

AUDIT COMMITTEE

Minutes of Meeting held on
Tuesday 03 June 2025 at 9.30am
in the Boardroom and by MS Teams

Present:

James Walls (Convener)
Jessie McLeman

In Attendance:

David Patterson (10.20 – 11.10am)

Murray Easton

Derek Duncan

Eleanor Melton (Clerk)

Alex Hastings (Minutes)

Sean Morrison (BDO – by MS Teams)

Grenville Johnston

Sarah McGavin (Deloitte)

Yasmine Rasmussen (Deloitte)

Item		Action	Date
A.25.02.01	(i) Resignations		
1.1	There have been no new resignations.		
	(ii) Appointments		
1.2	There have been no new appointments.		
A.25.02.02	Apologies for Absence		
2.1	There were no apologies for absence received.		
A.25.02.03	Any Additional Declarations of Interest including specific items on this Agenda		
3.1	There were no additional declarations received.		
A.25.02.04	Draft Minutes of Audit Committee meeting held on 20 February 2025		
4.1	Following discussion, the committee agreed that the minutes be reviewed by the Convener and Clerk. Minutes will then be circulated to members for approval.		
ACTION	Minutes to be reviewed and approved by email.	AH/ME/EM	
A.25.02.05	Matters Arising from Audit Committee meeting held on 20 February 2025		
5.1	<u>5.1</u> – Complete		
5.2	<u>5.2</u> – Complete		
5.3	<u>5.3</u> – Complete		
5.4	<u>7.1.1</u> – Complete - On Agenda		
5.5	<u>7.1.2</u> – Complete		
5.6	<u>7.1.3</u> – Complete		
5.7	<u>7.2.1</u> – Complete		
5.8	<u>7.2.2</u> – Complete		
5.9	<u>8.1.1</u> – Ongoing - Risk Deep Dives not on agenda as a standing item today but one will be picked for the next meeting.		

5.10	8.1.2 – Complete - Murray advised that there is still intent to set up a workshop with the FD network, but a date has not yet been agreed.		
5.11	8.2.1 – Complete		
5.12	11.1 – Complete - James has also written to the Chair of the Board regarding recruitment.		
5.13	11.1 – Complete		
5.14	11.1 – Complete		
5.15	12.1 – Complete		
5.16	13.1 – Complete		
A.25.02.06	Risk Management		
	(i) Risk Update		
6.1	Murray supported the paper, informing members of the increased risk profile of the Job Evaluation project. Jessie queried whether the £0.24m figure accounted for the cost of undertaking the process. Murray confirmed that the quoted figure is for salaries. Murray highlighted that the Financial Sustainability risk profile may increase due to inflation and national bargaining. Although cash flow is not a problem this year, Murray advised that this would have to be closely monitored. Following a discussion on income from student numbers, Murray confirmed that the College’s prediction for HE Student Numbers for 2025/26 is the same number as targeted in the FRP. The Committee discussed the rating of the Technology risk profile and the work being done to ensure cyber security. Murray’s update was noted by the Committee.		
	(ii) Risk Deep Dive		
6.2	Murray asked for suggestions on what the Committee should investigate as a Risk Deep Dive in the next meeting. Jessie suggested commercial income and how its process structure in reporting, monitoring and governance is managed. Murray suggested reporting back to the Committee with an updated status, adding that this would be evolving a process, rather than a deep dive. James proposed a deep dive into the College estate, highlighting that the concept of elevating problems with the estate could be good for the College. James added that financial sustainability ties in with the estate, giving the example of the RAAC situation in the Speyside Wing. Derek added that a condition survey of the estate is currently		

