

Audit Committee

Minutes

Meeting reference: Audit 2022-23/02

Date: Monday 12 December 2022

Location: Boardroom (Braham Room 019)

Members present: Jim Crooks, Board Member
Fiona Martin, Board Member
Debbie McIlwraith-Cameron, Board Member (Items 1-11)
Derek Waugh, Board Member

In attendance: Katrina Hodgson, Chair of Finance & Resources (Items 1-6)
Michael Buchanan, Member of Finance & Resources (Items 1-6)
Andrew Comrie, Member of Finance & Resources (Items 1-6)
Heather Cormack, Member of Finance & Resources (Items 1-6)
Todor Pavlov-Kennedy, Member of Finance & Resources (Items 1-6)
Margaret Cook, Principal
Lorenz Cairns, Depute Principal
Veronica Lynch, Vice Principal (External)
Iain Wishart, Vice Principal (Operations)
Rachel Wynn, Ernst & Young, External Auditor
David Archibald, Henderson Loggie, Internal Auditor
Ian McCartney, Clerk to the Board

Apologies: Patrick O'Donnell, Staff Board Member
Liam Fowley, Student Board Member

Chair: **Jim Crooks**

Minute Taker: Ian McCartney

Quorum: 3

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Summary of Historic Action Items			
Ref	Action	Responsibility	Time Line
	<p><u>Carried Forward from Meeting of 31 May 2022</u></p> <p><u>Ref 6.2 – Internal Audit – Audit Action Plan</u> Action: Internal Auditor to add additional column re previous review re when Audit Area was last reviewed to provide assurance</p>	Internal Auditor	Next meeting (March 2023)
3	<p>Draft Perth College Group Report & Financial Statements for the Year ended 31 July 2022 Clerk to circulate trend information around the environmental performance on Page 15 of the Group Report (as advised within December 2022 Estates Report) to Audit Committee for information.</p>	Clerk	Next meeting (March 2023)
4	<p>Draft External Audit Report 2022/22 Chair of Audit requested that Clerk add Finance Capacity to the agenda of the next Audit Committee to take forward.</p>	Clerk	Next meeting (March 2023)
4	<p>Draft External Audit Report 2022/22 Clerk to forward briefing/response re Principal's Remuneration to External Auditor for full transparency.</p>	Clerk	Next meeting (March 2023)

MINUTES

Item		Action
1.	<p>Joint Welcome and Apologies</p> <p>Chair of Finance & Resources welcomed members of Audit Committee to Joint Meeting of Finance & Resources and Audit Committees, and noted apologies.</p>	
2.	<p>Declaration of Conflict of Interest in any Agenda Item</p> <p>None</p>	
3.	<p>Draft Perth College Group Report & Financial Statements for the Year ended 31 July 2022</p> <p>Vice Principal (Operations) presented Paper 1 for consideration and endorsement, noting that the final AOP figure was in line with expectation per the Management Book presented to previous Finance & Resource Committees.</p> <p>Vice Principal (Operations) advised that the Audit process had proceeded relatively smoothly, with only minor delays in the provision of certain information.</p> <p>Vice Principal (Operations) highlighted the Balance Sheet, noting that a revaluation of assets related to the College Estate had moved the overall asset position, and that there had been an accounting adjustment related to the Pension Fund liability which, under FRS102, cannot be shown as an asset on the Balance Sheet.</p> <p>External Auditor confirmed that all adjustments presented had been recorded correctly.</p> <p>Chair of Finance & Resources queried the signing-off procedure for the Accounts. Vice Principal (Operations) advised that the Accounts were required to be signed off this week to allow for lodging with the Auditor General before the end of the year. It was AGREED that, with the Joint Meeting constituting a quoracy of the Board, the accounts could be signed off within that period and ratified by the Board on the 22nd, assuming any remaining amendments did not breach the Materiality threshold of £540,000 confirmed by External Auditor.</p> <p>Audit Committee Member queried the trend information around the environmental performance on Page 15 of the Group Report. Depute Principal advised that this had been addressed during the Estates Report to Finance & Resources Committee. Clerk to circulate this paper to Audit Committee for information.</p>	Clerk

