

Board of Management Audit Committee

Date: 15 May 2017

Time: 14:00 pm

Room: 1074b

A G E N D A

			Presented by
1	Welcome and Apologies		HC
2	Declaration of Interest		HC
3	Minute of Meeting of 21 February 2017	(attached)	HC
4	Matters Arising		HC
5	Internal Audit Reports*		
5.1	Follow-up on Previous Recommendations	(report attached)	PC
5.1.1	Action Tracking Spreadsheet	(report attached)	KH
5.2	Cyber Security	(report attached)	PC
5.3	Income Generation	(report attached)	PC
5.4	Internal Audit Plan 2017-20	(report attached)	PC
5.5	Progress Report	(report attached)	PC
6	External Audit		DE
6.1	Wider scope audit questionnaire	(report attached)	KH
6.2	External Audit Plan 2016-17	(report attached)	DE
7	Strategic Risk Register	(report attached)	CT
8	Any Other Business		
9	Date and Time of Next Meeting – Tuesday, 19 Sept 2017 at 2pm		

*These are internal audits that are not published on the website but will be included in the annual internal audit report

Board of Management

Minute of the Meeting of the Audit Committee of the Board of Management of Dumfries and Galloway College held on 15 May 2017 at 2 pm in Room 1074b

Present:	Hugh Carr (Chair) Stuart Martin	Pat Kirby
In attendance:	Carol Turnbull, Principal Philip Church (RSM)	Karen Hunter, Finance Manager Georgina Philp (Scott-Moncrieff)
Minute Taker	Heather Tinning, (Executive Team Assistant),	

1 Apologies

The Chair welcomed members to the meeting. Apologies for absence were intimated on behalf of Delia Holland, Naomi Johnson, Ann Walsh and Brian Johnstone who had been invited by the Chair to attend.

The Executive Team Assistant confirmed the meeting was quorate with enough members present to allow decisions to be made.

2 Declaration of Interest

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

3 Minute of Meeting of 21 February 2017

The Minute of the meeting of 21st February 2017 was approved.

4 Matters Arising

Matters arising are covered within the Agenda.

5 Internal Audit Reports

5.1 Follow up on Previous Recommendations

Philip Church spoke to the report which had been issued, advising that the report provides assurance to the Committee and College Management that recommendations have been implemented.

Members noted the report and were content that the college is making satisfactory progress towards the recommendations.

5.1.1 Action Tracking Spreadsheet

The Finance Manager spoke to the Action Tracking Spreadsheet, which had been issued to the Committee to summarise the implementation status of previous audit recommendations. The Finance Manager asked the Committee for review and comment on the format of the Spreadsheet.

Members agreed the format and content of the Action Tracking Spreadsheet.

5.2 Cyber Security

Philip Church spoke to the Cyber Security Review, following an Internal Review for 2016/17 undertaken by one of RSM's IT Specialists, which involved looking at Software, Risk Assessments and Policies in place. He advised that 2 Medium and 3 Low recommendations had been implemented, providing a reasonable assurance that adequate policies and procedures are in place to prevent a cyber attack. Also staff and students have been given sufficient awareness in terms of safeguarding.

The Principal reported that following the Cyber Attacks on the NHS at the weekend, the College's IT Manager advised that the College's system had been checked over and that there were no issues with the software and the filters. He has since issued an e-mail reminding staff not to open suspicious e-mails. The Principal reported that the college has had one failed previous attempt by Hackers. Members discussed the GDPR, a new legal framework, which will apply in the UK from 25 May 2018.

Decision: The Principal to discuss the GDPR (General Data Protection Regulation) with the Student Records Manager in terms of the Data Protection Rules

Members noted the Cyber Security Audit Review and agreed that taking account of recommendations made, they were re-assured that adequate measures were in place to prevent a cyber attack

5.3 Income Generation

Philip Church spoke to the Income Generation Audit report, following a review on the income generation activities at both Dumfries and Stranraer campuses. The Zest Restaurant and the Hair and Beauty Salons were reviewed in terms of cash transactions, marketing strategy and stock control. As part of the review 4 recommendations were made. In terms of the products used in the Hair and Beauty Salons, the Principal advised that they are bought in bulk, using APUC. She advised that a stock control system is in place with the Technician in terms of monitoring stock, and that open bottles of products are sold to students and staff at the end of term. Members discussed setting contribution targets in terms of income generation, to provide the students with a commercial focus.

Decision: The Principal and Finance Manager to look at an aspirational target

Members noted the Income Generation Audit Report

5.4 Internal Audit Plan 2017-20

Philip Church spoke to the Internal Audit Plan 2017-20, looking at this year's plan, the College Risk Register and activities in the Sector going forward. In response to a question from a Committee Member regarding the Audit Fee, Philip confirmed that the daily rate is the same as last year. He reported on the Audit Committee requirements, including the impact on student attainment and recruitment. In terms of Risks to the College, members discussed the ongoing EIS dispute over terms and conditions.

Members noted the Final Internal Audit Strategy for 2017-20.

5.5 Progress Report

Philip Church spoke to the Internal Audit Progress Report, providing members of current progress against the 2016/17 Internal Audit Plan which had been approved by the Audit Committee on 10th May 2016.

Members noted the Internal Audit Progress Report and the assurance given that the Audit Plan for 2016/17 has been delivered by the end of the Academic Year.

6 External Audit

6.1 Wider Scope Audit Questionnaire

The Finance Manager asked the Committee to note the commentary and evidence available to the External Auditors, in response to their questions set out in the 'wider scope' paper which is part of Scott Moncrieff's planning work. Georgina spoke to the Wider Scope Audit Questionnaire, advising that the Audit Fee is set by Audit Scotland.

Members noted the Wider Scope Audit Questionnaire and were assured with the evidence that shows procedures and controls are in place.

6.2 External Audit Plan 2016-17

Georgina Philp spoke to the External Audit Plan for 2016-17 advising that the Plan highlights the work that the Auditors propose to undertake this year, including the work plan of 2016/17. She advised that the work will be focused around key areas, including Financial Sustainability. Georgina directed members to the survey monkey on page 4 of the report and encouraged members to comment on the quality of work and the report.

