

# AU23-11

<b>Committee</b>	Audit Committee		
<b>Date paper prepared</b>	31/07/2023	<b>Date of committee meeting</b>	07/09/2023
<b>Subject</b>	Shetland UHI - Code of Good of Governance for Scotland's Colleges.		
<b>Author</b>	Jason Thurlbeck, Head of Internal Audit		
<b>Action requested</b>	For discussion		
<b>Purpose of the paper</b>	To present the findings of a review of Shetland UHI's compliance with the Code of Good of Governance for Scotland's Colleges.		
<b>Brief summary of the paper</b>	This code of governance review was requested by SFC to assist in contributing towards assessing some of the actions required for Shetland UHI to meet the requirements of assigned college status. Further assessment action is required to be carried out by UHI to determine whether Shetland UHI fully meets all the requirements of an assigned college. For the avoidance of doubt this report does not provide an opinion on whether Shetland UHI meets the requirements to be an assigned college.		
<b>Consultation</b>	In the course of carrying out this review the UHI Head of Internal Audit has consulted with the Principal of Shetland UHI and Board Secretary		
<b>Resource implications</b>	There may be resource implications for Shetland UHI to implement actions to demonstrate compliance with the Code.		
<b>Risk implications</b>	Internal Audit assignments are planned using a risk-based approach. Any control weaknesses identified, and areas for improvement, are noted in the report.		
<b><u>Equality, Diversity and Inclusion</u></b>	Requirements assessed as part of code and detailed within the report		
<b>Paper status</b>	<input checked="" type="checkbox"/> <b>Open</b> – The paper may be circulated to non-members of the committee and published online without restriction. <input type="checkbox"/> <b>Restricted</b> – The paper must not be circulated to non-members or published online until after the committee meeting. <input type="checkbox"/> <b>Confidential</b> - The paper must not be circulated beyond the committee members and should not be published online. [Please note papers may still be subject to Freedom of Information requests – see below].		

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# Internal Audit Report

Shetland UHI - Code of Good of Governance for  
Scotland's Colleges 23-11



*Shedding some light...*

**UHI**

**Shetland UHI - Code of Good of Governance for  
Scotland's Colleges 23-11**

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## Shetland UHI - Code of Good of Governance for Scotland's Colleges 23-11

### 1. BACKGROUND

- 1.1. The purpose of this report is to record the findings of an internal audit review of the Code of Good Governance for Scotland's College. The scope and format of this code of governance review were discussed and agreed with the Shetland UHI Principal and Chief Executive and UHI Director of Finance prior to commencement of the review.
- 1.2. This code of governance review was requested by SFC to assist in contributing towards assessing some of the actions required for Shetland UHI to meet the requirements of assigned college status. Further assessment action is required to be carried out by UHI to determine whether Shetland UHI fully meets all the requirements of an assigned college. For the avoidance of doubt this report does not provide an opinion on whether Shetland UHI meets the requirements to be an assigned college.
- 1.3. Audit Context
- 1.4. The Code of Good Governance for Scotland's College was first published in December 2014 and revised in 2016 and 2022. The Good Governance Steering Group concluded a review of the 2016 code with the updated version published in September 2022. The Scottish Funding Council website currently lists the two versions of the Code of Good Governance for Scotland's College.
  - [Code of Good Governance for Scotland's Colleges 2022](#) (published September 2022)
  - [Code of Good Governance for Scotland's Colleges 2016 \(old version\)](#)
- 1.5. This review was carried out in the transition period between the two codes with compliance with the new code required to be reported for the academic year 2022/23. The updated code (2022) remains largely unchanged from 2016 with only minor amendments made. In undertaking this review both the 2016 and 2022 code were used for the assessment.
- 1.6. The Code states:

*The Code of Good Governance for Scotland's Colleges has been developed and is owned by the college sector. Colleges are required to comply with it as a condition of grant from either SFC or their regional strategic body. It establishes standards of good governance practice for all boards and provides the essential foundations for compliance within the legislative framework.*

*Boards must not only follow the letter but also the spirit of the Code to ensure good governance. Boards must think deeply, thoroughly and on a continuing basis about their overall tasks and the implications of these for the roles of their individual members. Key to this is the leadership of the chair, the support given to and by the principal, and the frankness and openness of mind with which issues are discussed and tackled by all board members.*

**Each board must state its adoption of the Code in the corporate governance statement contained in its annual financial statement. The chair, on behalf of the board, is expected to report as to how the principles have been applied by the board. Where, for whatever reason, a board's practice is not consistent with any principle of the Code, it should make this known to SFC or, if it is an assigned college, the regional strategic body. This should be done immediately they become aware of an inconsistency and, without exception, in advance of publishing the information. An explanation for that inconsistency must be clearly stated in its corporate governance statement. Boards will be expected to offer a clear rationale for exceptions in the context of their college's operational model and to identify mitigations.**

- 1.7. We would like to thank the following staff who assisted us during the course of the audit

Professor Jane Lewis	Principal and Chief Executive Officer Shetland UHI
Matt Sierocinski King	Board Secretary Shetland UHI

## 2. REVIEW OBJECTIVES

- 2.1. The scope of the review was to carry out a review of the Shetland UHI compliance with the current Code of Good of Governance for Scotland's Colleges.
- 2.2. Audit Approach
- 2.3. In undertaking this review both the 2016 and 2022 code were used for the assessment. Where available, evidence was gathered to demonstrate or verify compliance with each Principle of the Code. The Shetland UHI Principal and Board Secretary were consulted extensively throughout the review and given access to the audit working papers to assist in identifying relevant evidence to demonstrate compliance.

