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UHI North, West and Hebrides

Internal Audit
2023-24

Corporate Governance
July 2024

Overall Conclusion

Strong

The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for UHI North, West and Hebrides's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of the review was to ensure that the College is actively reviewing corporate governance arrangements, and that appropriate arrangements are in place. This has looked to provide assurance to the Board, via the Audit and Risk Management Committee, that the College's corporate governance arrangements for the new merged entity are adequate and represent good practice.

This review formed part of the agreed Internal Audit Plan for the College for 2023/24.

Scope of review

Our objectives for this review were to ensure:

- The Board's and Committees' terms of reference are clear and not overlapping.
- The Board and Committees have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.
- The Board and Committee Members are provided with sufficient, high quality management information in their areas of responsibility.
- Meetings of the Board and Committees are appropriately attended, and members are sufficiently engaged with processes.
- The Board and Committee members have effectively assessed their performance and the balance of skills required within the Board and its Committees.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background Information

Organisational Redesign

The College has recently undergone a significant merger which has brought together the three legacy colleges of UHI North Highland, UHI Outer Hebrides and UHI West Highland under one College, UHI North, West and Hebrides (UHI NWH).
UHI NWH was formed on August 1, 2023, following a large merger project, including an Organisation Redesign and Curriculum Review. The merger was proposed after a review into the long-term strategic future of the Legacy Colleges back in 2021, leading to the merger proposal and business case in August 2022.

To support the effectiveness of governance at the College during the transition period, a Transition Board was established and became operational in Spring 2023. The Transition Board reflected the proposed UHI NWH Board of Management and was primarily focused on overseeing the final legal processes and establishing an effective organisational structure.

Additionally Local Advisory Committees were established at each of the legacy colleges, to ensure a strong link remained between UHI NWH and its local communities.

Code of Good Governance

The College is required to be compliant with the Code of Good Governance issued by the Scottish Funding Council. Specifically, the Code outlines 5 distinct principles that the College are required to be compliant with, these can be summarised as follows:
  | Leadership and Strategy
  | Quality and Student Experience
  | Accountability
  | Effectiveness
  | Relationships and Collaboration
The College conducts an annual assessment of compliance against the code. Throughout our testing we have considered the 5 principles above and were able to identify that the College has adopted a governance framework in line with the requirements and is actively working towards ensuring ongoing compliance with the Code of Good Governance.

Board and Committee Structure

UHI NWH Board of Management retains overall responsibility and accountability of its affairs. To support the effective governance of the College, the Board has established six committees with delegated authorities:

| Audit & Risk Management Committee (A&RM);
| Remuneration Committee;
| Finance & General Purposes Committee (F&GP);
| Human Resources Committee (HR);
| Nomination Committee; and
| Learning, Teaching & Research Committee (LT&R).

Terms of reference documents have been developed for each Committee and are published within the Governance Manual. Committees meet frequently throughout the year, where a Meeting Schedule (Committee Date & Members Tracker) is in place to direct meetings and maintain attendance records. We have raised a recommendation surrounding the recording of attendance and the development of a Programme of Work, please refer to **Section 3: Detailed Recommendations** for further information.

The Board of Management are appraised annually, most recently during April and June 2024, the Board and its members underwent their first appraisal following the first year of operations. Feedback was positive with no major deficiencies identified. It is worth noting the Board will be required to refine its operations as well as the duties of its Committees as it gains a better understanding of the current strengths and weaknesses of the governing arrangements in place at UHI NWH.

Work Undertaken

We undertook the following work for each objective:

Objective 1: The Board's and Committees' terms of reference are clear and not overlapping.
| We reviewed the Board of Management Standing Orders and the supporting Committees terms of reference to ensure that these were clear and did not overlap.
| We reviewed several supporting documents including the Code of Conduct, Register of Interests and the Governance Manual.
| We reviewed the College website and ensured adequate information was made available to users surrounding the governance arrangements in place.

Objective 2: The Board and Committees have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.
| We reviewed the College's 'Board and Committee Dates' Spreadsheet and completed testing to ensure this reflected the terms of reference.
| We completed a review of the Board and Supporting Committee minutes to ensure agendas were in line with the terms of reference.

Objective 3: The Board and Committee Members are provided with sufficient, high quality management information in their areas of responsibility.
| We reviewed the Board and Supporting Committee meeting minutes from January 2024 – June 2024 to ensure all information presented was of sufficient quality and minutes adequately outlined the presence of challenge.

