

## Audit Committee

### Minutes

**Meeting reference:** Audit2023-24/02

**Date:** Thursday 07 December 2023 at 6.00pm

**Location:** Boardroom (Braham Room 019)

**Members present:** Derek Waugh, Board Member  
Debbie McIlwraith Cameron, Board Member  
Alistair Wylie, Board Member  
Patrick O'Donnell, Staff Board Member  
Fiona Smith, Student Board Member of Audit Committee

**In attendance:** Michael Buchanan, F&R Committee Chair (until Item 8)  
Andrew Comrie, F&R Committee Member (until Item 8)  
Graham Watson, F&R Committee Member (until Item 8)  
John Dare, F&R Committee Member (until Item 8)  
Rebecca Bond, F&R Committee Member (until Item 8)  
Margaret Cook, Principal  
Lorenz Cairns, Depute Principal  
Veronica Lynch, Vice Principal (External)  
Iain Wishart, Vice Principal (Operations)  
Henry Nicholson, Head of Accounts  
Ian McCartney, Clerk to the Board  
Thomas Rotherham, Deloitte, External Auditor (until Item 8)  
David Archibald, Henderson Loggie, Internal Auditor (until Item 8)

**Apologies:** Jim Crooks, Chair, Audit Committee

**Chair:** **Derek Waugh**

**Minute Taker:** Ian McCartney

**Quorum:** 3

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**We will act with integrity in everything we do**

**Student Centred + Innovative + Ambitious + Respectful + Inclusive + Collaborative**

## MINUTES

| Item          |   | Action |
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| 1.            | <p><b>Joint Welcome and Apologies</b></p> <p>To commence proceedings, Committee held a joint meeting with Finance &amp; Resources Committee to review Annual Statements and Audit Reports relating to FY 2022/23.</p> <p>Members presented noted apologies were received from Jim Crooks, Chair (Audit), and Derek Waugh would be deputising as Chair for Audit Committee proceedings.</p>  |        |
| 2.            | <p><b>Declaration of Conflict of Interest in any Agenda Item</b></p> <p>John Dare declared interest due to undertakings around his Unison role.</p>   |        |
| 3.<br>&<br>4. | <p><b>Draft Perth College Group Report &amp; Financial Statements for the Year ended 31 July 2023 &amp;</b></p> <p><b>Draft External Audit Annual Report 2022-23</b></p> <p>Chair (Finance &amp; Resources) noted absence of Papers 1, 2 and 4, and invited External Auditors (Deloitte) to provide a verbal update in explanation.</p> <p>External Auditor advised that, while audit testing was a significantly advance, the audit was not yet at a stage to be approved. External Auditor reported that capacity restraints within the audit team had been central to the delays encountered, and that Audit Scotland had reinforced this position had been encountered by other auditors.</p> <p>External Auditor further advised that there were no concerns surrounding the 4 identified areas of Significant Risk.</p> <p>External Auditor noted that the statutory reporting deadline of 31<sup>st</sup> December would be missed, however the audit will be concluded and ready to be signed off by the end of January 2024.</p> <p>Chair (Board) queried whether Audit Scotland were comfortable with the proposed amended timeline. External Auditor confirmed this was the case. Vice Principal (Operations) noted that UHI, as Regional Strategic Body, had also been advised.</p> <p>Principal noted that all UHI Assigned College were in the same position as UHI Perth, and expressed disappointment that the External Auditor had not been able to deliver on time. Principal highlighted that External Auditor had not fulfilled a contractual obligation in not delivering the audit on time.</p> |        |

Deputy Principal queried whether the capacity issues were foreseen or unforeseen. External Auditor advised that there was a bit of both at play in that there is a national shortage of qualified auditors meaning Deloitte's had also struggled to get the right people in the right place, which was exacerbated by staff sickness.

Depute Principal asked why External Auditor bid for work with foreseen staff issues. External Auditor advised that it had taken longer than expected to address these issues.

Board Member asked whether all resources required to complete the audit were now in place to support External Auditor's confidence to deliver on revised timetable. External Auditor advised that there should be ample resources in place to deliver per the revised timescales.