## 3. MAIN FINDINGS

- 3.1. Shetland UHI is the new college for Shetland, formed through the merger of the NAFC Marine Centre UHI, Shetland College UHI and Train Shetland vesting on 1st August 2021. Shetland UHI's Report and Financial Statements for the year ended 31 July 2022<sup>1</sup> note that Shetland UHI 'was created using a 'phoenix model' requiring new processes procedures and methods of working to be developed for operation. Whilst initial preparations were underway at the point of vesting, the first year of operation was a time of exploration of the different ways of working across the organisation and development and implementation of new processes and procedures for the new entity'. Throughout its first year of operation Shetland UHI has been working to develop and implement governance arrangements and

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<sup>1</sup> Approved by order of the members of the Board of Management on 26/04/2023.

practices as informed by the requirements of the Code of Good of Governance for Scotland's Colleges.

- 3.2. Shetland UHI's Report and Financial Statements for the year ended 31 July 2022 make the following reference to the Code in the Statement of Corporate Governance under the heading Committees:

*'The Board of Management of UHI Shetland has delegated responsibility for specific aspects of the management of the college to separate committees. This enables the Board of Management to operate effectively and ensure that it meets the requirements of an assigned college of the University of the Highlands and Islands and the Code of Good Governance for Scotland's Colleges.'*

- 3.3. The Code is detailed and comprehensive and contains 5 Sections, 19 Sub Sections and 82 Principles in total. From review of Shetland UHI governance arrangements and practices, we found that there were several areas of the Code where Shetland UHI required further action or evidence to better demonstrate compliance with the Code. (See appendix A). There were five principles in the Code, which were not directly applicable to Shetland UHI (Principle A8, C4, C6, D26 and D27)
- 3.4. In the case of seven principles, insufficient evidence was provided/available to enable a full assessment of compliance to be carried out (Principle B1, C2, C18, C21, C24, D5 and D16).

Code Section	Compliant	Complying in-part	Insufficient information provided to assess compliance fully	N/A [1]	Total (not including N/A)	Compliant	Complying in-part	Compliant and in-part compliant
Section A: Leadership and Strategy	7	6	0	1	13	54%	46%	100%
Section B: Quality of the Student Experience	7	1	1	0	9	78%	11%	89%
Section C: Accountability	11	11	4	2	26	42%	42%	84%
Section D: Effectiveness	14	9	2	2	25	56%	36%	92%
Section E: Relationships and Collaboration	4	0	0	0	4	100%	0%	100%
<b>Total</b>	<b>43</b>	<b>27</b>	<b>7</b>	<b>5</b>	<b>77</b>	<b>56%</b>	<b>35%</b>	<b>91%</b>

## 4. CONCLUSION

- 4.1. Prior to this review, Shetland UHI confirmed that it had not formally carried out a specific review of its compliance with the Code of Good of Governance for Scotland's Colleges.
- 4.2. Overall, in most areas reviewed there was evidence of compliance in full or in part with the principles of the Code. There was sufficient evidence to demonstrate compliance with forty-three of the principles of the code out of the 77 applicable to Shetland UHI.
- 4.3. There were a number of areas of the Code where Shetland UHI required to take further action to be able to better demonstrate compliance. There was evidence of in-part compliance for a further 27 of the principles. In the case of seven principles, insufficient evidence was provided/available to enable a full assessment of compliance to be carried out at this time.



## 5. AREAS REQUIRING FURTHER ACTION TO BETTER DEMONSTRATE COMPLIANCE

Code Principle	Conclusion	Assurance		
<b>A1</b>	<p>Every college and regional strategic body must be governed by an effective board that is collectively responsible for setting, demonstrating and upholding the values and ethos of the organisation.</p>	<p>The Articles of Association define through the objectives the arrangements for establishing the Board and its collectively responsibility for setting, demonstrating and upholding the values and ethos of the organisation and demonstrated through establishing a Code of Conduct. The Shetland UHI Report and Financial Statements for the year ended 31 July 2022 report sets out the Mission, Vision and Values. It also reports progress made against each of the article's objectives. The Board's Strategic Plan 2021-2025 defines the College Mission and Values.</p> <p>As of May 2023, the Board had not yet carried out a review of its effectiveness or of its sub committees.</p>	<b>In part</b>	<p>Board Secretary to define Terms of reference for Board. Q1 Board of Management meeting AY 2023/24.</p> <p>Chair / Board Secretary to ensure completion of internal effectiveness reviews by 31 December 2023</p> <p>Chair / Vice Chair to complete annual development reviews of Board members by 31 October 2023. Board Secretary to ensure record kept.</p>
<b>A2</b>	<p>Every board member must ensure that they are familiar with and their actions comply with the provisions of their board's Code of Conduct.</p>	<p>The Articles of Association define the arrangements for establishing Directors responsibility to comply with the Code of Conduct. Directors shall automatically vacate office by resolution of the directors on the grounds she/he is considered to have committed a material breach of the code of conduct for directors in force at the time. The Board at its August 2022 meeting approved the Code of Conduct as previously used for the Transition Board of Shetland UHI, on the condition that it be amended to remove references to the Transition Board of Shetland UHI and replaced with references to the Board of Management of Shetland UHI. The Code of Conduct still references Transition Board.</p> <p>Not all Board members had signed up to comply with Code of Conduct.</p>	<b>In Part</b>	<p>Board Secretary to ensure all Board members to sign up to Code of Conduct by September 2023.</p> <p>Vice Principal Operations to update website to reflect current Board Directors by September 2023.</p>