Objective 4: The Board and Committees are appropriately attended, and members are sufficiently engaged with processes.

| We reviewed the College's attendance records maintained within the Board and Committee Dates Spreadsheet for the Board, F&GP Committee, A&RM Committee, LT&R Committee and the HR Committee and conducted testing to ensure this accurately reflected attendance of members as per the meeting minutes.

| We reviewed the Board and Supporting Committee meeting minutes from January 2024 – June 2024 to ensure all meetings undertaken were quorate.

Objective 5: The Board and Committee members have effectively assessed their performance and the balance of skills required within the Board and its Committees.

| We held discussions to identify the appraisal process in place at the College and conducted sample testing to ensure this was conducted.

| We reviewed the calendar of appraisals and the Chairman of the Boards appraisal.

Conclusion

Overall conclusion

Overall Conclusion: Strong
Following our review, we can provide a strong level of assurance regarding the College's corporate governance arrangements. We have raised several good practice points, 2 recommendations for improvement and 2 observations for consideration. Please refer to **Section 3: Recommendations** and **Section 4: Observations** respectively for further information.

Summary of recommendations

Grading of recommendations				
	High	**Medium**	**Low**	**Total**
Corporate Governance	0	0	2	2

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.	
1.	The Board of Management has been appraised on its performance during the first year of operating, including its time as the Transition Board. We were able to confirm appraisal meetings have been held over May and June 2024. The appraisal of the Chair was positive with no major deficiencies identified.
2.	From our review of meeting minutes and discussions with key staff involved in the restructuring process, we can confirm that the quality of management information is adequate to support appropriate and effective decision-making.
3.	The College maintains a Board and Committees Dates & Members Spreadsheet. The Plan effectively outlines the meeting schedule for 2024/25 and holds an up-to-date record of the membership of the Committees. We have reviewed a sample of recent minutes for the Board and its supporting committees and were able to confirm that agenda items are in line with the terms of reference.
4.	The College has recently undergone a major governance restructure as part of the recent merger. We were able to confirm that there are terms of reference in place and that key duties are adequately segregated, with no major overlaps identified within this new structure.
5.	The College uses the Scottish Government's Model Code of Conduct, which applies to Board members, to ensure that Board members are appropriately agreeing to the code. We reviewed a sample of three members and found no issues.
6.	The College has developed a Governance Manual that clearly outlines the governance structure and delegated authority levels to the Board, supporting Committees, Principal, and Clerk. The Manual is robust and provides extensive information on the processes and framework established to achieve good governance.

	The following is a list of areas where the College is operating effectively and following good practice.
7.	The College maintains an up-to-date Register of Interests and a Gifts and Hospitality Tracker. Both documents contain adequate information, enabling effective management of interests and the receipt of gifts and hospitality. We confirmed staff awareness of these registers and reviewed a sample of declarations with no issues identified.
8.	The College website provides users with extensive information on the governance arrangements in place. The website features a dedicated section on Governance and publishes the following key documents: ⏐ Details of Board Members; ⏐ UHI NWH Governance Manual; ⏐ Board and Committee Dates; and ⏐ Register of Interests.
9.	Following our review of the governance structure and key documents, we confirmed that the College is both aware of and compliant with the Code of Good Governance. The code is consistently referenced throughout the College's key documents and has served as the foundation for the governance framework implemented following the August 2023 merger.

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Corporate Governance

Benchmarking				
	High	**Medium**	**Low**	**Total**
Average number of recommendations in similar audits	0	1	2	3
Number of recommendations at UHI North, West and Hebrides	0	0	2	2

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

Attendance Records

Ref.	Finding and Risk	Grade	Recommendation
1.	Organisations should hold accurate attendance records for its Board and Committee members. During our review, we conducted testing on the attendance records maintained by the College, which involved cross-referencing with the meeting minutes. Through this testing, we identified several discrepancies, including: | Variances between the attendance tracker and the meeting minutes for two committee meetings (F&GP and A&RM). | Absence of differentiation on the tracker between non-members and members noting apologies for absence. | Discrepancies in member attendance recorded on the tracker compared to the minutes for two meetings (A&RM and HR). Without accurate attendance records, the misrepresentation of data may lead to a loss of credibility and accountability with stakeholders.	**Low**	We recommend that the Board Secretary ensures the accuracy of attendance records maintained for the Board and its supporting Committees. This measure will enhance transparency and uphold accountability in record-keeping practices. We also recommend a distinction is made within the tracker between non-members and members absent.

