

**MINUTES OF THE MEETING OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**  
**held on Wednesday 22nd May 2024 at 4.15 pm over Microsoft Teams**

**1. QUORUM & APOLOGIES**

Committee Members

Ian MacEachern, Independent Board Member

Neil Hope, Committee Chairman

Sarah Fraser, Independent Board Member

Struan MacKie, Independent Board Member

Apologies: Debbie Miller, VP Operations & SRO North

Derek Bond, Director of Finance

Giles Huby, Merger Programme Director

Kevin Mallet, Interim Financial Controller

Lydia Rohmer, Principal & Chief Executive

Deloitte

Ian Howse

Tom Rotherham

Wylie & Bisset

Kevin McDermott (Senior IT Auditor)

Susan Brook

Ellen Maclean, Board Secretary and Governance professional

**2. DECLARATION OF INTEREST**

None

**3. MINUTES OF PREVIOUS MEETING(S)**

The minutes of the Meeting held on 13 March 2024 were agreed.

**4. EXTERNAL AUDIT – DELOITTE**

From UHI – Outer Hebrides (OH) & North Highland (NH) Audits were in a similar position. The bulk of the Audit field work had been completed. There were a couple of ongoing issues – the treatment of the joint venture with Cnoc Soilleir and how that was being reported in the accounts. This was first reported in February 2024. The NH accounts would not be completed until the end of July 2024 due to a further three weeks of field work required to be carried out by Deloitte. Because of delays, there now needed to be a tri-annual pension valuation report which required to be reviewed and audited and considered. Audit Scotland were aware of the delays and of the cost of the audit fees which were still a major issue.

There were three (one on NWH side) outstanding points on the Deloitte Connect system for OH and nine (seven on NWH side) for NH. Deloitte– fair comments on the joint venture, we got the updated accounts on 29th April 2024, our technical team have now got back to us with initial responses; we will give more detailed comments on the list of accounts, a response will be received from UHI by end of this week.

Tri-annual report is a major piece of work across both files. Field work to be completed by us for NH. We have paused that work until we have a full set of accounts. Pensions tri-annual is audited by Audit Scotland – this work is due to come back into us at end of May. Work will be done by our own pensions' specialists. We have a list of queries to send to you.

OH – requests submitted by Kevin & team over past couple of weeks, last 3 have not been looked at yet, that is down to us. UHI have answered all finer points requested. Request for information on deferred capital grants will be given to Deloitte by end of this week. Deloitte need to be clear on the scope of work required from UHI at this point. Deloitte still have 3 weeks of substantive work to do.

Committee questioned why field work is being held up in NH as an Excel full set of accounts were sent to Deloitte in November 2023 which provided all the substantive financial figures including notes which related to the main statements within those accounts. Kevin has provided further word documents. It is difficult to understand why field work is being held up pending receipt of financial statements when Deloitte have had these for a considerable time now.

An initial draft of accounts was sent to Deloitte in March, and it was agreed what was needed to move the audit forward, it was also agreed that the narrative was secondary and should not have hindered progress of the audit. OH work will require clarification on scope of info required. NH – any info required, needs action before staff go on holidays June / July.

There are layers of Internal audits and review processes within Deloitte, we are therefore trying to match field work with review.

The Chair asked if audits in OH will be completed end June, and NH end of July? Deloitte confirmed yes.

Chair stated that he had asked Deloitte some weeks ago for indicative costs for both the NH and OH audits, as this is important information for the committee and the Board. To date, these costings have not yet been received.

Deloitte discuss details of client audit cost over-runs before sending them to Audit Scotland for review and feedback.

The Chair stressed that receiving the costings as soon as they are made available to Deloitte is essential.

## **5. INTERNAL AUDIT (Wylie & Bisset)**

Kevin McDermott gave a brief overview of the Internal Audit report on IT Systems Integration. The overall rating given to UHI NWH was Substantial.

It was noted how much good work had already been achieved prior to the audit. In particular:

Page 8 – recommendations – 2 medium grade, 1 low grade. The significant amount of hard work undertaken by the UHI NWH IT team to achieve Cyber Essentials Plus accreditation was fully recognised.

Page 16 – It was acknowledged that the backups and replications protecting College systems were robust and appropriately monitored, but regular disaster recovery testing should be formalised.

Page 19 - It was acknowledged that although sound technical controls were in place to mitigate the risk of data being removed from the network via unmanaged USB storage devices, a risk assessment which considers data leakage prevention should be conducted.

The Chair commented that he found the report very satisfactory. It was a positive audit, assurance and was a good reflection of the high quality of the UHI NWH IT department.

## **6. PHASE 2 END OF PROJECT REPORT**

Giles with reference to UHI End of Project Report September 2021 – vesting on August 1st, 2023. Comprehensive summary of outcomes. There are 4 recommendations for project work that need to be done in the post-merger integration phase. 17 people were interviewed for lessons learned section. It is unclear if disclosure waiver was signed by participants, clarity required.

Chair asked that it be made clear on front sheet that this is a UHI Exec Office report rather than by NWH College. It has already been viewed at FSC, it could have come through A&RM Committee as a draft, then on to Board then onto UHI.

Success statements to be more precise. Chair asked that some of the terminology used be revisited. It was suggested that reference made to David Archibald report for structure and wording may be useful. It is a hindsight report with team having done this for a first time. The report is not going to partner Colleges.

Work stream objectives for 22/23 have been achieved. Losing 3 x Finance Directors and a Programme Manager was high-lighted as being a huge hurdle to overcome.

SFC are looking for a merger evaluation report at the end of this academic year. The Chair would like to see that coming through A&RM in the first instance before being presented to the Board.