	<p>Vice Principal (Operations) noted that there was a material uncertainty around AST Going Concern, however due to this being within the College Materiality for the Group Accounts, this would not have an effect on the signing off timetable, and AST Auditors were in close consultation with EY on this matter.</p> <p>The Perth College Group Report & Financial Statements for the Year ended 31 July 2022 were APPROVED subject to any Materiality issues and would be presented to Board for ratification.</p>	
<p>4.</p>	<p>Draft External Audit Annual Report 2021-22</p> <p>External Auditor presented Paper 2, noting an Unqualified Audit Opinion for the Financial Statement presented under Paper1. External Auditor thanked the College Finance Team for their efforts in presenting a set of accounts for consideration in December for the first time in a few years.</p> <p>External Auditor noted key risks as presented being Pensions (due to a significant swing due to the discount rate, a position that was being repeated across the sector) and Going Concern (AST had been considered but EY comfortable not to escalate due to position within Group Accounts, and are in regular contact with AST Auditors).</p> <p>External Auditor noted the following Wider Scope issues:</p> <ul style="list-style-type: none"> • A RED rating had been allocated to Financial Sustainability due to sector-wide issues resulting in the likelihood of difficult decisions being required • External Auditor noted the pace of change in internal improvements within Finance Management since this matter was first advised in 2019/20, however there were still a number of key personnel dependencies that required addressing, and increased capacity was required, resulting in a RED rating being allocated • Governance & Transparency had received an AMBER rating due to the pace of change from the previous year relating to the remaining items from the 2019 Audit Action Plan. External Auditor also noted the lack of clear evidence of consideration of the Public Sector Pay Policy when agreeing the revised Principal's remuneration • Value For Money also received an AMBER rating due to a delay in visibility of public performance reporting. <p>Board Member noted a presentational issue. External Auditor confirmed this was due a version control issue, and this would be</p>	

	<p>corrected prior to publication of the Report.</p> <p>Chair of Audit noted comments re capacity within Finance and shared concern, however believed this should be resolved operationally. Chair of Audit requested that Clerk add the matter to the agenda of the next Audit Committee to take forward.</p> <p>Chair of Remuneration addressed the issue of the Principal's Salary advised in the External Audit Report.</p> <p>[Principal left meeting during discussion of this matter]</p> <p>Chair of Remuneration advised those present that the governance shortfall had been caused by an omission from the minutes, that discussion had place around the Public Sector Pay Policy, however this had not been formally recorded. Chair of Remuneration noted in mitigation that the review of the salary was a 5-year review therefore Remuneration Committee as a whole had been remiss in not addressing the issue on a regular basis.</p> <p>Chair of Remuneration advised that a briefing had been prepared earlier today in response to a query from a Board Member on this issue, and requested that the Clerk forward this briefing/response to External Auditor for full transparency.</p> <p>The Draft External Audit Annual Report 2021-22 was ENDORSED pending minor amendments, and would be presented to Board for approval.</p>	<p>Clerk</p> <p>Clerk</p>
<p>5.</p>	<p>Draft Internal Audit Annual Report 2021-22</p> <p>Internal Auditor presented Paper 3, noting that audit processes were independent and compliant with standards.</p> <p>Internal Auditor noted the larger programme of work compared to previous years, and that, following the extension of Henderson Loggie's contract as External Auditor, and Audit Needs Assessment had preceded the agreement of the Audit Plan.</p> <p>Internal Auditor advised that all reports within the Annual Action Plan had been delivered, with a summary of outcomes presented on page 3 of the Audit Report, and noted that the overall outputs were broadly positive.</p> <p>Internal Auditor highlighted the Follow-Ups section of the Report, advising that, of the 29 actions in this section, 8 had been fully implemented, 2 were close to full implementation, and 19 were outstanding but moving forwards.</p> <p>Chair of Audit noted the continuing theme of capacity and the number of Follow-Ups still outstanding, which would require to be</p>	

