

## Board of Management Audit Committee

**Date: 21 May 2019**

**Time: 2pm**

**Room: 2009**

### A G E N D A

**Presented by**

- |    |   |            |       |
|----|---|------------|-------|
| 1  | Welcome and Apologies   |            | HC    |
| 2  | Declaration of Interest   |            | HC    |
| 3  | Minute of Meeting of 19 February 2019   | (attached) | HC    |
| 4  | Matters Arising not on the Agenda   |            | HC    |
|    | 4.1 Check to see if the security camera is connected to the college internet system | (verbal)   | AG    |
|    | 4.2 Feedback request re: External Audit – completion of questionnaire               | (verbal)   | KH    |
|    | 4.3 Board Toolkit, from the National Cyber Security Centre                          | (verbal)   | AW    |
| 5  | Internal Audit Contract – Tender update<br><b>FOR COMMITTEE MEMBERS ONLY</b>        | (attached) | KH    |
| 6  | External Audit  |            |       |
|    | 6.1 External Audit Plan 2018-19   | (attached) | DE    |
| 7  | Financial Regulations update  | (attached) | KH    |
| 8  | Audit Committee Membership  | (verbal)   | HC/AW |
| 9  | *Internal Audit Reports   |            |       |
|    | 9.1 Action Tracking Spreadsheet   | (attached) | KH    |
|    | 9.2 Progress Report   | (attached) | PC    |
|    | 9.3 Equality and Diversity  | (attached) | PC    |
|    | 9.4 Financial Planning and Forecasting  | (attached) | PC    |
|    | 9.5 Key Financial Controls - Creditors  | (attached) | PC    |
|    | 9.6 Follow-Up of Previous Management Actions  | (attached) | PC    |
|    | 9.7 Internal Audit Plan - draft   | (attached) | KH/PC |
| 10 | Strategic Risk Register   | (attached) | AG    |
| 11 | Audit Committee Evaluation  | (verbal)   | AW    |
| 12 | Any Other Business  |            |       |
| 13 | Date and Time of Next Meeting – Tuesday, 10 September 2019 at 2pm                   |            |       |

\*Individual Internal audits reports are not published on the website; they are included in the published annual internal audit report

## Board of Management-Audit Committee

Minute of the Meeting of the Audit Committee of the Board of Management of Dumfries and Galloway College held on 21 May 2019 at 2 pm in Room 2009

<b>Present:</b>	Hugh Carr (Chair) Pat Kirby	Robbie Thomas (via Facetime)
<b>In attendance:</b>	Andy Glen (Acting Principal) Karen Hunter, Head of Finance Rob Barnett (RSM)	David Eardley (Scott-Moncrieff) Ann Walsh (Board Secretary)
<b>Minute Taker</b>	Heather Tinning (Executive Assistant)	

### 1 Welcome and Apologies

The Chair welcomed all to the meeting. Apologies for absence were intimated on behalf of Naomi Johnson.

The Board Secretary confirmed the meeting was quorate.

### 2 Declaration of Interest

Members agreed to indicate declarations of interest as appropriate throughout the meeting.

### 3 Minute of Meeting of 19 February 2019

The Minute of the meeting of 19 February 2019 was approved.

### 4 Matter Arising not on the Agenda

#### 4.1 Check to see if the security camera is connected to the college internet system

The Acting Principal confirmed that the security camera is not directly connected to the college internet system, however the security camera is linked to two named individuals within the organisation who have access to the camera.

#### 4.2 Feedback request re: External Audit – completion of questionnaire

The Head of Finance reported on positive feedback from Audit Scotland.

#### 4.3 Board Toolkit, from the National Cyber Security Centre

Following discussions, the Board Secretary suggested that the Acting Principal arrange for completion of the Board toolkit and feedback to the Board Members at the next Audit Committee meeting. The Acting Principal agreed that the ICT department would consider the answers to the questions and offer guidance to the Board on where they will find answers.

The Board toolkit consists of a range of questions that the National Cyber Security Centre believe will help generate constructive cyber security discussions between board members and their CISOs.

**Action:** The Acting Principal to bring back a brief report from the ICT department to the next Audit Committee

### 5 Internal Audit Contract – Tender Update

The Head of Finance provided a summary of the recent tender exercise for the College Internal Audit Contract. The advertisement was published on the Quick Quotes Hub using the APUC framework for internal audit, with four suppliers submitting quotes:

- BDO
- RSM
- TIAA
- Wyllie & Bisset

The Head of Finance reported that there was a substantial difference in the prices. BDO and RSM provided excellent tenders, giving a lot of assurance from tenders and timing. Start date for the successful Company is the 1<sup>st</sup> August 2019. Both RSM and BDO gave assurance from information in tender, with positive method statements and reports from both. TIAA papers lacked a lot of detail, and not a lot of confidence from tender papers submitted. Although a good tender had been received from Wyllie Bisset and they had addressed the questions, they had lacked detail in their response.

Price scoring tenders based on prices submitted using 3-year period price. Overall BDO and RSM received full marks for quality, however as BDO were such a high price, RSM received the best score. Members recommend awarding the contract to RSM as the Internal Auditors. RSM has been the college's Internal Auditors since 2009.

- BDO – 50 days quoted in tender
- RSM – 35 days quoted in tender

**Decision:** Members agreed to award a 3-year contract to RSM, where extension for another year will require a full change of personnel if an extension is exercised

**Action:** The Head of Finance to take forward

## **6 External Audit**

### **6.1 External Audit Plan 2018-19**

David Eardley (DE) spoke to the External Audit Plan 2018-19 which had been shared, advising that there were no main changes in the audit scope. The Plan before is similar to the structure content and focus to last year's plan. DE highlighted the revenue recognition and how the college recognise expenditure identified in the report. Also identified in the report is the financial statements in relation to the estate work, which will cover all aspects of estates development in terms of income and expenditure. In relation to financial sustainability GDPR is not included in the document, as this is not necessarily a financial risk.

Members noted a proposed Audit fee for 2018/19 of £17,410. Ongoing costs around £12m for financial sustainability, which was highlighted as one of the risks in the report. The Head of Finance confirmed 3% would provide the overall savings target.

The Head of Finance confirmed that Scott Moncrieff are the college's VAT advisor. Scott Moncrieff will be joining with Campbell Dallas as part of CogitalGroup. DE confirmed that there is no change to current terms and conditions and fees.

In terms of the SoSEP Project, DE advised that discussions will take place with the Head of Finance and the Team around October with regard to the Project, to look at the situation from 31 July onwards.

**Action:** The Head of Finance to forward documentation providing details of merger to Audit Committee members

Members approved the External Audit Plan 2018-19

## **7 Financial Regulations Update**

The Head of Finance spoke to the report which had been issued, which provided a brief overview of the Financial Regulations.

The information is the same in terms of link to strategic objectives, incorporating internal audit recommendations. The draft Financial Regulations include examples of staff responsibilities, which were not included in the previous regulations. The Head of Finance reported that all Purchase Orders go through the Internal System. She advised that the college is looking to improve their internal processes and to reinforce this with staff to ensure that they comply with the processes.

**Action:** Members approved the draft Financial Regulations after the following change:

- The Head of Finance to amend the wording of Whistle Blowing to read Public Interest Disclosure throughout the document

## **8 Audit Committee Membership**

The Chair reported that there are currently four members on the Audit Committee, with a quorate of three. He advised that to date he had received no interest from other Board members to join the Audit Committee. The Chair reminded members that whilst seeking interest, members cannot sit on both the Audit and Finance & General Purposes Committee, as per the Terms of Reference.

**Decision:** Members agreed to increase the membership to six Audit Committee Members

**Action:** The Chair to take the discussion to the Board of Management meeting on 4<sup>th</sup> June with regard to seeking a further two members for the Audit Committee and for approval by the Board

## **9 Internal Audit Reports**

### **9.1 Action Tracking Spreadsheet**

The Head of Finance reported that the Action Tracking Spreadsheet is presented and discussed at the monthly College Leadership Team meeting, when CLT report on their outstanding actions. The Head of Finance provided an update for the Committee, advising that recommendations will be taken into account when completing the next forecasting exercise:

- Ref 1 – Employment Engagement Strategy: The Strategy has been approved at the last Learning and Teaching Committee subject to benchmarking criteria, currently awaiting milestones
- Ref 3 – Induction Checklist: now available online, ready to roll out for induction
- Ref 4 – ICT: Windows 10 will be updated in all computers by the end of July
- Ref 12 – UWS Service Level Agreement: A Partnership Agreement has been drafted for discussion in terms of service delivery
- Ref 13 and 15 – Financial Regulations: To be revised and included on the system

Members noted the progress on the Action Tracking Spreadsheet.

### **9.2 Progress Report**

Rob Barnett (RB) reported that the Progress Report has been presented to provide an update to the Committee against the 2018/19 Internal Audit Plan, which was approved by the Audit Committee on 17 May 2018. Members noted that four reports have been finalised since the last Committee, two with substantial assurances and one amber reasonable assurance. A reasonable progress was issued for the Follow up of Previous Internal Audit Management Actions. RB advised that the KPIs demonstrate the targets agreed at the start of year.

Members noted the Progress Report.

### **9.3 Equality and Diversity**

Rob Barnett reported on a Substantial Assurance given as the Internal Audit Opinion. Within the detailed findings one medium and two low actions had been identified relating to the Equality and Impact Assessment. The Equality Impact Assessment had not been formed, however this has now been addressed and a suitable action plan is now in place. Overall there is a strong control framework showing that the controls are in place, an Equality and Diversity Policy is in place, together with an Equality and Diversity Framework. An Equality and Diversity Update had been provided at the recent HR Committee (12 February 2019) including a summary of progress against last year's action plan and a proposal of action plan for the coming year. RB advised that RSM will follow this up at their next visit.

Members noted the Progress Report.

### **9.4 Financial Planning and Forecasting**

RB spoke to the Financial Planning and Forecasting reporting that two medium action points had been agreed with Management. RB reported on greater sensitive analysis needed around forecasting, and the need to get into Income and Expenditure variables. Rob suggested that in terms of testing, the college look at more variables. RB advised that some risks on the FFR did not have mitigating actions and reported from the Management Actions mitigating controls are now in place.

Members noted overall a good strong positive audit report.

### **9.5 Key Financial Controls – Creditors**

RB reported that each year the Auditors review a different financial area. This year a Creditor Review was undertaken. Four medium and two low priority actions were identified. Medium Actions identified include:

- Financial Regulations – some missing information, out of date information
- Purchase Orders not consistently raised, 60% not been raised for orders placed, missing signatures
- Raised opportunities to strengthen cash advance process, to provide greater effort to recoup money. Actions have been taken to address this
- Weakness around completion including lack of details on forms and again missing Budget holder's signatures

The Head of Finance reported that the Finance Team are re-enforcing procedures with Budget holders and are tightening up on cash advances, including extra checking in place with the use of Credit Cards. She advised that there are two Credit Cards in use in the college, Human Resources and Finance. Managers have been undertaking Finance Training, and meetings are ongoing with regards Zero Based budgets moving forward.

Members noted the Creditor Payments Report

### **9.6 Follow-Up of Previous Management Actions**

RB reported that from the thirteen medium actions, overall seven were implemented, with implementation ongoing for five. He advised that there is a revised action plan in place. One action

has been superseded. Members noted no great concern for the ongoing actions, where there are revised implementation dates in place.

Members noted reasonable progress for implementing agreed management actions.

### **9.7 Internal Audit Plan – draft**

The Head of Finance spoke to the report which had been issued, seeking members approval for the initial works to be carried out early in the new Academic Year. RB spoke to the Internal Audit Strategy covering period 2018 – 2021. Following discussion on the Internal Audit Strategy for 2018/2021, with regard to a full audit needs assessment, this would be reviewed at a later date once the full Internal Auditor was in place. The Acting Principal confirmed that the Student Activity Data, detailed in the report as SUMs, is now measured in Credits. Following a question in relation to Appendix B and Core Assurance, the Acting Principal confirmed that the Curriculum Planning which will be looked at again in 20/21 is an annual ongoing process.

Members considered the outline for the 2019-20 Internal Audit and approved the Student Support Funds and Student Activity Data Reviews.

- Members noted that Individual reports are not published on the website; they are included in the published annual internal audit report

### **10 Strategic Risk Register**

The Acting Principal spoke to the Strategic Risk Register, reporting on the risks pertinent to the Audit Committee, advising that there have been no changes to the four risks identified:

- Risk 2.4 – Financial Fraud
- Risk 3.6 – Failure to achieve ICT Strategy Ambitions
- Risk 3.8 – Breach of data security
- Risk 3.10 – Failure to meet compliance agreements

In answer to a question, the Acting Principal advised that the Strategic Risk Register is discussed at the monthly College Leadership Team meetings and regularly with the Executive Leadership Team. Members were assured that the Management Team were looking at the risks regularly.

Members approved the Strategic Risk Register, with no changes.

### **11 Audit Committee Evaluation**

The Board Secretary reported on an Audit Committee Self-Assessment Checklist with regard to Audit Committee Training. It was also suggested to use as a part of Board Evaluation

**Action:** The Board Secretary to send information to Audit Committee members regarding the online training

### **12 Any other business**

None.

### **13 Date and time of Next Meeting**

The next meeting of the Audit committee is to take place on Tuesday 10 September 2019 at 2 pm.

