

Audit Committee

Tuesday 12 May 2015 at 2pm in Room 2009

A G E N D A

Presented
by

- 1 Welcome and Apologies
- 2 Declaration of Interest
- 3 Minute of Meeting of 24 February 2015 (attached)
- 4 Matters Arising
- 5 Internal Audit
 - 5.1 Internal Audit Progress Report (report attached) IA
 - 5.2 Internal Audit Plan 2015/16 (report to follow) IA
- 6 External Audit
 - 6.1 Informing the audit risk assessment (report attached) EA
 - 6.2 External audit plan (report attached) EA
- 7 Strategic Risk Register (attached) JB
- 8 Any Other Business
- 9 Date and Time of Next Meeting - TBC

Board of Management

Minute of the Meeting of the Audit Committee of the Board of Management of Dumfries and Galloway College held on 12 May 2015 at 2.00 pm in Room 2009

Present: Hugh Carr (Chair)
Delia Holland
Pat Kirby
Stuart Martin

In attendance Carol Turnbull, Principal
Jannette Brown, Secretary to Board and Vice Principal (Corporate Services & Governance)
Karen Hunter, Finance Manager
Lindsay-Anne Straughton, Baker Tilly
Angela Pieri, Grant Thornton
Susan Sutherland, Executive Team Assistant

1 Apologies

Apologies were intimated on behalf of Janice Goldie.

2 Declaration of Interest

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

3 Minute of Previous Meeting

The Minute of the Audit Committee held on 24 February 2015 was approved.

4 Matters Arising

4.1 *Item 7 Transfer to Arms Length Foundation*

The Vice Principal, Corporate Services and Governance reported that the actual sum transferred to the Scottish Colleges Foundation prior to 31 March 2015 was £525,500.

5 Internal Audit Reports

Lindsay-Anne Straughton on behalf of Baker Tilly spoke to the Internal Audit Reports which had been circulated:

5.1 *Internal Audit Progress Report*

The report gave an update of progress against the 2015/16 Internal Audit Plan to date, and the Committee were pleased to note that all opinions were completed with no or few recommendations for action, with the exception of Payroll which had been delayed from January 2015 to May 2015 at the request of Management as a new Payroll system was in place.

5.2 *Internal Audit Strategy 2015/16 – 2016/17*

Ms Straughton spoke to the report which was tabled. The report was based on analysis of the College's corporate objectives, risk profile and assurance framework as well as other factors affecting the College in the year ahead, including changes in the sector. Appendix A to the report listed the audit area of focus and scope, and proposed timing.

Following discussion, the Audit Committee agreed that the proposed areas selected for coverage were appropriate and provided sufficient assurances to monitor the College's risk profile effectively.

6 External Audit

Angela Pieri, on behalf of Grant Thornton, spoke to the External Audit Plan for the 16 month period ending 31 July 2015.

In planning the audit Grant Thornton considered the key financial and governance challenges and opportunities the College is facing. In summary they are: the financial year end change; PPE additional and valuations; continuing financial pressures; Arms-Length Foundation Trust, revised Financial Memorandum; revised Statement of Recommended Practice and the Code of Good Governance for Scotland's Colleges.

Members noted the report and planned audit, to commence in October 2015.

6.1 Informing the audit risk assessment

The report covered areas of audit risk assessment where the External Auditors are required to make inquiries of management and the Audit Committee under auditing standards.

The report provided a list of questions related to the key areas of fraud; laws and regulations; and financial reporting and going concern management, and management responses to these questions.

The Committee noted the report and that no issues had been identified.

6.2 External Audit Plan

The Plan covered the sixteen months ended 31 July 2015.

Following discussion the Committee noted the work completed to date, and further work planned.

7 Strategic Risk Register

The Vice Principal, Corporate Services and Governance spoke to the Register which had been issued.

The Executive Team was proposing two low risk additions to the Register at 14, failure to achievement attainment targets, and 15, failure to achieve an 'effective' outcome following Education Scotland Review in February 2016.

Members noted and agreed the additions.

8 Any Other Business

None

9 Date and Time of Next meeting

To be confirmed, once the Calendar of Board and Committee meetings for 2015-16 has been agreed by the full Board.

Board of Management

Minute of the Meeting of the Audit Committee of the Board of Management of Dumfries and Galloway College held on 24 February 2015 at 2.00 pm in Room 2009

Present: Hugh Carr (Chair)
Janice Goldie
Delia Holland
Stuart Martin

In attendance Brian Johnstone, Regional Chair
Carol Turnbull, Principal
Jannette Brown, Secretary to Board and Vice Principal (Corporate Services & Governance)
Karen Hunter, Finance Manager
Lindsay-Anne Straughton, Baker Tilly
Jackie Ballard, Grant Thornton
Angela Pieri, Grant Thornton
Susan Sutherland, Executive Team Assistant

1 Apologies

None

2 Declaration of Interest

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

3 Minute of Previous Meeting

The Minute of the Audit Committee held on 2 December 2014 was approved.