	underway, and the report would be ready in time for the next meeting. The Committee agreed that a deep dive into the risks of the College estate will take place at the next meeting, highlighting the need for information to put into financial scale against commercial income, for example.		
ACTION	Risk Deep Dive on the College estate to be added to the agenda for the next meeting.	EM	
	(iii) BE Hub Update		
6.3	Murray supported the paper, highlighting the key updates in the project. Jessie highlighted that sight has been lost on a basic risk management structure with regards to organisational design and governance. Murray advised that the pre-operational phase was to go through the F&GP Committee into the Board, adding that governance around the BE Hub in operating mode was included in the FBC. It was agreed that the Committee would revisit the risks associated at an appropriate stage in the project. Murray's update was noted by the Committee.		
A.25.02.07	Internal Audit - BDO		
	(i) Progress Report		
7.1	Sean supported the paper, advising that with regards to the Board Effectiveness audit, the Chair of the Board has asked for the audit to be paused. The Committee agreed that the audit must be completed to comply with statutory requirements. Murray queried the content of the questionnaire that has been circulated to members. Sean advised that it provides members the opportunity to feed back their opinions this gives BDO additional information. No issues are expected to arise. Sean added that feedback regarding the questions provided would be taken on board, but the current process will be continued. The Committee agreed that James will contact the Chair regarding the Committee's agreement to continue with the Board Effectiveness audit. Murray queried if there was an update on findings in the Procurement audit. Sean highlighted that there are clear opportunities to create efficiencies on lower-level spending. Sean stated that the audit is still being tested.		

ACTION	James to write to the Chair of the Board to highlight that the Committee have agreed to continue with the Board Effectiveness audit.	JW	
	(ii) Payroll Audit Report		
7.2	Sean supported the paper, welcoming questions from members on the report. The Committee discussed the finding that there was no documented evidence of issues provided for payroll spot checks. Murray queried if BDO felt there was a conflict of interest with payroll now sitting under HR. Sean advised that this is mitigated by Derek doing final signoffs, adding that collusion is always a risk. Sean explained that although payroll would normally sit under finance, Michaela gets involved on the finance side later in the process, which is sufficient. James queried if there were any measures in place if the Payroll Manager was absent for a period. Michaela explained that there is a risk if either member of the payroll team were absent, as the finance team do not know how to manage the system. The Committee noted the report.		
	(iii) Audit Contracts 2025/26		
7.3	Murray highlighted the option to extend the contract with BDO as internal auditors, advising that this takes place with Sean leading. The Committee agreed to extend the contract.		
	(iv) 2025-26 Audit Plan		
7.4	Sean supported the paper, asking if there is anything else the Committee would like to look at. Jessie queried the decision to conduct an audit on the Moray Growth Deal and Partnership Management. Sean explained that Moray Growth Deal is suggested as it is a new project involving development plans and governance. Partnership Management was selected as it is one of the strategic vision points of the College. Sean added that this audit would look at engagement and consultation with UHI. The Committee discussed staff development and succession planning. Murray pointed out that the College is operating with 20% fewer staff. Adding that the focus could be on how the College is responding to the situation, looking at whether the new structure meets the needs of the College. Murray highlighted that there is value in looking at teams that have been cut too tightly and the risks and consequences this brings as a result. Sean suggested scheduling this audit for Q4 next year which would allow for		

	two or three Committee meetings to make changes if necessary. It was agreed that the 2025-26 Audit Plan would come back to the Committee for discussion at the next meeting.		
ACTION	Sean to present 2025-26 Audit Plan at the next Audit Committee meeting taking on board the discussion.	SM (BDO)	
A.25.02.08	External Audit – Deloitte Audit Plan 2025/26		
8.1	Sarah supported the paper, welcoming questions from the Committee. El explained that all dates have been set in conjunction with requirements. The Committee will have papers to review from Deloitte prior to the meeting scheduled for 4 December 2025. Sarah added that finer details are still being worked on, and there is a commitment to make sure deadlines are met. Murray highlighted that the timing of wider scope issues was very late last year. Jessie stated that last year's late submissions meant that communications to the Committee and Board were not conducive to good governance. Murray pointed out that Grenville had volunteered to review the requirements for financial statements. Grenville stated that other organisations statements do not have the depth of information that the College includes. Sarah explained that a new format can be run through a pre-checklist, adding that what information is included is at the College's discretion. The Committee noted this update.		
A.25.02.09	Review of College Policies		
	(i) Status of progress in reviewing college policies against plan for 2024/25		
9.1	Derek's update was noted by the Committee.		
A.25.02.10	NFI Update		
10.1	Michaela supported the paper, welcoming comments from members. The Committee discussed employees involved in charity work as a trustee declaring a register of interest. Derek stated that this requires approval from the principal. It was agreed that Michaela would check the wording on this in case it needs to be tightened up on.		
ACTION	Michaela to confirm correct wording for declaring an interest where an employee serves as a charity trustee.	MM	