Board Member queried whether there were any ramifications on the UHI Perth audit being submitted late. External Auditor advised that there would be no financial ramifications, however there is a need for all appropriate bodies to be informed.

Chair (Board) requested that External Auditor provide guarantee that there is no apportionable blame to UHI Perth for the lateness of the audit. External Auditor responded that there had been some identified data issues that were the responsibility of UHI Perth that had caused some delay. Head of Finance challenged this position, noting that the External Auditor had asked for breakdowns which had previously been provided 2 months prior, and had been asking follow-up questions that previous auditors would have known from data provided.

Chair (Board) stressed that there needs to be a clear statement provided to SFC which clarifies that the lateness of the audit was predominantly or completely outwith UHI Perth's control, and a form of words would need to be agreed for this. External Auditor advised that it is the Regional Strategic Body that reports to the SFC, not the External Auditor.

Vice Principal (Operations) advised that an email had been received from UHI Executive Office indicating that, as all UHI assigned colleges were affected by a delay, reporting of the each delay should be notified directly to SFC by affected academic partners, while recognising that a follow-up in writing may be required.

Chair (Board) asked the External Auditor's opinion regarding Going Concern, as this is felt by the Board to be the biggest risk. External Auditor advised that Going Concern had not been deemed a Significant Risk as defined by Practice Note 10 – Continuation of Service, the application of which goes beyond a college's cashflow.

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|                  | <p>Chair (Board) noted that there was no guarantee from SFC regarding funding for future years therefore how can the UHI Perth Board sign off on Going Concern. External Auditor responded that Continuation of Service extends to 12 months after the end of the audit period and is the accounting standard applied as required by Audit Scotland.</p> <p>Chair (Board) queried that if Board concluded there was material uncertainty around Going Concern, would External Auditor sign off on this? External Auditor was unable to comment on such a position at this stage.</p> <p>Chair (Board) noted that Directors, have a responsibility to only sign-off accounts that the Board is comfortable with. Chair (Board) further noted that historic sign-off is understandable, but it seems strange not to review this position given the current situation regarding the sector and wider public funding.</p> <p>Chair (Board) requested that the discussion around Going Concern be factored into discussion when audit is prepared for approval during January. External Auditor would reflect on ability to operate within the funding environment, however noted that accruals and prepayments were separate to any Going Concern assumptions.</p> <p>Board Member queried what next steps would be. Vice Principal (Operations) advised that an Extraordinary Meeting of Board would be required, and it is hoped that this could be tied in with another meeting around UHI Target Operating Model which may fall at around the same time. Clerk to co-ordinate dates to schedule these meetings asap.</p> |  |
| <p><b>5.</b></p> | <p><b>Draft Internal Audit Annual Report 2022-23</b></p> <p>Internal Auditor presented Paper 3, noting that audit processes were independent and compliant with standards.</p> <p>Internal Auditor highlighted the summary table contained within the Audit Report, and noted that report 2023/08 was not graded as this was a business process.</p> <p>Internal Auditor advised that, while there were a number of outstanding recommendations and actions, most of these were inter-related and therefore had been treated as a single issue and as such had been deemed to have no caveat on the overall audit position.</p> <p>Internal Auditor provided an uncaveated opinion with regard to Risk Management, Controls and Governance, and noted no concerns with regard to outputs,</p> <p>Chair (Board) noted contrast in nature of the Audit Report</p>  |  |

