

Item: 7.3

Monitoring and Audit Committee: 21 September 2023.

Internal Audit Report: Orkney College UHI Institute for Northern Studies.

Report by Chief Internal Auditor.

1. Purpose of Report

To present the internal audit report on procedures and controls operating within the Orkney College UHI Institute for Northern Studies.

2. Recommendations

The Committee is invited to scrutinise:

2.1.

The findings contained in the internal audit report, attached as Appendix 1 to this report, relating to procedures and controls operating within the Orkney College UHI Institute for Northern Studies, in order to obtain assurance that action has been taken or agreed where necessary.

3. Background

3.1.

Orkney College is one of the 12 academic partners forming the University of the Highlands and Islands. Orkney leads research in three areas – Agronomy, Archaeology and Northern Studies. Three Research and Business Units have been set up to develop and undertake research and commercial activities and provide teaching in these areas.

3.2.

The Corporate Director for Education, Leisure and Housing requested a review of the business aspects of the three units as a result of concerns over finance and staffing issues.

3.3.

The UHI Institute for Northern Studies is a teaching and research organisation focussing on the field of Area Studies, in this case predominantly Scotland and the North Atlantic, including the Nordic regions. It also undertakes business consultancy and community engagement activities.

3.4.

The objective of this audit was to review the business unit to determine if it was operating in accordance with the Council's objectives, policies and procedures and the requirements of UHI and that it was operating within the unit's own terms of reference.

4. Audit Findings

4.1.

The audit provides limited assurance over the procedures and controls relating to the business aspects of the business unit.

4.2.

The internal audit report, attached as Appendix 1 to this report, includes two high priority recommendations regarding budget setting and procurement and six medium priority recommendations regarding budget setting, monitoring and reporting, VAT treatment, and drafting a business plan and risk register. There is one low priority recommendation regarding employment contracts.

4.3.

The Committee is invited to scrutinise the audit findings to obtain assurance that action has been taken or agreed where necessary.

5. Corporate Governance

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

There are no financial implications associated directly with the recommendations in this report.

7. Legal Aspects

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

8. Contact Officer

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9. Appendix

Appendix 1: Internal Audit Report: Orkney College UHI Institute for Northern Studies.



Internal Audit

Audit Report - Orkney College UHI Institute for Northern Studies 2022/23

Draft issue date: 7 August 2023

Final issue date: 4 September 2023

Distribution list:	Corporate Director for Education, Leisure and Housing Head of Education Service Manager Secondary & Tertiary Education Principal of Orkney College Assistant Principal of Orkney College Director UHI Institute for Northern Studies Orkney College Finance Manager Service Manager Accounting Service Manager Human Resources Operations
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Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Limited

There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

Orkney College includes the highly regarded and academically successful UHI Institute for Northern Studies (INS), a Research and Business unit (RBU). The Corporate Director for Education, Leisure and Housing requested a review of the business aspects of the unit as a result of concerns over finance and staffing issues.

INS carries out a range of activities, predominantly focussed on research activities but also including some of a more commercial nature. In the most recent submission to the Research Excellence Framework in 2021 for Area Studies, most of the work submitted was found to be world leading or internationally excellent. In addition, INS undertakes award-winning teaching and community engagement activities.

The operation of the unit within the College, which is owned by the Council, but has a fundamental relationship within the University of the Highlands and Islands (UHI), together with the mix of activities undertaken, increases the complexity of the operating environment.

Our audit found that:

- The work carried out by INS is in accordance with UHI, Council and Orkney College aims and objectives and is consistent with their own stated purposes.
- The key risks for INS are identified within the Orkney College Risk Register, and risk management actions have been identified.
- The business unit Director is aware of the continuing challenges to INS and actively considering future activity.

However, our audit also found that:

- The method of budgeting adopted carries a high level of risk that assumed levels of income will not be realised.
- The results of the Revenue Expenditure Monitoring Reporting to committees are being clouded by the assumed levels of income, and a clear statement of the amount of income yet to be identified should form part of the reporting for INS.
- Monitoring meetings between the College Principal, the College Finance Manager and the business unit Director should be reinstated.
- The business unit has no specific business plan or risk register in place.

- Arrangements with substantial financial impact have been put in place with UHI in respect of staffing which have not followed Procurement policies and procedures.

The report includes 9 recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via Pentana Risk.