A.25.02.11	Physical and Cyber Security Update		
11.1	Derek supported the paper. The Committee discussed Martyn's Law and the cost this may inflict on the College to increase security measures as part of compliance. Jessie stated that it would be good to get dates noted for implementation. It was noted that the bill has achieved Royal Assent, and further information will be made available soon. Derek advised that professional advice will be required on how to implement Martyn's Law and the costs this will incur. It was agreed that Derek would update the Committee on any feedback and dates agreed when available.		
ACTION	Derek to continue to update the Committee on developments with Martyn's Law.	DD	
A.25.02.12	Governance		
12.1	El informed members that the standard advertisement for recruiting Board members is still live on the website. Documentation and plans on where to advertise positions are awaiting comment from the Chair of the Board. It was agreed that James would highlight the risk of Board membership at the next Board meeting. Murray pointed out that the Board does not currently have a Senior Independent Member. It was agreed that this would also be highlighted at the next Board meeting.		
ACTION	James to highlight lack of Board membership and of a Senior Independent Member at the next Board meeting on 12 June.	JW	
A.25.02.13	Emerging Issues		
	(i) TOM Update - Verbal		
13.1	David reminded members of the three options being taken forward to the FBC. Option 4 of having mergers has almost dropped off the table. David advised that the other options are not being taken forward now, as the focus has shifted to look at four pathfinder projects. David reported that there is a strong feeling amongst partners that this is the wrong route to go down, adding that direction needs to be clarified, prior to investigating projects. David advised that the FBC completion target date has now been pushed to the end of the year. Boards and Committees will receive the FBC in draft form to give feedback on and following this, the FBC will be presented for approval.		

	Jessie queried if discussions regarding the TOM and pathfinder projects was diversionary for staff. David outlined that attempts are being made to minimise this. David highlighted that the College's staff were amongst the lowest number of responses to the TOM survey. David added that staff are still delivering good outcomes for students and want to focus on the day job. The Committee further discussed risks including staff morale, governance of the project and timelines. David's update was noted by the Committee.		
	(ii) MGD MEEIC Update - Verbal		
13.2	David provided a brief update, advising that a full update will be presented to the Board on 12 June. The MGD Programme Board met a month ago to discuss projects and agreed to drop the Moray Leisure Centre project. The remaining two projects are still being considered, with discussions taking place regarding making a hybrid project from the two. Kerry McInnes and Stephen Sheridan are joining David in presenting the project to Moray councillors. The Committee noted that a main concern for the Council is UHI pulling out of the project, like MAATIC. James asked if the project would depend on UHI centrally. David explained that UHI will have to support the project at some point. Stephen Sheridan is the link between the project and UHI. The Committee noted this update.		
A.25.02.14	Date of Next Meeting – TBC		
14.1	El advised that the Board and Committees schedule for 2025/26 will be presented to the Board for approval at the next meeting. The schedule has been aligned with Deloitte's schedule for the External Audit. It was noted that the provisional date for the next Audit Committee meeting is 2 October 2025.		
RESERVED ITEMS			
A.25.02.15	Draft Reserved Minutes of Audit Committee meeting held on 20 February 2025		
15.1	This item is reserved, and the minute held in confidence.		
A.25.02.16	Reserved Matters Arising from Audit Committee meeting held on 20 February 2025		
16.1	This item is reserved, and the minute held in confidence.		
	<i>Meeting closed at 1.00pm</i>		