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|           | <p>compared to three years ago, and recorded tremendous credit to the management team in the turnaround to achieve such a positive assessment.</p> <p>Chair noted that the Draft Plan for 2023/24 was tabled for Audit Committee to consider within its normal business.</p> <p>The Draft Internal Audit Annual Report 2022-23 was <b>ENDORSED</b>, and would be presented to Board for approval.</p>   |  |
| <b>6.</b> | <p><b>Draft Audit Committee Annual Report to the Board of Management</b></p> <p>Item deferred to Extraordinary Board meeting, 01 February 2024.</p>   |  |
| <b>7.</b> | <p><b>Code of Good Governance Compliance Checklist</b></p> <p>Clerk presented Paper 5, noting that the paper presents the approved checklist of items of assurance required to meet Code of Good Governance, together with summary of current compliance levels.</p> <p>Clerk advised that of the 83 items listed for compliance, 82 have been assessed as “Effective”, with one item (C27 – Staff Governance Standard) assessed as “Partial”. Clerk further advised that, since this paper had been issued, a meeting between management and trade unions had taken place which had signed off on progress against the Staff Governance Standard, and this could now be assessed as “Effective”.</p> <p>Student Board Member queried item B7 in relation to the 5-year review of the Students’ Association. Clerk advised that this was assessed as “Effective” as UHI were responsible for conducting a 5-year review with HISA at a regional level and assigned colleges within the partnership do not have a dedicated students’ association, however it had been identified that some local input into this process would be beneficial, and how this would be delivered was currently under review.</p> <p>Internal Auditor noted that not all colleges provide this level of self-evaluation of compliance against the Code of Good Governance, and support the level of scrutiny being given to this area.</p> <p>Committee <b>APPROVED</b> Paper 5, noting the revisions provided within the update.</p> |  |
| <b>8.</b> | <p><b>Additions to the Agenda</b></p> <p>None</p>   |  |

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| 9.  | <p><b>Declaration of Conflict of Interest in any Agenda Item</b></p> <p>None</p>  |  |
| 10. | <p><b>Minutes of Meeting of Audit Committee, 04 October 2023</b></p> <p>The minutes were approved as a true and accurate record of the meeting.</p>   |  |
| 11. | <p><b>Matters Arising from previous minutes</b></p> <p><b><u>8 - Enterprise Risk Management &amp; Strategic Risk Register</u></b></p> <p><b>Action:</b> Risk Management Dashboard to be in place for the next meeting</p> <p><b>Action Update:</b> Completed</p> <p><b><u>9.1 – Procurement/Creditors/Purchasing Audit Report</u></b></p> <p><b>Action:</b> Vice Principal (Operations) to look at delegated authorities processes and provide overview at next meeting</p> <p><b>Action Update:</b> On Agenda (Item 13.7)</p>  |  |
| 12. | <p><b>Enterprise Risk Management Report</b></p> <p>Vice Principal (Operations) provided a summary of the latest Enterprise Risk Report, including a new list of risks and causes, a Risk Register in the new format with reconciled data from the previous format, and a proposed reworking of the Risk Appetite for comment.</p> <p>Vice Principal (Operations) noted that additional identified risks such as cash and AI had been added, and the new Risk Report includes a summary of actions since the previous review. Committee members were reminded that they can drill down to a more granular level within the full ERM.</p> <p>Vice Principal (Operations) noted there were a number of items where Preventative Controls were showing as 0% - Committee were advised that this is not reflective of the true position, but work still needs to be done to update some areas with data.</p> <p>Chair queried whether these shortfalls would be complete by the March Audit Committee. Vice Principal (Operations) advised that Risk Causes were complete, therefore the next stage is to identify controls, then test for effectiveness – it would be expected that Board Members would use this measure to put pressure on the speed of achievement. Vice Principal (Operations) further advised</p> |  |