Code Principle	Conclusion	Assurance	
<p><b>A7</b></p> <p>The board must ensure that a comprehensive performance measurement system is in place which identifies key performance indicators. It must ensure that it scrutinises performance measures and reports these on their website in a manner that is both timely and accessible to stakeholders. This will allow the board to determine whether or not the vision and mission of the region or the college are being fulfilled and that the interests of stakeholders are being met.</p> <p><i>[2022 Code - A7 has been moved to A9 wording remains the same].</i></p>	<p>Shetland UHI publishes information on its website on the SFC performance indicators.</p> <p>The Shetland UHI Report and Financial Statements for the year ended 31 July 2022 reports progress made against each of the Article of Association objectives.</p> <p>The Strategic Plan 2021-25 included strategic aims and a range of outcomes however key performance indicators to monitor progress had not been defined. Review of the Board minutes found that progress against some outcomes was reported in the Principal's Report (namely FE and HE student recruitment). However, a formalised reporting process was not in place to provide regular performance reporting on key performance indicators for the Strategic Plan or Outcome Agreement to enable the Board to monitor performance.</p>	<p><b>In part</b></p>	<p>Principal and SMT to establish of KPIs for new strategy to be agreed at Q1 Board meeting 2023/24.</p>
<p><b>A9</b></p> <p>The roles and responsibilities of the boards of assigned colleges should be undertaken in the context of the roles and responsibilities of their regional strategic body. Assigned college boards must contribute constructively to the development of the outcome agreement led in its region by the regional strategic body and support the regional strategic body to monitor performance in achieving the agreed outcomes.</p> <p><i>[2022 Code - A9 has been moved to A8 wording remains the same].</i></p>	<p>Shetland UHI contributes constructively to the development of the outcome agreement led in its region by the Regional Strategic Body and supports the University as the Regional Strategic Body to monitor performance in achieving the agreed outcomes through its Principal attending Partnership Council and Chair attending the Partnership Forum. The Principal's Report to the Board provides information on student recruitment FE and HE performance.</p> <p>The Shetland UHI Principal had recently confirmed receipt of the 2022/23 outcome agreement and presented this at the June 2023 Board meeting. It was noted in the Board minute that the Principal's report in future will be adapted as a result, to demonstrate how Shetland UHI fulfils its obligations of the Regional Outcome Agreement.</p> <p>At this point in time, there was a lack of evidence that the Board had been provided with information to assist in the</p>	<p><b>In part</b></p>	<p>Principal and SMT to develop specific monitoring arrangements for the Shetland UHI contribution to the regional outcome agreement by 31 October 2023.</p>

Code Principle	Conclusion	Assurance	
		monitoring of performance in achieving the agreed outcomes.	
<b>A10</b>	<p>The board must demonstrate high levels of corporate social responsibility by ensuring it behaves ethically and contributes to economic development while seeking to improve the quality of life of the local community, society at large and its workforce.</p>	<p>Demonstrated through Board members' compliance with the Code of Conduct and specific objectives in the strategic plan 2021-25.</p> <p>Not all Board members had signed up to comply with the code of conduct.</p>	<p><b>In part</b></p> <p>Principal and SMT to develop Social Responsibility policy. Principles now agreed for establishment of Social Responsibility policy (Q4 Board meeting 2023/24 for approval development should be complete by Q3 Board meeting 2023/24).</p> <p>Board Secretary to ensure all Board Members sign up to Code of Conduct by September 2023.</p>
<b>A12</b>	<p>The board must provide leadership in equality and diversity.</p>	<p>The Articles of Association define specific duties that in all plans, procedures and delivery, the directors shall ensure that due regard for equality, diversity and inclusion reflects legal requirements and good practice, and is reflected in the values and ethos of the company.</p> <p>Shetland UHI has in place an Equality, Diversity and Inclusivity Policy and the Board is responsible for ensuring that Shetland UHI complies with its statutory obligations in terms of meeting the requirements of the Equality Act 2010 and the Public Sector Equality Duty for Scotland.</p> <p>The College Equality, Diversity and Inclusivity Policy outlines the commitment to equality for Shetland UHI students, staff, visitors, contractors and others who engage with Shetland UHI through any activity. The Senior Management Team is responsible for operational oversight of the policy and must ensure that Managers, Staff and Students operate in an environment where they can fulfil their responsibilities in relation to the policy. Line Managers are responsible for implementing this policy, ensuring that the commitment to</p>	<p><b>In part</b></p> <p>HR and OD development Lead to review reporting information that demonstrates compliance with Equality and Diversity requirements and provide to Human Resources and Remuneration Committee. Q2 2023/24 Human Resources and Remuneration Committee.</p>

Code Principle		Conclusion	Assurance	
		<p>equality is followed through and adequately communicated both internally and externally.</p> <p>The Shetland College UHI Equality Outcomes Progress and Mainstreaming Report 2021-25 (June 2021) recognised the transition from Shetland Island Council to Shetland UHI concluded that Shetland College had made some progress in both awareness and mainstreaming gender and sexuality equalities, however there was still areas of improvement of equality and diversity.</p> <p>The Board should receive reports and assurance that the college has appropriate equality and diversity arrangements in place, including monitoring of actions and outcomes.</p>		
<b>B1</b>	<p>The board must have close regard to the voice of its students and the quality of the student experience should be central to all board decisions.</p>	<p>The Articles of Association include in the composition of the board of directors two Student Directors. The board has within its membership requirement two student members normally the Regional President (or another regional nominee) and the Shetland Local Depute of the Highlands and Islands Students' Association (HISA).</p> <p>Evidence required of Student Directors on the Board.</p>	<b>Limited</b>	<p>Board Secretary to provide current information on student Directors.</p> <p>Vice Principal Operations to update website to reflect current Board Directors.</p>
<b>B2</b>	<p>The board must lead by example in relation to openness, by ensuring that there is meaningful on-going engagement and dialogue with students, the students' association and as appropriate staff and trade unions in relation to the quality of the student experience. Consultation is essential where significant changes are being proposed.</p>	<p>The board has within its membership the requirement for two student and staff members. The board has within its membership requirement for two student members normally the Regional President (or another regional nominee) and the Shetland Local Depute of the Highlands and Islands Students' Association (HISA). There are currently two Staff Board Directors.</p> <p>The articles of association define powers to recognise employee Trades Unions and consult with representatives of their Trades Unions.</p> <p>Shetland UHI has agreed to representation from all trade unions recognised in the National Recognition and Procedures Agreement (NRPA). This is only EIS/FELA, UNISON, Unite and GMB at present. Locally employees are members of EIS-FELA and UNISON. Should college staff</p>	<b>In part</b>	<p>Board Secretary to provide information on Student Directors.</p>