4 Matters Arising

None

5 Internal Audit Reports

Lindsay-Anne Straughton on behalf of Baker Tilly spoke to the Internal Audit Reports which had been circulated:

5.1 Institutional Sustainability

The Committee considered the report and noted the three recommendations and one suggestion made, which had been accepted by management. The Committee agreed to combine the Strategic Risk Register and Institutional Sustainability Register into a single document. The Vice Principal agreed to produce a framework for consideration.

5.2 Partnerships/Collaborative Arrangements

(Hugh Carr declared an interest as DGHP was a College partner)

The Committee considered the report and noted the one recommendation made, which had been accepted by management. The College would develop a framework surrounding the partnership process, to include all key steps in establishing a partnership. It was agreed that the distinction between formal and informal partnerships would be a Management judgement.

5.3 Internal Audit – Follow Up Report

The Committee noted that of the eight outstanding recommendations from previous reports, four had been completed, one was not yet due and three had been reviewed and new recommendations raised.

The College was in the process of updating a vehicle cost log and including a vehicle replacement plan within the overall budget.

The College was also reviewing its processes to incorporate a check that all debtors had been chased up as required.

5.4 Internal Audit Plan

The Committee agreed that, in view of the changing year end, the Internal Auditors would provide an Audit opinion based on a 15 month period.

6 Financial Reporting and Depreciation

The Finance Manager spoke to the report which had been distributed. The report highlighted the differences between the two sets of financial reporting rules for depreciation charges with which the College was required to comply following the Office of National Statistics (ONS) reclassification of the college sector.

Members were advised that this was an ongoing sector wide issue between the Scottish Funding Council (SFC) and the Scottish Government. SFC had initially advised that colleges could use depreciation to offset the shortfall in student funding but this could result in most colleges publishing a deficit position, and so further guidance was awaited.

The Committee noted the position and expressed its concern at the lack of clarity.

7 Capital Expenditure – Transfer of Funds

The Vice Principal spoke to the report which had been issued, which confirmed that following the Office of National Statistics (ONS) reclassification the College had to comply with Her Majesty's Treasury's consolidated budget guidance and was subject to government budgetary controls at 31 March each year. As a result the College would need to balance its resource budget at 31 March each year, and provide returns to the Scottish Funding Council (SFC) that disclose the 31 March budget out-turn. Any donations to the Scottish Colleges Foundation had to be from available resource budget and made before 31 March.

She reported that the Hospitality development was now complete and was still on schedule to come in on budget. The College had been able to allocate some of the project costs against capital grant from the Funding Council which meant that not all monies received from the Foundation would be required. Final invoices were not in but it looked likely that the College would be looking to return up to £500k to the Foundation.

In addition, the Executive Team anticipated that commercial income generated by the College up to around £250k, which could be treated as surplus, could also be transferred to the Foundation.

Following discussion, the Committee agreed to recommend to the Board to transfer funds to the Scottish Colleges Foundation (D&G sub fund) up to the value of £750k before 31 March 2015, in line with Scottish Funding Council guidance.

8 Complaints Handling Statistics

The Vice Principal spoke to the report which had been issued, which confirmed that under Section 16B of the Scottish Public Services Ombudsman (SPSO) Act 2002 (as amended by the Public Services Reform (Scotland) Act 2010) the College was required to comply with the SPSO model Complaints Handling Procedure and to report

annually on its performance in handling complaints. The report summarised complaints and action for the period 1 September 2014 – 13 February 2015.

The Committee noted the report, and commented on the low number of complaints received.

9 Strategic Risk Register (SRR)

The Vice Principal spoke to the Register at February 2015 which had been issued, which was not changed from the previous meeting. She also advised that the College had recently undergone certification of its air conditioning units under new legislation on omissions as part of its Carbon Management Plan.

Members noted the situation and approved the Strategic Risk Register.

10 Any Other Business

None

11 Date and Time of Next meeting

The next meeting of the Committee would take place on 12 May 2015 at 2.00 pm.

The internal and external auditor representatives left the meeting

12 Audit Scotland – Audit Quality Survey

The Chair and Members completed the survey form on Auditors' interaction with the Audit Committee, in accordance with the request of Audit Scotland.