Members noted the External Audit Plan for 2016-17.

7 Strategic Risk Register

The Principal spoke to the Strategic Risk Register, reporting on the amended risks and revised ratings. In terms of Risk number 5, Review of Property and Provision in Dumfries, the Principal advised that she had attended a recent meeting with the University of the West of Scotland and that UWS were still working on a review of their Portfolios.

Following discussion on the recent Cyber Attacks and taking into account recommendations included in the Cyber Audit, members agreed that no further action is deemed necessary at this time.

Members noted that no new risks had been added.

8 Any other business

None.

9 Date and Time of Next Meeting

The next meeting of the committee is to take place on Tuesday 19 September 2017, at 2 pm.

Board of Management

Minute of the Meeting of the Audit Committee of the Board of Management of Dumfries and Galloway College held on 21 February 2017 at 2 pm in Room 1074b

Present:	Hugh Carr (Chair) Stuart Martin	Pat Kirby
In attendance:	Carol Turnbull, Principal David Eardley (Scott-Moncrieff) Jannette Brown, Board Secretary, Vice Principal Corporate Services & Governance Brian Johnstone, Chair of the Board of Management	Karen Hunter, Finance Manager Georgina Philp (Scott-Moncrieff)
Minute Taker	Heather Tinning, (Executive Team Assistant),	

1 Apologies

The Chair welcomed members to the meeting, in particular David Eardley and Georgina Philp from Scott-Moncrieff. Apologies for absence were intimated on behalf of Delia Holland.

The Secretary to the Board confirmed the meeting was quorate with enough members present to allow decisions to be made.

2 Declaration of Interest

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

3 Minute of Meeting of 21 November 2016

The committee asked for a typo to be corrected then approved the Minute of meeting held on 21 November 2016.

4 Matters Arising

In response to a question about the College's published annual accounts the Vice Principal Corporate Services & Governance advised that a press release would be issued once the College had been advised to publish accounts.

5 Scott Moncrieff Introduction

David Eardley and Georgina Philp spoke to the report which had been issued, providing an overview for Scott-Moncrieff Accountants, and asked for it to be noted that they were delighted to be appointed to undertake the audit for the college. David will lead the external audit for the college and Georgina Philp will manage the onsite audit team.

In answer to a question on courses and updates on governance, DE reported that he would advise the college of any planned events, and reported that at present Scott-Moncrieff are looking to roll out non-executive forums involving plenary sessions, allowing sharing of experience and good practice across the sector.

In terms of the next steps, DE advised that he would look to set up a formal meeting with the College to pull together the External Audit Plan, which will be brought back to the Audit Committee meeting in May. There will be an interim visit to the college to look at the college's systems and processes and a final visit to audit the accounts and the financial statements, for presentation at the November Audit Committee meeting to take forward to the Board of Management at the December meeting.

6 Internal Audit Reports

6.1 Progress Reports

The Vice Principal Corporate Services & Governance spoke to the Internal Audit Progress Report which had been issued, assuring members that the college is on course to progress the audits planned for next year. Planned audits on Cyber Risk and Income Generation took place in w/c 13 February. The Vice Principal Corporate Services & Governance advised that the next interim report will be presented to the Audit Committee at the May meeting, together with the Audit Plan for 2017/18.

Members noted the Internal Audit Progress Report.

7 Strategic Risk Register

The Vice Principal Corporate Services & Governance spoke to the circulated Strategic Risk Register, highlighting the new risks. Discussion took place on the vacancies for both the Board Secretary and the Vice Principal Corporate Services & Governance positions. The Principal re-assured the Board Members that the recruitment process had started for both. The Principal will assume the Vice Principal's portfolio in the interim. She advised that there were experienced managers under the Vice Principal. The Principal confirmed that experts Aspen People will deal handle the recruitment of the Vice Principal, and interviews planned to take place at the end of April. The Principal confirmed that she had emailed all board members with a link to the vacancy.

In answer to a question on the rating of risk 8, business continuity due to Influenza pandemic, terrorism, fire or other disaster, the Vice Principal Corporate Services & Governance advised that the procedure was last invoked when the College being flooded. Staff training had recently taken place in line with PREVENT duties. Feedback from the recent audit of Cyber Security does not indicate that the rating should be increased.

Decision: Members approved the Strategic Risk Register.

8 Audit Scotland Statutory Fees Letter

The Vice Principal Corporate Services & Governance spoke to the Letter which had been issued, providing notification of the college's statutory fees for 2016/17 Audits. Discussion surrounded the expected fixed fee increase of 13.8% from 2015/16.

Members noted the contents of the letter.

9 Any other Business

9.1 College Strategic Risk Register

In response to a question in terms of the Auditors' views on the college's Strategic Risk Register, DE advised that the format, layout and number of risk identified are in line with good practice. He also advised that it was important to discuss the Risk Register at Board Committee meetings. Members noted that the Risk Management Policy was reviewed last June.

9.2 Vice Principal Corporate Services & Governance

On behalf of the Audit Committee, the Chair thanked the Vice Principal Corporate Services & Governance (Board Secretary) for her dedication and commitment and wished her well in her future plans.

10 Date and Time of Next Meeting

The next meeting of the committee is to take place on Tuesday 16 May 2017, at 2 pm.



Scott-Moncrieff
business advisers and accountants

Wider scope audit questionnaire

March 2016

Contents

- Introduction..... 1
- Financial sustainability 3
- Financial management..... 7
- Governance and transparency 11
- Value for money..... 15

1

Introduction

Introduction

The revised Code of Audit Practice 2016 (2016 Code) sets out the framework for public audit in Scotland. The most significant change that the 2016 Code brings about is to set out the expectations of appointed auditors on the wider scope of public audit in Scotland.

The wider scope of public audit requires us to comment on four audit dimensions; financial management, financial sustainability, governance and transparency and value for money. At the centre of these four dimensions is best value.

