee and F&amp;GP meeting and from Audit Committee meeting, both held on 11 December 2024</b>		
6.1	<u>7.1</u> – Complete		
6.2	<u>9.1</u> – Complete – On Staff Governance agenda		
6.3	<u>9.4</u> – Complete – Included in BDO report		
<b>A.25.01.07</b>	<b>Risk Register</b>		

	(i) Review of Risk Register		
7.1	<p>Murray presented the paper, reporting on the headline updates.</p> <p>The Target Operating Model has now been added as a risk. This was discussed under the emerging issues item on the agenda.</p> <p>With regards to HE student numbers, the College is in line with the target outlined in the FRP, with the potential for 569 FTEs by the end of the year.</p> <p>Jessie queried how commercial income was underpinned, adding that it would be interesting for the Audit Committee to see how this is being managed. Murray explained that this information was presented to the F&amp;GP Committee prior to further presentation to the Board. It was agreed that Murray would send the Board report on commercial income to all members.</p> <p>James drew attention to financial sustainability, querying whether it would be a useful subject for the internal auditors to investigate if the FRP is working.</p> <p>Murray noted that within the last week, it was confirmed that the increase in teachers' pensions would receive funding for the next two years, along with 1.14% of the salary increase. Murray advised that the College has not been given assurance from the SFC that funding is available from the Scottish Government to cover National Insurance increases. As a result, the College is to assume that the increase will not be funded.</p> <p>This is a new issue that was not envisaged in the FRP which is otherwise complete. It was agreed that National Insurance increases would be compartmentalised and taken out of the FRP.</p> <p>The committee agreed that a deep dive of the FRP was not necessary.</p> <p>Murray advised that several recommendations from BDO have been accepted, with regards to the audit on Risk Management. These recommendations have been placed 'on hold' until the wider partnership have come to an agreement on risk reporting. Murray added that there is a commitment across the FD partnership to meet and discuss these recommendations, although this has not yet been organised.</p> <p>Jessie suggested that risk reporting should include gross risk as well as the residual risk, when reporting is reviewed.</p>		
<b>ACTION</b>	Murray to circulate Board report on commercial income to all Committee members.	<b>ME</b>	<b>ASAP</b>

<b>ACTION</b>	Figures on National Insurance increases to be compartmentalised and addressed out with the FRP.	<b>ME</b>	<b>ASAP</b>
<b>ACTION</b>	Once reviewed, risk reporting should include gross risk as well as residual risk.	<b>ME</b>	<b>ASAP</b>
	<b>(ii) BE Hub – Commercial Phase Assurance</b>		
7.2	<p>Murray summarised the paper, advising that the end of May is the milestone to have all outstanding agreements in place. Murray added that there are no current ‘showstoppers’ but will keep members posted offline if necessary.</p> <p>Murray explained Ralph Luck and Caroline Webster’s roles in the internal commercial review. Jessie outlined the advantages of having them both involved, given their expertise. From this, Jessie asked what future papers will be presented to the Audit Committee to provide assurance. Murray advised that having Ralph and Caroline involved means that they will both be able to report to the F&amp;GP Committee, describing it as the best conduit into the Board. There is a commitment from management that conversation regarding risk will be had with the Audit Committee, and it is up to the Committee’s to decide how wide they want their involvement to be. Jessie queried what level of assurance would be appropriate, adding that it was not expected to be the same level of a project board. Murray explained that it is hoped that the Board can get comfortable with what is presented, so that there are no surprises.</p> <p>It was agreed that the Audit Committee receive the same papers that are presented to the F&amp;GP Committee for assurance. Management is to keep the Audit Committee up to date on any reports going to F&amp;GP. If there are any issues Ralph and Caroline wish to raise, this can be done so through the Finance Committee.</p>		
<b>ACTION</b>	Papers presented to F&GP for assurance to also be sent to Audit Committee. Management to advise Audit Committee of any reports going to F&GP.	<b>EM/SLT</b>	<b>ASAP</b>
<b>ACTION</b>	El to communicate the Audit Committee’s offer of support to Ralph and Caroline.	<b>EM</b>	<b>ASAP</b>
<b>A.25.01.08</b>	<b>Internal Audit – BDO</b>		
	<b>(i) Risk Management Report</b>		
8.1	<p>Sean supported the report, advising that there were four medium and one low finding. Sean added that the consensus is that the process the College is constrained to follow for risk reporting takes time, resource and attention away from priority risks to the College.</p> <p>Members discussed the findings in the report. Jessie asked if the proposed amendment dates will come as a pack to the Audit Committee meeting in October 2025.</p>		