## Board of Management-Audit Committee

Minute of the Meeting of the Audit Committee of the Board of Management of Dumfries and Galloway College held on 19 February 2019 at 2 pm in Room 1074b

**Present:** Hugh Carr (Chair) Robbie Thomas (via Facetime)  
Pat Kirby

**In attendance:** Carol Turnbull Andy Glen (Vice Principal)  
Karen Hunter, Head of Finance Ann Walsh (Board Secretary)  
Katy Matkin (RSM) (via telephone) – for agenda no 10.2 only

**Minute Taker** Heather Tinning (Executive Assistant)

### 1 Welcome and Apologies

The Chair welcomed all to the meeting. Apologies for absence were intimated on behalf of Stuart Martin and Naomi Johnson. Katy Matkin (RSM) attended the meeting by teleconference on behalf of Philip Church (RSM).

The Board Secretary confirmed the meeting was quorate.

### 2 Declaration of Interest

Members agreed to indicate declarations of interest as appropriate throughout the meeting.

### 3 Minute of Meeting of 13 November 2018

The Minute of the meeting of 13 November 2018 was approved.

### 4 Matter Arising not on the Agenda

#### 4.1 Feedback from recommendations to the Board (External Audit Report and Financial Statements for 2017-18)

The Chair reported that these had been given unqualified approval.

#### 4.2 Board Toolkit, five questions from the National Cyber Security Centre

The Board Secretary advised that an update would be provided at the next meeting.

### 5 Internal Audit Contract – Tender Update

The Head of Finance spoke to the report which had been issued, reporting on key points, including:

- The APUC framework had been refreshed – members noted the eight Contracts
- In terms of the period, the Head of Finance suggested a 3 year followed by a 2-year period, allowing to refresh after 3 years if necessary. The last appointment was 5 years

The committee also discussed the Evaluation Criteria and agreed the following amendment:

- 70% Quality /30% Price – replacing 60%/40% as suggested in the report

The committee also agreed:

- Audit Approach – 10% - instead of 7.5% as suggested in the report
- Quality Assurance – 10% - instead of 7.5% as suggested in the report
- Audit Procedures – 10% - instead of 5% as suggested in the report

Following a request, the Head of Finance advised that the Evaluation of Tender responses due on 2<sup>nd</sup> May would be shared with the committee. The responses are due in on 30<sup>th</sup> April.

Members reviewed the proposed procurement timetable, service requirements, and the evaluation criteria, and suggested changes were agreed.

**Decision:** The Committee agreed the proposed contract period of 3 years followed by a 24-month period of extension where agreed by both parties

**Actions:**

- The Head of Finance to make necessary changes as agreed
- The Head of Finance to share a summary report of the Evaluation Tender Responses with the committee for input

## **6 GDPR & Cyber Security**

### **6.1 GDPR Policy**

The Vice Principal Business Development & Corporate Services spoke to the report that had been issued, reporting that the draft GDPR Policy had been revised following advice from the Colleges' Shared Data Protection Officer, Lisa Powell. The key change includes the roles of the key staff members. The papers presented to the committee include the Updated Policy and Data Breach Procedure for formal approval. The Vice Principal reported that over 92% of staff have completed online GDPR Training and advised that staff are fully compliant of GDPR. Members welcomed the updated policy. The Vice Principal confirmed that periodically test processes are in place throughout the course of the year for both GDPR and Cyber Security.

Members approved the Data Protection Policy.

### **6.2 Cyber Security Update**

The Vice Principal Business Development & Corporate Services spoke to the report, reporting that the college successfully gained Cyber Essentials in April 2018, and are working towards re-certifying for Cyber Essentials in April 2019. The ICT Manager is compiling a Operational Plan for completion in the summer. In terms of the ICT works, Windows 7 is end of life on 14 January 2020 and the ICT team are in the process of upgrading the remaining Windows 7 PCs, as part of a planned spend. In terms of security, the Vice Principal confirmed that the Network Drives are backed up on a daily basis as part of a secure back up for all college data.

**Action:** The Vice Principal Business Development & Corporate Services to report back to members whether the security camera is connected to the college internet system

Members noted the report and agreed to continue to monitor Cyber Security activities.

## **7 Whistle Blowing Policy**

The Principal spoke to the report which had been issued, updating members on the changes to the Whistle Blowing Policy. The Policy originally was under the remit of the Vice Principal Business Development and Corporate Services and has now been remitted to sit with the Head of HR. Following current practice, the recent changes include:

- Change in the title to include Public Interest Disclosure to reflect the change in terminology more widely used currently
- Change of responsibility to Head of Human Resources to reflect the new structure and remits of posts in the college
- Additional undertaking of the college to protect all parties involved in the process
- Additional links to the disciplinary procedure for false or malicious allegations



The Principal reported that both the previous and the revised policy had been included for member's comparison. With regard to the information on the Public Domain the Principal confirmed that there is no relation to the Whistle Blowing Policy.

**Decision:** Members approved with minor amendment

**Action:** The Policy to be amended as agreed:

- Section 5.1 to read: Abuse of this policy by staff making 'knowingly' false or malicious allegations

## **8 Anti-Fraud & Corruption Policy**

The Head of Finance spoke to the report which had been issued, providing an overview of the changes to the Anti-Fraud & Corruption Policy. Minor changes have been made to the previous policy, including an update on code of good governance to Scotland's Colleges.

Members reviewed the changes and recommended the revised Policy to the Board.

**Action:** Financial Regulations update to be presented to the next committee meeting

## **9 Risk Management Policy**

The Principal spoke to the report which had been issued, providing members with an updated Risk Management Policy. The Principal advised that both the previous and the current Policy had been included for comparison and comment. Following discussion on point 5.7 in terms of the threshold that has not been included in the revised policy, it was agreed not to include this but to look at each threshold on its own merit.

Members reviewed and approved the updated Risk Management Policy.

## **10 \*Internal Audit Reports**

### **10.1 Action Tracking Spreadsheet**

The Head of Finance spoke to the Action Tracking Spreadsheet, highlighting key points:

- The actions have been reviewed by the Internal Auditors, subject to change at the next review
- Actions are on track to meet deadlines
- Four actions in progress as at beginning of February

In terms of risk 12 (Health and Safety), the Principal advised that the H&S Committee would consider any risks of concern. A H&S report is presented to the College Leadership Team, and will also be presented to the HR Committee in October. In terms of the number of incidents reported at the last Audit Committee meeting, the VP BDCS advised that following recent training, staff are more aware of reporting H&S incidents.

Members noted the Action Tracking Spreadsheet.

### **10.2 Progress Report**

Katy Matkin, Assistant Manager, (RSM) joined the meeting by teleconference, on behalf of Philip Church (RSM), presenting the Progress Report, a summary of assurance giving the college an update on progress against the 2018/19 plan.

In terms of the summary update on progress members noted:

- 43% - complete
- 14% - plan in draft, a report has been issued to college Management
- 29% - plan in progress, draft report to follow

- 14% - Final report in plan
  - On 8<sup>th</sup> April an Audit of Final Planning and Forecasting will take place

Katy advised that the remaining four Audits will be presented to the next committee meeting in May. Overall, members noted that the college is on track to achieve.

Members noted the Report.

## **11 Audit Scotland**

### **11.1 Audit Scotland letter on the fees for 2018-19**

The Head of Finance spoke to the Audit Scotland letter received on their proposed fee update. She advised that Scott Moncrieff are still to confirm their fee which will be included in their Audit Plan.

### **11.2 Upcoming feedback request re: External Audit**

The Head of Finance spoke to the report which had been issued, advising that Audit Scotland are proposing to issue a Questionnaire on the work of the External Auditors, which will be on online version. Members requested confirmation on who would be asked to complete the survey.

**Action:** The Head of Finance to check if a college response is required and confirm with members

## **12 Strategic Risk Register**

The Principal spoke to the Strategic Risk Register, reporting on the recent changes, including:

- Risk No 2.6 – Failure to achieve credit targets
- Risk No 2.7 – Insufficient Student Support Funding to meet Demand
- Risk No 3.5 - Industrial Relations Problems
- Risk No 3.9 – Failure to reach Aspirational Standards in learning, teaching and service delivery

Members approved the Strategic Risk Register

## **13 Any other Business**

The Chair asked to formally note that Stuart Martin was leaving the Audit Committee and recognised his time as a member of the Committee. Also, the Principal is leaving the college in February, and wished Carol well in her new Post.

## **14 Date and time of Next Meeting**

The next meeting of the Audit committee is to take place on Tuesday 7 May 2019 at 2 pm.

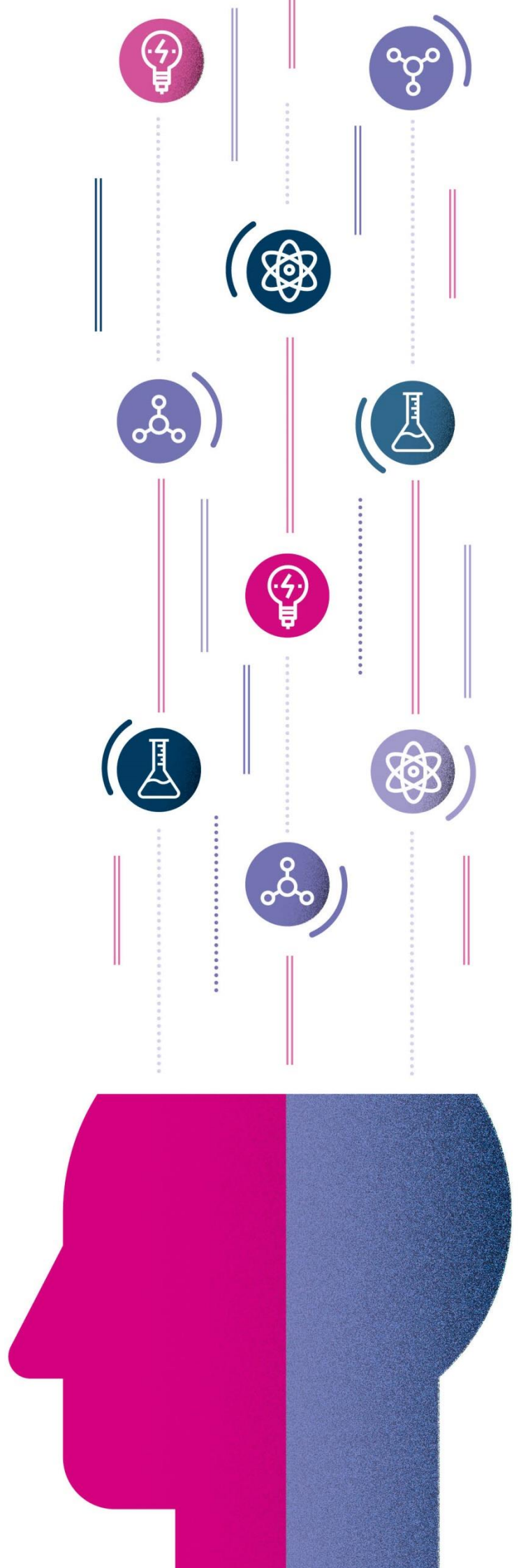


Scott-Moncrieff  
business advisers and accountants

# Dumfries and Galloway College

## External Audit Plan

May 2019





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# 1. Introduction

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## Introduction

1. This document summarises the work plan for our 2018/19 external audit of Dumfries and Galloway College.
2. The core elements of our work include:
  - an audit of the 2018/19 annual report and financial statements;
  - proportionate application of the wider public audit scope;
  - monitoring the College's participation in the National Fraud Initiative (NFI); and
  - any other work requested by Audit Scotland.
7. We confirm that we will comply with Financial Reporting Council's (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. Scott-Moncrieff provides advisory services to the College on tax matters. The expected non-audit fee for this work in 2017/18 is £6,000.
9. We set out in Appendix 2 our assessment and confirmation of independence.

## Audit appointment

3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, including further education bodies in Scotland, and reporting on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Scott-Moncrieff as external auditor of the College for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2018/19 and summarises:
  - the responsibilities of Scott-Moncrieff as the external auditor;
  - our audit strategy;
  - our planned audit work and how we will approach it;
  - our proposed audit outputs and timetable; and
  - background to Scott-Moncrieff and the audit team.

## Adding value through the audit

10. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to Dumfries and Galloway College through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the College promote improved standards of governance, better management and decision making and more effective use of resources.

## Feedback

11. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX).
12. While this plan is addressed to the College, it will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.



# 2. Respective responsibilities of the auditor and the Board of Management

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# Respective responsibilities of the auditor and the Board of Management

## Auditor responsibilities

### Code of Audit Practice

13. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

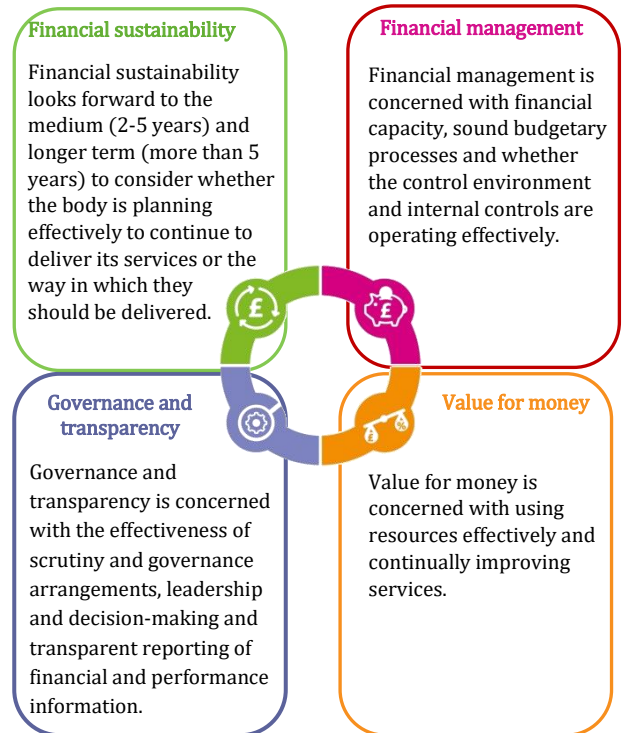
### Our responsibilities

14. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards
- provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
- notify the Auditor General when circumstances indicate that a statutory report may be required
- demonstrate compliance with the wider public audit scope (proportionate to the audited body) by reviewing and providing judgements and conclusions on the audited bodies':
  - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;
  - suitability and effectiveness of corporate governance arrangements; and
  - financial position and arrangements for securing financial sustainability.

15. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Exhibit 1: Audit dimensions of wider scope public audit



## Wider scope audit work

16. The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.
17. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
18. Where the application of the full wider scope is judged by us not to be appropriate then our annual audit work on the wider scope is restricted to:
- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and





- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
19. Our assessment takes into account the size, nature and risks of the College. Taking these factors into consideration, we have concluded that application of the restricted wider scope is appropriate to the College.

## The Board of Management's responsibilities

20. The Board of Management has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The Board of Management's responsibilities are summarised in Exhibit 2.

## Exhibit 2 – Board of Management responsibilities

Area	The Board of Management's responsibilities
<p><b>Financial statements:</b> Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Board of Management has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures;</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority;</li> <li>• maintaining proper accounting records; and</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.</li> </ul>
<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>The Board of Management is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with any statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• How the organisation plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>



Area	The Board of Management's responsibilities
<p><b>Financial management:</b> Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>The Board of Management is responsible for ensuring that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>The Board of Management is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>The Board of Management is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p><b>Governance and transparency:</b> Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>The Board of Management is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>The Board of Management is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Board of Management has a specific responsibility to ensure that arrangements have been made to secure best value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>



# 3. Audit strategy

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# Audit strategy

## Risk-based audit approach

21. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the College. This ensures that our

audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers and non-executive members	Our understanding of the further education sector and its key priorities and risks	Attendance at the Audit Committee
Guidance from Audit Scotland	Discussions with Audit Scotland and other sector auditors	Discussions with internal audit and reviews of their plans and reports
Review of the College's corporate strategies and plans	Review of the College's corporate risk register	The outcomes of prior year audits

22. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

## Communications with those charged with governance

23. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with the College that these communications will be through the Audit Committee.

## Professional standards and guidance

24. We perform our audit of the financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

## Partnership working

25. We will coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

## Audit Scotland

26. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with them throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

27. Audit Scotland undertakes national performance audits on issues affecting the public sector. We will review the College arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We plan to assess the extent to which the College uses the national performance reports as a means to help improve performance at the local level.

28. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.



## Internal audit

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29. The College's internal audit service is provided by RSM. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the College's total audit resource. We will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource available to the College is used efficiently and effectively.

## Other inspection bodies

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30. We plan to contribute to the 'whole organisation' approach to inspection through co-ordination amongst auditors, inspectors and other scrutiny bodies, as appropriate.



# 4. Annual report and financial statements

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# Annual report and financial statements

## Introduction

31. Audited bodies' annual report and financial statements are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of the College's annual report and financial statements.
32. The annual report and financial statements of the College comprise the financial statements, the performance report and the accountability report.

## Approach to audit of the financial statements

33. Our opinion on the financial statements will be based on:

### Risk-based audit planning

34. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the financial statements will be based.

### An audit of key systems and internal controls

35. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements
36. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and the College's own policies and procedures.
37. We will take cognisance of any relevant internal audit reviews of systems and controls.
38. We will update the risk assessment following our evaluation of systems and controls and this will ensure that we continue to focus attention on the areas of highest risk.

### A final audit of the financial statements

39. During our final audit we will test and review the material amounts and disclosures in the financial statements. The extent of testing will be based on our risk assessment.

40. Our final audit will seek to provide reasonable assurance that the financial statements are free from material misstatement and comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP), HM Treasury Financial Reporting Manual 2018/19 (FReM) and the Accounts Direction.
41. In order to provide assurance on the regularity of transactions, we also review whether, in all material respects, expenditure has been incurred and income applied in accordance with guidance issued by Scottish Ministers.

### Independent auditor's report

42. Our opinion on whether the financial statements give a true and fair view and of the regularity of transactions will be set out in our independent auditor's report which will be included in the annual report and financial statements.
43. We also provide an opinion on the audited part of the remuneration report, annual governance statement and performance report.

### Materiality

44. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We will review our assessment of materiality throughout our audit.
45. Our initial assessment of materiality for the financial statements is £0.245 million (approximately 1.8% of the 2017/18 expenditure), which is considered one of the principal considerations for users of the financial statements when assessing performance. We will continue to review our assessment of materiality throughout our audit.
46. Performance materiality is the amount set by the auditor at less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the financial statements as a whole.



47. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

- All material corrected misstatements;
- Uncorrected misstatements over £12,500; and
- Other misstatements below £12,500 that we believe warrant reporting on qualitative grounds.

### Key audit risks in the financial statements

49. Auditing standards require that we inform the Audit Committee of our assessment of the risk of material misstatement in the financial statements. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Audit Committee if our assessment changes significantly during the audit.

	Area risk assessment £million		
	High	Medium	Low
Performance materiality	0.111	0.135	0.167

48. We will report any misstatements identified through our audit that fall into one of the following categories:

## Exhibit 3 – Key audit risks in the financial statements

### 1. Management override

In any organisation, there exists a risk that management has the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

50. In response to this risk we will review the College's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this significant risk. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation and amortisation rates, asset valuations, provisions and bad debt analysis.

### 2. Revenue recognition

Under ISA (UK) 240- *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the College could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

51. As part of our planning process we have considered the nature of the revenue streams at the College against the risk factors set out in ISA (UK) 240. We have identified that for Scottish Funding Council (SFC) grant funding the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate revenue of this nature. We have concluded, however, the risk of fraud in relation to revenue recognition is






present in all other income streams.

52. We will review evaluate each material revenue stream, including the controls over revenue accounting. We will conduct substantive testing on all material revenue streams to confirm revenue has been recognised appropriately and in line with accounting policies.


### 3. Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 “*The Audit of Public Sector Financial Statements*” which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

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53. In response to this risk we will evaluate the significant expenditure streams at the College (excluding payroll which is not deemed to be a significant risk area) and review the controls in place over accounting for expenditure. We will consider the College’s key areas of expenditure and obtain evidence that the expenditure was recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.

### 4. Estates developments

The College continues to make significant investment in the estate. £4 million is expected to be invested in the campus on new buildings, interior fit out and refurbishments by the end of the 2019 as part of a significant tranche of work and development. Around half of this total project spend is expected to be capital additions. By year end (31 July 2019), a significant element of this activity is expected to be reflected in the financial statements. The Finance Team is working on this at time of writing, and is engaging external expert support to ensure progress, values and related narrative disclosure reflects accounting requirements for 2018/19.

- 
54. We will review the arrangements in place in relation to the accounting for these developments. We will review the reasonableness of the treatment, any related assumptions, the use of any experts, and any other observable data. We will agree the disclosures in the financial statements to information provided and underlying nature of the transactions and balances.

## The performance report, accountability report and other information

55. The HM Treasury Government Financial Reporting Manual 2018/19 sets out the content required within the annual report and financial statements. In addition to presenting our opinions over the financial statements our independent auditor’s report will also present our opinion on other aspects of the annual report and financial statements:

### Other information

56. “Other information” in the annual report and financial statements comprises any information other than the financial statements and our independent auditor’s report thereon. We do not express any form of assurance conclusion on the “other information” except as specifically stated below.



57. We read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our independent auditor's report.

### The performance report

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58. The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. It contains:

- an overview of the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year; and
- a detailed summary of how the entity measures its performance.

59. Our independent auditor's report will confirm whether in our opinion the performance report has been properly prepared and is consistent with the financial statements.

### The accountability report

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60. The accountability report is required in order to meet key parliamentary accountability requirements. It has three sections:

- A corporate governance report (including a governance statement) explaining the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives.
- A remuneration and staff report setting out staff numbers and costs as well as the entity's remuneration policy for directors and the remuneration awarded to directors.
- A parliamentary accountability report disclosing the regularity of expenditure and other parliamentary accountability requirements.

61. Our independent auditor's report will confirm whether in our opinion the governance statement and the audited part of the remuneration and staff report have been properly prepared and are consistent with the financial statements.



# 5. Wider scope audit

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## Wider scope audit

### Introduction

62. As described in section 2, the Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. Following consideration of the size, nature and risks of the College, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work on the wider scope will therefore be restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

63. Our planned audit work against these two areas is risk based and proportionate. Our initial assessment builds upon the understanding of the College which

we developed from previous years, along with discussions with management and review of College minutes and key strategy documents.

64. In 2018/19 we have also considered the following risk areas as they relate to the College:

- EU withdrawal
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency

65. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit (Exhibit 4). Audit planning is a continuous process and we will report any identified significant risks, as they relate to the wider scope, in our annual audit report.

## Exhibit 4 – Wider Scope Significant Risks

### 1. Financial sustainability:

As is the case across the sector, the financial sustainability of the College remains challenging. The College is currently working through detailed budgets and projections, taking account of pressure factors such as cost inflation, national pay bargaining implications (unresolved as at time of writing), general pay uplifts, and backlog maintenance. Including elements of zero-based budgeting for 2018/19 has led to Finance and senior management driving a more fundamental review of the cost structure underpinning the College's activities. Management anticipate that savings of around £0.25 million will be required and are moving forward with a 3% efficiency savings target.

66. During our audit we will consider whether the College has adequate arrangements in place for managing its financial position and its use of resources. Our conclusion will be based on a review of the College's financial performance, underlying financial position, financial plans and financial reporting.



# 6. Audit outputs, timetables and fees

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## Audit outputs, timetable and fees

This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of the College.

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2018/19.	May 2019
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the regularity of transactions and the audited part of the remuneration report, annual governance statement and performance report.	November 2019 Audit Committee
Annual Report to the College and the Auditor General for Scotland	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	November 2019 Audit Committee

### Audit outputs

67. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
68. The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

and support expectations, such as the Board meeting and Development Day).

72. The audit fee reflects the level of work we consider required in response to the key audit risks raised within this audit plan.

### Audit fee

69. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
70. As auditors we negotiate a fee with the audited body during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
71. The Audit Scotland expected fee for the College is £15,720. Audit Scotland allows for variance in the fee of up to 20%, to reflect local circumstances at audited bodies. The 2017/18 fee was £16,070. We propose setting the fee 8% above the prior year level to take cognisance of the additional risks identified for audit focus and additional work performed to support the College (including additional meeting

	2018/19	2017/18 (actual)
Auditor remuneration	£15,750	£14,430
Pooled costs	£810	£880
Audit support costs	£850	£760
<b>Total fee</b>	<b>£17,410</b>	<b>£16,070</b>

73. We will take account of the risk exposure of the College and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.



## Audit timetable

74. A summary timetable, including audit outputs, is set out as follows:

<b>APR 19</b>	●	Planning meeting to inform the 2018/19 audit
<b>MAY 19</b>	●	Presentation of External Audit Plan to the Audit Committee
<b>JUL 19</b>	●	Catch up with College Finance Team to discuss any emerging issues, challenges and risks
<b>SEPT 19</b>	●	Accounts presented for audit and final audit visit begins
<b>NOV-DEC 19</b>	●	Annual audit report presented to the Audit Committee and submitted to the Auditor General for Scotland



# 7. Appendices

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## Appendix 1: Scott-Moncrieff

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 16 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Edinburgh	Glasgow	Inverness
Exchange Place 3 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

### Your audit engagement lead



#### David Eardley

##### Audit Director

[david.eardley@scott-moncrieff.com](mailto:david.eardley@scott-moncrieff.com)

David has a decade and a half of experience and specialises in external and internal audit of public sector clients. David's primary area of focus and expertise is in the health and education sectors.

David works with a range of public sector clients including the NHS, education and central government, from £1.5billion health boards to specialist government entities. David has a wealth of technical accounting expertise, coupled with strong interpersonal skills and client relationship skills.



## Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

### Non-audit services

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We are required to seek approval for potential non-audit work from Audit Scotland before we accept any assignment. The approval process requires us to demonstrate to Audit Scotland how we comply with Ethical Standards and manage and mitigate potential risks to independence. This process also includes a separate review by our Ethics Partner to also confirm that we appropriately manage potential threats to our independence in our appointment as external auditors.

Scott-Moncrieff provides advisory services to the College on tax (VAT and PSA) matters. All advisory services are provided by independent partners and staff who have no involvement in the audit of the annual report and financial statements. The total value of the advisory services provided in 2018/19 is anticipated to be approximately £6,000 (excluding VAT), which has been internally and externally considered and approved against ethical standards and independence measures.

### Confirmation of independence

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We confirm that we will comply with FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff, the College, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.



## Appendix 3: Statement of understanding

### Introduction

The purpose of this statement of understanding is to clarify the terms of our appointment and the key responsibilities of the College's Board of Management ("the Board") and Scott-Moncrieff.

### Annual report and financial statements

We will require the annual report and financial statements and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant College staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy which sets out roles, responsibilities and expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

### Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for the Board's responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the College during the course of the audit on matters having a material effect on the financial statements. This will take place by means of a letter of representation, which will require to be signed by the Principal.

### Internal audit

It is the responsibility of the Board to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

### Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

### Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants of Scotland.

### Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

### Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting David Eardley. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants of Scotland.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

### Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

### Agreement of terms

We shall be grateful if the Audit Committee would consider and note this statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.