This questionnaire sets out a series of questions that will give us an understanding of the arrangements the organisation has in place in respect of the four dimensions noted above. We will use the responses to identify areas where our detailed audit work will be focused.

Audit dimensions of wider scope public audit

Audit area	Scope
Financial sustainability	Financial sustainability looks forward to the medium (two to five years) and the longer term (over five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.
Financial management	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
Governance and transparency	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.
Value for money	Value for money is concerned with using resources effectively and continually improving services.

2

Financial sustainability

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to deliver its services or the way in which they should be delivered.

Issue to consider	Commentary	Evidence to support commentary
<p>Does the organisation have financial plans/strategies in place for the:</p> <ul style="list-style-type: none"> • short term (1 year) • medium term (2-5 years) • long term (5-10 years). 	<p>An annual budget is prepared and reported to the Finance Committee and Board, with updates provided for main changes</p> <p>A 5-year curriculum plan is in draft, which will inform the staffing requirements and financial budgets, and is updated annually</p> <p>A 5-year estates strategy is in place</p> <p>Longer-term planning is currently being considered</p>	<ul style="list-style-type: none"> - annual budget reports and updates - curriculum planning reports - HT strategy - estates strategy
<p>Do the plans/strategies set out financial commitments; assess affordability of services to allow the organisation to understand whether the financial position is sustainable over an extended period?</p>	<p>Financial budgets are updated annually, and are dependent on funding from SFC. The curriculum and estates plans include considerations of affordability, as well as staff and resource requirements.</p>	<p>As above</p>
<p>How has the impact of long-term pressures been built into financial plans?</p> <p><i>What information is used to determine the future changes in inflation or service demand, such as predicted changes in demographics?</i></p>	<p>The assumptions for longer-term financial plans are currently being considered, and will be included in the revised Finance Strategy.</p> <p>Assumptions are being discussed with other colleges to ensure consistency across the sector.</p>	
<p>Are plans/strategies updated to reflect major changes to substantive revenue or expenditure programmes?</p>	<p>The annual budget is revised regularly with the monthly management accounts and any large changes are reported to F&GP and Board</p>	<p>Minutes/ papers for meetings</p>
<p>Do long-term financial plans/strategies include the key features as outlined in <i>Scotland's public finances: A follow-up audit: Progress in</i></p>	<p>The key features will be considered when the Finance Strategy is revised</p>	

Issue to consider	Commentary	Evidence to support commentary
<i>meeting the challenges?</i>		
Does the organisation apply scenario planning and sensitivity analysis in developing financial plans/strategies?	Scenario planning Is undertaken by EMT and Board to highlight the impact of changes in funding etc.	EMT and Board reports and minutes
How are actions to address short-term financial challenges identified, approved and monitored? Are these included in a financial recovery plan?	Monthly management accounts and forecasts are monitored by the Executive Management Team, with any potential issues/ challenges identified, and options set out in order to achieve a balanced out-turn	EMT reports and minutes
Is a reserves strategy in place? What is the current level of reserves and is this in line with the strategy?	Net reserves and working capital was discussed in the ONS reclassification implementation plan, with any cash-backed working capital transferred to the Scottish Colleges Foundation. The Board agreed to retain minimal working capital/ reserves in line with Government budget rules, and SFC direction. The budget has been set with the aim of achieving an underlying net break-even position.	Accounts/ Board minutes
Are long-term capital investment plans in place? (Please provide copies)	No long-term capital investment plans are in place. The College currently still has cash balances which are ear-marked for Lennartz liabilities but the College aim to maintain in-year cash balances at a lower level in line with SFC guidance	Cash flow projections/ SFC returns
What timescales do long-term capital investment programmes cover? How does the organisation ensure assumptions within investment programmes are realistic?	Estates strategy and estates plans highlight any demands/ capital programmes are reviewed annually, In order to request capital allocations from SFC or to inform applications to the Foundation. Estates plans are agreed by EMT, and built into the College operational plan. Any developments are checked for compliance with the College strategic aims	Operational plan, Estates Strategy
What arrangements are in place to assess the long-term revenue	Not relevant	

Issue to consider	Commentary	Evidence to support commentary
consequences of borrowing and other forms of finance?		
How is the funding of capital and investment plans linked to financial projections and the financial plan/strategy?	Capital plans require funding from SFC or Foundation, and are built into the annual budget	
What arrangements are in place to ensure the benefits of investment decisions are clearly articulated at the outset and how is this success measured?	Not relevant	
Do financial plans link with service, asset and improvement or efficiency plans?	The budget and operational plans are reviewed by EMT and Board to ensure they are linked to the College Strategic plans	Budgets and operational plans
Are workforce plans in place covering the medium to long term and do these set out what the workforce will need to look like in terms of numbers, skills and knowledge?	The 5-year curriculum plan informs the workforce planning. The staffing requirements are assessed as part of the annual budget process, and is linked to the SFC outcome agreement and credit targets which are announced on an annual basis. Plans are updated regularly throughout the year. A draft workforce plan is in place. The Director of Organisational Development is a member of the Workforce for the Future working group	Curriculum plans/ outcome agreements/ budget reports, minutes from the Workforce for the Future working group
Are asset management plans in place (for key assets including e.g. infrastructure, land, other physical assets and ICT)? How do these link into service and financial planning processes?	The operational plan process highlights demand for replacement equipment/ assets each year across the college, including estates and ICT requirements. The Estates Strategy is reviewed annually, and updates provided to F&GP	Operational Plan, Estates Strategy, minutes and reports for F&GP