	<p>Jessie drew attention to the proposal to carry out deep dives on certain risks, querying what meeting the plan would be presented at. Murray explained that the aim is to give the Committee flexibility, instead of having a plan. Jessie suggested that it would be important to ascertain what areas the Committee think should be looked at, keeping in mind management's time and workload. The Committee agreed to keep Risk Deep Dives as a standing item on the agenda.</p> <p>The Committee were grateful for the report and accept its findings and will await a decision from UHI regarding risk management. It was noted that there is a deadline set in October to decide how to proceed in terms of the existing risk management process.</p> <p>Murray asked for approval to send the BDO report to the FD network. Jessie asked that Roger Sendall is to be included in this.</p>		
<b>ACTION</b>	Risk Deep Dives to be made a standing item on the agenda for future meetings.	<b>EM</b>	<b>ASAP</b>
<b>ACTION</b>	Murray to circulate Risk Management Report to FD network and Roger Sendall.	<b>ME</b>	<b>ASAP</b>
	<b>(ii) Progress Report</b>		
8.2	<p>Sean supported the paper, advising that the audit for Payroll is being wrapped up in line with the terms agreed. The draft Terms of Reference for the Board Effectiveness audit will be finalised next week. There is a scope meeting in the diary next week with Michaela Munro regarding the Procurement audit.</p> <p>Sean confirmed that the Board Effectiveness report will come to the next Audit Committee meeting. The Procurement report will be presented at the September meeting.</p> <p>Murray questioned if there were any high-level issues arising from the payroll audit. Sean explained that there are no alarming issues.</p> <p>Sean was asked to include Murray in the procurement scope discussions in order to look at creating efficiencies.</p> <p>Jessie queried the statement that the final sign-off would take place at the end of the year, having thought that the audits were signed-off on an ongoing basis. Sean explained that until the formal follow-up report has been finalised the audits cannot be fully signed off. Despite this, Sean advised that audits would not be marked as complete if he was not sure everything was correct. Sean added that he would make timescales clearer on the report for the next meeting.</p>		

	The Committee noted this update.		
<b>ACTION</b>	Sean to include Murray in procurement scope meetings.	<b>SM (BDO)</b>	
<b>A.25.01.09</b>	<b>Review of College Policies</b>		
	<b>(i) Status of progress in reviewing college policies against plan for 2024-25</b>		
9.1	<p>Derek supported the paper. Jessie queried the Gift, Hospitality, Entertainment Policy, Fraud Policy and Response Plan being changed to F&amp;GP approval. It was agreed that the Audit Committee would review the two policies for approval once ready. Derek advised that there is more work required for both policies, specifically in ensuring consistency with national values. Derek agreed to present to SLT before asking the Committee for approval.</p> <p>Derek advised that all policies are on track for this year but are a little behind the planned schedule. Jessie queried whether the process for writing policies was useful. Derek stated that the policies go through the approval process which is tried and tested. Derek added that they are UHI owned policies which require reviews. As a result, the decision to follow regional policies where possible was made. Murray stated that some policies could benefit from a complete re-draft due to them being outdated.</p> <p>Jessie asked for a status update on the HRPRG policies, given the delays noted in previous meetings. Derek advised that the group is now reformed, and policies will start coming through for approval.</p> <p>The committee noted this update.</p>		
<b>A.25.01.10</b>	<b>Physical and Cyber Security Update</b>		
10.1	Derek's update was noted by the Committee.		
<b>A.25.01.11</b>	<b>Governance</b>		
	<b>(i) Review of Audit Committee Terms of Reference</b>		
11.1	<p>The Committee were asked to approve the Terms of Reference. El confirmed that the terms were consisted with what is required as per government guidelines and the Code of Good Governance.</p> <p>The recruitment of another Audit Committee member was discussed. The Committee agreed to raise to the Chair of the Board that membership is an issue. Grenville agreed to approach a potential candidate for the Board.</p> <p>The Committee approved the Terms of Reference, which will now be reported to the Board.</p>		