	<p>addressed.</p> <p>Chair of Finance & Resources asked where responsibility for monitoring progress of the 19 outstanding recommendations referred to in the Follow-Up report lay. Chair of Audit noted that these linked back to the outstanding Audit Action Plan, and would be monitored accordingly. Vice Principal (Operations) advised that internal resource had been identified within team to lead on closing outstanding actions, and would be taking on this role from January 2023.</p> <p>The Draft Internal Audit Annual Report 2021-22 was ENDORSED, and would be presented to Board for approval.</p>	
6.	<p>Draft Audit Committee Annual Report to the Board of Management</p> <p>Clerk presented Paper 4, noting that the Audit Committee Report to the Board was largely collated from the preceding reports with additional information provided around key changes within the College during the year, and was intended to supply Board with confidence that Audit Committee had enacted its compliance responsibilities.</p> <p>The Draft Audit Committee Audit Annual Report 2021-22 was ENDORSED, and would be presented to Board for approval.</p> <p>Chair of Audit noted that 2021/22 represented to final External Audit to be conducted for Perth College by Ernst & Young after many years, and thanked EY on behalf of Audit Committee for their scrutiny, openness and valued input over the years. Principal echoed these thanks on behalf of the Senior Management Team</p>	
	Scheduled Audit Committee Business	
7.	<p>Additions to the Agenda</p> <p>There were no additions to the Agenda.</p>	
8.	<p>Declaration of a Conflict of Interest in any Agenda Item</p> <p>There were no declarations of Conflicts of Interest.</p>	
9.	<p>Minutes of the Meeting of Audit Committee held on 19 October 2022</p> <p>The Minutes were approved as an accurate reflection of the Meeting.</p>	

10.

Action arising from previous minutes

Historic Matters arising from 31 May 2022

Ref 6.2 – Internal Audit – Audit Action Plan

Action: Internal Auditor to add additional column re previous review re when Audit Area was last reviewed to provide assurance

Action Update: Action not yet complete. **Carried forward.**

Matters Arising from 19 October 2022

Ref 6.1 – Annual Health & Safety Report

Action1: Depute Principal to liaise with Head of HR re benchmark training figures

Action Update: Depute Principle provided a summary of Mandatory Training summary table showing progress to current target of 90% completion of mandatory health and safety training:

Course name	29/01/2020	19/08/2020	31/07/2021	28/09/2022	06/12/2022
Health and Safety Part 1 v.1	17%	79%	87%	87%	90%
Health and Safety Part 2 v.1	18%	81%	88%	87%	90%

Action 2: Depute Principal to liaise with Head of HR re 95% completion rate re mandatory H&S Training noted within IA Report vs 90% completion rate noted in Annual Health & Safety Report

Action Update: Depute Principal noted that the Audit Report in August 2020 had a recommendation that the College should set annual targets for compliance, which initially would be realistic to improve compliance, with a view to stretching these targets over a number of years to ensure that as a minimum 95% compliance rates with mandatory training are achieved for existing staff, and that for new staff this compliance should be at 100%.

The College has slowly been increasing its compliance in this area with compliance levels for 20/21-22/23 being set at 90% with all new starters completing their mandatory training during their probationary period. We will be looking to increase this for the 23/24 to 95% as we will need to make changes to our reporting requirement to be able to monitor this effectively

Principal noted that UHI wishes to add further Mandatory Training items which raises potential issues re time, capacity and motivation.

Ref 14 – Review of Meeting

Action: Clerk to amend error re Vice Principal (Operations) in Terms of Reference

Action Update: Complete

Internal Auditor

<p>11.</p>	<p>Strategic Risk Register (transition to Enterprise Risk Management)</p> <p>Chair of Audit introduced Item by noting for context that the College’s Strategic Risk Register was not always aligned with the Strategic Plan.</p> <p>Vice Principal (Operations) presented Paper 6 which outlined the transition from the Strategic Risk Register to Enterprise Risk Management and provided an updated model to the previous version, noting that the ERM will allow Board to focus on monitoring of Risk.</p> <p>Vice Principal (Operations) proposed that an updated version of the old Risk Register be issued over the next few weeks to ensure Committee is able to provide scrutiny while the ERM is completed. Chair of Audit asked whether members were comfortable with this approach. Committee AGREED with the proposal advised by Vice Principal (Operations).</p> <p>Vice Principal (Operations) confirmed that the ERM would focus on the 13 strategic objectives agreed as main KPIs at Strategic Development Committee. In presenting the ERM, Vice Principal (Operations) noted that the main Board focus would be on the Monitor & Review section. This would be presented within a supporting paper, however Members would have access to drill down to other sections for more detail if required.</p> <p>Board Member asked around timescales for full roll-out of ERM. Vice Principal (Operations) advised that this was likely to be end January. Chair of Audit noted that it was not practical to continue with the old Register beyond the January update offered, as the link to Strategy is key.</p> <p>Internal Auditor welcomed the clear link to Strategy, however noted that the College has “Shared Risks” with UHI and queried how these would be captured. Principal noted that an exercise was being taken forward by the University Secretary which Vice Principal (Operations) will be contributing to.</p> <p>Committee APPROVED Paper 6.</p>	
<p>12.</p>	<p>Audit Plans, Reports & Updates</p>	
<p>12.1</p>	<p>Internal Audit Report 2022/07 - Payroll</p> <p>Internal Auditor summarised the Internal Audit Report on Payroll.</p> <p>Committee NOTED recommendations and actions.</p>	