3

Financial management

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Issue to consider	Commentary	Evidence to support commentary
Does the annual budget include all revenue and expenditure to allow different policy options to be assessed?	All sources of Income and plans for expenditure are included, with a narrative to highlight the main assumptions. The EMT review and refine the budget and assumptions before It is distributed for F&GP review	Budget reports/ EMT and F&GP minutes
How regularly are budget updates produced and reported?	Any material changes in the budget are reported separately to F&GP, other smaller changes are incorporated in monthly updates for EMT, and reviewed by F&GP periodically	EMT/ F&GP reports and minutes
Who are the budgets reported to and is there an appropriate level of challenge?	As above - EMT and F&GP/ Board	EMT/ F&GP reports and minutes
Do budget updates and supporting documents include a detailed commentary on each revenue and expenditure programme?	A commentary on main areas of income and expenditure are reported to F&GP, with EMT provided with more detail	EMT/ F&GP financial updates
Do budget updates contain the amount of revenue and expenditure in each month and year-to-date?	Monthly reports include year to date budget/ actual figures as well as full year forecasts and budgets.	EMT/ F&GP financial updates
Are any in-year adjustments to the original forecast shown separately?	Variances and budget changes are highlighted	EMT/ F&GP financial updates
Are current budgets reconciled with earlier forecasts for the same period with all significant variances explained?	As above - variances in budgets are highlighted, with commentary for review	EMT/ F&GP financial updates
Has the organisation developed a priority-based approach to budget-	The operational plan process includes an assessment of priorities by EMT. The annual	Budget working papers/ operational

Issue to consider	Commentary	Evidence to support commentary
setting which makes connections between planned spending and intended outcomes?	budget review includes a review of changes/ requests at departmental level, for EMT to approve or reject depending on priorities	plan papers/ EMT minutes
Is there a clear mechanism for monitoring and reporting how, over time, spending decisions are contributing to outcomes?	Outcome Agreement process/ operational plan is linked to strategic aims/ achieving credit target and other outcomes are monitored, and budget priorities assessed based on that	
How are standing financial regulations promoted within the organisation? When were these last reviewed and updated?	Included on the staff intranet/ guidance and work instructions provided to staff/ new staff induction includes review of those where appropriate	
How does the organisation ensure the finance team have sufficient financial expertise and experience?	Finance Manager is a qualified CA, with 12 years experience in the College/ team members have relevant qualifications and experience for their roles. Staff development reviews ensure staff are provided with training appropriate to their roles and any developments	
What arrangements are in place to ensure effective arrangements are in place to prevent and detect fraud and corruption?	Policies in place for staff to review/ induction processes/ Anti-fraud and corruption policy	
<p>How many staff are employed in a finance role within the organisation?</p> <p>Where possible please provide a split across sections, for example:</p> <ul style="list-style-type: none"> ➤ Corporate finance ➤ Service departments ➤ Budget monitoring 	<p>See organisation chart/ 2 full-time staff, and 3 part-time</p> <p>FM is responsible for management accounts and financial statements/ FM and senior finance assistant carry out main roles for budget setting and monitoring/ remaining team deal with sales ledger/ purchase ledger/ cash book and other processing duties</p>	
How many professionally qualified finance staff are employed in a finance role within the organisation?	FM only is a qualified Chartered Accountant/ others are educated to HNC level, and all are experienced in finance roles	

Issue to consider	Commentary	Evidence to support commentary
Has the finance capacity reduced over the last five years?	Following ONS reclassification, additional staff member (21 hours/ week) has been added to the finance team in order to meet the demand for additional reporting	Staff structure/ job descriptions
Where there has been a reduction in finance staff has this been managed as part of a workforce plan?	Changes to take place at July '17, plans already in place to streamline processing of some tasks and bring forward developments to allow for this, and a Workforce Plan has been drafted	
Does the organisation have plans in place for succession planning of key finance positions?	The small team are able to take over essential tasks to cover for long-term sickness/ other longer-term training is taking place to provide cover where necessary for key roles	
Are there plans in place to maintain or increase financial professionalism within the organisation?	Staff development plans include additional training for procurement to enhance knowledge and understanding in that area	Staff development review/ training records
Does the organisation have a formal professional trainee scheme in place? If so, how many staff are in the scheme?	None in place	

4

Governance and transparency

Governance and transparency

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.

Issue to consider	Commentary	Evidence to support commentary
Please provide an overview of governance arrangements.	Overview included in Corporate Governance statement in 31.07.16 accounts	31.07.16 accounts
What arrangements are in place to review the effectiveness of the governance arrangements?	An external review of governance arrangements has recently taken place, and will be built into the Board calendar on a regular basis. Internal Audit also includes an assessment of governance	Report on the review of Board effectiveness/ internal audit planning
What partnership arrangements does the organisation have in place, with other organisations, such as Arm's Length External Organisations (ALEO)'s, subsidiaries or associates? How is the effectiveness of these relationships/arrangements monitored or reviewed?	The College works closely with various partners, including Universities and local schools. the partnerships are all monitored by EMT, with overview by Board, as well as internal audit review	EMT/ Board reports and minutes
How does the organisation ensure there is effective scrutiny, challenge and transparency on decision making and financial and performance reports?	EMT review/ Board and committee review/ internal audit review	EMT/ Board reports and minutes/ internal audit planning and reports/ external audit and other external reviews
How does the organisation ensure committee members have a sufficient mix of skills, experience and objectivity? What processes are in place to provide committee members with additional information if required to make decisions, on finance and performance reports?	The process of Board appointments ensures that the necessary mix of skills is available/ evaluation and Board effectiveness review is carried out regularly/ development activities are planned in order to address specific needs. The relevant EMT member and /or manager attend F&GP meetings and is available to provide information and explanations	Board evaluation/ development plans and activities/ review/ relevant EMT member and /or manager attend F&GP meetings
What processes are in place to ensure quality and timely information is included in	Calendar of meetings is set early in the year, and deadlines for reports is	EMT/ Board reports and minutes/ Board