Total	High	Medium	Low
9	2	6	1

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

Orkney College is one of the 12 academic partners forming the University of the Highlands and Islands (UHI). Orkney leads research in three areas, Agronomy, Archaeology and Northern Studies, and three Research and Business Units (RBUs) have been set up to develop and undertake research and commercial activities and provide teaching in these areas.

The RBUs are highly regarded and academically successful. The Corporate Director for Education, Leisure and Housing requested a review of the business aspects of the units as a result of concerns over finance and staffing issues.

The UHI Institute for Northern Studies is a teaching and research organisation focussing on the field of Area Studies, in this case predominantly Scotland and the North Atlantic, including the Nordic regions. It also undertakes business consultancy and community engagement activities. In the most recent submission to the Research Excellence Framework in 2021 for Area Studies, most of the work submitted was found to be world leading or internationally excellent.

Research income in higher education in the UK is quality assessed through the Research Excellence Framework. A proportion of university funding, the Research Excellence Grant is determined from the quality indicators from the Framework. The strength of research is therefore important both for the grant income and the reputation of the UHI, College and the Institute. In addition, teaching income is directly linked to numbers of students, and associated funding from the Scottish Funding Council via UHI.

In line with the Council's requirement from 2011, that the College should set a 'balanced budget, whereby all expenditure is at the very least offset, in full, by income on an ongoing basis, for all its activities', there was an expectation that the RBUs will, at a minimum, break even financially. However, more recently, the focus has moved to a balanced budget for the College overall, with the budget for the unit showing overspends or underspends.

The results for the Institute are set out below in Table 1. These results show that the Institute has generated both net losses and net profits in recent years. In the most recent financial year, the Institute had an overspend of £59.1k against budget, whilst the College had an overspend of £672k in total.

	2019/20	2020/21	2021/22	2022/23**
	£	£	£	£
UHI Institute for Northern Studies				
Budget	15,000	30,000	30,900	(16,300)
Actual	33,577	(47,859)	(82,538)	42,830
Over/(Under) Spend Against Budget *	18,577	(77,859)	(113,438)	59,130

Table 1: INS Over / (Under) Spend 2019 – 2023

*Underspend against Budget is shown in brackets

**Provisional figures

Audit Scope

The scope of this audit was to review the following:

- a) Review the governance structure of the units by examining in particular the roles of UHI and the Education, Leisure and Housing Committee (EL&H).
- b) Review the effectiveness of the governance and control arrangements.
- c) Determine the purpose and authority of the business units and their role in meeting the Council's objectives.
- d) Examine whether the business units are following Council and UHI policies regulations and procedures.
- e) Examine the budget setting process with particular emphasis on income.
- f) Examine the budget monitoring process.
- g) Examine all reports to the College Management Council (CMC) Sub-committee and EL&H Committee relating to the business units.
- h) Review business unit costs.
- i) Review any plans for the future.
- j) Review risk management processes.
- k) Review performance reporting processes.

The audit work will focus on the period from April 2019 to June 2023.

Audit Findings

1 Research and Business Unit Governance

- 1.1. Each of the business units is led by a Director who reports to the senior management of the college. In the first instance this would be the College Principal, with support from the business / finance manager. The College Principal and Assistant Principals attended meetings of the Orkney College Management Council Sub-committee, a Sub-committee of the Education, Leisure and Housing Committee. Recommendations and reports from the College Management Council Sub-committee were submitted to the Education, Leisure and Housing Committee which in turn reports and makes recommendations to the full Council.
- 1.2. The OCMC Sub-committee had responsibility for “the governance of Orkney College, the quality of education provided by the College, the estates strategy and its annual budget”, from the Sub-committee’s inception in March 2009 throughout the period to 31 March 2023.
- 1.3. UHI operates as a collegiate partnership with Orkney College being one of 12 academic partners. Accordingly, the relationship between the College and UHI is governed by a series of Partnership Agreements, in particular the Academic Partnership Agreement. An updated and revised Agreement was recently negotiated with UHI and its solicitors by the College Principal and officers from Education and Legal Services. This agreement was presented and agreed by a recent Member / Officer Working Group, then agreed by the Education, Leisure and Housing Committee on 7 June 2023 and ratified by the General Meeting of the Council on 4 July 2023.
- 1.4. Management monitoring within the College which was previously in place has not been maintained over the period of review.
- 1.5. There have also been changes in the finance operations within the College management team. The role of Business Manager has been split into Finance Manager and Support Services Manager. At present it appears that the split of responsibility of the College Finance Manager and Budget Holders for budget drafting and active budget monitoring is unclear.
- 1.6. Following approval at the General Meeting of the Council held on 10 March 2022, a short life Working Group was set up with a remit to inform a business review and strategic five - year plan for Orkney College. The outcome of this review included a recommendation to disestablish the formal College Management Council Sub-committee and establish a stakeholder group which “affords the opportunity for open and frank discussions without being restricted by the governance processes and procedures of a formal sub-committee”. This recommendation was accepted by the full Council on 4 July 2023, and accordingly the College Management Council Sub-committee was disestablished.
- 1.7. During its existence, the Council has held governance responsibility for the College with a working partnership with the Court of UHI. This has been strengthened as a result of the inclusion of two representatives from UHI within the stakeholder group, and the appointment of the Chair of the Education, Leisure and Housing Committee to UHI’s partnership forum.
- 1.8. The role and responsibilities of the RBU Budget Holders and College staff in respect of engaging with budget drafting and monitoring should be clearly defined. Once set, RBU Budget Holders should actively manage the ratified budget.