Code Principle		Conclusion	Assurance	
		<p>membership of trade unions change from the current position, then the membership of the Local Negotiating &amp; Consultation Committee (LNCC) will be reviewed. The Board of Shetland UHI also recognises The Educational Institute of Scotland, Further Education Lecturers' Association (EIS-FELA) as presently the sole representatives of lecturing staff employed by Shetland UHI and UNISON as presently the sole representatives of non-lecturing staff, in respect of terms and conditions of employment that fall within the scope of the Local Recognition and Procedures Agreement (LRPA) and the NRPA.</p> <p>The Board had received reports in November 2021 on HISA activities and on developing Student Voice Representatives at Scalloway. There was evidence presented of staff and student consultation on the Ministerial Merger Business Case.</p> <p>Evidence required of Student Directors on the Board.</p>		
<b>C2</b>	The board must ensure delivery of its outcome agreement or in the case of an assigned college, its agreed contribution to the region's outcome agreement.	<p>Shetland UHI contributes constructively to the development of the outcome agreement led in its region by the Regional Strategic Body and supports the University as the Regional Strategic Body to monitor performance in achieving the agreed outcomes through its Principal attending Partnership Council and Chair attending the Partnership Forum. The main part of delivery of the outcome agreement is delivery of Higher Education (HE) and Further Education (FE) student targets. The Principal's report to the Board provides detail on recruitment position for FE and HE but not on delivery of other areas of the outcome agreement.</p> <p>The Shetland UHI Principal had recently confirmed receipt of the 2022/23 outcome agreement and presented this at the June 2023 Board meeting. It was noted in the Board minute that the Principal's report in future will be adapted as a result,</p>	Limited	Principal and SMT to develop specific monitoring arrangements for the Shetland UHI contribution to the regional outcome agreement by 31 October 2023.

Code Principle	Conclusion	Assurance	
		<p>to demonstrate how Shetland UHI fulfils its obligations of the Regional Outcome Agreement.</p> <p>At this point in time, there was a lack of evidence that the Board had been provided with information to assist in the monitoring of performance in achieving the agreed outcomes.</p>	
<b>C3</b>	<p>The board must ensure it fulfils its statutory duties and other obligations on it, and that the terms and conditions of its grant are being met.</p>	<p>The Shetland UHI Report and Financial Statements for the year ended 31 July 2022. States that the Board of Management has taken reasonable steps to:</p> <ul style="list-style-type: none"> <li>• Ensure that funds from the Scottish Funding Council and UHI are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with UHI and any other conditions which Scottish Funding Council or UHI may from time to time prescribe;</li> <li>• Ensure that there are appropriate financial and management controls in place to safeguard public funds from other sources;</li> <li>• Safeguard the assets of the College and prevent and detect fraud;</li> <li>• Secure the economical, efficient, and effective management of the College's resources and expenditure.</li> </ul> <p>Compliance with the Financial Memorandum requires Shetland UHI to remain sustainable and financially viable. The SFC has provided a letter of comfort (15 March 2023) at the request of Shetland UHI's External Auditors in respect of the financial support of Shetland UHI and raised concerns about compliance with C22 of the code and the Boards responsibility for securing Shetland UHI financial sustainability.</p>	<p><b>In part</b></p> <p>Principal and SMT to continue develop with UHI the financial recovery plan and to assist Board monitoring of financial and institutional sustainability as immediate priority.</p>
<b>C6</b>	<p>Incorporated colleges and regional boards must maintain and publicly disclose a current register of interests for all board members should declare</p>	<p>See Later D5</p> <p><i>Note: As Shetland UHI is not an incorporated college it is not required to comply with this code provision. However, the</i></p>	<p>N/A</p> <p>See later D5</p>

Code Principle	Conclusion	Assurance	
<p>any specific conflicts of interest in the business of the meeting prior to the commencement of each meeting of the board and its committees and withdraw from meetings as appropriate.</p> <p><i>[2022 Code - Incorporated colleges and regional boards must maintain and publicly disclose a current register of interests for all board members. Board members have a personal responsibility to ensure any changes to their register of interests are notified timeously to the governance professional and to declare any specific conflicts of interest in the business of the meeting prior to the commencement of each meeting of the board and its committees and withdraw from meetings as appropriate. See section D.6 for the 'objective test' for judging if there is a conflict of interest].</i></p>	<p><i>Shetland UHI Code of Conduct requires Board members to register interests. Evidence of a register of interests being in place is required.</i></p>		<p>Board Secretary develop a register of interest consistent with Shetland UHI Code of Conduct</p>
<p><b>C7</b> The board must ensure that its decision-making processes are transparent, properly informed, rigorous and timely, and that appropriate and effective systems of financial and operational control, quality, management of staff, risk assessment and management are established, monitored, continuously improved and appropriately impact assessed. This includes:</p> <p>a) the prompt production, dissemination and online publication</p>	<p>The Shetland UHI Report and Financial Statements for the year ended 31 July 2022 state that the Board of Management has taken reasonable steps to:</p> <ul style="list-style-type: none"> <li>• Ensure that funds from the Scottish Funding Council and UHI are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with UHI and any other conditions which Scottish Funding Council or UHI may from time to time prescribe;</li> <li>• Ensure that there are appropriate financial and management controls in place to safeguard public funds from other sources;</li> </ul>	<p>In part</p>	<p>Board Secretary to develop a formalised records management policy and document retention schedule to be implemented by Q2 2023/24 Board meeting.</p>