## **Audit Committee**

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### **REVISED FINANCIAL REGULATIONS**

#### **1. PURPOSE OF REPORT**

The purpose of this report is to provide a draft copy of the revised Financial Regulations for the Committee to review and comment.

#### **2. REPORT**

The Financial Regulations Policy aim to translate into practical guidance the College's broad policies relating to financial control, and how they link to the Scottish Funding Council's Financial Memorandum and other legislation.

The Financial Regulations have been updated to reflect the current requirements for government budgeting and accounting and have incorporated recent audit recommendations.

The draft Financial Regulations attached include a section on the responsibilities of the Board, Principal and Staff, Committee structure, and reference to other policies including Risk Management, Code of Conduct and Whistleblowing Policies.

The draft Financial Regulations have also been updated to incorporate the banking arrangements in line with SFC requirements, current procurement and tendering requirements, and includes reference to allow donation of any surplus to an Arms-Length Foundation.

#### **3. RECOMMENDATION**

The Committee are requested to review the draft Financial Regulations and recommend any changes required before the Policy is approved.

## FINANCIAL REGULATIONS (POLICY)

Strategic Aim	To continue to maintain and improve the college's financial sustainability	
Responsibility	Head of Finance	Karen Hunter
Revision Date		

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# **FINANCIAL REGULATIONS**

## **A GENERAL PROVISIONS**

### **1 Background**

Dumfries and Galloway College is a further education corporation established under the provisions of the Further and Higher Education Act (Scotland) 1992. Its structure of governance is laid down in the instrument and articles of government, which may only be amended by application to the First Minister for Scotland. The College is accountable through its Board of Management which has ultimate responsibility for the effectiveness of its management and administration.

Dumfries and Galloway College is an exempt charity by virtue of the Charities & Trustees Investment (Scotland) Act 2005.

The Scottish Funding Council (SFC) is the national strategic body which is responsible for funding teaching and learning provision, research and other activities in Scotland's colleges, universities and higher education institutions.

The financial memorandum between the Scottish Funding Council (SFC) and the College sets out the terms and conditions on which grant funding is made available. The Board of Management is responsible for ensuring that conditions of grant are met. As part of this process, the College must adhere to the SFC's Outcome Agreement, its Financial Memorandum, the Scottish Government's Scottish Public Finance Manual (SPFM) except where any special actions or derogations have been agreed with Scottish Ministers, and the SFC's audit code of practice, which requires it to have sound systems of financial and management control. The financial regulations of the College form part of this overall system of accountability and control.

### **2 Status of Financial Regulations**

This document sets out the College's financial regulations. It translates into practical guidance the College's broad policies relating to financial control, within the context of the Scottish Funding Council (SFC) Financial Memorandum, and the Scottish Public Finance Manual.

These financial regulations are subordinate to the College's instruments and articles of governance and to any restrictions contained within the SFC's financial memorandum and Scottish Government's financial manual.

The purpose of these financial regulations is to provide control over the totality of the College's resources and provide management with assurances that the resources are being properly applied for the achievement of the College's strategic plan, business objectives and financial sustainability. In particular:

- Achieving financial sustainability
- achieving value for money;



- fulfilling its responsibility for the provision of effective financial controls over the use of public funds;
- ensuring that the College complies with all relevant legislation; and
- safe-guarding the assets of the College.

Compliance with the financial regulations is compulsory for all staff connected with the College. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the College's disciplinary policy. The Board of Management will be notified of any such breach through the Audit & Risk Assurance Committee. It is the responsibility of Senior Budget Holders to ensure that all staff are aware of the existence and content of the College's financial regulations.

The Board of Management is responsible for maintaining a continuous review of the financial regulations, through the Chief Operating Officer, and for advising of any additions or changes necessary.

In exceptional circumstances, the Board of Management may authorise a departure from the detailed provisions herein, provided the departure does not conflict with SFC or Government requirements.

These Financial Regulations should be read in conjunction with relevant guidance on financial accountability or propriety issued by the:

- The Scottish Funding Council
- The Scottish Government
- Audit Scotland
- The Scottish Parliament Audit Committee
- SORP: Accounting for Further and Higher Educational Institutions
- The Government Financial Reporting Manual (FReM).

The SFC issued a Financial Memorandum ('the Financial Memorandum') that had effect from 1st December 2014. The primary purpose of the Memorandum is to establish a formal relationship through which funds provided by the SFC are administered by the College in such a way as to ensure they are applied appropriately and are safeguarded. The Board of Management is aware that if the College fails to comply with any terms and conditions attached to the funds from the SFC or contained in the Financial Memorandum, the College may be required to:

- repay to the SFC any sums received from it; and
- pay interest to the SFC in respect of any period during which a sum due to the SFC is unpaid.

## **B CORPORATE GOVERNANCE**

### **3 Financial Responsibilities of the Board, Principal and Staff**

#### **3.1 The Board of Management** shall be responsible for ensuring that funds from SFC are used only in accordance with the Act, the Financial Memorandum and any other conditions as prescribed by SFC from time to time. It is also responsible for ensuring that the financial and other management controls applied by the College are sufficient to safeguard funds received from SFC.

The Board of Management is responsible for ensuring the establishment and maintenance of effective arrangements to:

- Ensure that the College has in place effective internal control systems to safeguard the assets of the College and to prevent and detect fraud;
- Ensure that the financial, planning and other management controls, including controls against fraud and theft, applied by the College are appropriate and sufficient to safeguard public funds and funds received from other sources, and to ensure that the funds are only used in accordance with the conditions under which they were made available;
- Secure the economical, efficient and effective management of the College's resources including capital assets, equipment and personnel so that the benefits that should be derived from the application of public funds by SFC are not put at risk; and
- Ensure sound corporate governance and the proper conduct of the College's operations.

The Board shall, for the purposes stated above, require the Principal to exercise responsibility for the control of resources; for seeking economy, efficiency and effectiveness in the use of all the College's resources; and for ensuring that financial considerations are taken into account at all stages in framing and reaching decisions and in their implementations.

The terms set out in these financial regulations do not alter the powers and duties of the Board and such terms are in addition to, and not in substitution for, any guidance or direction issued by the First Minister in relation to any individual functions, powers and duties of the Board of Management.

The Board of Management shall ensure that any funding from SFC is used only in support of activities permitted by the Further and Higher Education [Scotland] Act 2005, the terms of the Financial Memorandum and any other conditions which the Council may prescribe from time to time.

#### **3.2 The Principal** shall be recognised as the Accounting Officer for the Board and shall have the duties of an Accounting Officer as prescribed by the Council. The Principal shall fulfil the following responsibilities:

- Be required to satisfy the Board of Management that there is compliance with all such terms and conditions to which reference is made in the Financial Memorandum and advise the Board of Management if any action or policy under consideration of the Board of Management is incompatible with the terms and conditions of the Memorandum. Should the Board of Management decide nevertheless to proceed, the Principal is required to inform the Chief Executive of SFC in writing over his/her concerns.”
- Notify the Board of Management and the Chief Executive of the Council, without delay, of any matters of serious concern, including irregularities and fraud, regarding the College’s financial affairs.”
- Advise the Board of Management on the discharge of the responsibilities under the terms of the Financial Memorandum;
- Have the personal authority to write off losses and make special payments up to the limit advised by SFC;
- Ensure that the requirements of Government Accounting are met;
- Ensure compliance with such recommendations of the Public Accounts committee or Scottish Parliament equivalent, other Parliamentary Committees or other Parliamentary authority as are accepted by Her Majesty’s Government;
- Comply with such administrative and financial principles and practices applicable to the expenditure of public funds as may be notified to the Board by SFC;
- Be liable to be summoned to appear, together SFC’s Accounting Officer, at hearings on matters relating to Public Funding which arise before the Public Accounts Committee;
- The Principal may be assisted in the exercise of these functions by employees of the Board of Management, but shall not assign absolutely to any person the responsibility set out in this paragraph. However, Officers and employees of the Board of Management shall be responsible for ensuring that the financial regulations shall be complied with in respect of matters falling within their jurisdiction.

**3.3 All members of staff** should be aware that they have a general responsibility for the security of the College’s property and assets, for avoiding loss and for due economy in the use of resources. They should ensure that they are aware of the College’s financial authority limits (see ‘Scheme of Delegation’ at 15.1) and the values of purchases for which quotations and tenders are required (see ‘Procurement’ at 15.2). They shall make available any relevant records or information to the Head of Finance, or their authorised representative, in connection with the implementation of the College’s financial policies, these financial regulations and the system of internal financial control. They shall provide such financial and other information as may be deemed necessary from time to time, to carry out the requirements of the Board of Management. They shall immediately notify the Head of Finance or Principal whenever any matter arises, which involves, or is thought to involve, irregularities concerning, *inter alia*, cash or property of the College. The head of Finance shall take such steps as considered necessary by way of investigation and report.

The Head of Finance is responsible for the College’s Strategic Financial Planning as well as:

- Preparing annual revenue and capital budgets and financial plans;

- Preparing monthly and / or quarterly accounts, management information, monitoring and control of expenditure against budgets and all financial operations;
- Preparing the College's annual financial statements;
- Ensuring the college maintains effective financial systems;
- Providing cash and resource returns to SFC;
- Liaising with internal and external auditors to implement audit strategies.

The Executive Management Team are responsible to the Principal for the operational and financial management of the areas within their remit. They are responsible for establishing and maintaining clear lines of control and responsibility in those areas, including the day to day delegation of budget control.

## **4 Committee Structure**

The Board of Management has ultimate responsibility for the College's finances, but it delegates specific powers to the committees detailed below. These committees are accountable to the Board of Management.

### **4.1 Audit Committee**

In accordance with SFC's Financial memorandum and the Audit Code of Practice, the Board of Management must appoint an Audit Committee. The Committee is independent and advisory, and reports to the Board of Management.

Audit Scotland will appoint external auditors and set the parameters for the annual external audit fees.

The Audit Committee must prepare an annual report to the Board of Management.

The Board of Management must have in place an effective internal audit service. The operation and conduct of the internal audit service must conform to the professional standards of the Chartered Institute of Internal Auditors. The operation and conduct of internal audit must comply with Public Sector Internal Audit Standards and, where relevant, the Scottish Public Finance Manual.

The internal audit function is to be independent of the management of the College and will report directly to the Audit Committee at least annually. The internal audit service must provide the governing body and senior management of the institution with an objective assessment of adequacy and effectiveness of risk management, internal control, governance, and value-for- money.

External auditors and internal auditors shall have authority to:-

- enter at all reasonable times any Board's premises or land.
- have access to all documents and correspondence relating to the financial and other transactions of the Board.
- require and receive such explanations as are necessary concerning any matter under examination.
- require any employee of the Board to produce cash, stores or any other Board property under his/her control.

## **4.2 Remuneration Committee**

Consideration of the Principal, Executive Management Team and the Secretary to the Board's pay and conditions are the responsibility of the Remuneration Committee. It has the power to consider, approve and report to the Board of Management on their remuneration, including pay and other benefits, as well as contractual arrangements.

## **4.3 Finance and General Purposes Committee**

The Finance and General Purposes Committee is responsible for ensuring compliance with the Financial Memorandum and Financial Regulations. It recommends the annual budget to the Board and monitors actual performance against budget. The Committee also makes recommendations to the Board on matters relating to the development and management of its property and facilities.

## **4.4 Learning & Teaching Committee**

The Learning and Teaching Committee has overall responsibility for monitoring the direction and performance of learning and teaching and the quality of the learners' experience at the College.

## **4.5 Human Resources Committee**

The primary purpose of the Human Resources Committee is to ensure that the College is operating within all legal requirements relating to employment law and other legislation affecting employment. The committee also approves the HR strategy and monitors actual performance against KPI's to include staff welfare, staff establishment, turnover, sickness, and absence.

## **4.6 Board Development Committee**

The Board Development Committee has responsibility for advising the Board of Management on matters relating to members of the Board of Management, including Board Member appointment, balance of skills and experience, induction and training, balance in relation to equality as well as Board evaluation and development.

# **5 Risk Management**

The College acknowledges the risks inherent in its business and is committed to managing those risks that pose a significant threat to the achievement of its business objectives and financial health. Detailed guidance on the level of risk considered to be acceptable by the College is set out in a separate risk management policy.

The Board of Management has overall responsibility for ensuring that there is a risk management policy and a common approach to the management of risk throughout the College through the implementation within the organisation of a formal, structured risk management process. A detailed Risk Register is maintained to record risks and how they may be mitigated.

## **6 Whistleblowing**

Whistleblowing in the context of the Public Interest Disclosure Act is the disclosure by an employee (or other party) about malpractice in the workplace.

A whistle-blower can "blow the whistle" about crime, civil offences (including negligence, breach of contract, etc.), miscarriage of justice, danger to health and safety or the environment and the cover-up of any of these. It does not matter whether the information is confidential, and the whistleblowing can extend to malpractice occurring in the UK and any other country or territory.

Normally, any concern about a workplace matter at the College should be raised with the relevant member of staff's immediate line managers or the appropriate Executive Team member. However, the College recognises that the seriousness or sensitivity of some issues, together with the identity of the person the member of staff thinks may be involved, may make this difficult or impossible.

A member of staff may, therefore, make the disclosure to the person designated for this purpose, the Governance Director. If the member of staff does not wish to raise the matter with this person, it may be raised with the Chief Operating Officer or the Director of Governance.

The full procedure for whistleblowing is set out in the College's Whistleblowing Policy

## **7 Code of Conduct**

The College is committed to the highest standards of openness, integrity and accountability.