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There is the risk, without accurate attendance records, transparency and trust with stakeholders is undermined.		
Management response		**Responsibility and implementation date**
The spreadsheet was created over the past month and historical data input has, on revision proved to have some errors. These will be corrected, and going forward accurate record keeping given priority.		*Responsible Officer: Board Secretary* *Implementation Date: 30 September 2024*

Programme of Work			
Ref.	Finding and Risk	Grade	Recommendation
2.	It is good practice for organisations to maintain a programme of work for the Board and its Committees. During our review, we were provided with the College's Board & Committee Dates Spreadsheet which outlines the schedule of meetings for the Board and its Committees. The spreadsheet does not include what is being reported throughout the year at each of these meetings. There is the risk without a clear programme of work, the College is unable to clearly prioritise key tasks and as such may be inefficiently allocating resources.	**Low**	We recommend the College adapt the Board and Committees Spreadsheet to include the key items due to be reported throughout the year for the Board and its supporting Committees. This should be flexible to allow for adjustments particularly whilst the College is still refining its governance structure.

Management response	Responsibility and implementation date
The recommendation has been noted and the Board Secretary agrees that the planner will have a forward look noting of key dates built into the calendar enabling Committees to have an overview of schedule of work approaching and required.	*Responsible Officer: Board Secretary* *Implementation Date: 31 December 2024*

The following is a list of observations from our review	
1.	Succession planning has been considered as part of the Organisational redesign. The Executive Team have a meeting scheduled in July where the next steps for the College will be discussed, we were advised that this will be developed following these meetings.
2.	The College are currently undertaking a Self Assessment of measurement of compliance against the code for 2023/24. This will be reviewed by the A&RM Committee in the first instance before being presented to the Board. Moving forward, there will also be a quarterly assurance report on compliance provided.

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The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Management Committee meeting.

Audit stage	Date
Fieldwork start	1 July 2024
Closing meeting	10 July 2024
Last Information Recieved	26 July 2024
Draft report issued	26 July 2024
Receipt of management responses	29 July 2024
Final report issued	30 July 2024
Revised final report issued	2 August 2024
Audit & Risk Management Committee	14 August 2024
Number of audit days	4

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wbg			
Partner	Graham Gillespie	Partner	gg@wbg.co.uk
Senior Manager	Sue Brook	Senior Internal Audit Manager	sb@wbg.co.uk
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UHI North, West and Hebrides			
Key Contacts:	Lydia Rhomer	Chief Executive/Principal	lydia.rohmer@uhi.ac.uk
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	Roddy MacPhee	External	ex22rm@uhi.ac.uk

Wbg appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

For each recommendation, we assign a grading either as High, Medium, or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Management Committee and addressed by Senior Management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where Management may wish to consider our recommendation.

Purpose of review

The purpose of the review is to ensure that the College is actively reviewing corporate governance arrangements, and that appropriate arrangements are in place. This will provide assurance to the Board, via the Audit and Risk Management Committee, that the College's corporate governance arrangements for the new merged entity are adequate and represent good practice.

This forms part of the agreed Internal Audit Plan for the College for 2023/24

Scope of review

Our objectives for this review are to ensure:

| The Board's and Committees' terms of reference are clear and not overlapping

| The Board and Committees have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.

| The Board and Committee Members are provided with sufficient, high quality management information in their areas of responsibility.

| The Board and Committees are appropriately attended, and members are sufficiently engaged with processes.

| The Board and Committee members have effectively assessed their performance and the balance of skills required within the Board and its Committees.

Our approach to this assignment will take the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope
There is no limitation of scope.

Audit approach
Our approach to the review will be:

| Discussions with the College Staff to establish the current governance arrangements in place at the College.

| Evaluation of these arrangements to assess their adequacy and whether they comply with current guidance and good practice.

| Review of Governance documentation to assess whether it is fit for purpose and in line with current guidance and good practice.

| Review of a sample of Board and Committee minutes, along with management information presented to each meeting.

| An overall review of the internal control environment to ensure all relevant controls are evident and being complied with.

| A review of the College website.

| Where possible, meetings with Governors to discuss arrangements in place.

| Assessment of skills training for governors.

| Review of the succession planning arrangements in place.

Potential key risks

The potential key risks associated with the area under review are:

| The Board and Committee terms of reference may be unclear or overlapping.

| The Board and Committees may not have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.

| Members may not be provided with sufficient, high quality management information in their areas of responsibility.

| The Board and Committees may be poorly attended, or members not sufficiently engaged.

| The Board and Committees may not have effectively assessed their performance and the balance of skills required within the Board and sub-committees.