Recommendation 1

(This recommendation is shared across the RBUs)

2 Budgeting

Budget Setting

- 2.1 The draft College budget for 2022/23 was presented to OCMC Sub-committee in February 2022, and states that there is a requirement to set a balanced budget, with an “inherent risk that the assumed income levels will not be achieved. If this is the case, then compensatory reduction in expenditure will be required”. There is also a specific note to the effect that within Research Business Units, sufficient research and commercial activity will be sourced to cover budgeted expenditure.
- 2.2 However, the 2022/23 budget for the College shows budgeted under or over-spends for all RBUs, and the focus is on balancing the budget for the College as a whole.
- 2.3 Due to the nature of its activities, budget setting within the Council is focussed on expenditure rather than income. For the RBUs this means that the expenditure budget is set based on the prior year budget with adjustments made for pay awards, other inflationary increases and identifiable one-off costs or savings. Where possible, budgeted income is identified and includes known and projected income based on work in progress, predictions of industry requirements and projected student numbers. However, at the stage of budget setting there are many uncertainties regarding the source and amount of future income. To achieve a balanced budget overall for the College at the budget setting stage, income yet to be identified is included as a balancing figure.
- 2.4 Setting balanced budgets in the manner described above does not make it easy to set realistic budgets. Best practice budget setting for businesses is based on estimated revenue, with expenditure being budgeted at a level which returns a profit overall. This matches income with the costs associated in earning this income. In the absence of a plan linking spending to revenue it is very easy to outspend revenue over time.
- 2.5 The risk of outspending revenue is particularly acute when part of that revenue consists of income which has yet to be identified at the time that the budget was set. As income is identified and confirmed it is transferred from the relevant budget line to an appropriate revenue line. Effectively, then, the budget lines for these income sources represent a potential shortfall which is then reduced by confirmed income. At the time of the 2015-16 audit, this income was described as ‘miscellaneous income’ and identified separately. This income is also now included within other cost code lines such as fees and charges and other grants. This makes it more difficult to readily identify income still to be identified, in effect, a potential future shortfall.
- 2.6 The draft College 2022/23 budget set in February 2022 showed total income of £5,849k. The income achieved for 2022/23 amounted to £5,523k, approximately 94% of the budgeted amount. The net shortfall for 2022/23, per the draft 2022/23 Council Annual Accounts amounted to £620k, which utilised the college’s reserves of £481k, and required a ‘soft loan’ from the Council of £139k.
- 2.7 Of the £620k shortfall against budget for 2022/23, the Institute contributed a shortfall of £59k. In the prior financial year, the College had a net surplus of £375k, with the Institute providing a surplus against budget of £113k.

- 2.8 The total income in the RBU budget should be prudently drawn up based on a variety of sources including confirmed future income, past revenue received and RBUs business intelligence such as market demand. Once a realistically achievable level of income has been identified, the level of expenditure should be included in the budget which allows the College to accord with the Council policy requiring a balanced budget to be set. Where the budget setting process gives rise to a risk or concern that a potential budget shortfall could arise, particularly in respect of the level of revenue yet to be identified, measures for addressing the shortfall need to be identified.
- 2.9 Since identification of potential issues allows more time for solutions to be implemented, it is important that full engagement and discussion with the Council's finance function is undertaken before the budget setting process, to allow a realistic budget to be set.