It seeks to conduct its affairs in a responsible manner, having regard to the Code of Conduct principles which members of staff at all levels are expected to observe. The Key principles are set out in the Code of Conduct Policy as follows:

- Public Service
- Selflessness
- Integrity
- Objectivity
- Accountability and Stewardship
- Openness
- Honesty
- Leadership
- Respect

Additionally, members of the Board of Management, senior managers or those involved in procurement are required to disclose interests in the College's register of Interests maintained by the Secretary to the Board. They will also be responsible for ensuring that the entries in the Register relating to them are promptly kept up to date.

No person shall be a signatory to a College contract where they also have an interest in the activities of the other party.

## **8 Gifts and Hospitality**

College staff are responsible for their decisions connected with the offer or acceptance of gifts or hospitality, and the Code of Conduct Policy sets out further guidance in this respect.

Members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the College would be likely to provide in return.

When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the Clerk to the Board. For the protection of those involved, the Principal's Office will maintain a register of gifts and hospitality received where the value is in excess of £50. Members of staff in receipt of such gifts or hospitality are obliged to notify the Principal's Office.

## **C FINANCIAL MANAGEMENT AND CONTROL**

### **9 Financial Planning**

The Head of Finance will be responsible for preparing strategic financial plans for approval by the Board of Management, and for submitting a Financial Forecast Return and Cash Forecast to SFC. Financial plans should be consistent with the strategic plans and capital strategy approved by the Board of Management.

#### **9.1 Budgets**

The Board of Management will set budget objectives for the College, in order to assist the Head of Finance in preparing detailed financial plans.

An annual revenue and capital programme will be prepared by the Head of Finance for consideration by the Board of Management. Detailed budgets are prepared to support the resource allocation process.

Any new area of business which will require an investment in buildings, resources or staff time of more than £50,000 excluding VAT should be presented to the Board of Management for approval. The Project Budget will set out the information that is required for each development and the financial criteria.

#### **9.2 Capital programmes**

The capital expenditure programme includes all expenditure on land, buildings, equipment, furniture and associated costs., whether or not they are funded from capital grants or capitalized for inclusion in the College's financial statements. Expenditure of this type can only be considered as part of the annual budget cycle.

Prior written consent from SFC will be required before the College undertakes a level of capital finance where the annualised costs of all capital finance (being the sum of the servicing and capital repayment costs of each loan or other arrangements spread evenly over the period of the relevant loan or arrangement) exceeds 4% of:

- total income as reported in the last audited financial statements: or
- the estimated amount of total income for the current year, if that is lower.

The Board of Management will approve capital finance arrangements only where;

- it can demonstrate an ability to repay the finance and pay interest thereon without recourse to requesting additional grant funding from SFC;
- it can demonstrate that its ability to maintain financial and academic viability will not be impaired as a result;
- it can demonstrate the value to be generated by the transaction;
- it can demonstrate that any such new investment or asset acquisition is in accordance with the College's strategic plan.

An effective system of monitoring the rate of expenditure on capital projects and revenue budgets will be an essential part of the financial monitoring.



## **10 Budgetary Control**

The Principal shall determine which budgets shall be delegated to which officers.

Such delegated budgets shall constitute authority to incur expenditure subject to:-

- the Board's tendering procedures being observed; and
- the Board's authorisation limits not being exceeded.

The Board may require a specific submission or proposal on any item or items of expenditure.

Delegated budget holders may vire money from one budget heading to another provided that:-

- the virement is made after consultation with the head of Finance;
- the virement is not to be used to vary the number of employees.

Delegated budgets not used by delegated budget holders at the end of the financial year shall lapse unless specific authorisation has been given by the Principal to an agreed limit of carry forward.

Delegated budget holders are, in the first instance, accountable to the Principal for the discharge of duties and funds delegated to them under the terms of the regulations. Budget Holders must ensure that effective monitoring is undertaken, and significant departures from agreed budgetary targets must be reported immediately to the Head of Finance who will also be responsible for ensuring that as a minimum, quarterly budget reviews take place with each budget holder.

The Executive Management Team and Budget Holders will be supported in their duties by management information provided by the Finance Department. The Head of Finance will ensure budget reports on all aspects of the College's finances are made available to the Board of Management.

Changes to the approved budget will be considered by the Board of Management.

## **11 Accounting Arrangements**

The Board has a duty to keep proper accounting records and shall prepare financial statements in respect of each accounting period in the form prescribed by the Council.

The College's financial year will run from 1 August to 31 July the following year.

The financial statements are prepared on the Historic Cost basis, as modified by the revaluation of certain fixed assets, and in accordance with relevant accounting standards, SFC's Accounts Direction, and the Scottish Public Finance Manual.

The College must maintain details of, and record in its Financial Statements, losses and special payments. In this context, the phrase 'losses and special payments' includes, but is not restricted to, losses and special payments arising from:

- the writing off of bad debts;
- any other waiver by the College of sums due to it;

- the writing down of the carrying value of assets in the Balance Sheet due to a permanent diminution in value;
- any financial losses due to fraud, theft or other illegal acts by staff, students or third parties;
- any requirement of the College to make payment to another party as a result of any financial guarantee it has given in respect of a third party;
- any ex-gratia payments made by the College for whatever purpose; or
- payments or other financial compensation in respect of termination of employment where such payments are in excess of the normal statutory and contractual level:

All accounts and accounting records of the Board shall be compiled by the College's Head of Finance in accordance with the direction of the Board or the Principal.

## **12 Audit requirements**

The Board of Management must appoint an Audit Committee and ensure the establishment and maintenance of effective arrangements for the provision of internal and external audit.

Under the terms of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General is responsible for the appointment of external auditors and set the parameters for the annual external audit fees. The primary role of external audit is to report on the College's financial statements and to carry out such examination of the statements and underlying records, and control systems, as are necessary to reach an opinion on the statements and to report on the appropriate use of funds. The external auditors address their report and opinion jointly to the Auditor General and the members of the Board of Management.

The Audit Committee must prepare an annual report to the Board of Management.

The Board of Management must have in place an effective internal audit service. The operation and conduct of the internal audit service must conform to the professional standards of the Chartered Institute of Internal Auditors. The operation and conduct of internal audit must comply with Public Sector Internal Audit Standards and, where relevant, the Scottish Public Finance Manual.

The internal audit function is to be independent of the management of the College and will report directly to the Audit Committee at least annually. The internal audit service must provide the governing body and senior management of the institution with an objective assessment of adequacy and effectiveness of risk management, internal control, governance, and value-for-money.

External auditors and internal auditors shall have authority to:-

- enter at all reasonable times any Board's premises or land.
- have access to all documents and correspondence relating to the financial and other transactions of the Board.
- require and receive such explanations as are necessary concerning any matter under examination.
- require any employee of the Board to produce cash, stores or any other Board property under his/her control.
- Access records belonging to third parties, such as contractors, where required.

It is the duty of all members of staff, management and the Board of Management to notify the Head of Finance immediately whenever any matter arises which involves, or is thought to involve, irregularity including fraud, corruption or any other impropriety. The College will treat any instances of fraud or corruption by its employees, Board Member or Contractors as serious breaches of discipline and as potentially criminal acts. The key principles set out in the Anti-Fraud and Corruption Policy.

It is a requirement of the financial memorandum that the Board of Management of the College is responsible for delivering value for money from public funds adhering to Scottish and EU Legislation. It should keep under review its arrangements for managing all the resources under its control, taking into account guidance on good practice issued from time to time by the Scottish Government, Scottish Funding Council, the National Audit Office, the Public Accounts Committee, Audit Scotland, or other relevant bodies.

Internal audit is to have regard to value for money in its programme of work. This will be used to enable the audit committee to refer to value for money in its annual report.

### **13 Treasury management**

In accordance with the SFC Financial memorandum, the College banking arrangements should ensure they offer best value and comply with the Banking section of the SPFM. All arrangements with the Board's bankers shall be made by, or arranged by, the Principal who shall be authorised to operate such bank accounts, as he/ she may consider necessary.

Authority for the operation of Bank Accounts may be delegated to appropriate Officers as the Principal may determine.

The College Procurement Strategy sets out the authorisation limits for purchasing of goods and services, and the limits for banking arrangements are as follows:

- The Head of Finance, Finance Officer, and Assistant Principal shall have responsibility to authorise payments by BACS or bank transfer which have already been approved for payment, including supplier payments, salaries and wages, and Bursary and EMA payments;
- Cheque signatories will include the Finance Manager, Senior Finance Assistant, and Finance Team members as well as the Principal, Assistant Principal, and Regional Chair. Two signatories are required for each cheque, with Finance Team members authorised to sign cheques up to the value of £500

### **14 Income**

The College's Head of Finance is responsible for ensuring that appropriate procedures are in operation to enable the College to receive all income to which it is entitled. All receipt forms, invoices, or other official documents in use and electronic systems must have the prior approval of the Head of Finance.

Invoices issued for work done, goods supplied, or services rendered must be promptly issued. Payment terms are set out in the College Debt Collection Procedures, and credit accounts are subject to the following terms of business;

- credit would only normally be extended for 14 days from the date of the invoice.

- reminders will be sent after 21 days with the second and final being sent after 42 days giving seven days to pay otherwise legal action to be commenced.
- legal action to be commenced after 56 days unless specific reasons known.
- notwithstanding the above, all work done, goods supplied, or services rendered under £25 in value shall require to be prepaid and in particular no invoice below this amount shall be raised.

The collection of money due and the issuing of receipts, books and tickets and other such items shall be designed, ordered and paid by the College's Head of Finance, who shall be satisfied as to the arrangements for the control. No officer shall give a receipt for money received on behalf of the Board on any form other than on the official receipt or ticket. No deduction may be made for income received save to the extent that the Principal may specifically authorise.

Cheques shall not be cashed out of money held on behalf of the Board without prior approval by the Head of Finance. Every transfer of official cash from one member of staff to another will be evidenced in the records of the College by the signature of the receiving officer.

Not less frequently than once per year, the Principal in consultation with the Vice Principal Business Development and Corporate Services will review scales of charges or tariffs relating to the College's income and report thereon to the Board or delegated committee.

No debt in respect of an amount due to the Board, once correctly established, shall be discharged other than by payment in full or by a resolution of the Finance and General Purposes Committee authorising the writing off of the debt or the unpaid portion thereof.

Notwithstanding the provisions above, the Head of Finance in consultation with the Vice Principal Business development and Corporate Services shall have authority to determine a best settlement scheme for debts outstanding.

The College may donate any surplus of income over expenditure as at 31 March each year to its Arms-Length Foundation. The donation must take place in the financial year in which it arises and is subject to sufficient cash and resource cover being available.

## **15 Expenditure**

The Head of Finance is responsible for making payments to suppliers of goods and services to the College.

External Business and Management Consultancies greater than £100,000 in value and operating leases greater than £250,000 require SFC approval.

### **15.1 Scheme of Delegation**

Each Executive Team member is responsible for purchases within their functions. Purchasing authority may be delegated to members of the Leadership Team, who in turn may delegate to their staff, provided this is in accordance with the delegated authority matrix.

In exercising this delegated authority, the Executive Team, Leadership Team members and other budget holders are required to observe the College's purchasing policy and financial procedures.

The Head of Finance shall maintain a register of authorised signatories and Executive Team members must supply them with specimen signatures of those staff authorised to raise invoices and certify invoices for payment.

Authorisation limits can be delegated to budget holders in line with the following guidelines:

- Budget Holders – approve expenditure within designated cost centers up to £10,000;
- Principal – approve all expenditure over £10,000;
- Chair of Board. Vice Chair, or Chair of F&GP Committee – approve all expenditure over £75,000.

Orders may not be split to lower the value per order with a view to reducing the authorisation level required.

Where an order for Goods or Services valued at over £75,000 has been authorised by the Chairman, Vice Chairman of the Board or the Chairman of the Finance and General Purposes Committee, then the subsequent payment may be signed by the Principal, any member of the Executive Team and Head of Finance.

Official orders shall be issued for all work, goods or services to be supplied to the Board or College, except for supplies of public utility services, for periodical payments such as rent or rates, for petty cash purchases or such other exceptions as the Principal may approve and each order shall conform with the directions of the Board with respect to central purchasing and standardisation of supplies and materials in so far as these exist.

The Head of Human Resources is authorised to approve payments made to employees, with the exception of the Principal, in respect of severance schemes authorised by the Board of Management and approved by the SFC. Any severance payment to the Principal must be authorised by the Chair of the Board of Management and approved by the SFC.

There is a delegated limit to £1k only for special severance payments (any values above this limit require SFC approval).

## **15.2 Procurement**

Work, goods or services to be paid from revenue also require to comply with the College's Procurement Strategy and Procurement Policy. The relevant thresholds are currently:

- Between £5,000 and £19,999 – at least 3 written quotes should be obtained on PCS Quick Quotes or by e-mail;
- Between £20,000 and £49,999 – at least 3 quotes on PCS Quick Quotes;
- Over £50,000 – OJEU - Open tender via PCS

It is the responsibility of the delegated budget holder to ensure that work, goods and / or services ordered by them are appropriate and necessary for their delegated area of work.

These regulations also apply to capital purchases, subject to SFC guidance.

### **15.3 Purchase Orders**

The ordering of goods and services shall be in accordance with the College's detailed procurement policies and procedures.

Official College purchase orders must be placed for the purchase of all goods or services, with the exception of those made using a College credit card, petty cash or which are of an annual contractual nature such as utility or insurance services. In exceptional circumstances, urgent orders may be given orally, but must be confirmed by an official purchase order endorsed 'confirmation order only' not later than the following working day.

College credit cards may be used at the discretion of the Head of Finance if no other reasonable method of payment is appropriate.