Issue to consider	Commentary	Evidence to support commentary
finance and performance reports?	established. reports are reviewed by EMT before sending to Board members/ Internal audit review of reports is carried out/ Calendar is linked to SFC and other reporting requirements and deadlines	calendar
<p>What processes are in place to ensure effective leadership is in place? <i>How does the organisation ensure there is a clear division of responsibilities at a strategic and operational level?</i></p>	External review of Board as above/ Board review of EMT decision-making, internal audit processes, SFC scrutiny. Annual update by Principal, and Principal's College Conversations/ regular departmental meetings are held	HR Strategy, feedback from College conversations, Principal's annual staff update
How does the organisation promote a positive culture? Outline the arrangements in place.	Processes for staff recruitment and staff development/ Policies in place including Dignity at Work/ Whistle blowing/ Fraud & corruption, etc.	
<p>How does the organisation ensure the rationale for decisions made is clearly communicated? <i>How does the organisation ensure agenda papers reflect the risks relating to a decision , the required decisions to be made and the justification for these decisions?</i></p>	Risk Register In place/ Board papers set out options available and implications/ challenge and discussion by Board members/ EMT available to provide further information as required for decision-making. A new template is in place for Board agendas to highlight decision-making requirements	
How do corporate strategies/plans align to performance reports? Please provide overview of performance management framework.	All operational planning and budgeting is aligned to the College strategic plans/ review in line with Outcome agreement priorities	
<p>How is benchmarking carried out to identify areas for improvement? <i>What procedures are in place to identify similar organisations which the organisation can benchmark performance against? How often is benchmarking carried out?</i></p>	Monitoring of PI's across teaching areas/ financial KPI's reported/ review of Audit Scotland and other reporting for the sector/ benchmarking with other small/ rural colleges, through sector colleagues/ SFC data on student outcomes reviewed/ Education Scotland reports	
What arrangements are in place to ensure public performance reporting arrangements effective?	Assessment of reporting requirements is ongoing, carried out by College Leadership team, EMT, Regional Chair and Secretary to the Board/ feedback	

Issue to consider	Commentary	Evidence to support commentary
	from SFC through ROA process/ SFC data on student outcomes reviewed/ Education Scotland reports	
How does the organisation demonstrate that the quality of reporting is improving?	As above - feedback from SFC through ROA process, Audit Scotland, internal and external auditors	

5

Value for money

Value for money

Value for money is concerned with using resources effectively and continually improving services.

Issue to consider	Commentary	Evidence to support commentary
How does the organisation demonstrate value for money in the use of resources?	Monitoring of procurement and procurement processes/ APUC review of spending annually/ Internal audit review	Internal work instructions/ procurement reporting/ internal audit reviews
How does the organisation demonstrate a clear link between money spent and outputs and the outcomes delivered?	Review and assessment by EMT and Board/ review of progress in achieving outcome agreement targets/ procurement processes	
What arrangements are in place to demonstrate continuous improvement?	Quality procedures/ operational planning processes/ outcome agreement processes and review of progress/ KPI review/ Education Scotland review process	
What arrangements are in place to assess the impact that service and cost reductions have on the quality of services provided? Please provide examples?	Review and assessment by EMT and Board/ Complaints procedure In place/ Quality Surveys including Learner Voices, and other Self Evaluation processes	
How are savings plans risk assessed and monitored to ensure savings are being delivered.	Review and assessment by EMT and Board	
Have alternative models of serve been considered? Where they are in place are they having a positive impact on services?	Review and assessment by EMT and Board/ Internal audit review	
How has the organisation considered the effectiveness of its service delivery model? If the delivery of services has been redesigned how is this monitored to ensure outcomes are in line with expectations?	Continuous review of processes and procedures throughout the college/ quality improvement embedded for all staff/ staff survey and student surveys carried out	

Issue to consider	Commentary	Evidence to support commentary
How are user needs and views considered in the evaluation of service delivery and quality?	Student feedback questionnaires/ staff feedback/ complaints procedures and monitoring/ Quality Surveys including Learner Voices, and other Self Evaluation processes	
Outline the arrangements to ensure equalities issues are adequately addressed	HR review/ impact assessment of policies and procedures to ensure compliance, review of college information, applications, etc./ HR Strategy and implementation/ Quality Mainstream report/ Equal pay policies/ Quality Outcomes report, all reported to the Board	



Scott-Moncrieff
business advisers and accountants



Scott-Moncrieff
business advisers and accountants

Dumfries and Galloway College

**External Audit Plan
2016/17**

May 2017

Contents

- Introduction..... 1
- Responsibilities of Scott-Moncrieff 3
- Audit strategy 5
- Annual accounts..... 8
- Wider scope audit..... 12
- Audit outputs, timetable and fees 15
- Appendix 1: Your audit team 18
- Appendix 2: Statement of understanding..... 19

1

Introduction

Introduction

1. This document summarises the work plan for our 2016/17 external audit of Dumfries and Galloway College (the "College"). The core elements of our work include:
 - an audit of the 2016/17 annual accounts and related matters;
 - an assessment of the College's arrangements as they relate to financial sustainability, financial management, governance and transparency and value for money; and
 - any other work requested by Audit Scotland.

Audit appointment

2. The Auditor General is an independent Crown appointment, made on the recommendation of Scottish Parliament. The Auditor General is independent and not subject to any control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of most public bodies in Scotland outside the local government sector, including further education colleges in Scotland, and reporting on their financial health and performance.
3. 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.
4. The Auditor General has appointed Scott-Moncrieff as external auditor to the College for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2016/17 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

5. 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 the 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.
6. We welcome any comments you may have on the quality of our work and this report via: www.surveymonkey.co.uk/r/S2SPZBX
7. While this plan is addressed to the College, it will be published on Audit Scotland's website www.audit-scotland.gov.uk.

2

Responsibilities of Scott-Moncrieff

Responsibilities of Scott-Moncrieff

Code of Audit Practice

- 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.

Auditor responsibilities

- 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 annual accounts, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.
- The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.

Small body provisions

- The Code recognises that it is not likely to be appropriate or proportionate to apply the full wider scope audit to some small audited bodies.
- We consider that the audit of Dumfries and Galloway College should be carried out under the small body provisions of the Code. Further detail on our consideration, and the implications for our audit, can be found in Section 5: Wider scope audit.