Recommendation 2

(This recommendation is shared with another RBU)

Budget monitoring and reporting

- 2.10 The RBUs are part of the Council budget monitoring process whereby monthly reports of actual vs budget spend to date for the fiscal year are issued to Budget Holders. Revenue expenditure monitoring reports (REMR) are circulated as briefing reports each month to OCMC Sub-committee members.
- 2.11 Every quarter, additional REM reports are prepared showing high level budget vs actual results for each cost centre for the period to date. These are the figures which go forward to the monitoring committees. Any material variances which fulfil the appropriate criteria are identified as Priority Actions and Budget Holders are required to explain them and identify corrective action.
- 2.12 Our audit found that at Education, Leisure and Housing Committee on 16 February 2022, an elected member had described the details on overspends and underspends in these reports as 'sadly lacking' and 'less anodyne' explanations' were requested.
- 2.13 On 8 February 2023 a report was presented to the Education, Leisure and Housing Committee advising of the revenue expenditure position of each RBU on 31 December 2022. This showed an underspend of £53.7k, which triggered an item within the Budget Action Plan, for which the explanation was that there had been less than anticipated expenditure by £53.9k whilst income was ahead of budget profile and anticipated to be on budget at the year end.
- 2.14 However, as noted above at 2.3, 2.4 and 2.5, the budgeted revenue used to assess variances from budget income includes budgeted income which has not yet been identified and confirmed, and an assumption that all budgeted revenue income would be received. This can result in the user of the REMR not being made aware of the true financial position. For example, the underlying records show that of the £375k budgeted total income for the year, £233k had been received in the 9 months to December 2022, leaving a potential shortfall of £142k at that point. The closing position for 2022/23 was a final revenue shortfall of £59.1k.
- 2.15 Therefore, there was no transparency regarding the true position of the RBU when reporting to the Committee or Council. The REMR for the Institute for Northern Studies showed small overspends (less than £10k) for the first two quarters, followed by a substantial underspend for the third quarter. This resulted in no corrective actions being

included in the Budget Action Plan, thereby giving the report users a misleading level of confidence.

- 2.16 The College Principal should ensure that explanations of variances reported quarterly to the Education, Leisure and Housing Committee should include sufficient detail to give Members a full picture of the underlying situation giving rise to the variance. In addition, it is essential that quarterly reporting on the RBUs include a clear and unequivocal statement of the amount of 'income yet to be identified and confirmed' to allow potential shortfalls to be identified in a timely manner and remedial action taken where required.

Recommendation 3

(This recommendation is shared with another RBU)

- 2.17 As part of the budget monitoring, budgeted income and expenditure is profiled, i.e., allocated to the anticipated month of receipt or expenditure. There are a variety of grant income streams applied throughout the year which results in a very varied budget profile throughout the year. The actual income receipts appear to vary in both timing and amount from the budgeted receipts resulting in regular swings from underspend to overspend positions. This makes identification of trends difficult.
- 2.18 Following the finalisation of the cost centre budgets, Budget Holders may continue to adjust their budget profile or make virements to reflect variations in income and expenditure that occur during the year. Our audit identified few, if any, such adjustments. This could result in variances in the early months of the financial year 'clouding' the results in later months and making the true position of the unit more difficult to determine.
- 2.19 Adjustments to budget profiles or virements should be used to reflect any substantial variances which have already happened in the year. These measures should improve the accuracy of budget monitoring and reporting throughout the financial year.

Recommendation 4

(This recommendation is shared with another RBU)

- 2.20 In previous years, internal monitoring within the College involved regular meetings between RBU directors and the College Business Manager to review and update a spreadsheet which detailed potential income. This critical management monitoring has ceased.
- 2.21 The reinstatement of monitoring meetings between the College Principal, RBU Director and the College Finance Manager, would both assist the Finance Manager to have a clearer and more timely picture of any underlying situation for the RBUs and provide support to the Budget Holder in operating within the Council's financial system. The College Principal should ensure that Budget Holders undertake the newly revised Budget Holder training.

Recommendation 5

(This recommendation is shared across the RBUs)

3 Recruitment and Staffing

- 3.1 Staff employed at Orkney College, including all academic staff, are currently subject to the Council's recruitment and HR policies and procedures. There is a National Recognition and Procedures Agreement which applies to the Scottish College Sector, which has previously been considered by Committee. At present a report of the detailed implications of signing up to the Agreement is being prepared.