### **15.4 Payment of invoices**

Apart from petty cash and other payments from advance accounts, the normal payment of money due from the Board shall be by BACS transfer or other instrument drawn on the College's bank accounts.

Suppliers should submit invoices, quoting the appropriate official purchase order, to the Finance Department.

Invoices shall not be made out on behalf of suppliers by officers or employees of the College. An officer or employee shall not add any additional item or items to invoices rendered to the Board by a supplier.

All amendments and deletions to an invoice shall be made in ink and initialed by the employee making the amendment and the reason [if not self-evident] shall be briefly stated on the invoice.

The College's Head of Finance shall ensure that an invoice or any similar payment is examined and verified to the original order.

Before certifying an invoice, the invoice is required to be checked by the receiving section that;

- work, goods or service to which the invoice relates have been received, carried out, examined and approved;
- the prices, extensions, calculations, trade discounts, other allowances, credit and tax are correct;
- the relevant expenditure has been properly incurred and is within the estimated provision;
- appropriate entries have been made in inventories, stores records or stocks as required;
- the invoice has not been previously passed for payment and is a proper liability of the College.

The College shall pay all invoices and claims for payment within the credit terms set by suppliers and shall take advantage of discount terms for early settlement.

The duties of ordering goods, receiving goods and certifying the relevant invoices for payment shall, wherever possible, each be performed by different employees. Where this is not practicable, the Principal shall be informed and approve of such arrangements as may be deemed appropriate.

## **15.5 Staff reimbursement**

The College's purchasing and payments procedures are in place to enable the majority of non-pay supplies to be procured through the purchase ledger system without staff having to incur any personal expense. However, on occasion, staff may incur expenses, most often in relation to travel, and are entitled to reimbursement. The Staff Expenses Guidance paper sets out the College's procedures in relation to expenses. Advances by bank transfer may be requested from the Finance team.

## **15.6 Petty Cash**

The Head of Finance shall agree appropriate petty cash floats to be held within the College. In exceptional circumstances, the Head of Finance may authorise other areas to hold small petty cash floats. However, it is important for security purposes that petty cash floats are kept to a minimum.

Any member of staff granted a float, is personally responsible for its safe-keeping. The petty cash must be kept locked in a secure place when not in use and will be subject to periodic checks. This procedure should comply with the requirements of the College's insurers.

At the end of the financial year, a certificate of the balances held should be completed by the member of staff responsible for the float, which will be counter-signed by the appropriate budget holder.

## **15.7 Payments to Students**

Payments to students on behalf of sponsoring organisations for maintenance and other items shall be made on the authority of the Student Support Officer, on the basis of applications from the students that satisfy the conditions and criteria set by the funding bodies. Payments shall be made via BACS transfer directly to the students' bank accounts. Novel, contentious or repercussive expenditure requires SFC approval.

# **16 Pay Expenditure**

## **16.1 Appointment of Staff**

Appointments of all employees should be made in accordance with the approved establishments, grades and rates of pay recognised by the Board. Recruitment shall be strictly in accordance with the Board's agreed scheme of selection and recruitment for staff.

Each designated officer shall notify the Head of Human Resources as soon as possible in the form prescribed by them of all matters affecting the payment of emoluments and in particular:

- appointments, resignations, retirements, dismissals, suspensions, secondments and transfers;
- absences from duty for sickness or other reason, and return to duty there from, apart from approved leave;
- the remuneration and changes in remuneration, other than normal increments and pay awards on agreements of general application;
- information necessary to maintain records of service for superannuation, income tax, etc.

Such information shall require approval from the relevant member of the Executive Management Team.

## **16.2 Salaries and Wages**

All time records, or pay documents, shall be in the form prescribed or approved by the Principal and shall, where appropriate, be signed by the employee and thereafter shall be certified by or on behalf of the designated supervisory officers. Before certifying the wages document, the certifying officer shall satisfy himself that;

- hours claimed by an employee have been duly worked;
- overtime hours have been correctly stated and where appropriate, payment correctly calculated;
- other allowances are in accordance with other regulations;
- deductibles are correctly calculated;
- holiday, sickness and other absences from work are correctly notified and are granted in accordance with the current regulations.

## **16.3 Pension Schemes**

The Board of Management is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees. The College provides access to two defined benefit pension schemes. Support staff are eligible to join the Local Government Pension Scheme administered by the Dumfries and Galloway Council Pension Fund. Teaching staff are eligible to join the Scottish Teachers Superannuation Scheme administered by the Scottish Public Pensions Agency.

The Head of Human Resources is responsible for ensuring the appropriate administration for pension matters, including:

- Paying contributions to various authorised superannuation schemes; and
- Preparing the annual return to the various superannuation schemes.

## **16.4 Travel expenses for Members of the Board of Management**

Claims for members of the Board of Management will be authorised by the Secretary to the Board. Claims for the Chairman will be authorised by the Chair of the Remuneration Committee. Claims for meeting attendance will be based on standard amounts for each individual, but only reasonable expenses for actual costs incurred can be reimbursed.



## **16.5 Severance and Other Non-Recurring Payments**

Severance payments shall only be made in accordance with relevant legislation and under a scheme approved by the Board of Management following approval by the SFC. Professional advice should always be obtained where necessary. All such payments should be authorised by the Head of Human Resources and will be declared in the Financial Statements.

Special severance payments, ex-gratia payments, compensation payments and extra contractual payments should be reported to the SFC on an annual basis (31 March). This report should include the number of special severance, ex-gratia payments, compensation payments and extra contractual payments which have been made and the attendant cost for each category. The SFC has delegated to Colleges a £1k special severance payment limit.

## **17 Assets**

The Board shall manage and develop its estate and equipment asset base to meet its overall needs efficiently and effectively. In doing so the College shall have regard to the guidance to be issued from time to time by SFC on estate and equipment related matters, including, in particular, guidance relating to strategic estate and equipment management, option and investment appraisal, and private finance.

The Board shall develop and periodically review and update an Estate Strategy as part of a sound management approach to the College's estate.

In line with the College's Financial Memorandum with SFC, the Board of Management will obtain prior written consent from SFC before it undertakes a level of capital finance where the annualised costs of all capital finance (being the sum of the servicing and capital repayment costs of each loan or other arrangements spread evenly over the period of the relevant loan or arrangement) exceeds 4% of:

- total income as reported in the last audited financial statements: or
- the estimated amount of total income for the current year, if that is lower.

The Board of Management will sanction capital finance arrangements only where;

- it can demonstrate an ability to repay the finance and pay interest thereon without recourse to requesting additional grant funding from SFC;
- it can demonstrate that its ability to maintain financial and academic viability will not be impaired as a result;
- it can demonstrate the value to be generated by the transaction;
- it can demonstrate that any such new investment or asset acquisition is in accordance with the College's strategic plan.

An effective system of monitoring the rate of expenditure on capital projects and revenue budgets will be an essential part of the financial monitoring.

The detailed form of the estimates shall be determined by the Principal in accordance with the general directions of the Board and in the preparation, appropriate consultation with the appropriate individuals and departments shall be necessary.

Disposal of equipment and furniture must be in accordance with procedures agreed by the Board of Management.

Disposal of land and buildings must only take place with the authorisation of the Board of Management. Scottish Funding Council approval will be required in advance of any planned Sale.

## **18 Other**

### **18.1 Student Support Funds**

The Head of Finance will prescribe the format for recording the use of student support funds. Records of student support funds will be maintained according to Scottish Funding Council and SAAS requirements.

### **18.2 Insurance**

The Head of Finance is responsible for the College's insurance arrangements in accordance with the SFC Policy guidance, including the provision of advice on the types of cover available. As part of the overall risk management strategy, all risks will have been considered and those most effectively dealt with by insurance cover will have been identified. This is likely to include important potential liabilities and provide sufficient cover to meet any potential risk to all assets. This portfolio of insurance cover will be considered and approved by the Board of Management on an annual basis. In their Memorandum, the SFC agreed a derogation whereby the current commercial insurance arrangements can be extended for three years to 31 July 2021.

The Head of Finance is responsible for effecting insurance cover as determined by the Board of Management and is therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. They will keep a register of all insurances affected by the College and the property and risks covered and will also deal with the College's insurers and advisers about specific insurance problems. Executive Team members must ensure that any agreements negotiated within their areas with external bodies cover any legal liabilities to which the College may be exposed. The advice of the head of Finance should be sought to ensure that this is the case. Executive Team members must give prompt notification to the head of Finance of any potential new risks and additional property and equipment that may require insurance and of any alterations affecting existing risks.

Executive Team members must advise the Head of Finance immediately of any event that may give rise to an insurance claim. The Head of Finance will notify the College's insurers and, if appropriate, prepare a claim for transmission to the insurers. The Head of Finance is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

### **18.3 Companies and Joint ventures**

In certain circumstances, it may be advantageous to the College to establish a company or a joint venture to undertake services on behalf of the College. Any member of staff considering the use of a company or a joint venture should first seek the advice of the Head of Finance, who should have due regard to guidance issued by the Scottish Funding Council and Scottish Government.

Under the Further and Higher Education (Scotland) Act 1992, a College needs the prior approval of the Scottish Funding Council before a company or a joint venture can be established. The Board of Management is responsible for ensuring that the required procedures are followed.

It is the responsibility of the Board of Management to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by the College. These and other arrangements will be set out in a memorandum of understanding. The directors of companies where the College is the majority shareholder must submit, via the Board of Management, an annual report to the Board of Management. They will also submit business plans or budgets as requested to enable the committee to assess the risk to the College. The College's internal and external auditors shall also be appointed to such companies.

Where the College is the majority shareholder in a company, the Scottish Funding Council requires that the company's financial year must be consistent with that of the College.

#### **18.4 Security**

The Principal shall be responsible for security at all times of the property, cash, stock, stores, furniture, equipment, etc., under their control. They will make appropriate consultations where special security arrangements are required.

The Principal shall make any necessary arrangements for the banking of cash and cheques received as they may deem fit and provide for insurance cover for cash held on the premises at each of the premises of the Board.

Keys to safes, or other similar containers, are to be carried on the person of those responsible at all times. The loss of such keys must be reported to the Head of Finance immediately.

#### **18.5 Student Association**

The Students' Association is a separate legal entity from the College but is recognised to fulfil a valuable role in relation to the College's students. Subject to any constraints imposed by the Scottish Funding Council, the Board of Management shall determine the level of grant to be paid annually to the Students' Association.

The Board of Management requires the Association to provide for information, details of its proposed budget to assist in determining the appropriate level of grant in accordance with an agreement between the College and the Students' Association, the College's internal auditor shall have access to records, assets and personnel within the Students' Association in the same way as other areas of the College. At the year end the Students' Association financial statements may require to be presented to the Board of Management for information.

### **19 Distribution**

Executive Management Team

Quality Manual

Adminnet

# OUTSTANDING AUDIT RECOMMENDATIONS

- Review of Medium and High Risk Recommendations to be followed-up

Updated -13.05.19

**KEY:** Complete, to be included in Follow-up review  
In progress  
Added to report from recent audit review

Number:

12

6

2

20


Ref	Original Recommendation	Internal Audit Report/ Date	Original Comments	Proposed Implementation Date	Owner responsible	Update
1	Feedback from external events to inform courses is not formally documented, and without an employment engagement strategy, the College may fail to engage with appropriate employers and be able to provide courses to them, resulting in a missed opportunity for income.	Follow-Up 02.19	A documented employer engagement strategy will be developed	February '19	Vice Principal Learning and Skills	Employer Engagement Strategy has now been approved by the Learning & Teaching Committee, with the proviso that Milestones are added.
2	The TSR system is capable of producing performance indicators; however, currently the performance indicators the system produces only show how many requests have been received and how many have been completed in a month. The performance indicators on the system are not used by the Estates team to monitor performance of completing reactive maintenance requests.	Follow-Up 02.19	We will discuss which key performance indicators the Estates team should have in place and what the target level is for each of these indicators. The Maintenance Foreman will review and discuss KPIs with janitorial staff on a monthly basis, to identify the reasons why any KPIs have not been achieved and any areas they need to improve on as a team, and also to highlight what they are doing well. An update on reactive maintenance KPIs will be provided to the Finance and General Purposes Committee as part of the general performance update on estates and facilities.	March '19	Facilities Manager	KPI's now in place, to run alongside of SLA. TSR Performance is now included as a standing item in monthly Team catch-ups, and is being minuted, with a monthly report sent to the Head of Corporate Services.
3	There is no central point for induction checklists to be uploaded to, these are retained by the individual tutors on individual student files. Without a central point for the storage of induction checklists, there is a risk that the College is unable to evidence that inductions have taken place.	Follow-Up 02.19	All induction checklists will be uploaded to the Adminnet system.	July '19	Heads of Curriculum	Online Induction Checklists will now be implemented across all curriculum areas in time for 2019-20 enrolment. The checklists will have standardised options for certain fields (course title/ code) to ensure accuracy and consistency

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Ref	Original Recommendation	Internal Audit Report/ Date	Original Comments	Proposed Implementation Date	Owner responsible	Update
4	ICT management will ensure that software updates are applied consistently to IT assets such as servers and desktops in accordance with the patch procedure.	Follow-Up 04.18	ICT management will consistently apply the Windows 10 program update to all of the College's desktops.	August '18	IT Manager	A number of computers have now been updated to Windows 10. The next phase is underway and should be completed by July '19.
5	Procedures for dealing with student withdrawals - the required date for attendance had been input incorrectly on the SITS system.	Student Activity Data 09.18	The College will ensure that the required attendance date is correctly calculated on the SITS calculator	November '18	Business Systems Manager / Student Records Manager	All now fully implemented/ dates all now checked
6	The required date for part-time students had been calculated based on the student being full-time - without accurate required attendance dates, there is a risk that students could be included in the credit return without attending 25% of their part-time course.	Student Activity Data 09.18	The College will ensure that the required attendance date is correctly calculated on the SITS calculator for all part-time courses. The Student Records Manager will conduct a manual calculation of part-time courses required attendance dates to ensure they are accurate. This check will be conducted quarterly	November '18	Business Systems Manager / Student Records Manager	All now fully implemented/ dates all now checked
7	For staff working in specific areas e.g. engineering and construction, specific health and safety training may be required to use certain machinery.	Health & Safety 11.18	Heads of Department will be requested to produce lists of equipment and machinery within their department which requires additional safety training as well as identifying the staff who operate this machinery within their role. Also Health and safety audits will now include a review of these equipment lists and a review of training records against these lists to ensure staff operating machinery are appropriately trained.	March '19	Head of Corporate Services	A new internal checklist has been revised to include the recommendations from the audit. This has been issued to all managers for awareness before any checks are carried out.