Exhibit 1: Audit dimensions of wider scope public audit

Audit area	Scope
Financial sustainability	Financial sustainability looks forward to the medium (two to five years) and the longer term (over five years) to consider whether the body is planning effectively to allow it to continue to fulfil its functions in an affordable and sustainable manner.
Financial management	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
Governance and transparency	Governance and transparency covers the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.
Value for money	Value for money is concerned with using resources effectively and continually improving services.

3

Audit strategy

Audit strategy

Risk-based audit approach

13. 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.
14. 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. Our audit planning is based on:



Communications with those charged with governance

15. Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be through Audit Committee.

Professional standards and guidance

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

Partnership working

17. 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

18. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland 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.

Internal audit

19. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the College's total audit resource. The College's internal audit service is provided by RSM's internal audit team. 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 to the College is used efficiently and effectively.



Annual accounts

Annual accounts

Introduction

20. Audited bodies' annual accounts 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 accounts.

Approach to audit of annual accounts

21. Our opinion on the annual accounts will be based on:

Risk-based audit planning

22. 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 annual accounts will be based.

An audit of key systems and internal controls

23. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.

24. 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.

25. 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 annual accounts

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

27. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with:

- the Statement of Recommended Practice Accounting for Further and Higher Education (the SORP);
- the Government Financial Reporting Manual (the FReM), where applicable; and
- the Accounts Direction;

28. 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

29. Our opinion on the truth and fairness of the annual accounts will be set out in our independent auditor's report which will be included within the annual accounts.

Materiality

30. Materiality is an expression of the relative significance of a matter in the context of the annual accounts 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.

31. Our initial assessment of materiality is £225,000, being approximately 1.9% of the College's 2016/17 total budgeted income. We will review our assessment of materiality throughout our audit.

32. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We will 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 of significant risk of material misstatement.

Area risk assessment	Weighting	Performance materiality
High	45%	£101,000
Medium	55%	£124,000
Low	70%	£158,000

- Uncorrected misstatements with a value in excess of £5,000; and
- Other misstatements below £5,000 that we believe warrant reporting on qualitative grounds.

Key audit risks in the annual accounts

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

- All material corrected misstatements;

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

Exhibit 2 – Key audit risks in the annual accounts

1. Management override

In any organisation, there exists a risk that management have 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 annual accounts. This is treated as a presumed risk area in accordance with ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.



35. 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.

2. Revenue Recognition

Under ISA 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. Practice Note 10 (revised) highlights that in the public sector most entities are net spending bodies and there is a risk of fraud over expenditure.

The presumption is that the College could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.



36. 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 240. We have identified that for 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, including tuition fee revenue and revenue from catering.

37. Where we have identified a revenue recognition risk our work will review the controls in place over revenue accounting. We will consider the College's key revenue transactions and streams and carry out testing to confirm that the College's revenue recognition policy is appropriate and has been applied consistently throughout the year.

38. We have considered the risk of fraudulent recognition of expenditure in line with Practice Note

Exhibit 2 – Key audit risks in the annual accounts

10 and at this stage of the audit we do not believe the recognition of expenditure represents a material risk to the financial statements due to the fact there is little incentive to manipulate expenditure. We will continue to monitor this position throughout the audit.

3. Voluntary severance scheme

As part of the College's proposed organisational restructure, the College's Board of Management approved a voluntary severance scheme in 2016/17. There is a risk that the costs associated with voluntary severance agreements have not been correctly reflected in the financial statements and the appropriate disclosures are not included.



39. We will review the voluntary severance scheme offered by the College in 2016/17 to ensure that any individual agreements made were subject to the proper scrutiny and approval procedures and that the wider scheme was carried out in line with best practice and the guidance issued by the Scottish Funding Council.
40. We will look to gain assurance that the scheme has been correctly reflected in the financial statements and the appropriate disclosures have been made.

5

Wider scope audit

Wider scope audit

Introduction

41. The Code of Audit Practice sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are:
- financial sustainability;
 - financial management;
 - governance and transparency; and
 - value for money;

Small body provisions

42. The Code recognises the planned audit work should be risk based and proportionate to the nature and size of an audited body. The Code recognises that it is not likely to be appropriate or proportionate to apply the full wider scope audit to some small audited bodies.
43. We consider that the audit of Dumfries and Galloway College should be carried out under the small body provisions of the Code. We have reached this conclusion through our assessment of:
- the relative size of the College;
 - the relative simplicity of the College's functions; and

- the College's risk profile, as informed through discussions with officers.

44. Application of the small body provisions of the Code results in a targeted and tailored wider scope audit for the College. Our work in 2016/17 will comprise of an assessment of the College's arrangements as they relate to financial sustainability and targeted work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement.
45. Audit planning is a continuous process and our application of the small body provisions will be subject to on-going review to ensure it remains appropriate. Should we identify any particular issue or risk during our audit that we consider requires additional work, or the full wider scope to be applied, we will update our audit plan.

Exhibit 3 - Wider scope audit

Financial Sustainability	Our audit approach
<p>The College 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"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with any statutory financial requirements and achievement of financial targets; • How the organisation plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position. 	<p>During our audit we will consider the College's financial standing. This will involve a review of arrangements in place for short, medium and long term financial planning; taking cognisance of the investigatory work outlined above, budgetary control and financial reporting. It is important that such arrangements are adequate in order to properly control the College's operations and use of resources.</p>
	<p>Key audit risk</p> <p>In August 2016 Audit Scotland published the national report Scotland's Colleges 2016. The report recommends that colleges should prepare long term</p>

Exhibit 3 - Wider scope audit

Financial Sustainability	Our audit approach
	<p>financial strategies (a minimum five years). The report suggests plans should be supported by medium term financial plans and workforce plans.</p> <p>On-going pressures within the further education sector mean that it is vital the College plans sufficiently to ensure its financial sustainability in the longer term.</p> <p>The College does not currently prepare a long term financial strategy; however is addressing this recommendation. We will review the College's progress in developing a long term financial strategy.</p>