- 3.2 Our audit identified that historically, signed copies of initial employment contracts have not been returned to HR, and that there is no process in place within HR to monitor or chase up these documents. Going forward, with Talentlink online recruitment system now in place, individual now accepts employment by clicking on link and thus reduce handling of paperwork by HR.
- 3.3 Changes to contract by way of a variation letter are still printed and posted out to employee which should be signed by the employee and returned by employee to HR to be retained on file.
- 3.4 Whilst it is best practice that copies of signed contracts are retained on record, if the employee has commended employment following an offer, or continues to work following the issue of a variation to a contract, they are deemed to have accepted the contract or variation, and a legal contract of employment is in place.
- 3.5 In line with best practice, the Council's HR department should ensure that procedures exist to wherever possible, aim to have copies of signed acceptances of contracts or variations retained on record.

Recommendation 6

(This recommendation is shared across the RBUs)

4 Risk Management

- 4.1 The Institute for Northern Studies has a strategy for research priorities, but there is no business plan in place.
- 4.2 Orkney College holds a risk register, but at present the RBUs do not have departmental risk registers in place.
- 4.3 The audit found no evidence of consideration of the Orkney College risk register by either the OCMC Sub-committee or the Education, Leisure and Housing Committee. Whilst the Committees do review budget monitoring variances as set out in 2.13 above, there is no consideration of the other identified risks or actions undertaken.
- 4.4 Education, Leisure and Housing hold a Directorate risk register which is held on Pentana, but this omits any reference to Orkney College and the business units.
- 4.5 The Institute should draw up both a business plan focussed on income generation, and a formal risk register which should address issues such as succession planning and should be aligned with objectives from the business plan. This should be regularly updated and reviewed with senior management of the College. This should feed into the Orkney College risk register, which should be reviewed at least annually by the Education, Leisure and Housing Committee to ensure that it remains an active, responsive document addressing the latest position of the College.

Recommendation 7

(This recommendation is shared across the RBUs and the College)

5 Procurement

- 5.1 The College and Business units are required to comply with the Council Financial Regulations and Contract Standing Orders in respect of procurement of supplies and services, which apply to contracts with a value of £10,000 or over. Below the £10,000 limit,

purchases are covered by the Purchase2Pay system and authorisations subject to the limit assigned to the individual's role. The Director of INS has a limit of £10,000.

- 5.2 Between 2019 and 2023, several invoices were raised by both Shetland Islands Council and UHI in respect of academic staff employed by Shetland Islands Council and UHI. These invoices were raised to recover staff costs including relation costs in respect of the individual. The invoices do not contain a breakdown of costs, and the detailed support for the recharges received subsequently does not specify what hours are being worked.
- 5.3 Financial Regulation 2.2.4 sets out that transactions are deemed to be cumulative for these purposes, to avoid splitting transactions into smaller events to avoid financial limits. Over the period from April 2019 to March 2023 this amounts to over £274,600 for UHI and £121,300 for Shetland Islands Council. There was no written contract in respect of these arrangements. The Procurement Service were not made aware of these arrangements.
- 5.4 The value of the UHI and Shetland Islands Council contracts means that ordinarily they would have fallen within the Public Contracts (Scotland) Regulations 2015, the Procurement Reform (Scotland) Act 2014 and the Procurement (Scotland) Regulations 2016. They also potentially fall within sections 18 or 20 of the Council's Contract Standing Orders and should be subject to tendering via the Single Procedure Document process. However, where the services required are linked to a particular person's expertise, the Contract Standing Orders recognise that a tendering process may not be appropriate.
- 5.5 Instead, such transactions are subject to the Non-Competitive Action procedures, which require that the Service Manager (Procurement) should be approached for advice and guidance prior to an application for authorisation by the Chief Executive or their designated substitute.
- 5.6 Either the Regulated Procurement rules or the rules on Non-Competitive Action should be applied to the arrangement for recharging of staff costs from UHI and Shetland Islands Council. Contract agreements need to be formalised and put in place between the business unit and the Executive Office of UHI in respect of these recharges, and the contracts added to the Contract Register. Alternatively, employment contracts should be drawn up for academic staff working for the unit who are currently the subject to these arrangements.

Recommendation 8

(This recommendation is shared with another RBU)

- 5.7 Of the 49 invoices raised noted at 5.2 above, 6 have had VAT charged on them, whilst the others have had no VAT charged on them.
- 5.8 VAT advice should be taken to clarify the VAT status of the services supplied, and any invoices subsequently raised which do not accord with this status should be addressed with UHI.