Code Principle	Conclusion	Assurance	
	<p>of board/committee agendas, minutes and papers to the public</p> <p>b) every board meeting and every committee meeting having a well-structured agenda circulated timeously in advance</p> <p>c) the retention of all key documentation which help justify the decisions made by the board and its committees.</p> <p><i>[2022 Code - d) setting quorum for board and committee meetings in line with good practice and preferably at 50% or higher are non-executive members. A board should satisfy itself that adequate arrangements are in place to ensure that decisions it has delegated to a committee are taken with a non-executive majority. When determining a quorum, the chair of the board may be considered to be a non-executive member. (see Annex 1 for the definition of non-executive)].</i></p>	<ul style="list-style-type: none"> <li>Safeguard the assets of the College and prevent and detect fraud;</li> <li>Secure the economical, efficient, and effective management of the College's resources and expenditure.</li> </ul> <p>The Audit Committee has not completed a full cycle of meetings and the Internal Auditors are yet to complete their first internal audit plan and provide an opinion on the arrangements for risk management and internal control. It is therefore too early for Audit Committee to form a view of 'appropriate and effective systems of financial and operational control, quality, management of staff, risk assessment and management are established, monitored, continuously improved'</p> <p>There was evidence of Board and Committee meetings of having structured agendas. Evidence was provided of agenda setting meeting appointments being held with Chair, Principal and Board Secretary prior to the Board meeting.</p> <p>Shetland UHI publishes on its website board/committee agendas, minutes, and papers.</p> <p>A formalised records management policy / document retention schedule had not been developed and implemented to ensure the retention of all key documentation which help justify the decisions made by the board and its committees.</p>	
<p><b>C11</b></p>	<p>The board of a college or a regional body is responsible for the overall management of risk and opportunity. It must set the risk appetite of the body and ensure there is an appropriate balance between risk and opportunity and that this is communicated via the principal to the body's management team.</p>	<p><b>In Part</b></p>	<p>Principal and SMT to develop a session on Risk Appetite for a Board of Management Workshop in the 2023-2024 academic year.</p> <p>A further round of Board training is being sourced and linked to a workshop on risk appetite, will be carried out by Q3 Board meeting 2023/24.</p>



Code Principle	Conclusion	Assurance	
		for a Board of Management Workshop in the 2023-2024 academic year.	
<b>C12</b>	<p>The board must ensure that sound risk management and internal control systems are in place and maintained. It must ensure there is a formal on-going process for identifying, reporting, evaluating and managing the body's significant risks and review the effectiveness of risk management, business continuity planning and internal control systems.</p>	<p>The Board had recently approved a Risk Management Policy at its meeting on the 28 June 2023. The Board has reviewed the risk register and there was evidence of a rolling programme of individual risks being review through the committee structure.</p> <p>The Audit Committee has not completed a full cycle of meetings and the Internal Auditors are yet to complete their first internal audit plan and provide an opinion on the arrangements for risk management and internal control. A business continuity plan was in place.</p>	<p><b>In part</b></p> <p>Board Secretary to ensure provision of</p> <ul style="list-style-type: none"> <li>• Annual Internal Audit Report</li> <li>• Annual Audit Committee Report</li> </ul>
<b>C13</b>	<p>The Audit Committee must support the board and the principal by reviewing the comprehensiveness, reliability and integrity of assurances including the body's governance, risk management and internal control framework.</p> <p><i>[2022 Code - The Audit Committee must support the board and the principal by reviewing the comprehensiveness, reliability and integrity of assurances including the body's governance, risk management and internal control framework. The Scottish Government Audit and Assurance Committee Handbook promotes the development of an assurance framework to aid the Committee in fulfilling this role. See Audit and Assurance Committee Handbook</i></p> <p><i><a href="http://www.gov.scot">Audit and Assurance committee handbook - gov.scot (www.gov.scot)</a></i></p>	<p>The Audit Committee Terms or Reference establish the committee's remit to review and monitor the following aspects of Shetland UHI's operations, and to advise the Board of Management appropriately on:</p> <ul style="list-style-type: none"> <li>• The comprehensiveness, reliability and integrity of assurance of the governance and management of Shetland UHI.</li> <li>• The comprehensiveness, reliability and integrity of assurance of the risk management and business continuity of Shetland</li> <li>• The comprehensiveness, reliability and integrity of Shetland UHI's financial management and other internal control and management systems</li> </ul> <p>The Audit Committee has not completed a full cycle of meetings and the Internal Auditors are yet to complete their first internal audit plan and provide an opinion on the arrangements for governance, risk management and internal control.</p>	<p><b>In part</b></p> <p>Board Secretary to ensure provision of</p> <ul style="list-style-type: none"> <li>• Annual Internal Audit Report</li> <li>• Annual Audit Committee Report</li> </ul>

Code Principle		Conclusion	Assurance	
<b>C15</b>	The Audit Committee must promptly pursue recommendations arising from audit reports and must monitor their implementation.	The Audit Committee Terms of Reference require the committee to review the reports submitted by Shetland UHI's Internal Auditors and receive progress reports from Shetland UHI Management on the Internal Audit recommendations.  The Audit Committee has not completed a full cycle of meetings and therefore not had the ability to monitor the implementation of actions arising from audit reports.	In part	Board Secretary to ensure provision of monitoring reports to Audit Committee on agreed actions.
<b>C18</b>	At least one member of the Audit Committee should have recent relevant financial or audit experience.	Audit Committee terms of reference states that at least one member of the Committee should have recent and relevant experience in finance, accounting or auditing.  Evidence required of which Audit Committee member meets these requirements.	Limited	Board Secretary to provide information on skills of current Audit Committee memberships by 31 October 2023.
<b>C19</b>	It is essential that members of the Remuneration Committee understand their role and responsibilities. Members must undertake the online training module for Remuneration Committees provided by College Development Network within one month of appointment.	The remit of the Human resources and Remuneration Committee requires members to undertake the online training module for Remuneration Committees provided by College Development Network within one month of appointment.  Lack of evidence provided of Members completing the online training module for Remuneration Committees provided by College Development Network within one month of appointment.	In part	Board Secretary confirms training completion certificates received from two members.  Board Secretary to provide evidence of all independent members of Human Resources and Remuneration Committee completing training by 31 October 2023.
<b>C20</b>	The board must have a formal procedure in place for setting the remuneration of the principal by a designated committee of non-executive members. The board may wish to supplement this by taking evidence from a range of sources. In particular, staff and students should have a role in gathering and submitting evidence in relation to the college principal to the relevant committee.	The Articles of Association state that the Remuneration Committee is responsible for setting the remuneration of the Principal. The Scheme of Delegation reserves to the Board the appointment of and disciplinary action involving the Principal and the approval of early retirement packages, enhanced pension arrangements or financial packages in excess of statutory provisions.  The remit of the Human resources and Remuneration Committee is to consider and make decisions on the remuneration package and conditions of service, and any	In part	Board Secretary confirmed that the process had been determined and was to be implemented for 2023/24.