<b>ACTION</b>	Chair to be advised of the low number of independent members on the committee.	<b>EM/JW</b>	<b>ASAP</b>
<b>ACTION</b>	Terms of Reference to be reported to the Board, following the Committee's approval.	<b>EM</b>	<b>27-03-25</b>
<i>David Patterson joined at 2.30pm to present items (ii) and (iii)</i>			
<b>A.25.01.12</b>	<b>Emerging Issues</b>		
	<b>(i) External Audit</b>		
12.1	<p>Murray informed the Committee that a questionnaire has been issued by Audit Scotland seeking feedback on the Deloitte audit process. A formal debrief will be arranged with Deloitte to discuss lessons learned from the previous audit. Jessie stated that the audit plan was normally presented in the May meeting, adding that it would be beneficial to meet with Deloitte in person this year. Murray advised that Deloitte will be asked to attend in person. Murray added that he will request a meeting with Deloitte to set the context for the May audit plan.</p> <p>The Committee noted this update.</p>		
<b>ACTION</b>	Murray to meet with Deloitte to set context for May audit plan and request that Deloitte attend the next Audit Committee meeting in person.	<b>ME</b>	<b>ASAP</b>
	<b>(ii) TOM Update</b>		
12.2	This item is reserved, and the minute held in confidence.		
	<b>(iii) MGD MEEIC Update</b>		
12.3	<p>David informed the Committee that three workshops have been held for all community groups within the partnership. £21m funding from the UK Government remains in place for a skills project in Moray. David outlined the proposals raised in these workshops. The outcome of votes has not yet communicated, although the final draft report is due to be sent to all partners.</p> <p>David advised that the main questions arising from discussions were: Does UHI Moray have the capacity to run another project? Does UHI Moray have money to put toward this project? The other question was on the potential risk from UHI having previously withdrawn from MAATIC.</p> <p>David informed the Committee that representatives from UHI had met with Moray Council although he had not been invited to this meeting. From a governance perspective, David added that any new projects have to go through the RSB.</p> <p>Grenville commented that if the funding was available from the Moray Growth Deal, and UHI were not being asked to contribute, then all that is requested from UHI is approval for the College to take the project on. Jessie queried if it was possible to prove the demand within Moray for a green skills</p>		

	<p>project. Grenville stated that there would be a UHI demand, where they may think of the benefits that the project will bring, whilst being managed by UHI Moray and Moray Council.</p> <p>James observed that the MAATIC project had been cancelled by UHI Court due to the project's requirement for UHI revenue funding over time. He recommended that the new project should do everything possible to prevent the need for UHI revenue funding as it would seem likely that they would cancel again if the ask was considered too high.</p> <p>Jessie asked for clarification on the funding structure. David advised that it would consist of £21m capital funding, so the target is to come up with a project that does not surpass the budget.</p> <p>Jessie queried the College's resource to be able to deal with this project, considering the Deputy Principal had been seconded to UHI for the MAATIC project, and has since not been replaced. Grenville added that strategic leadership would be required for a project of this size and highlighted the loss of the Deputy Principal and Director of Finance within the past year. Jessie pointed out that there already exists a need for a Deputy Principal.</p> <p>David informed the Committee that an update will be provided to the Board at the meeting on 27 March.</p>		
<b>A.25.01.13</b>	<b>Date of Next Meeting</b>		
13.1	The original date for the next meeting of 15 May 2025 was unsuitable to the Committee. It was agreed that the meeting will take place on 3 June 2025.		
<b>ACTION</b>	El to send out new date to all Committee members.	<b>EM</b>	<b>ASAP</b>
<b>RESERVED ITEMS</b>			
<b>A.25.01.14</b>	<b>Draft Reserved Minutes of Joint Audit &amp; FGP Committee meeting held on 11 December 2024</b>		
14.1	This item is reserved, and the minute held in confidence.		
<b>A.25.01.15</b>	<b>Draft Reserved Minutes of Audit Committee meeting held on 11 December 2024</b>		
15.1	This item is reserved, and the minute held in confidence.		
<b>A.25.01.16</b>	<b>Reserved Matters Arising from joint Audit Committee and F&amp;GP meeting and Audit Committee meeting, both held on 11 December 2024</b>		
16.1	This item is reserved, and the minute held in confidence.		
	<i>Meeting closed at 16.30pm</i>		