Dumfries and Galloway College

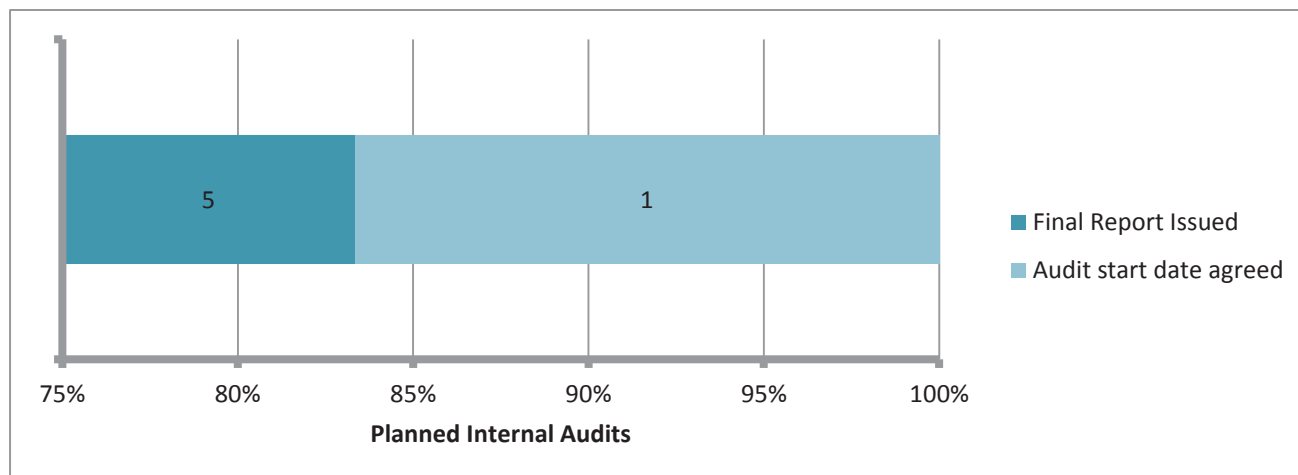
Internal Audit Progress Report

Audit Committee meeting: 24 February 2015

Introduction

The internal audit plan for 2014/15 was approved by the Audit Committee on 19 August 2014. This report provides an update on progress against that plan and summarises the results of our work to date.

Summary of Progress against the Internal Audit Plan



Assignment <i>Reports considered today are shown in bold italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Partnerships / Collaborative Arrangements (4.14/15)	FINAL		-	1	-
Institutional Sustainability (5.14/15)	FINAL	Advisory	1	2	-
Follow up (6.14/15)	FINAL	Reasonable Progress	-	3	-
Student Activity Data (SUMs) (1.14/15)	FINAL		-	-	-
Student Support Funds and Education Maintenance Allowances (EMA) (2.14/15)	FINAL		-	1	-
Cashflow Forecasts (3.14/15)	FINAL		-	2	1
Payroll	Deferred to May 2015*				

*as the Payroll system is new, at the request of management we have deferred this review from January 2015 to May 2015.

Other Matters

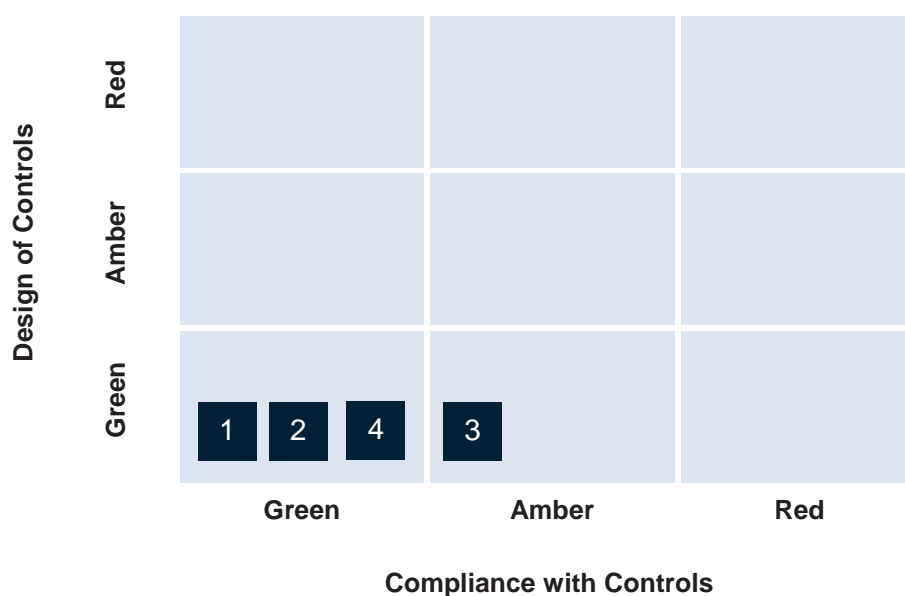
Planning and Liaison:

We have continued to hold regular planning and liaison meetings with both the Finance Manager and the Assistant Principal.

Internal Audit Plan 2014/15 - Change Control:

Action	Date	Agreed By
Transform Project	October 2014	At the request of management, this review has been deferred to the first quarter of 2015/16 (April to June) and the days utilised to extend the Institutional Sustainability review.

Assurance on Design of Controls / Compliance with Controls:



1

Student Activity Data (SUMs) (1.14/15)

2

Student Support Funds and Education Maintenance Allowances (EMA) (2.14/15)

3

Cashflow Forecasts (3.14/15)

4

Partnerships / Collaborative Arrangements (4.14/15)

Internal Audit Performance

Assignment	Debrief date	Draft report issued	Management responses received	Final report issued
Student Activity Data (SUMs) (1.14/15)	11 September 2014	23 September 2014	3 November 2014	3 November 2014
Student Support Funds and Education Maintenance Allowances (EMA) (2.14/15)	25 September 2014	13 October 2014	21 October 2014	21 October 2014
Cashflow Forecasts (3.14/15)	10 October 2014	20 October 2014	21 October 2014	21 October 2014
Partnerships / Collaborative Arrangements (4.14/15)	27 November 2014	11 December 2014	19 December 2014	5 January 2015
Institutional Sustainability (5.14/15)	28 November 2014	11 December 2014	15 December 2014 19 December 2014	5 January 2015
Follow up (6.14/15)	16 January 2015	29 January 2015	16 February 2015	17 February 2015
Payroll				

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

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. Recommendations for improvements should be assessed by you for their full impact before they are implemented. 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.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. 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 Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory 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 our Client 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.