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|             | <p>that an SMT report around risk has commenced, which is an important piece to get the mechanism working properly.</p> <p>Vice Principal (Operations) sought guidance from Committee around the proposed amendments to Risk Appetite, which were summarised. Chair noted that things seemed to be heading in the right direction. Committee agreed in principle, but identified some areas that may need further fine-tuning.</p> <p>Vice Principal (Operations) requested that Committee revisit in order to quantify levels of impact for each Risk Area with a view to agreeing these at the next meeting before submitting to Cycle 3 Board for discussion and approval.</p>                | All/VPO |
| <b>13.1</b> | <p><b>Internal Audit Report 2023/04 – Follow-Up Reviews</b></p> <p>Internal Auditor summarised Paper 8, noting that 8 recommendations had been completed out of 14, and those carried forward related to the new HR/Payroll system and would therefore be followed up as part of an equivalent exercise.</p> <p>Committee <b>noted</b> Paper 8.</p>  |         |
| <b>13.2</b> | <p><b>Internal Audit Report 2023/05 – Performance Management &amp; KPIs</b></p> <p>Internal Auditor summarised Paper 9, noting that the work done to link KPIs to the Strategy via the use of sponsors and lead editors had demonstrated a high level of engagement in the process.</p> <p>Internal Auditor noted this was a very positive review, with the caveat that it is still early in the Strategic Plan cycle, however the linking of KPIs and Risk should prove most useful.</p> <p>Committee <b>noted</b> Paper 9.</p>   |         |
| <b>13.3</b> | <p><b>Internal Audit Report 2023/08 – Space Management &amp; Room Utilisation</b></p> <p>Internal Auditor summarised Paper 10, noting that there were established mechanisms in place, however it should be recognised that there are a number of areas that can be improved upon, and advising that there is a tendency within these exercises to focus on timetabling above other areas.</p> <p>Vice Principal (External) recognised that this was an important issue that was being picked up within the Estates sustainability workstream alongside a piece of work being conducted with PKC which will form part of the workstream data source.</p> <p>Committee <b>noted</b> Paper 10.</p> |         |

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| <b>13.4</b> | <p><b>Internal Audit Report 2023 – Student Activity Data</b></p> <p>Internal Auditor summarised Paper 11, noting no concerns. Internal Auditor reported an unadjusted error within Credits, but this was very minor in nature.</p> <p>Internal Auditor advised that year-on-year analysis comes relates to 2022/23. Principal noted that Credits not being equitably implemented is a concern for the College. Internal Auditor confirmed that some organisations were pushing tis more than others.</p> <p>Committee <b>noted</b> Paper 11.</p>  |     |
| <b>13.5</b> | <p><b>Internal Audit Report 2023 – Student Support Funds</b></p> <p>Internal Auditor summarised Paper 12, noting no concerns.</p> <p>Committee <b>noted</b> Paper 12.</p>   |     |
| <b>13.6</b> | <p><b>Draft Internal Audit Plan</b></p> <p>Internal Auditor summarised Paper 13, and sought confirmation, as the Plan is Year 3 of a 3-year Plan and priorities may have changed, that Committee was comfortable with the proposed areas of Audit for the year ahead.</p> <p>Vice Principal (External) advised that some areas may require infrastructure investment that it may not be possible to deliver, which would need to be looked at. Principal proposed that SMT review the priorities and confirm asap. This course of action was <b>AGREED</b>, following Chair’s request to also consider potential gaps in Plan.</p> <p>Committee <b>noted</b> Paper 13.</p>  | SMT |
| <b>13.7</b> | <p><b>Procurement/Creditors/Purchasing Audit Report update</b></p> <p>Vice Principal (Operations) advised that systems had been updated to ensure only Procurement had power to add suppliers, and was looking to escalating the sign-off procedures for Board-level items (ie those items in excess of £100k). Vice Principal (Operations) proposed changing the Financial Procedure to include a sign-off of Board Chair, whom failing Chair of F&amp;R, whom failing Chair of Audit, for items in excess of £100k. Committee <b>APPROVED</b> this amendment, subject to Board approval if required.</p> <p>Vice Principal (Operations) noted that some testing with regards to 3-way Matching on BluQube is required, including a walk-through</p> |     |



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|            | of process and mitigating controls.  |  |
| <b>14.</b> | <b>Freedom of Information &amp; Data Protection – Quarterly Update</b><br>Committee <b>noted</b> Paper 14.               |  |
| <b>15.</b> | <b>Date &amp; Time of Next Meeting</b> <ul style="list-style-type: none"> <li>• <b>Tuesday 19 March 2024</b></li> </ul>  |  |
| <b>16.</b> | <b>Review of Meeting</b><br>Committee confirmed that the meeting had been conducted in line with its Terms of Reference. |  |

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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**