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	<p>changes thereof, of the College Principal and such other senior staff as is considered appropriate, taking into account:</p> <ul style="list-style-type: none"> <li>• That College senior management should be fairly rewarded for their individual performance and contribution to the College's overall performance</li> <li>• Where, in terms of senior management remuneration, the College stands in relation to other comparable institutions in the sector, organisations of a similar size and the local market;</li> <li>• The Scottish Government's approach to remuneration in the public sector;</li> <li>• The relationship between the remuneration of the senior management and that of other employees of the College</li> <li>• The benefits granted to senior management; and</li> <li>• The adequacy of pension arrangements and also the cost implication of pension arrangements including the pension effect of remuneration proposals.</li> </ul> <p>The Committee shall review the annual appraisal of the Principal and Chief Executive by the Chair of the Board and review the Principal and Chief Executive's continuing professional development.</p> <p>The Committee should endorse any proposals for severance payments to Senior Managers and any exceptional settlements which will require to be formally notified to the Board of Management.</p> <p>The membership of the committee notes that when exercising the remit of remuneration, any Staff Directors and Student Directors must withdraw from the meeting in their capacity as directors. They may (like any other staff member or student of Shetland UHI), by request of the committee, present evidence in line with Clause C.20 of the Code of Good Governance.</p> <p>Board Secretary confirmed that the process had been determined and was to be implemented from May 2023.</p>		

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C21	The board chair cannot be the chair of the Remuneration Committee (but they can be a member of it).	Limited	Board Secretary to confirm interim arrangement where Vice Chair will Chair Remuneration Committee by 31 October 2023.
C22	<p>The board is responsible for ensuring the financial and institutional sustainability of the body. The board must ensure compliance with its Financial Memorandum (either with SFC or the regional strategic body, depending on which is funding it), including in relation to incorporated colleges and regional boards, relevant aspects of the Scottish Public Finance Manual.</p> <p>The Shetland UHI Report and Financial Statements for the year ended 31 July 2022 record income of £6.871M and expenditure of £8.734M with a deficit before other gains and losses of £1.863M. During the year Shetland UHI had received significant and ongoing cash advances from UHI to maintain its operations.</p> <p>The Report states that the Board of Management has taken reasonable steps to:</p> <ul style="list-style-type: none"> <li>• Ensure that funds from the Scottish Funding Council and UHI are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with UHI and any other conditions which Scottish Funding Council or UHI may from time to time prescribe;</li> <li>• Ensure that there are appropriate financial and management controls in place to safeguard public funds from other sources;</li> <li>• Safeguard the assets of the College and prevent and detect fraud;</li> <li>• Secure the economical, efficient, and effective management of the College's resources and expenditure.</li> </ul> <p>The External Auditors conclusions relating to going concern record that in auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</p> <p>Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to</p>	In part	Principal and SMT to continue develop with UHI the financial recovery plan and to assist Board monitoring of financial and institutional sustainability as immediate priority.

Code Principle		Conclusion	Assurance	
		<p>continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.</p> <p>Compliance with the Financial Memorandum requires Shetland UHI to remain sustainable and financially viable. The SFC has provided a letter of comfort (15 March 2023) at the request of Shetland UHI's External Auditors in respect of the financial support of Shetland UHI and raised concerns about compliance with C22 of the code and the Boards responsibility for securing Shetland UHI financial sustainability.</p>		
<b>C23</b>	<p>The board must ensure that:</p> <ul style="list-style-type: none"> <li>• funds are used as economically, efficiently and effectively as possible</li> <li>• effective monitoring arrangements are in place</li> <li>• college staff report relevant financial Board Secretary to it.</li> </ul>	<p>The Board confirmed in its Report and Financial Statements for the year ended 31 July 2022 that the Board of Management has taken reasonable steps to:</p> <ul style="list-style-type: none"> <li>• Ensure that funds from the Scottish Funding Council and UHI are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with UHI and any other conditions which Scottish Funding Council or UHI may from time to time prescribe;</li> <li>• Ensure that there are appropriate financial and management controls in place to safeguard public funds from other sources;</li> <li>• Safeguard the assets of the College and prevent and detect fraud;</li> <li>• Secure the economical, efficient, and effective management of the College's resources and expenditure.</li> </ul> <p>The Audit Committee's remit is to review and monitor the following aspects of Shetland UHI's operations, and to advise the Board of Management appropriately on the economy, efficiency and effectiveness of Shetland UHI's activities, including value for money.</p> <p>The Audit Committee has not completed a full cycle of meetings and therefore not had the ability to monitor the implementation of actions arising from audit reports.</p>	<b>In part</b>	Principal and SMT to develop as part of finance manual review a value for money policy / strategy by 31 December 2023