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Dumfries and Galloway College

Internal audit strategy 2015/2016 - 2017/2018

Presented at the Audit Committee meeting of:

12 May 2015

Contents

1	Introduction.....	2
2	Developing the internal audit strategy.....	3
3	Internal audit resources.....	8
4	Audit committee requirements	9
	Appendix A: Internal audit plan 2015/2016	10
	Appendix B: Internal audit strategy	13
	Appendix C: Factors influencing the internal audit strategy	16
	Appendix D: Internal audit charter.....	17
	Appendix E: Our internal audit approach to an assignment.....	22
	Appendix F: Overview of internal audit assignment opinions	23
	For further information contact	Error! Bookmark not defined.
	For further information contact	24

1 Introduction

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Dumfries and Galloway College in the year ahead including changes within the sector.

1.1 Background

In 2014 the ONS reclassified all Scottish Colleges as public bodies. This had a significant impact on the College both in terms of its operational activities (the requirement to submit monthly cash flow forecasts and funding 'draw down'), but also on the reporting arrangements with the financial year end moving to 31st March. The latter was rescinded in early 2015 and the College will move back to a 31st July reporting year end from 31st July 2015.

The main campus is situated in Dumfries (the capital of the Region) and the College has a second campus in the town of Stranraer, 75 miles to the west of Dumfries.

1.2 Vision

The College's approach to learning is a reflection of the rural locality, the local economy and the changing patterns of lifestyles. As a major employer and a dynamic rural learning institution, the 'digital' revolution has been strongly embraced by the College and its many forms are fast becoming the basis of the organisations operations and academic delivery.

In 2015 the College will open its new restaurant and hospitality training facility at its Dumfries Campus, with the first co-hort joining from September 2015.

1.3 Objectives

The Colleges objectives are aligned to the Scottish Funding Council's six national priorities:

- Efficient regional structures
- High quality and efficient learning
- Access for people from widest range of backgrounds
- Right learning in the right place
- A developed workforce
- Sustainable institutions

2 Developing the internal audit strategy

We use your objectives as the starting point in the development of your internal audit plan.

2.1 Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the following people:

- Audit Committee
- Assistant Principal
- Finance Manager

Based on our understanding of the organisation, and the information provided to us by the stakeholders above, we have developed an annual internal plan for the coming year, and a high level strategic plan (**see Appendix A and B for full details**).

