

Audit Committee

Minutes

Meeting reference: Audit2023-24/03

Date: Tuesday 19 March 2024

Location: Boardroom (Braham Room 019)

Members present: Jim Crooks, Chair, Audit Committee
Derek Waugh, Board Member
Debbie McIlwraith Cameron, Board Member
Alistair Wylie, Board Member
Patrick O'Donnell, Staff Board Member

In attendance: Margaret Cook, Principal
Lorenz Cairns, Depute Principal
Lynn Murray, Depute Principal (Operations)
Veronica Lynch, Vice Principal (External)
Iain Wishart, Vice Principal (Operations)
Ian McCartney, Clerk to the Board
Stuart Inglis, Henderson Loggie, Internal Auditor (until Item 9)
Jill Martin, Head of ICT (Item 6.1 only)

Apologies: David Archibald, Henderson Loggie, Internal Auditor
Kirsty Hair, Deloitte, External Auditor
Katy Lees, Head of HR & Organisational Development

Chair: **Jim Crooks**

Minute Taker: Ian McCartney

Quorum: 3

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MINUTES

Item		Action
1.	<p>Welcome & Apologies</p> <p>Chair welcomes all to meeting and noted apologies.</p> <p>Chair introduced Lynn Murray to her first Audit Committee, and noted it was Iain Wishart's final Audit Committee. Chair formally noted thanks to Iain for his help and support to the Committee over his time at UHI Perth.</p> <p>Chair also noted that it was to be his final Audit Committee meeting as Chair, with Derek Waugh taking over for the next Board cycle.</p>	
2.	<p>Additions to the Agenda</p> <p>The following items were added to the agenda:</p> <ul style="list-style-type: none"> • Letter from Audit Scotland re audit timelines (now Item 10.1) • Internal Audit contract extension (now Item 10.2) 	
3.	<p>Declaration of Conflict of Interest in any Agenda Item</p> <p>External Auditor declared a conflict around Item 10.2, and agreed to leave the meeting prior to this item being discussed.</p>	
4.	<p>Minutes of Meeting of Audit Committee, 07 December 2023</p> <p>The minutes were approved as a true and accurate record of the meeting.</p>	
5.	<p>Matters Arising from previous minutes</p> <p>The Matters Arising from the previous minutes re Enterprise Risk Management and Internal Audit Plan were included in items listed under the meeting Agenda, and would be dealt considered therein.</p>	
6.1	<p>Enterprise Risk Management Report</p> <p>Vice Principal (Operations) noted that the updated ERM Report (Paper 2), and introduced the element of Tone At The Top, which is intended to provide interact presentations on key risk areas to Board members.</p> <p>For the first presentation, Jill Martin, Head of ICT presented on Artificial Intelligence, noting the risks of adopting AI (ethical concerns, privacy and data security, loss of human touch, dependency on technology, financial costs and job displacement) against the risks of not adopting (loss of sector benefits, loss of efficiency opportunities, lack of personalisation, loss of competitive</p>	

advantage, limited insights and students not prepared for the future), before opening a discussion on the topic,

Board Member queried whether AI providers were looking to specifically target education providers. Head of ICT advised that if an AI application had an enterprise element, it will already be doing so, eg CoPilot, Adobe Image Creator. There is already a specialist package around student onboarding.

Chair noted that, while AI in data handling seems robust, the creation of content may be more of an issue, eg around generation of essays. Head of ICT noted that a recent survey indicated that 72% of students in HE have already used AI in this way, and there is a need to accept that AI is here and focus on how to extract learning from what is being presented, that the value added is in the teacher pulling out the learning.

Board Member expressed a need for different risk around different elements to be reflected, noting a difference between risk with AI used for data entry and AI used for content creation. Additionally, the cost of AI is not just in the package itself but in the additional resources required to ensure that the data being used is up to date and ready to be utilised.

Chair noted that AI policy needs to be nuance and is probably not able to be developed in isolation. Depute Principal added that there will need to be built-in checks for anomalies and errors, and there needs to be clarity as to why and where this technology is to be used. Head of ICT noted that Turnitin launched an AI detector last year but this was rejected by the education sector due to lack of assurances that this was robust enough. Internal Auditor advised that another college has issued separate guidance on AI to staff and students.

Staff Board Member noted that there appeared to be a trend developing where institutions are reverting to end-of-learning exams and viva voces to ensure academic rigour.