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	Shetland UHI has not defined a value for money policy / strategy.		
<b>C24</b>	For colleges that are charitable organisations, board members are also charity trustees. The board of a college that is a charity must ensure its members are aware of their responsibilities under charity legislation and for complying with relevant provisions as set out by the Office of the Scottish Charity Regulator. See <a href="#">OSCR Guidance and Good Practice for Charity Trustees</a> .	Limited induction information was provided by the Shetland UHI Principal. The induction information provided a link to guidance on the OSCR website. The Shetland UHI Principal acknowledged that the induction materials were overdue review.	<b>Limited</b>  Chair/ Board Secretary to complete review of induction process for Board development (role of charity trustees) By 31 December 2023  Board Secretary to ensure training records are kept by 31 December 2023.
<b>C26</b>	The board must have a system of corporate accountability in place for the fair and effective management of all staff, to ensure all legal obligations are met and all policies and agreements are implemented and identify areas that require improvement and to develop action plans to address them.	The Board has established a Human Resources Committee. The Human Resources Committee has overall responsibility for the direction and oversight of all personnel matters relating to the function of the Board of Management as employer of Shetland UHI's staff. The Committee is to oversee the development and auditing of all human resource strategies and work streams and this shall include ensuring that the college is operating within all legal requirements relating to employment law and other legislation affecting employment.  Evidence required of arrangements for monitoring policy implementation, compliance and any actions to facilitate improvement.	<b>In part</b>  HR and OD lead to provide Human Resources Committee with plan for future review of policy implementation, compliance and any actions to facilitate improvement. By end of AY 2023/24.
<b>D2</b>	The board and its committees must have the appropriate balance of skills, experience, independence and knowledge of the body to enable them to discharge their respective duties and responsibilities effectively.	The Search and Nomination Committee has overall responsibility for reviewing the balance of skills and experience of non-executive members of the Board of Management and committees of the Board of Management and for making recommendations to the Board of Management in relation to the appointment of non-executive members. There was evidence of skills audit information being considered at the November 2021 meeting.	<b>In part</b>  Board Secretary to provide evidence of current skills audit information 30 September 2023.

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		Evidence required of current skills audit of board and committee membership.	
<b>D5</b>	<p>Where the college is a charity, all board members, as charity trustees, including staff and student board members, have legal duties and responsibilities under the Charities Act 2005. This includes registering any personal interests that could be seen as conflicting with the interests of the body. The 'objective test' for judging if there is a conflict of interest is:</p> <p><i>"... whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your decision making in your role as a member of a public body".</i></p>	The Board Secretary confirmed that an up to date Board register of interests was not in place.	<b>Limited</b>  Board Secretary to develop a Board Register of Interests including staff and student members by 31 October 2023.
<b>D9</b>	<p>The college board must ensure a clear process is in place to set and agree personal performance measures for the principal. This process should seek the views of students and staff. The chair, on behalf of the board, should monitor, review and record the principal's performance, at least annually, against the agreed performance measures.</p>	<p>A procedure for establishing and reviewing the principal's objectives, performance and salary has been developed. A paper formally documents the procedure and process for setting the Principal's objectives each year, reviewing performance against these and implementing a process for establishing the salary or pay rise that should be applied to the post.</p> <p>Board Secretary confirmed that the new process had not yet been implemented.</p>	<b>In part</b>  Board Secretary to provide minute of the Human Resources & Remuneration Committee 14 September 2022 approving the Updated Principal Appraisal Process.  Chair to implement new process to assess performance of the Principal for 2023/24.
<b>D16</b>	The board must ensure arrangements are in place to deal with a board secretary's potential or real conflicts of interest.	<p>The Board Secretary was not aware of a conflicts of interest procedure for the Board Secretary.</p> <p>The Scheme of Delegation notes that in the absence of the Board Secretary, the Board shall agree temporary arrangements that can be put in place either by appointing a</p>	<b>Limited</b>  Board Secretary to provide information on conflicts of interest process by 30 September 2023.

Code Principle	Conclusion	Assurance	
	<p>[2022 Code - Board Secretary referenced as Governance Professional]</p>		
<b>D17</b>	<p>For boards with responsibility for board appointments, the board must ensure a formal and open procedure is in place for recruiting and selecting new non-executive board members. Boards must have regard to all relevant Ministerial Guidance on board appointments.</p>	<p>The Board has established a Search and Nominations Committee which has overall responsibility for reviewing the balance of skills and experience of non-executive members of the Shetland UHI Board of Management and the committees of the Board and for making recommendations to the Board in relation to the appointment of non-executive members.</p> <p>The Search and Nominations Committee role is to agree: a timetable for recruitment and selection process; the various forms of advertising to be used to ensure the College meets the College Sector Board appointment requirements and the requirements of the Public Sector Equality Duty; the key information to be included in the advertising material.</p> <p>The role of the Search and Nominations Committee was silent on the need to have regard to all relevant Ministerial Guidance on board appointments. At its meeting on the 28 June 2023 the Board approved a reference in the remit for Search and Nominations Committee to have regard of ministerial guidance on Board appointments.</p>	<p><b>In part</b></p> <p>Board Secretary to embed in the Board recruitment pack the requirement to have regard to all relevant Ministerial Guidance on board appointments. By 31 December 2023.</p>
<b>D18</b>	<p>The board is responsible for ensuring appropriate arrangements are in place for the conduct of student elections and nominations, and elections of staff members to the board.</p>	<p>The Articles of Association define the process for appointing staff and student Board members.</p> <p>The Articles of Association state that the Directors shall, in advance of the annual general meetings referred to (and allowing a reasonable time for completion of the election process) arrange for a ballot of employees of the company to elect the individuals to be appointed or reappointed as the Staff Director; the rules relating to the election process shall be described in the Standing Orders issued by Directors from time to time.</p>	<p><b>In part</b></p> <p>Board to continue to closely monitor arrangements to secure Student Directors through HISA election process.</p>