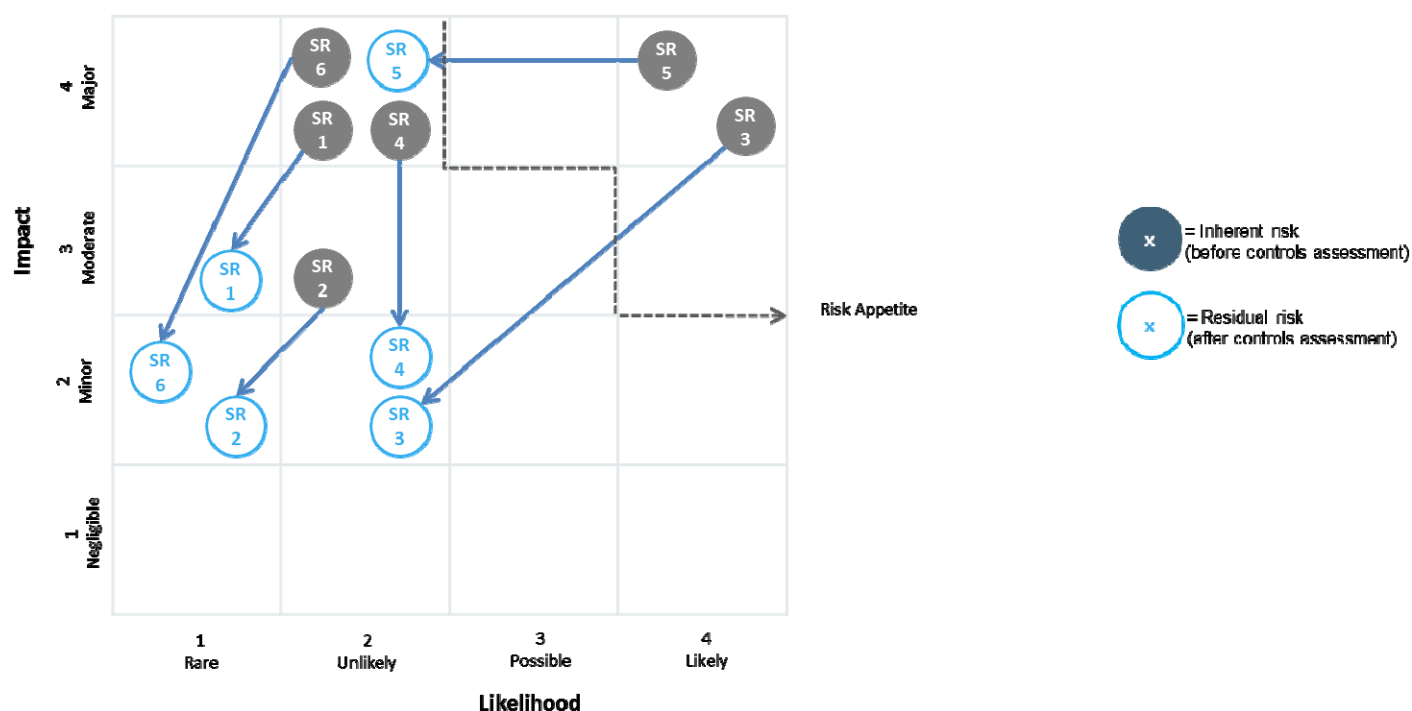


Figure A: Sources considered when developing the Internal Audit Strategy.

Figure B details those strategic risks and objectives in which may warrant internal audit coverage, reflecting both the inherent and residual risk. This review of your risks allows us to ensure that the proposed plan will meet the organisation's assurance needs for the forthcoming and future years.

Strategic risk No.	Strategic risk	Strategic objective
SR1	Unable to achieve SUMs target Risk Register 1	Strategic Aim 6
SR2	Imbalance between demand for student support fund/bursaries and funds available Risk Register 3	Strategic Aims 1 and 6
SR3	Impact of the implementation of new 'needs led' funding model along with the simplification approach (WSUM replacement) Risk Register 4	Strategic Aims 1, 2 and 6
SR4	Move to National Pay Bargaining Risk Register 5	Strategic Aim 5 and 6
SR5	Public sector funding cuts - forecast for session 2016-17 Risk Register 10	All Strategic Aims
SR6	Changes to structure in FE Colleges adversely affects the College Risk Register 11	Strategic Aims 6 and 7

Figure B: Strategic risk matrix



2.2 How the plan links to your strategic objectives

Each of the reviews that we propose to undertake is detailed in the internal audit plan and strategy within Appendices A and B. In the table below we bring to your attention particular key audit areas and discuss the rationale for their inclusion or exclusion within the strategy.

Area	Reason for inclusion or exclusion in the audit plan/strategy	Link to strategic objective
Human Resources Effectiveness	The College has introduced a new Human Resources system which is in the process of being embedded during 2015. It was agreed when preparing the 2014/15 plan that we would include within the 2015/16 plan a Human Resources Effectiveness review which will provide a high level over review of a number of key HR process.	<i>A developed workforce</i>
Procurement	<p>Scottish Parliament passed a Procurement Reform bill in late 2014 with changes coming into effect from 1st January 2015. In addition, the ONS reclassification had a number of impacts on the way in which the College manages procurement.</p> <p>In 2015/16 we will undertake two procurement reviews:</p> <ol style="list-style-type: none"> 1) Compliance with the Colleges overall Financial Regulations and the Procurement Reform Bill. 2) A review of the adequacy of the Colleges Procurement Strategy, focussing on the APUC Procurement Capability Assessment. <p>Both of the above will feed into our annual Value for Money opinion.</p>	<i>Sustainable institutions</i>
Strategic Planning	The ONS reclassification has had a number of impacts on the College in terms of its strategic direction and planning. The College is also in the process of preparing its new Strategic Plan and associated Risk Register, which will come into effect from August 2015.	<i>Sustainable institutions</i>
Budgetary Control	Historically the College has prepared its budgets in line with the academic year however, as a 'public body' the College must now prepare its budgets in line with the Scottish Parliament March year end. In addition, the College is also required to submit a budget return to the Scottish Funding Council.	<i>Sustainable institutions</i>

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: a contingency allocation, time for tracking the implementation of actions and an audit management allocation. Full details of these can be found in Appendices A and B. Appendix C reflects the risk based factors influencing the internal audit strategy.

2.4 Working with other assurance providers

The Audit Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 Internal audit resources

Your internal audit service is provided by Baker Tilly Risk Advisory Services LLP. The team will be led by Pat Green, Partner supported by Lindsay-anne Straughton as your client manager.

3.1 Fees

Our anticipated fee to deliver the plan of 42 days is £16,380 (excluding VAT).

3.2 Conformance with internal auditing standards

Baker Tilly affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS). Further details of our responsibilities are set out in our internal audit charter within Appendix D.

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our Risk Advisory service line commissioned an external independent review of our internal audit services in 2011 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”.