Recommendation 9

(This recommendation is shared with another RBU)

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
<p>1 The role and responsibilities of the RBU Budget Holder and OC staff in respect of engaging with budget drafting should be clearly defined. Once set, RBU Budget Holders should actively manage the ratified budget.</p>	Medium	Agreed	College Principal	31 October 2023
<p>2 The total income in the RBU budget should be prudently drawn up based on a variety of sources including confirmed future income, past revenue received and RBUS business intelligence such as market demand. Once a realistically achievable level of income has been identified, the level of expenditure should be included in the budget which allows OC to accord with the Council policy requiring a balanced budget to be set. Where the budget setting process gives rise to a risk or concern that a potential budget shortfall could arise, particularly in respect of the level of revenue yet to be identified, measures for addressing the shortfall need to be identified.</p> <p>Since early identification of potential issues allows more time for solutions to be implemented, it is important that full engagement with OIC finance</p>	High	Agreed	College Principal Service Manager Accounting	31 December 2023

function is undertaken before the budget setting process to allow a realistic budget to be set.				
3 The College Principal should ensure that explanations of variances reported quarterly to the EL&H committees should include sufficient detail to give Members a full picture of the underlying situation giving rise to the variance. In addition, it is essential that quarterly reporting on the RBUs include a clear and unequivocal statement of the amount of 'income yet to be identified and confirmed' to allow potential shortfalls to be identified in a timely manner and remedial action taken where required.	Medium	Agreed	OC Finance Manager Service Manager Accountancy	30 November 2023
4 Adjustments to budget profiles or virements should be used to reflect any substantial variances which have already happened in the year. These measures should improve the accuracy of budget monitoring and reporting throughout the financial year.	Medium	Agreed	RBU Budget Holders	30 September 2023
5 The reinstatement of monitoring meetings between the College Principal, RBU Directors and the OC Finance Manager, would both assist the Finance Manager to have a clearer and more timely picture of the underlying situation for the RBUs and provide support to the Budget Holders in operating within OICs financial system.	Medium	Agreed	College Principal	31 December 2023
6 In line with best practice, OIC's HR department should ensure that procedures exist to wherever possible, aim to have copies of signed acceptances of contracts or variations retained on record.	Low	Not having a signed contract on file provides no legal issue for the Council as where an individual has been issued with and is	Service Manager Human Resources	30 September 2023

		<p>working under a contract or variation, there is legally an accepted contract of employment.</p> <p>Of the identified 9 files with no signed contract, 4 have acceptances on file. For the others, the employees have continued to work under the new conditions, as above, a 'de facto' acceptance of the variation in terms.</p> <p>As part of the ongoing work on Recruitment, processes will be revised to try and ensure wherever possible, and without causing unnecessary operational delays to recruitment that signed contracts are on file.</p> <p>Wording is being added to contracts and variation letters to highlight to employees that there will be deemed compliance with the contract and variations whether they are signed and returned or not.</p>		
<p>7 The Institute should draw up both a business plan focussed on income generation, and a formal risk register which should address issues such as succession planning and should be aligned with objectives from the business plan. This should be regularly updated, and reviewed with senior management of the College. This should feed into the</p>	<p>Medium</p>	<p>Agreed</p>	<p>College Principal RBU Director</p>	<p>30 November 2023</p>

<p>Orkney College Risk Register, which should be reviewed at least annually by the EL&H Committee to ensure that it remains an active, responsive document addressing the latest position of the College.</p>				
<p>8 Either the Regulated Procurement rules or the rules on Non-Competitive Action should be applied to the arrangement for recharging of staff costs from UHI. Contract agreements need to be formalised and put in place between the business unit (OIC) and the Executive Office of UHI in respect of these recharges, and the contracts added to the Contract Register. Alternatively, employment contracts should be drawn up for academic staff working for the Unit who are currently the subject of these arrangements.</p>	<p>High</p>	<p>Agreed</p>	<p>College Principal</p>	<p>31 December 2023</p>
<p>9 VAT advice should be taken to clarify the VAT status of the services supplied, and any invoices subsequently raised which do not accord with this status should be addressed with UHI.</p>	<p>Medium</p>	<p>Agreed</p>	<p>OC Finance Manager</p>	<p>30 September 2023</p>

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a significant level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.