# OUTSTANDING AUDIT RECOMMENDATIONS

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**Added to report from recent audit review**

Ref	Original Recommendation	Internal Audit Report/ Date	Original Comments	Proposed Implementation Date	Owner responsible	Update
8	Roles and responsibilities for RIDDOR reporting are clearly defined.	Health & Safety 11.18	The Health and Safety Policy is due to be updated shortly by the newly formed Health and Safety Committee, RIDDOR requirements and guidance will be included as part of this review.	February '19	Head of Corporate Services	The policy has been revised with the inclusion of the wording for RIDDOR.
9	Health and safety is monitored at the Health and Safety Committee where information regarding statistics, trends and other relevant health and safety issues are discussed	Health & Safety 11.18	A new Health and Safety Committee is being recruited and will meet on a quarterly basis. Its first meeting will develop a Terms of Reference and present to the Board for approval.	January '19	Head of Corporate Services	New members have come forward for the committee, and the first meeting was held in February.
10	Health and safety statistics, as well as details of compliance against legislation, are not reported at board level on a frequent basis.	Health & Safety 11.18	Health and safety will become a standing item on the monthly senior management team meeting where the Health and Safety Manager will present an update on key details relating to health and safety.	January '19	Head of Corporate Services	Now fully implemented/ included as a standing item on the CLT Agenda
11	We recommend that the College investigates the finance system capabilities and whether electronic journal authorisation of journals is possible. In whatever system is used, the College should ensure there is clear evidence of approval for all manual journals.	External Audit 11.18	We will liaise with our software provider to investigate if an approval procedure could be set up within the finance system. If that isn't possible we will include a manual check for authorisation of all journals as part of the monthly process.	November '18	Head of Finance	Civica have advised that this isn't possible using the finance software. A process has been set up using the Nominal ledger daybook and this will be carried out as part of the monthly accounts completion
12	The billing arrangements with UWS for staffing re-charges should be agreed in sufficient detail that the College is able to estimate the amount of income it will receive	External Audit 11.18	We will liaise with the University of the West of Scotland to establish a formal agreement for the teaching contract	Revised to June '19	Head of Finance	HoF is liaising with UWS to set up a Service Level Agreement
13	The College should complete the review of the Financial regulations and authorised signatory listing and ensure these are appropriately authorised by the Finance and General Purposes Committee.	External Audit 11.18	We will complete the update of the Financial Regulations and authorised signatories as per of the 2019-20 budget planning process.	Revised to June '19	Head of Finance	The updated Financial Regulations are currently being drafted
14	It was noted during out testing that an EIA had not been carried out on the Equality and Diversity Policy.	Equality and Diversity 02.19	The Equality and Diversity Officer will carry out an Equality Impact Assessment (EIA) on the Equality and Diversity Policy, update the policy with the date of the EIA and re-issue.	February '19	Equality and Diversity Officer	Now completed

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Ref	Original Recommendation	Internal Audit Report/ Date	Original Comments	Proposed Implementation Date	Owner responsible	Update
15	We confirmed the Financial Regulations provide guidance on the general management of funds within the college; however, they do not provide full guidance on the administration of petty cash or credit cards. They do not stipulate that purchase orders should be issued in advance of ordering goods, only that they should be issued. We also found no reference to procurement legislation.	Creditor Payments 02.19	The Financial Regulations will be reviewed and updated, within them we will incorporate reference to procurement legislation, tendering processes and procedures for petty cash, use of credit cards and purchase orders	June '19	Head of Finance	The updated Financial Regulations are currently being drafted
16	Budgets can become overspent where goods are ordered without appropriate authorisation. The Purchase orders provide confirmation that the budget holder has sanctioned the purchase and there is sufficient budget to honour payment, and not all invoices are supported by a Purchase Order	Creditor Payments 02.19	Steps will be taken to put more suppliers on PECOS. Where a supplier is on PECOS the use of a purchase order cannot be avoided.	March '19	Head of Finance	A review of suppliers has been completed and additional suppliers are now being added to Pecos
17	Cash advances from the petty cash should be supported by documentary evidence and receipts, but these are not always chased up.	Creditor Payments 02.19	A form will be devised to record cash advances. This form will require the staff member to sign for the amounts given; and advise a payback date. The staff member will be required to return the balance of the cash advance along with all receipts to substantiate the expenditure. The Finance Department will monitor the return of the form, cash and receipts, and an annual breakdown of expenditure given to students in regards of cash shortfalls will be provided to the Finance and General Purposes Committee. A budget will be	March '19	Head of Finance	A form has been drafted and is now being used for any cash advances
18	A payment request form is completed and approved by the budget holder prior to any purchase being made. Credit cards are used for appropriate expenditure which cannot easily be made by another means of payment. Valid VAT receipts are retained to support all expenditure made via the credit card.	Creditor Payments 02.19	The budget holders will be reminded to ensure appropriate authorisation is given prior to making purchases via the credit card. The payment request form will be adapted so the requesting officer signs to confirm the credit card is being used because other method of payment is possible and that an appropriately authorised purchase order accompanies the request. The specimen signature list will be updated and reviewed at least annually.	February '19	Head of Finance	Forms updated on Adminnet. The Specimen Signature list has now been updated

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Ref	Original Recommendation	Internal Audit Report/ Date	Original Comments	Proposed Implementation Date	Owner responsible	Update
19	Sensitivity Analysis has been performed as part of the creation of the Financial Forecast Return, but only four parameters were included. If insufficient sensitivity analysis is performed, there is a risk that fluctuations in specific revenue or expense streams may lead to reduction in control of cash position.	Financial Planning and Forecasting 04.19	The Head of Finance will perform further, more in-depth sensitivity analysis when evaluating the College's forecasts. This includes stress testing of income and expenditure streams on a line by line basis, highlighting potential areas of vulnerability for the College.	October '19	Head of Finance	
20	A Risk Assessment has been performed as part of the Financial Forecast Return, but only three of the risks had corresponding description of actions planned to mitigate the risk. If the College does not effectively plan to mitigate identified risks, there is a risk the College may suffer negative symptoms associated with that risk.	Financial Planning and Forecasting 04.19	Each risk highlighted in the Financial Forecast Return will be assessed using the TARA matrix (Transfer, Accept, Reduce, Avoid). Each risk will contain sufficient comment regarding how risk is planned to be mitigated.	October '19	Head of Finance	





# DUMFRIES AND GALLOWAY COLLEGE

## Internal Audit Progress Report

21 May 2019

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no  
responsibility or liability in respect of this report to any other party.





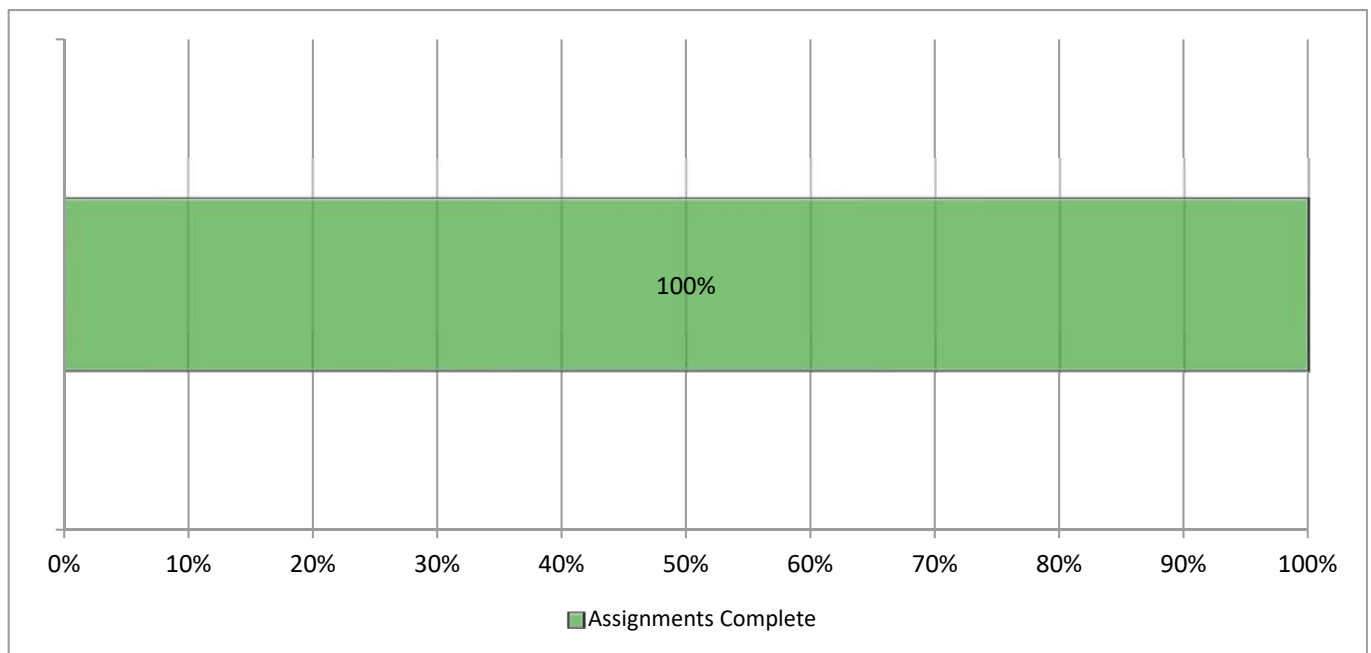
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# 1 INTRODUCTION

The internal audit plan for 2018 / 2019 was approved by the Audit Committee on 17 May 2018.

Please see the chart below for current progress with the plan.

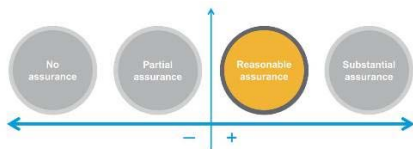
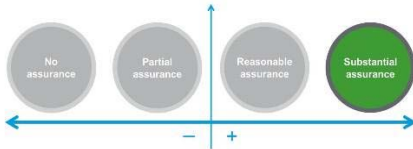
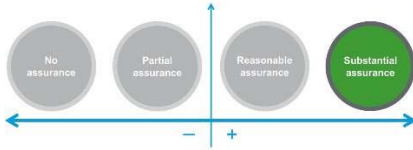


## 2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This table informs of the audit assignments that have been completed since the last Audit Committee held.

We have finalised four reports since the previous meeting in line with the agreed timetable.

Appendix A also details the full history of the audits completed in 2018 / 2019.

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Key Financial Controls: Creditors	Final		2	4	0
Equality and Diversity	Final		1	3	0
Follow Up of Previous Internal Audit Management Actions	Final	Reasonable progress	1	2	0
Financial Planning / Forecasting	Final		0	2	0

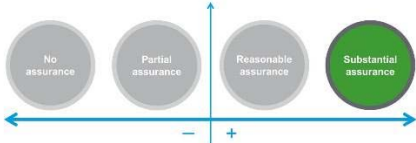
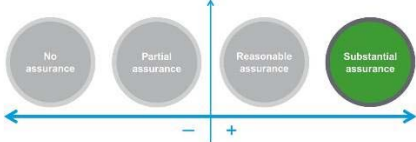
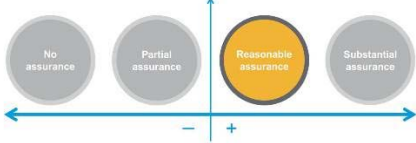
## 3 OTHER MATTERS

### 3.1 Key performance indicators (KPIs)

Delivery	Target	Actual	Quality	Target	Actual
Draft reports issued within 10 working days of debrief meeting	10 working days	10 working days (average)	Conformance with PSIAS and IIA Standards	Yes	Yes
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	As and when required
Final report issued within 3 working days of management response	3 working days	1 working day (average)	% of staff with CCAB/CMIIA qualifications	>50%	71%
			Turnover rate of staff	<10%	No staff turnover in 2018 / 2019
			Response time for all general enquiries for assistance	2 working days	2 working days (average)
High and Medium recommendations followed up	Yes	Yes	Response for emergencies and potential fraud	1 working day	N/A

## APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Audit Committee and included for information purposes only:

Assignment	Opinion issued	Actions agreed		
		L	M	H
Student Support Funds		2	0	0
Student Activity Data		0	2	0
Health and Safety		2	2	0

## FOR FURTHER INFORMATION CONTACT

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### **rsmuk.com**

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **Dumfries and Galloway College**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

## APPENDIX E: OUR CLIENT CARE STANDARDS

- Discussions with senior staff at the client take place to confirm the scope four weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 10 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting, and will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.