Governance statement	Our audit approach
<p>The College is responsible for ensuring appropriate disclosures are made in the Governance Statement. The Governance Statement should met the disclosure requirements prescribed by relevant guidance:</p> <ul style="list-style-type: none"> • the Scottish Funding Council's Accounts Direction; and • Code of Good Governance for Scotland's Colleges. 	<p>There is a risk that the appropriate disclosures are not made in the Governance Statement.</p> <p>During our 2016/17 audit we will consider the appropriateness of disclosures made in the Governance Statement.</p>

5

Audit outputs, timetable and fees

Audit outputs, timetable and fees

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2016/17.	May 2017
Independent Auditor's Report	Report	This report will contain our opinions on the truth and fairness of the annual accounts and on the regularity of transactions.	November 2017
Annual Report to the Audit Committee and the Auditor General for Scotland	Report	We will issue an annual report setting out the nature and extent of our audit work for the year and summarising our opinions, conclusions and the significant issues arising from the work. This report will pull together all of our work under the Code of Audit Practice	November 2017

Audit outputs

46. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
47. 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.

Audit fee

48. Audit Scotland has completed a review of funding and fee setting arrangements and as a result revised its fee strategy. It now 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.
49. The expected fee will be reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.

50. 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. For 2016/17 the expected fee for the College is £15,220. We propose setting the fee at this level. The total proposed fee for the College for 2016/17 is as follows:

Composition of the audit fee	
Auditor remuneration	£13,660
Pooled costs	£850
Audit support costs	£770
Total fee	£15,220

51. 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

52. The dates for our audit visits have been discussed with the College. A summary timetable is set out below:



6

Appendices

Appendix 1: Your audit team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 18 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network.

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

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, further education bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Your audit team

The external audit team at Dumfries and Galloway College will be led by David Eardley and managed by Georgina Philp. We will draw upon the expertise of our wider public sector management team during the course of our audit appointment.

David Eardley CA – Engagement Lead

David has over 13 years' 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 £1.3billion health boards to specialist central

government entities. David has a wealth of technical accounting expertise, coupled with strong interpersonal and client relationship skills.

Georgina Philp CPFA – Assistant Manager

Georgina has considerable public sector experience, delivering external audit services to a range of public sector bodies, including further education, local government, NHS and central government.



Georgina will manage the onsite audit team and work alongside David to deliver the audit engagement.

Confirmation of independence

Auditing standards require us to communicate on a timely basis all facts and matters that may have a bearing on our independence. In addition to the external audit Scott-Moncrieff provides the College with advice in relation to VAT. This non-audit work was subject to prior approval by Audit Scotland, is undertaken entirely independently from the audit team and does not involve a management role.

We confirm that we will comply with the FRC Ethical Standard – Integrity, Objectivity and Independence. 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 and the College and senior management that may reasonably be thought to bear on our objectivity and independence.

Appendix 2: 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 and Scott-Moncrieff.

Annual accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant 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 College'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 annual accounts. This will take place by means of a letter of representation, which will require to be signed by the Treasurer.

Internal audit

It is the responsibility of the College 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 Karen Jones or Nick Bennett (Engagement Quality Control Lead). 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 College 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.



Scott-Moncrieff
business advisers and accountants

Audit Committee

Strategic Risk Register

1. Introduction

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

2 The Report

- 2.1 In accordance with the College's Risk Management Policy any risk with an inherent rating of 12 or above must have mitigating controls in place and where the residual rating remains above 12 should be reviewed at least quarterly in order to identify if any further actions could be taken to reduce the residual rating to below 12. For completeness all risks are included in the attached register, in order of high to low ratings.
- 2.2 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 13 strategic risks, three of which are rated 12 or above.
- 2.3 No new risks have been added but changes have been made to the following:
- Risk No 1 – 'National Pay Bargaining'. Residual Risk of 16 as no resolution has been reached this far.
 - Risk No 6 – 'Failure to achieve attainment targets'. Residual Risk has been increased to 16 due to current industrial action.
 - Risk No 12 – 'Potential disruption due to time delay in recruiting to the post of Vice Principal'. Residual Risk has been reduced to 6. New Vice Principal to start on 29th May.
 - Risk No 5 – 'University of West of Scotland – Review of property and provision in Dumfries. Residual Risk of 6. UWS not close to making a decision.