Vice Principal (External) advised that balance was needed between getting the systems right and enabling a roll-out across all staff, however UHI Perth doesn't have full scope to make all decisions related to this issue due to UHI ownership of most ICT systems.

Depute Principal (Operations) noted that, as well as a requirement to develop policies and procedures, the ICT Strategy needs to provide clear guidance on these issues across the college.

Following the conclusion of this discussion, Vice Principal (Operations) presented the substantive element of Paper 2, noting that the ERM was now completely live and controls are in place across all categories. Vice Principal (Operations) advised of an

	<p>error within the Finance data figures within the Risk Overview section which will be corrected.</p> <p>Board Member queried the timelines and goals in place to get controls to 100%. Vice Principal (Operations) noted that there was a link in the papers to the full ERM that provides the level of detail requested. Clerk further noted that the full ERM was also made available on the Audit Committee Teams page prior to each meeting for Members to scrutinise.</p> <p>Vice Principal (External) reminded Committee that the Sustainability Project would have an effect on updates within the ERM as some decisions affecting controls may not be made until the end of May, however Committee should take comfort that the ERM mechanism was being used to support and inform decisions around structures being taken forward.</p> <p>Chair expressed comfort that ERM was being integrated into decision-making throughout the organisations</p> <p>Committee noted Paper 2.</p>	
<p>6.2</p>	<p>Risk Appetite Review</p> <p>Vice Principal (Operations) presented Paper 3 for approval, highlighting the changes made since the issue was last discussed by Audit Committee, in particular amendments to the values within the Impact section commencing from an appropriate value within approved authorisation limits, with upper figure being upgraded to £1m. Vice Principal (Operations) advised that these amendments enables a framework for decision-making at management level that doesn't breach Board appetite restrictions.</p> <p>Vice Principal (Operations) further noted that the Income risk category had been split into Academic and Commercial Income risks to better reflect the different risk appetites between core and additional income.</p> <p>Board Member agreed that the reviewed position provided a sensible summary of the college's current position with a clear rationale provided.</p> <p>Committee approved Paper 3.</p>	
<p>6.3</p>	<p>Health & Safety Operational Risk Register</p> <p>Depute Principal presented Paper 4 for information, summarising the 5 risks marked as red at the moment, and noting that contingencies and mitigations were in place for these.</p> <p>Principal noted that there were some important lessons to be</p>	

	<p>learned from the Stress Survey in particular.</p> <p>Committee noted Paper 4.</p>	
6.4	<p>Annual Safeguarding Report</p> <p>Depute Principal presented Paper 5 for information, noting the paper provide a high level summary of safeguarding across the College, and that the paper had previously received scrutiny at Learner Experience Committee.</p> <p>Depute Principal highlighted that, since COVID, an increasing number of students were presenting with metal health issues and advising of challenging personal circmstances.</p> <p>Committee noted Paper 5.</p>	
6.5	<p>Policies & Procedures Compliance Review</p> <p>Depute Principal presented Paper 6 for information, noting that UHI Perth has a significant number of policies, with a significant number of changes being made to processes over the last 9 months to address concerns raised over out-of-date policies.</p> <p>Chair noted the reference to a risk-based ranking of these policies, before requesting that a list of redundant policies be provided for completion.</p> <p>Committee noted Paper 6.</p>	Head of HR
7.1	<p>Annual Internal Audit Plan 2023-24 - revised</p> <p>Internal Auditor presented Paper 7, noting the Plan was effectively the same as that presented to the last meeting, but revised to incorporate management input re priorities and dates/timings. Dates that Committee can expect to see reports presented for their scrutiny have also been added.</p> <p>Internal Auditor reported that the Risk Management fieldwork and clearance meeting had now been concluded and the Report would follow in due course, noting a positive review.</p> <p>Board Member queried levels of expertise available to conduct an audit into cyber-security resilience and how this would link with UHI. Internal Auditor advised that a member of the Audit team possesses the required qualifications and specialist expertise in this area. Internal Auditor further advised that, while UHI will be spoken to to examine both local control and UHI input, there will not be a detailed review of UHI controls.</p> <p>Committee noted Paper 7.</p>	