## FOR FURTHER INFORMATION CONTACT

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## Audit Committee

### Strategic Risk Register

#### 1 Introduction

- 1.1 The purpose of this paper is to provide the Committee with the opportunity to review the College's Strategic Risk Register.

#### 2 The Report

- 2.1 The Principal and Executive Management Team routinely review the Strategic Risk Register to reflect the risks the College is facing and the mitigation that will be applied to each risk. There are currently 22 strategic risks, 5 of which are rated 9 (Amber = Significant risk) or above.

#### 2.2 Committee Reporting

The Strategic Risk Register is now presented at each Committee and members are asked to pay particular attention to risks pertaining to the work of that Committee. The end column on the Risk Register has been amended to include the name of the Committee who would have 'oversight' of that risk, so that members can focus on these in their discussions. There is still the opportunity to discuss other risks at full Board meetings.

The Audit committee are the appropriate committee to examine the following risks :

- Risk No 2.4 - 'Financial Fraud'
- Risk No 3.6 – 'Failure to achieve ICT strategy Ambitions
- Risk No 3.8 – 'Breach of data security'
- Risk No. 3.10 – 'Failure to meet compliance agreements'

#### 3 Recommendation

- 3.1 It is recommended that the Committee consider and, if so minded, approve the Strategic Risk Register.

Andy Glen  
Acting Principal  
May 2019

Post Holders	Board	Board of Management	HoC	Head of Curriculum	HoSS&G	Head of Student Support & Guidance
	ELT	Executive Leadership Team	HoP&Q	Head of Planning & Quality		
	CLT	College Leadership Team	HoF	Head of Finance		
	PRIN	Principal	HoHR	Head of Human Resources		
	VPL&S	Vice Principal Learning & Skills	HoBD	Head of Business Development		
	VPBD&CS	Vice Principal Business Development	HoCS	Head of Corporate Services		

Score	Impact	Likelihood
1	Routine	Remote
2	Minor	Unlikely
3	Significant	Possible
4	Major	Probable
5	Critical	Very likely

Risk Number	POTENTIAL CONTRIBUTING FACTORS			TREATMENT		POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility /Committee Oversight
<b>1</b>	<b>Strategic and Structural</b>									
<b>1.1</b>	Failure of College strategy to meet the needs of Dumfries and Galloway Region and/or national priorities (eg Employability, DYW, attainment, articulation)	4	4	16	<ul style="list-style-type: none"> <li>Robust strategic planning</li> <li>Effective environmental scanning</li> <li>Strong partnerships</li> <li>Clear links between strategy and practice</li> <li>Concerted demands for increased activity levels</li> </ul>	4	1	4	<ul style="list-style-type: none"> <li>Robust monitoring via ROA</li> <li>Clear performance metrics</li> <li>Amendment of strategic direction/plans</li> <li>Rolling curriculum review</li> </ul>	Board, ELT BoM
<b>1.2</b>	College may be disadvantaged by changes to either UK or Scottish Government policies	4	3	12	<ul style="list-style-type: none"> <li>Effective environmental scanning</li> <li>Negotiation/influence at national level</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Review of changes and amendment of strategic direction/plans</li> <li>Financial strategy sensitivities</li> </ul>	ELT BoM
<b>1.3</b>	College disadvantaged by changes arising from UK leaving European Union	3	4	12	<ul style="list-style-type: none"> <li>Negotiation/influence at national level</li> <li>Review of activities/ projects</li> <li>Responsiveness to new opportunities</li> </ul>	2	2	4	<ul style="list-style-type: none"> <li>Review of changes and amendment of strategic direction/plans/ curriculum</li> <li>Financial strategy not ESF dependent</li> </ul>	ELT BoM

Post Holders	Board	Board of Management	HoC	Head of Curriculum	HoSS&G	Head of Student Support & Guidance
	ELT	Executive Leadership Team	HoP&Q	Head of Planning & Quality		
	CLT	College Leadership Team	HoF	Head of Finance		
	PRIN	Principal	HoHR	Head of Human Resources		
	VPL&S	Vice Principal Learning & Skills	HoBD	Head of Business Development		
	VPBD&CS	Vice Principal Business Development	HoCS	Head of Corporate Services		

Score	Impact	Likelihood
1	Routine	Remote
2	Minor	Unlikely
3	Significant	Possible
4	Major	Probable
5	Critical	Very likely

Risk Number	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility/ Committee Oversight
<b>2</b>	<b>Financial</b>									
<b>2.1</b>	Change in SFC Funding Methodology and Allocation – Reduction in Funding	3	3	9	<ul style="list-style-type: none"> <li>Negotiation/influence at national level</li> <li>Contingency plans for reduced funding</li> </ul>	2	3	6	<ul style="list-style-type: none"> <li>Advance modelling of new funding methodologies and allocations</li> <li>Monitoring impact of changes</li> <li>Amendment of strategic or operational direction/plans</li> <li>Financial strategy sensitivities</li> </ul>	ELT F&GP
<b>2.2</b>	Failure to achieve institutional sustainability	5	4	20	<ul style="list-style-type: none"> <li>Protection of funding through dialogue with SFC</li> <li>Robust annual budget-setting and multi-year financial strategic planning (from 2018-19)</li> <li>Effective budgetary control</li> <li>Where required, swift action to implement savings</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Regular monitoring of budgets</li> <li>Regular review of financial strategy and non-core income sensitivity</li> </ul>	CLT F&GP
<b>2.3</b>	Salary and conditions of service pressures outstrip ability to pay	4	4	16	<ul style="list-style-type: none"> <li>Influence within Employers Association</li> <li>Management of staffing expenditures</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Expenditure modelling</li> <li>On-going discussions with staff</li> <li>Financial strategy sensitivities</li> </ul>	ELT HoHR F&GP

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	PRIN	Principal	HoHR	Head of Human Resources		
	VPL&S	Vice Principal Learning & Skills	HoBD	Head of Business Development		
	VPBD&CS	Vice Principal Business Development	HoCS	Head of Corporate Services		

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility/ Committee Oversight
<b>2</b>	<b>Financial (cont.)</b>									
<b>2.4</b>	Financial Fraud	4	3	12	<ul style="list-style-type: none"> <li>Strong financial controls: segregation of duties and review of transactions</li> <li>Review of impact of any changes in structure or duties</li> <li>Whistleblowing arrangements</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Continuous review of financial controls</li> <li>Internal Audit programme</li> </ul>	HoF  Audit
<b>2.5</b>	Failure to achieve credit (activity) target	5	3	15	<ul style="list-style-type: none"> <li>Real time monitoring system</li> <li>Identify &amp; implement additional/alternative provision where required</li> </ul>	4	1	4	<ul style="list-style-type: none"> <li>Continuous review of progress v targets. Current shortfall of approx. 450 credits – expected to achieve target, including ELC target. Indicated to SFC that we will take additional 350 credits this year</li> </ul>	ELT HoC HoP&Q  F&GP
<b>2.6</b>	Insufficient Student Support Funding to meet demand.	4	5	20	<ul style="list-style-type: none"> <li>Strong financial monitoring</li> <li>Possible opportunity to request additional in year funding</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Continuous monitoring of demand v funding allocation</li> <li>Ongoing dialogue with Scottish Funding Council. Confirmation received from SFC that full amount of additional funding requested would be allocated</li> </ul>	PRIN HoF  F&GP

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility /Committee Oversight
3	Organisational									
3.1	Legal actions; serious accident; incident or civil/criminal breach	4	5	20	<ul style="list-style-type: none"><li>Adherence to legislative and good practice requirements</li><li>Positive Union relations and staff communication</li><li>Effective management development programmes</li></ul>	3	2	6	<ul style="list-style-type: none"><li>Monitoring and reporting in key areas – eg H&amp;S, equalities, employee engagement</li><li>Continuous professional development</li><li>Internal audit programme</li><li>Staff surveys</li></ul>	ELT  BoM
3.2	Reputational Risk – Loss of reputation with key stakeholders	4	3	12	<ul style="list-style-type: none"><li>Marketing strategy</li><li>Positive marketing approaches</li></ul>	4	2	8	<ul style="list-style-type: none"><li>Stakeholder engagement</li><li>Social media monitoring arrangements</li></ul>	PRIN VPBD&CS HoP&Q  BoM
3.3	Disasters – eg Fire, MIS Failure, Failure of Emergency Procedures	5	4	20	<ul style="list-style-type: none"><li>Sound systems of administration</li><li>Clear fire and disaster recovery arrangements</li><li>Staff CPD</li></ul>	5	1	5	<ul style="list-style-type: none"><li>Business Continuity Plan including scenario testing</li></ul>	VPBD&CS VPL&S HoCS  BoM
3.4	Failure to meet Prevent and related obligations	5	3	15	<ul style="list-style-type: none"><li>Prevent training</li><li>Staff awareness and contingency planning</li><li>Engagement/practice sharing with local agencies</li></ul>	5	1	5	<ul style="list-style-type: none"><li>Business Continuity Plan including scenario testing</li><li>Information sharing with local agencies</li></ul>	VPBD&CS HoCS  BoM

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3	Organisational (cont.)									
3.5	Industrial Relations Problems (including industrial action)	4	5	20	<ul style="list-style-type: none"><li>Adherence to legislative and good practice requirements</li><li>Positive Union relations and staff communication</li><li>Effective management development programmes</li><li>Industrial action continuity planning</li></ul>	4	5	20	<ul style="list-style-type: none"><li>Regular union/management dialogue</li><li>Regular employee engagement monitoring</li><li>Open communication with staff</li><li>EIS currently taking industrial (including strike) action.</li></ul>	ELT HoHR  HR
3.6	Failure to achieve ambitions of ICT strategy; strategy and development is ineffective, programme of change not achieved	4	4	12	<ul style="list-style-type: none"><li>Planning, careful phasing of changes to processes, systems and equipment</li><li>Effective management of ICT arrangements</li></ul>	4	2	8	<ul style="list-style-type: none"><li>Regular review/reporting on milestones, systems effectiveness etc</li><li>Regular CPD</li><li>Rolling programme of updates to systems and equipment</li></ul>	VPBD&CS HoCS  Audit
3.7	Breach of ICT/Cyber security	4	3	12	<ul style="list-style-type: none"><li>Effective management of ICT arrangements</li><li>Active ICT/data security monitoring and cyber security policy</li></ul>	4	2	8	<ul style="list-style-type: none"><li>Staff CPD on cyber security issues</li><li>Regular security monitoring/testing</li><li>Cyber resilience plan</li></ul>	VPBD&CS HoCS  Audit

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility /Committee Oversight
<b>3</b>	<b>Organisational (cont.)</b>									
<b>3.8</b>	Breach of data security/data protection	5	4	20	<ul style="list-style-type: none"> <li>Effective management of ICT arrangements and GDPR compliance</li> <li>Mandatory staff CPD and awareness raising on data protection (relative to role)</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Active data protection monitoring and auditing</li> <li>Effective information and data security policies in operation</li> <li>Regular data security monitoring/testing</li> <li>GDPR Action Plan</li> </ul>	VPBD&CS, HoCS Data users  Audit
<b>3.9</b>	Failure to reach aspirational standards in learning, teaching and service delivery	4	3	12	<ul style="list-style-type: none"> <li>Clear quality arrangements and priority actions</li> <li>Continuous self-evaluation and action planning</li> <li>Rigorous CPD arrangements in place</li> <li>Regular classroom observation and learner feedback arrangements</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Comprehensive monitoring of key PIs and student/staff feedback</li> <li>Regular Stop and Review events</li> <li>External review and validation findings</li> <li>Current PI report indicates no significant improvement in retention at this moment</li> </ul>	VPL&S, VPBD&CS HoP&Q HoC  L&T
<b>3.10</b>	Failure to achieve/maintain compliance arrangements, eg contracts; awarding bodies; audit	4	3	12	<ul style="list-style-type: none"> <li>Robust strategic planning and monitoring</li> <li>Effective environmental scanning</li> <li>Strong partnerships</li> <li>Clear links between strategy and practice</li> </ul>	2	2	4	<ul style="list-style-type: none"> <li>Effective internal monitoring/review/verification arrangements</li> <li>External review findings</li> </ul>	PRIN CLT  Audit

Key to Risk Estimation/Score based on scale of 1 – 5 for impact/likelihood: Green (1-8) = Minor Risk; Amber (9-15) = Significant Risk; Red (16-20) = Major Risk; Purple, (>21 - 25) = Fundamental Risk



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<b>3</b>	<b>Organisational (cont.)</b>									
<b>3.11</b>	Failure to meet the deadlines in our successful bid to SoSEP regarding the provision of Hub and Spoke model for Engineering, Construction and Care	3	4	12	<ul style="list-style-type: none"> <li>Robust project planning in place and feedback via EMT to Board of Management</li> <li>Clear and consistent approach to the project with Borders College</li> <li>Independent scrutiny through clerk of works (for building works)</li> <li>SFC involvement at all stages of the project</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>Curriculum development planning through L&amp;T Committee</li> <li>Overall project through regular Board of Management updates</li> <li>Further scrutiny through SoSEP Board</li> </ul>	PRIN VP BD&CS  VP L&S  BoM
<b>3.12</b>	Failure to reach contractual agreement with CITB regarding delivery of Construction related Apprenticeships	4	4	16	<ul style="list-style-type: none"> <li>National issue, discussions with CITB, SQA now escalated to include SDS and Scottish Government</li> <li>Request to defer new qualification until 2019/20 being considered by SQA regulatory body</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>Principal actively involved in national discussions</li> <li>Detailed scenario planning regarding costs of delivery and impact on college currently being completed</li> <li>Curriculum Manager involved in national forum exploring options</li> </ul>	PRIN VP L&S CM  BoM