3. Recommendation

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

Strategic Plan 2016-2017 Risk Register

Risk No.	Risk Description	Inherent Risk			Controls in Place	Assurances	Internal/ External	Residual risk			Further Action	Risk Owner
		Likelihood	Impact	Total				Likelihood	Impact	Total		
1	National Pay Bargaining	4	4	16	1. Detailed financial planning undertaken and approved by Finance and General Purposes Committee to ensure "affordability" of any offer. 2. National negotiation processes in place with recognised unions. 3. Government public sector pay guidance for 2017-18 is for maximum 1%, College budget will reflect this.	1. Feedback to EMT and the Board 2. Included in budget which is monitored and reported through F&GP and Board 3. Sound internal planning and monitoring to ensure service continuity in event of industrial action	Internal/ External	4	4	16	Likely dispute with EIS re 2017-18 pay award and national bargaining	EMT
6	Failure to achieve attainment targets	4	4	16	1. Real time monitoring systems in place 2. Strategies in place to improve retention. 2. Strategies in place to improve student success 3. Poorly performing programmes removed from the curriculum.	1. Monitored at course level and review by Vice Principal (Learning and Skills) 2. Monitored through self evaluation process and reported to ET and L&T committee	Internal/ External	4	4	16	Moving forward achieving attainment targets agreed with the SFC in the Regional Outcome may be a condition of grant. Low attainment can also be detrimental to college reputation. April 2017 - industrial action by the EIS due to failure to reach agreement on national pay award will cause major disruption to students achieving their qualification / progressing to University.	EMT
3	Governance issues: Reclassification and other changes to governance reduce the flexibility of the College to manage financial and estates issues and meet targets in the Outcome Agreement.	4	4	16	1. Executive Management Team and Finance Manager representation at relevant briefings and ongoing monitoring of changes 2. External audit advice	1. Appropriate and robust internal planning and monitoring arrangements 2. Regular liaison with Scottish Funding Council	Internal/ External	3	4	12	Seeking financial support from Scottish College Foundation to support College's continuing development. SFC Guidance on Depreciation, Deficits and transferring funds to ALFs	EMT
12	Potential disruption due to time delay in recruiting to the post of Vice Principal	4	4	16	1. Finance moving to another experienced EMT member 2. Interim arrangements in place - Principal to assume portfolio	1. Continuity of strategic finance 2. Experienced operational managers 3. Seek experienced staff from sector for FES return if required	Internal	3	2	6	VP starting w/c 29 May 2017	EMT
5	University of West Of Scotland - Review of property and provision in Dumfries.	4	3	12	1. Principal continue to discuss with Senior Management of UWS. 2. Principal and Vice Principal on the Joint Academic Strategy Group. 3. Regular reporting and discussion at EMT as information becomes available.		Internal/ External	2	3	6	Continue dialogue with UWS. Keep SFC informed of potential loss of contribution to college overheads from UWS for shared accommodation. Also potential loss of articulation opportunities for College students if UWS provision if reduced. Recent discussion indicate UWS not near making a decision at this point in time.	EMT
2	Public sector funding cuts - forecast for session 2017-18	4	4	16	1. Scenario planning undertaken and measures to offset reduction identified which is then used to inform curriculum planning. 2. Annual review of provision undertaken through planning and budgetary process to ensure match of income and expenditure.	1. Curriculum plans approved by EMT and L&T 2. Budget approved by the Board	Internal	1	4	4	Indicative funding received Feb 2017. Slight increase in funding but insufficient to meet increase in pay costs. Continue to look for opportunities to increase non SFC income.	EMT

Strategic Plan 2016-2017 Risk Register

Risk No.	Risk Description	Inherent Risk			Controls in Place	Assurances	Internal/ External	Residual risk			Further Action	Risk Owner
		Likelihood	Impact	Total				Likelihood	Impact	Total		
7	Implications following the implementation of 'needs-led' funding model, in particular ELS and rural funding	4	4	16	1. Principal member of College Sector Funding Group. 2. Continuous review of curriculum and delivery by ET to ensure that adverse impact minimised.	1. Feedback to ET and Board meetings 2. Reports to L&T Committee	Internal	2	2	4	College to develop an access and inclusion strategy detailing how ELS funding is used	EMT
8	Disruption to business continuity due to Influenza pandemic, terrorism, fire or other disaster	2	4	8	1. Business continuity plan in place 2. Reflect after each incident re lessons learned	1. Reviewed by ET and report to Board 2. After each incident reflection on incident, identify lessons learned	Internal / External	2	2	4		EMT
13	Cyber attack	2	4	8	1. Janet network (via JISC) provides secure connectivity. 2. Regular reporting at ET. 3. Constant scanning to identify potential attacks/network vulnerabilities. 4. VP CS&G and IT Manager meets regularly with JISC account Manager	1. Janet secure network provides a high speed, highly reliable and secure, world-class network, enabling national and international communication and collaboration to the UK research and education community. 2. Regular updates from JISC on potential attacks/network vulnerabilities 3. EMT meetings/minutes 4. Internal Audit 2016/17	External/ Internal	1	4	4	Jisc's Security Operations centre is responsible for monitoring and resolving any security incidents (detect, report, investigate) that occur on the network. They also provide an enhanced service for the detection and mitigation of Denial of Service (DoS) attacks that occur across the network.	EMT
4	Unable to achieve credit (activity) target	3	3	9	1. Real time monitoring system. 2. Contingency plans in place to offer additional provision as required. 3. Annual review of staffing and provision to rebalance areas of growth with areas of decline. 4. Annual review carried out by internal audit	1. Reviewed by EMT on a weekly basis 2. Curriculum areas looking to run additional courses to address shortfall. 3. KPI reported and discussed at each board meeting 4. Provision made in accounts for clawback 5. Marketing strategies for 17/18 recruitment	Internal / External	1	3	3	Early warning strategies to be implemented to improve early retention. From 2017-18 18yrs to received bursary rather than EMA. Current dispute with EIS could impact on retention	EMT
9	Prevent Duty – disruption due to threat of extremism / risk of external influences	3	4	12	1. Vice Principal attendance at local multi-agency CONTEST group 2. Regular reporting of Prevent issues at EMT. 3. Constant scanning to identify new potential threats.	1. College Prevent Action Plan 2. CONTEST meetings/minutes 3. EMT meetings/minutes 4. 80% staff trained by Sept '17	External/ Internal	1	2	2	Vice Principal leading on Prevent Action Plan, any issues would be identified through regular reporting at EMT. Immediate concerns to be raised with contact within Police Scotland. Review of evacuation procedures in relation to 'stay safe' has taken place	EMT
10	Imbalance between demand for student support funds/bursaries and funds available	2	3	6	1. Detailed analysis and monitoring of spend undertaken on an ongoing basis by Finance Manager, discussed monthly with VP (CS&G) who updates ET. 2. Allocation and amounts reviewed on an annual basis to ensure funding constrained within amount available. 3. Annual review carried out by internal audit	1. ET meetings/minutes 2. ET meetings/minutes 3. Internal audit report presented to audit committee	Internal / External	1	2	2	Last 2 years underspend. Policy change in 17-18, 18yrs old to be paid bursary instead of EMA (improve retention strategy).	EMT
11	Loss of collaborative partnership arrangements	2	3	6	1. Policy of limiting dependence on any one partnership. 2. Regular reporting of partnership issues at EMT. 3. Constant scanning to identify new potential partnerships.	1. Currently not specifically reviewed 2. EMT meetings/minutes	Internal	1	2	2	No further action. Although policy not specifically reviewed, any issues would be identified through regular reporting at ET.	EMT