3.3 Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

4 Audit Committee requirements

In approving the internal audit strategy, the committee is asked to consider the following:

- Is the Audit Committee satisfied that sufficient assurances are being received within our annual plan (as set out at Appendix A) to monitor the organisation's risk profile effectively?
- Does the strategy for internal audit (as set out at Appendix B) cover the organisation's key risks as they are recognised by the Audit Committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit Committee content that the standards within the charter in Appendix D are appropriate to monitor the performance of internal audit?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the Audit Committee approve such any amendments to this plan.

Appendix A: Internal audit plan 2015/2016

Audit area	Scope for 2015/16	Audit days	Proposed timing	Estimated Audit Committee date
Risk based assurance				
Student Activity Data (SUMs)	The following areas will be included: <ul style="list-style-type: none"> • Enrolment. • Programmes eligible for funding. • Student eligibility. 	5 days	August 2015	TBC
Student Support Funds and Education Maintenance Allowances (EMA)	The following areas will be included: <ul style="list-style-type: none"> • Compliance with EMA guidance. • Compliance with Bursary / Discretionary Fund guidance. 	5 days	August 2015	TBC
Strategic and Financial Planning	The review will consider: <ul style="list-style-type: none"> • The College processes to prepare the Strategic and Financial Plans, including any consultation with stakeholders; • How the College ensures that Strategic Plan is aligned to its budget and Financial Plan; • Governance and approval of the Strategic Plan to ensure it is aligned to the College's aims and objectives; and • Monitoring and reporting of progress against the Strategic Plan. 	5 days	TBC	TBC

Audit area	Scope for 2015/16	Audit days	Proposed timing	Estimated Audit Committee date
Core assurance				
Budgetary Control	<p>This audit is designed to consider the processes in place for setting and monitoring budgets at the College and will test:</p> <ul style="list-style-type: none"> • The processes and controls in place in relation to the production of the budget submission to the SFC, and alignment with the academic year budget; • The budget monitoring arrangements in place, including the production, distribution and review of financial reports (management accounts and budget holder reports) and analysis of any variances by budget holders and/or Finance; • The completion of monthly budget reviews by budget holders and Finance; • Budget virements; and • Budget holder training. 	5 days	TBC	TBC
Human Resources Effectiveness	<p>This review will consider the College's key Human Resources policies in place and provide assurances as to whether these are appropriate and are being applied effectively and consistently.</p> <p>This may include: Performance Management, Grievance, Capability Management and Recruitment, by way of examples.</p>	5 days	TBC	TBC

Audit area	Scope for 2015/16	Audit days	Proposed timing	Estimated Audit Committee date
Other internal audit input				
VfM - Procurement	<p>This audit will review the controls in place for ensuring that relationships are established with suitable suppliers, appropriate purchases are made and Value for Money (VfM) is achieved.</p> <p>The following areas will be covered during the review:</p> <ul style="list-style-type: none"> • Procedural documentation and training for ensuring procurement activities are performed in a consistent and effective manner; • Supplier sourcing procedures, including tendering procedures and mechanisms for obtaining supplier quotes in order to ensure VfM is achieved; and • Supplier selection procedures, including supplier assessment and approval controls. 	5 days	TBC	TBC
VfM Maturity	This review will be undertaken using our VfM Maturity toolkit and will take into consideration the APUC Procurement Capability Assessment.	5 days	TBC	TBC
Action tracking	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	2 days	Quarter 4	TBC
Audit management	<p>This will include:</p> <ul style="list-style-type: none"> • Planning • Ongoing liaison and progress reporting • Preparation for and attendance at Audit Committee; and • Development and publication of the annual internal audit opinion 	5 days	As used	-
TOTAL		42 days		

