

# UHI | NORTH, WEST AND HEBRIDES A TUATH, AN IAR IS INNSE GALL

## MINUTES OF THE MEETING OF THE AUDIT AND RISK MANAGEMENT COMMITTEE held on Wednesday 1<sup>st</sup> November 2023 at 4.15 pm over Microsoft Teams

<b>Present</b>	Neil Hope, Chair Ian MacEachern, Independent Member Sarah Fraser, Independent Member
<b>In attendance</b>	Lydia Rohmer, Principal Derek Bond, Director of Finance Fiona Sinclair, Board Secretary and Governance professional Susan Brook, Senior Manager, Wylie & Bisset LLP, internal auditors

### Meeting minutes

#### 1. Welcome and Apologies for absence

The Chair welcomed members to the meeting, and introduced Graham Gillespie. All members in turn introduced themselves to Mr Gillespie. As all members of the Committee were present there were no apologies for absence.

#### 2. Declaration of Interests

Members were invited to declare an interest, either financial or non-financial in any item on the Agenda. In the interests of transparency, members were also invited to declare a connection. There were no declarations.

#### 3. Minutes of Previous Meeting of the Committee

There had been circulated with the agenda, the Minutes of the Meeting of the Committee held on 16<sup>th</sup> August 2023. The minutes were held as read and were unanimously approved.

#### 4. Action Sheet

The Committee noted the progress on actions listed in the action sheet at the end of the minutes. The only outstanding action was the revision of the Risk Management Policy which was to be considered later on the agenda for this meeting and was also to be discussed at the Risk Workshop facilitated by David Archibald on 3<sup>rd</sup> November.

#### 5. Internal Audit Reports

There had been circulated statutory audit reports for session 2022/23 for North Highland and West Highland covering:

- (a) Student Support Funds
- (b) FES Credits and

(c) Education Maintenance Allowance

The Committee noted that in relation to Student Support Funds there was one low-grade recommendation and in relation to the Education Maintenance Allowance, there were no recommendations.

In relation to the FES Credits Audit report, the Committee noted that there was one low-grade recommendation, one medium-grade recommendation and one high-grade recommendation. The overall conclusion of the report was that the systems used by the College are satisfactory, and that the College has reasonable procedures and controls over the collection of data for the Credits return and assurance can be taken that the Credits count for the College is not materially mis-stated.

The Committee noted the three audit reports, their recommendations, the Management Response and the action to be taken in response to the recommendations. It was further noted that there would be separate statutory audit reports for UHI Outer Hebrides.

**6.ERI Quarterly Report and 7. Estates and Related Grants**

These items had been placed on the agenda at the request of the Chair. The quarterly report from the ERI and the report on Estates and Related Grants which were to be considered by the Finance and General Purposes Committee had been circulated to the Committee with the Agenda for the meeting and were considered together by the Committee.

The Committee Chair explained that he had asked for these reports to be circulated to ensure that the Committee had an awareness of projects taking place around the College and have an overview of the risks. Having sight of the Finance and General Purposes Committee reports and minutes, in his view, was not sufficient to keep the Audit and Risk Management Committee up-to-date. He invited the Committee to discuss how best it could ensure it kept up-to-date with projects taking place elsewhere in the College.

Other members agreed that it was appropriate to be kept informed. The Principal advised that as this Committee is still in its infancy, it should focus on the major risks as it is required to do. She expressed concern that if a report goes to more than one committee, information is being duplicated and there may be different responses to that one report from each of the committees. The Principal suggested that it would be better for large projects to be considered by a programme board meeting quarterly rather than by this Committee.

The Committee Chair agreed that a programme board would be appropriate for both of these projects. He said that questions should be asked of ERI to ensure that the grant conditions are being met for each award of grant they receive.

**Action – Principal to consider progressing the formation of a programme board to monitor major projects**

**8. Funding approval process**

This item had also been placed on the Board at the request of the Chair. The Committee noted that the levels of delegation are a matter for the Finance and General Purposes Committee and did not discuss the report at this time.

**9. Asbestos Removal at Ormlie Road, Thurso**

This item had been placed on the agenda at the request of the Committee Chair. The Committee Chair explained that this was a good example of a small project carrying a large risk, and for that reason it was appropriate that it be considered by this Committee. He explained that the Executive Leadership Team had been aware of the issue for a period of time, and while the North Highland Board members

may also have been aware of it, the UHI NWH Board did not know about it until asked to agree the remedial works several months after the problem had been discovered. Ian MacEachern explained that he was aware of the issue as he was a former member of the UHI North Highland Board. He said that the UHI NWH Board, when fixing risk appetite, should decide to have no appetite for risk when there's a serious health and safety issue or a risk to life. He suggested that in such a case, the issue should take precedence over other projects for capital expenditure. He referred to another example at UHI North Highland where a serious health and safety risk had been monitored by the Audit and Risk Management Committee and the Board, until it was resolved. He advised that he did not have concerns about the handling of this item of business.