7.2	<p>Internal Audit Follow-Ups – Progress Update</p> <p>Vice Principal (Operations) noted Paper 8 for information, noting that this paper in future should be linked to ERM papers to avoid drift. Clerk to action.</p> <p>Depute Principal (Operations) noted that there are still resourcing issues within the Finance department which will impact on implementation timescales for these follow-ups, however it will be a priority for the new Head of Finance to develop an Improvement Plan to take this forward.</p> <p>Committee noted Paper 8.</p>	<p>Clerk</p> <p>SMT</p>
8.1	<p>Freedom of Information & Data Protection – Quarterly Update</p> <p>Committee noted Paper 9.</p>	
9.1	<p>Amendments to Terms of Reference for sub-committees of Health & Safety Committee</p> <p>Committee noted Paper 10.</p>	
10.1	<p>Letter from Audit Scotland re Audit Timelines</p> <p>Vice Principal (Operations) introduced Paper 12, received from Audit Scotland and circulated to Members yesterday, noting that the letter focused on achieving deadlines in future instead of providing clarity for those colleges impacted by the failure of External Auditors (appointed by Audit Scotland) to deliver audited accounts on time in the current year.</p> <p>Vice Principal (Operations) advised that the UHI Perth accounts are still not ready to be tabled for Board scrutiny.</p> <p>Vice Principal (Operations) noted that Audit Scotland also want to be assured that triennial assumptions used for pensions liabilities were aligned correctly, however pensions trustees had met as recently as earlier this week, and there appeared to be no reason why previous assumptions would change within this timescale.</p> <p>Vice Principal (Operations) advised that there would need the Actuary to confirm that nothing had changed from the previous assumptions which would then allow the accounts to be prepared for signing off, although some other items required to be reviewed by the Audit Manager and Partner prior to sign-off.</p> <p>Vice Principal (Operations) further noted that UHI wrote to Audit Scotland as no UHI Academic Partner accounts had been delivered prior to the end of December 2023. Audit Scotland had responded that this was a sector-wide issue.</p>	

	<p>Board Member queried whether action should be taken once the accounts are signed off. Principal advised that UHI Perth would not be able to gain much traction with a direct report, however a follow-up from the RSB on behalf of all Academic Partners was likely to be actioned.</p> <p>Chair recognised that RSB needs to be the route followed, however there is an integrity issue for the Board to be proactive in this matter due to risks of the Board being non-compliant.</p> <p>Depute Principal (Operations) advised that the Director of Finance at UHI had been contacted last week, and it was stated that the new Vice-Chancellor of UHI would be contacting all Academic Partners shortly to see where all parties were sitting with a view to making further contact with Audit Scotland.</p> <p>Board Member noted that accounts also had to be lodged with OSCR under charity compliance, and failure to do so would not look good reputationally no matter the circumstances.</p> <p>Board Member queried whether there were avenues open to pursue a reduction in fees as External Auditors have not provided a service per the terms of their contract. Depute Principal (Operations) noted that Audit Scotland, when asked this question, had referred to a non-negotiable Schedule of Rates that applied to college external audits.</p> <p>Board Member queried whether the same Auditors were required to be used next year. Principal advised that Auditors were appointed on a 5-year contract and, while there is a national discussion around the issue, UHI Perth are not permitted to terminate the contract and move on.</p> <p>Committee noted Paper 10 and actioned Depute Principal (Operations) to write to the Director of Finance at UHI to express Committee's strength of feeling in this matter.</p>	Depute Principal (Operations)
10.2	<p>Internal Audit contract extension</p> <p>Depute Principal (Operations) advised Committee that the contract with the current Internal Auditors was in the third year of a 3-year Audit Plan which ends in July 2024. The contract is structured in such a way as to allow 2 1-year extensions.</p> <p>Depute Principal (Operations) noted that advice had been received from APUC which would allow for a 2-year extension to be provided, and the current Internal Auditors have expressed a willingness to extend on this basis. Depute Principal (Operations) sought approval from Committee to approve in principle an extension to the current Internal Audit contract.</p>	

	<p>Chair advised that continuity for the next two years would make perfect sense for the organisation. Principal advised that the Executive would be comfortable with the arrangement being extended due to the continuity provided for both UHI Perth and UHI more widely.</p> <p>Committee approved the extension of the current Internal Audit contract by a further 2 years.</p>	
11.	<p>Date & Time of Next Meeting</p> <ul style="list-style-type: none"> • Tuesday 28 May 2024 	
12.	<p>Review of Meeting</p> <p>Committee confirmed that the meeting had been conducted in line with its Terms of Reference.</p>	

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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**