Appendix B: Internal audit strategy

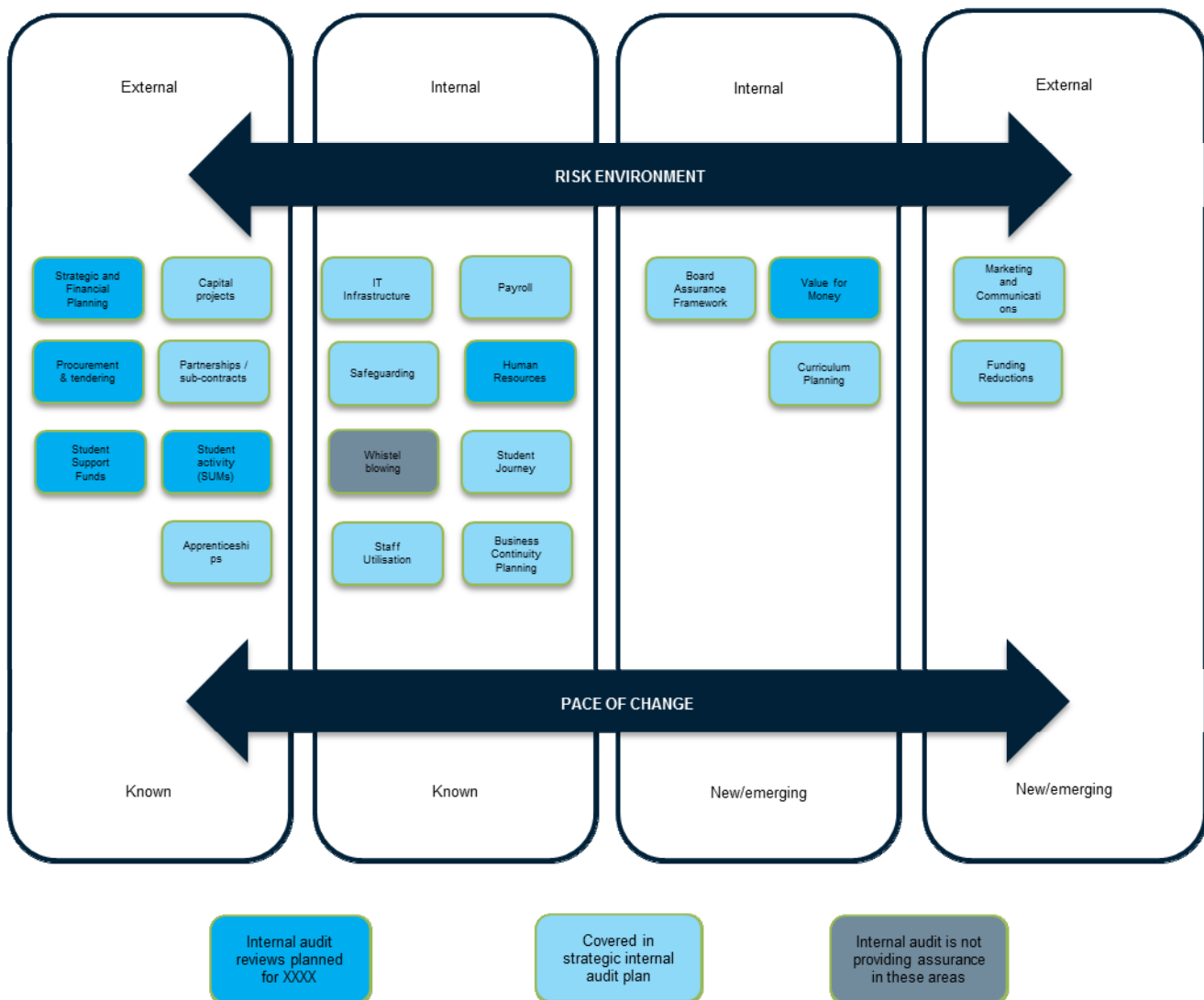
Proposed area for coverage	Scope and Associated risk Area	2015/16	2016/17	2017/18
Risk based assurance				
Student Activity Data (SUMs)	Unable to achieve SUMs target Risk Register 1	✓	✓	✓
	Impact of the implementation of new 'needs led' funding model along with the simplification approach (WSUM replacement) Risk Register 4			
Partnerships / Collaborative Arrangements	Loss of collaborative partnership arrangements Risk Register 2			✓
Student Support Funds and Education Maintenance Allowances (EMA)	Imbalance between demand for student support fund/bursaries and funds available Risk Register 3	✓	✓	✓
Business Continuity Planning	Disruption to business continuity due to influenza pandemic, terrorism, fire or other disaster Risk Register 6			✓
Student Journey	Failure to maintain student numbers Risk Register 7			✓
Marketing and Communications	Failure to maintain student numbers Risk Register 7		✓	
Strategic and Financial Planning	Move to National Pay Bargaining Risk Register 5	✓		
	Public sector funding cuts - forecast for session 2016-17 Risk Register 10			
	Changes to structure in FE Colleges adversely affects the College Risk Register 11			
Curriculum Quality, including Self Evaluation and Teaching and Learning Observations	Failure to achieve attainment targets Risk Register 14 Failure to achieve an 'effective' outcome following Education Scotland Review Risk Register 15		✓	
Core assurance				

Proposed area for coverage	Scope and Associated risk Area	2015/16	2016/17	2017/18
Governance	<p>In 2015/16 our governance opinion will be taken from reviewing the governance and reporting arrangements in place during the following reviews:</p> <ul style="list-style-type: none"> • Strategic Planning • Budgetary Control 	✓	✓	✓
Risk Management.	<p>Risk Management is a core component of the College's internal control system and a means of addressing and monitoring the key risks that threaten the attainment of the business objectives.</p> <p>The assessment of risk management feeds into the annual internal audit opinion on the adequacy of risk management, governance and control.</p> <p>In 2015/16 we will place reliance upon the reporting framework and our work completed from the risk based section of this plan.</p>	✓	✓	✓
Value For Money	<p>Annual requirement of the Scottish Higher and Further Education Funding Council.</p> <p>In the current climate college's need to ensure that value is obtained from expenditure incurred. This may be by reducing costs for the same output or improving quality and outcome for the same overall cost.</p> <p>In 2015/16 our VFM opinion will be derived from our two procurement reviews.</p>	✓	✓	✓
Equality and Diversity	A review of compliance with the requirements of the Equality and Diversity Act			✓
Curriculum Planning	To provide assurance that the College has processes in place to deal with and respond to the Governments agenda and to develop curriculum plans which meet funding targets and the needs of learners.			✓
Information Technology	<p>It is essential that the College has a robust IT infrastructure and systems in place to meet the needs of the College and its learners.</p> <p>The review would focus on a key area of IT risk within the College, to be discussed and agreed with management at the time.</p>		✓	