Sarah Fraser's view was that the Committee need to anticipate problems of this nature and ensure that resources are available to resolve them. Ian MacEachern suggested that an Estates Maintenance Register with risks ranked high to low, would be appropriate. He said many buildings have asbestos and such a register would enable the Estates team to know when something was a serious risk. The Committee Chair indicated that if the risks are inspected, scored, mitigated and detailed in the register, it would encourage other committees to make sure that their risks would be dealt with appropriately too.

### **10. Risk Update Report**

There had been circulated report by the Principal providing an overview of key risks impacting on the merged college at present. The Principal advised that following on from the risk Workshop on 3<sup>rd</sup> November, risk mapping would be completed and would be presented to the next meeting of this Committee on 22<sup>nd</sup> November 2023 in the format agreed at the meeting of the Committee on 16<sup>th</sup> August 2023. The Principal referred to the Auditor General's annual briefing paper, published in September 2023, which focused on the significant and increasing risks to the financial sustainability of the college sector nationally. In addition, the report listed thirteen risks common across the UHI partnership which she said would need to be integrated into the NWH risk framework.

In response to the Principal's report, Sarah Fraser advised that the UHI network need to consider risks across the network, rather than each college doing this in isolation, advising that this Committee, in light of the position of the whole network was in a vulnerable position. Ian MacEachern commended the Principal on the excellent discussion paper, and referred to the significant challenges faced by the College which were set out so starkly in the report. He suggested many of the challenges should be resolved by the Scottish Government rather than individual colleges, and said that UHI NWH would need to consider carefully where its focus was to be. If, for example, there was focus on merger integration, business development opportunities could be missed. He cautioned that care would require to be taken to retain the correct people when the VSS came into operation, and cautioned that care must be taken to restrict the strategic risk register to strategic risks. In his view, many of the thirteen risks stated to be common across the UHI partnership were in fact operational.

Concern was expressed regarding the reduction in the recruitment of international students following the UK's departure from the European Union, and it was suggested that as overseas students could be an important source of income growth and a framework to recruit internationally be developed at NWH to assist financial sustainability. There was further discussion regarding the financial risks, and the Director of Finance reported that he had been preparing a report on the financial plan which required to be submitted to UHI as Regional Strategic Body before the end of the week. Concern was expressed as to how UHI NWH would achieve liquidity in Years 2 and 3 of operation. The Voluntary Severance Scheme was reported to be with the Scottish Funding Council for approval before it could be implemented.

The Committee welcomed the Committee report, noted its contents and agreed that the report be circulated to Board members in advance of the Risk Workshop scheduled to take place on 3<sup>rd</sup> November.

**11. Merger Business Risks**

This item had been placed on the agenda at the request of the Chair. The Committee agreed that the strategic goals will sit on the risk register. The Principal reported that the Programme Manager Integration is taking a methodical and granular approach to risk, and the Committee agreed to invite him to attend a future meeting of the Committee particularly to discuss more defined risk mitigation, the detailed timelines, and the work of his team. The Committee so agreed.

**Action – Governance Professional to invite Giles Huby to the next meeting of the Committee.**

The meeting closed at 5.30 pm

Chair

Action	Progress on 1 <sup>st</sup> November
16 <sup>th</sup> August, 2023 - <b>Governance Professional to arrange for Board to approve Terms of Reference; Committee members to undertake CDN training module for Audit Committee members.</b>	Terms of reference approved by Board on 13 <sup>th</sup> September 2023 - COMPLETED
16 <sup>th</sup> August 2023 – Audit Needs Assessment - <b>Action – Chair and Audit Partner to work together to agree priority areas of audit work – Chair and Audit Partner</b>	COMPLETED
16 <sup>th</sup> August 2023 - <b>Principal and Governance Professional to arrange a bespoke facilitated session to determine the Board’s approach to risk, including risk culture and risk appetite</b>	COMPLETED – session to take place on 3 <sup>rd</sup> November
16 <sup>th</sup> August 2023 - <b>Principal to revise the Risk Management Policy in light of the Committee’s discussion</b>	COMPLETED – paper on risk had been circulated with agenda for 1 <sup>st</sup> November. Issue will be addressed at Risk Session on 3 <sup>rd</sup> November
1 <sup>st</sup> November 2023 - <b>Principal to consider progressing the formation of a programme board to monitor major projects</b>	
1 <sup>st</sup> November 2023 - <b>Governance Professional to invite Giles Huby to the next meeting of the Committee</b>	