12.2	<p>Internal Audit Report 2022/08 - Buildings</p> <p>Internal Auditor summarised the Internal Audit Report on Buildings.</p> <p>Board Member noted the recommendation re Management Software and queried whether this was a prioritisation under the UHI2024 Shared Services workstream. Principal advised that Estates had not yet been discussed within the workstream. Vice Principal (Operations) further advised that the Finance Team has been working with Estates around a short-term solution based on Excel.</p> <p>Depute Principal advised that the other recommendations had been actioned today.</p> <p>Committee NOTED recommendations and actions.</p>	
12.3	<p>Internal Audit Report 2022/09 - Quality</p> <p>Internal Auditor summarised the Internal Audit Report on Quality.</p> <p>Committee NOTED recommendations and actions.</p>	
12.4	<p>Internal Audit Report 2022/10 – Follow-Ups</p> <p>Internal Auditor summarised the Internal Audit Report on Follow-Ups.</p> <p>Chair of Audit requested that this be kept on Audit Committee’s radar and suggested that a brief monitoring report be tabled at the next Audit Committee meeting. This was AGREED.</p> <p>Committee NOTED recommendations and actions.</p>	SMT
12.5	<p>Internal Audit Report 2023/02 – Student Activity Data 2021/22</p> <p>Internal Auditor summarised the Internal Audit Report on Student Activity Data, which was advised as being a routine report.</p> <p>Committee NOTED the Report.</p>	
12.6	<p>Internal Audit Report 2023/03 – Student Support Funds</p> <p>Internal Auditor summarised the Internal Audit Report on Student Support Funds, which had been presented without reservations.</p> <p>Committee NOTED the Report.</p>	

12.7	<p>Internal Audit Report 2023/01 – Draft Annual Internal Audit Plan 2022/23</p> <p>Internal Auditor presented the Draft Annual Internal Audit Plan for 2022/23, noting that this constituted Year 2 of a 3-year Plan. Internal Auditor sought clarification from Committee that the Plan as presented was still valid.</p> <p>Board Member noted that Recruitment & Retention perhaps needed prioritisation. Principal agreed that this was central to every report at the moment and would support such a prioritisation.</p> <p>Chair of Audit queried what would be reprioritised from Year 2 to Year 3. Vice Principal (External) suggested that Data Protection & Records Management may be a lower risk than others due to the absence of key issues being reported and mitigations at UHI level. Clerk advised that a Records Management project across the Partnership was currently ongoing therefore it may be useful to look at local implementation of this further down the line.</p> <p>Committee AGREED the Annual Internal Audit Plan 2022/23 with the stipulation that Data Protection & Records Management be replaced with Student Recruitment & Retention.</p>	
13	<p>FOI & Data Protection Quarterly Update</p> <p>Clerk presented a year-to-date update of FOI and Data Protection issues reported under Paper 14 for information. The report was NOTED by Committee.</p>	
14	<p>Date & Time of Next Meeting</p> <ul style="list-style-type: none"> • Monday 13 March 2023 @ 5pm 	
15	<p>Review of Meeting</p> <p>Committee confirmed that the meeting had been conducted in line with its Terms of Reference.</p>	

Information recorded in College minutes are subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Notes taken to help record minutes are also subject to Freedom of Information requests, and should be destroyed as soon as minutes are approved.

Status of Minutes – Open

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes about living individuals, under the terms of the Data Protection Act 2018. It is important that fact, rather than opinion, is recorded.

Do the minutes contain items which may be contentious under the terms of the Data Protection Act 2018? **Yes** **No**