Code Principle	Conclusion	Assurance	
	<p>The process of electing a student representative is reliant on the Highlands and Islands Student Association elections. The student board members are defined in the Articles of Association as the HISA Regional President (or such other regional nominee) and the Shetland Local Depute. The Board Secretary confirmed that Shetland UHI Board had suffered difficulty recruiting and retaining Student Directors and that arrangements with HISA required improvement.</p>		
<p><b>D19</b></p>	<p>The chair must ensure that new board members receive a formal induction on joining the board, tailored in accordance with their individual and collective needs. The board secretary should support the chair in the provision of relevant induction for new board members.</p> <p>The Scheme of delegation reserves to the Board the appointment and re-appointment of Board Members (including their induction and training, and the appointment of advisors and observers) and the appointment of members and advisors to standing committees.</p> <p>The Chairs role description (November 2019) used for the Chair recruitment process sets out a responsibility to:</p> <ul style="list-style-type: none"> <li>• Monitor the ongoing performance of Shetland Institute and ensure that the Board demonstrably acts consistently with the principles of public life, Institute values and commitment to corporate social responsibility.</li> <li>• Ensure the performance of the Institute, and the Board of Directors are monitored through appropriate performance indicators and other data.</li> <li>• Engage in periodic review of the individual contributions and performance of Directors on the Board and to work with them to identify opportunities for future development in accordance with their individual needs.</li> </ul> <p>The Board Secretary's job description outlines key duties and responsibilities to:</p> <ul style="list-style-type: none"> <li>• Promote the availability of the National Induction Programme to new Board members as soon as dates are available and encourage, support and</li> </ul>	<p><b>In part</b></p>	<p>Board Secretary to develop updated Chair role description by 31 October 2023.</p> <p>Board Secretary to provide evidence of board members formal induction on joining the board, tailored in accordance with their individual and collective needs by 31 December 2023.</p>

Code Principle	Conclusion	Assurance	
		<p>monitor participation. Lead on the development of a college specific induction programme for new Board members, tailored to individual needs.</p> <ul style="list-style-type: none"> <li>Facilitate and lead regular induction events and training for new board members appointed to all assigned colleges including the provision of specific training on the use of electronic meeting software including Admin Control and video conferencing systems.</li> </ul> <p>Limited induction information was provided by the Principal. The information provided a link to guidance on the OSCR website. The Principal acknowledged that the induction materials were overdue review.</p> <p>Evidence required to demonstrate all inductions had been completed.</p>	
<p><b>D20</b></p>	<p>The board must ensure all board members undertake appropriate training and development in respect of their governance role. The board secretary should support the chair in the provision of relevant training and development opportunities for board members, which should be tailored to meet board members skills and needs. The board secretary must keep records of the development activity of board members, including the chair.</p> <p><i>[2022 Code - Board Secretary referenced as Governance Professional]</i></p>	<p>Board Secretary job description has key duties and responsibilities:</p> <ul style="list-style-type: none"> <li>Promote the availability of the National Induction Programme to new Board members as soon as dates are available and encourage, support and monitor participation. Lead on the development of a college specific induction programme for new Board members, tailored to individual needs.</li> <li>Facilitate and lead regular induction events and training for new board members appointed to all assigned colleges including the provision of specific training on the use of electronic meeting software including Admin Control and video conferencing systems.</li> </ul> <p>At the Board meeting in August 2022 the Board Secretary presented training opportunities for Board members. The Board of Management noted the paper and an action that Board members were to do the training assigned to them,</p>	<p><b>In part</b></p> <p>Board Secretary to provide records of Board member development activity and training by 31 December 2023.</p>

Code Principle		Conclusion	Assurance	
		<p>primarily in the 'Must do' column', and to let the Board Secretary know when they have completed the training.</p> <p>Board Secretary confirmed that the records of Board member development activity and training are under development.</p>		
<b>D21</b>	<p>The board must ensure that new committee members receive a committee induction and have their specific training needs assessed and met.</p>	<p>Limited induction information was provided by the Shetland UHI Principal. The Shetland UHI Principal acknowledged that the induction materials were overdue review.</p> <p>A programme of committee member training was presented at the August 2022 Board meeting. Board members were to let the Board Secretary know when they have completed the training. The Board Secretary confirmed that the records of Board Committee member development activity and training are under development.</p> <p>Evidence required to demonstrate all inductions had been completed and any specific training needs been assessed and met.</p>	In part	<p>Board Secretary to provide records of Board member committee development activity and training by 31 December 2023.</p>
<b>D23</b>	<p>The board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should also be an externally facilitated evaluation of its effectiveness at least every three years. The board must send its self-evaluation (including an externally facilitated evaluation) and board development plan (including progress on previous year's plan) to its funding body and publish them online.</p> <p><i>[2022 Code - The board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should</i></p>	<p>There was evidence of the Board agreeing a process and question set for a self-evaluation effectiveness review in August 2022.</p> <p>The Board Secretary confirmed that the process initiated in August 2022 had not reached conclusion or recorded its outcome or identified any development plans.</p> <p>An externally facilitated evaluation of Board effectiveness is required every three to five years. Shetland UHI has not yet carried out an externally facilitated evaluation of its effectiveness.</p>	In part	<p>Chair / Board Secretary to review outcomes for 2022/23 effectiveness review Q1 Board meeting 2023/24.</p> <p>Chair / Board Secretary to initiate the annual effectiveness review process for 2023/24 by 31 December 2023.</p>

Code Principle		Conclusion	Assurance	
	<i>also be an externally facilitated evaluation of its effectiveness every three to five years. The board should determine the timing for this externally facilitated review as part of the annual effectiveness review. The board must send its self-evaluation (including an externally facilitated evaluation) and board development plan (including progress on previous year's plan) to its funding body and publish them online].</i>			
<b>D25</b>	The board must ensure all board members are subject to appraisal of their performance, conducted at least annually, normally by the chair of the board.	The board had agreed a process to ensure all board members are subject to appraisal of their performance. Evidence was presented of the appointments and format of the appraisal. Evidence was required to confirm these were completed.	<b>In part</b>	Board Secretary to seek confirmation from the Chair and Vice Chair that all board members were subject to annual appraisal of their performance by 30 September 2023. Board Secretary Confirms: - Conversations with Chair and Vice-Chair are ongoing.