The report was welcomed, Giles & Team were thanked for their work capturing the journey story through the merger. Almost everything has been delivered to time scale. Few elements could be high-lighted re delivery prior to vesting. The report was recognised as a very useful piece of work.

## **7. Confidential item**

**Withheld**

### **Principal's reply to question from Chair on Process of consultation: -**

Our process has been sense checked at least 4 times with our legal advisors at Anderson Strathern. The process follows TULCRA legislation and all the information that is required under that process which is very prescriptive has been shared with our Trade Union colleagues at the right time. All the information to support the TULCRA 30-day consultation process was in place

when we formerly commenced consultations on 11th March. We had a huge lead in time in terms of sharing information of our approach to design of the structure from November onwards and staff engagement in the design of the structure in particular, the functions and departments that form the proposed structure. It is entirely up to us how we create the process of how we consult i.e. the Tiers based approach that we took, we also consulted with our legal advisors on that, who said that it was a very fair approach because it effectively is focussed on groups of staff that are manageable to have fair, open and transparent consultation. We also undertook not to bump staff from the top into lower levels, so there was no risk to the lower levels being consulted with at a slightly later stage.

The process is a collective consultation through our recognised Trade Unions who we are meeting with every 2 weeks or in some cases weekly and an individual consultation process and we committed that we are not changing contracts until the consultation process is complete. What we have committed to with Trade Unions is that we record every single feedback both through Trade Union meetings and through the other collective consultation mechanisms. We have an NWH restructure email where questions can be posted, we have an anonymous question facility, and we also have staff ambassadors, who themselves engage in addition to the processes from our Trade Union Representatives. TUs cover just over 30% of our staff, no more than that between the 2 TUs. We are trying to have as many channels open for staff groups and individuals as possible.

We are recording every single piece of feedback throughout the process. We keep updating our FAQs which takes the questions asked, anonymises them and puts answers into SharePoint so there is a big resource in our SharePoint area on our home hub for staff that we frequently update and send emails notifying of updates. The TUs wanted all consultation to precede the approach to finalising the structure and then proceeding with that, so we are doing a number of things in parallel. I don't think they understood why we were doing this and secondly, they would have preferred a different sequence but there is no legal obligation to follow a particular sequence.

Some feedback from staff received last week was that this was the most consultation that they have ever encountered because they were party to other consultations out with the Public Sector or out with the College sector, where re-structuring meant that they were just basically told over a weekend or in a very large group meeting what would happen to them, so some staff who have had that experience think that we are going over and above consultation and as I said to the Board when they were in Stornoway, every member of staff - and we've got over 650 staff - will have had at least one interaction with them as part of the consultation process- we've extended the collective consultation process well beyond the 30 Calander days that is required of us under TULCRA from original date to 24 April – 9th May – end May for collective process where I will draw a line and will inform TUs of this tomorrow. We have been extremely generous with the collective process, and we will write a report that summarises the volume and type of feedback that we have been getting and how we responded to that. This will be issued to the Board as well as the Trade Union Forum and Staff before we finalise the structure. We are all agreed that we want to finish the Consultation process by end June so every member of Staff understands where they are within the new structure so some of the formal moving of contracts may have to happen over the

summer period, but everybody should go into the summer period knowing where they are in the structure.

This process is all consuming, if there are any lessons to be learned, it's the volume of activity on a very limited team. It's been extremely challenging.

#### **7.1.1 Work Related Stress**

ELT and H&S Committees have already discussed WRS. Some Staff have been stressed out. They have promoted change management seminars; the managers forum took forward a staff coordinated working group on work related stress and have developed a 12-point action plan which has been accepted by ELT and H&S. They have committed to the 12 recommendations. We will adopt HSE standards on WRS into our policies. We have acknowledged stress is a reaction to work related pressures. Aiming for an organisation recognising healthy working lives, support structures, health benefits. ELT to use these tools too. We will adopt the HSE standards on WRS in the new structure. We have now in place a stress risk assessment. This will be part of our wider strategy for Healthy Working Lives policy.

Reference paper from Debbie Miller.

**\*\*Action on Principal to distribute work related stress risk assessment to committee members.**

#### **7.1.2. NWH Risk Register**

Action plan column T has been updated.

Review of mitigations

UHI Certificate of Assurance – CEO to provide evidence to UHI Executive every March.

Letter from Scottish Government re BUSINESS INSURANCE DEROGATION

CONTINUATION – this is now allowed and consented to have commercial business insurance until 2027.

No new risk policy yet, this has been delayed due to pressures now during re-structure. It will be ready for new year.

Compliance will sit in planning & performance. Need to decide if H&S is F&PG or A&RM Committee responsibility. Chair fielded this question to Committee and the breakdown was agreed as; -

H&S costs = F&PG.

H&S Issues/ Auditing reports =A&RM prior to Board.

#### **Mitigations -**

Red – indicative funding allocations have been received, cash reductions for FE & HE, flat cash for L&T. Lesser reduction in HE. There is the potential to grow more FE. There has been a surprising reduction for research funding, we are still expecting final funding allocations. All of this will be presented in a draft budget to June Board.

Other actions have been updated. Recruitment for FE and HE is up on last year.

Legal Compliance – we are compliant ref HSE action plan.

Estates strategy and review is still in progress.

Review of research after restructuring.

EIS have legally mandated their members, if failure to accept pay deal, situation could prove difficult with pay deductions during boycotts. All colleges have taken legal advice and are taking similar action if necessary.

Pay award has not been agreed yet by either EIS or UNISON.

**9. A.O.B.**

Strategy day in Inverness will incorporate risk register.

We are not alone with the late completion of audit. Nothing to do with merger, all UHI colleges are late and in talks with Audit Scotland. Deloitte have not got the capacity to conduct the volume of audits required.

**Meeting closed 18:07**