Proposed area for coverage	Scope and Associated risk Area	2015/16	2016/17	2017/18
Fundamental financial and asset controls.	Cyclical coverage of key financial systems including: <ul style="list-style-type: none"> Budget Setting, Monitoring and Reporting. Cash and Bank. General Ledger. 	✓	✓	✓
Safeguarding.	Non-compliance with legislation can result in a reputational risk to the College. In addition to the normal student cohort, the College recruits international students who are placed with families within the area.		✓	
Human Resources Effectiveness	Following changes to staffing and structures over recent years in it key that the College has in place effective Human Resources processes.	✓		
Other Internal Audit input				
Action tracking	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	✓	✓	✓
Audit management	This will include: <ul style="list-style-type: none"> Planning Ongoing liaison and progress reporting Preparation for and attendance at Audit Committee; and Development and publication of the annual internal audit opinion 	✓	✓	✓

Appendix C: Factors influencing the internal audit strategy

The diagram below highlights the planned internal audit coverage against the changing risk environment. This analysis allows us to ensure that the type and level of coverage proposed meets the organisation's assurance needs for the forthcoming and future years.



Appendix D: Internal audit charter

1.0 Need for the charter

- 1.1 This charter establishes the purpose, authority and responsibilities for the internal audit service for Dumfries and Galloway College. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit Committee.
- 1.2 The internal audit service is provided by Baker Tilly Risk Advisory Services LLP ("Baker Tilly"). Your key internal audit contacts are as follows:

	Partner	Client manager
Name	Patrick Green	Lindsay-anne Straughton
Telephone	07768 807469	07800 617385
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- 1.3 We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives.
- 1.4 An overview of the individual internal audit assignment approach and our client care standards are included at Appendix E and F of the audit plan issued for 2015/16.

2.0 Role and definition of internal auditing

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by introducing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes".

Definition of Internal Auditing, Institute of Internal Auditors and the Public Sector Internal Audit Standards

- 2.1 Internal audit is a key part of the assurance cycle for your organisation and, if used appropriately, can assist in informing and updating the risk profile of the organisation.

3.0 Independence and ethics

- 3.1 To provide for the independence of Internal Audit, its personnel report directly to the Partner, Pat Green (acting as your Head of Internal Audit). The independence of Baker Tilly is assured by the internal audit service reporting to the Principal, with further reporting lines to the Assistant Principal and Chair of Audit Committee.
- 3.2 The Head of Internal Audit has unrestricted access to the Chair of Audit Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.
- 3.3 Conflicts of interest may arise where Baker Tilly provides services other than internal audit to Dumfries and Galloway College. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Audit Committee. Equally we do not want the organisation to be deprived of wider Baker Tilly expertise and will therefore raise awareness without compromising our independence.

4.0 Responsibilities

- 4.1 In providing your outsourced internal audit service, Baker Tilly has a responsibility to:
- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans which align to the corporate objectives. The plan will be submitted to the Audit Committee for review and approval each year before work commences on delivery of that plan.
 - Implement the audit plan as approved, including any additional reviews requested by management and the Audit Committee.
 - Ensure the internal audit team consists of professional internal audit staff with sufficient knowledge, skills, and experience.
 - Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.

- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements and agree corrective action with management based on an acceptable and practicable timeframe.
- Undertake action tracking reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Provide a list of significant performance indicators and results to the Audit Committee to demonstrate the performance of the internal audit service.
- Liaise with the external auditor and other relevant assurance providers for the purpose of providing optimal assurance to the organisation.

5.0 Authority

5.1 The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

5.2 The Head of Internal Audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by Baker Tilly unless specifically seconded to internal audit.

6.0 Key Performance Indicators (KPIs)

6.1 In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service

Delivery	Quality
Audits commenced in line with original timescales agreed in the internal audit plan.	Conformance with the Public Sector Internal Audit Standards.
Draft reports issued within 10 working days of debrief meeting.	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit.
Management responses received from client management within 10 working days of draft report.	Response time for all general enquiries for assistance is completed within 2 working days.
Final report issued within 3 days from receipt of management responses.	Response to emergencies such as concerns of potential fraud with 1 working day.
Completion of internal audit plan by the end of the financial year.	

7.0 Reporting

- 7.1 An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with copies also being provided to the Audit Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.
- 7.2 The Head of Internal Audit will issue progress reports to the Audit Committee and management summarising outcomes of audit activities, including follow up reviews.
- 7.3 As your internal audit provider, the assignment opinions that Baker Tilly provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

7.4 As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by Baker Tilly Risk Advisory Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

8.0 Data Protection

- Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's Terms of Business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.
- Personal data is not shared outside of Baker Tilly. The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of internal audit work or where the firm has a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings).
- Baker Tilly has a Data Protection Policy in place that requires compliance by all of our employees. Non-compliance will be treated as gross misconduct.

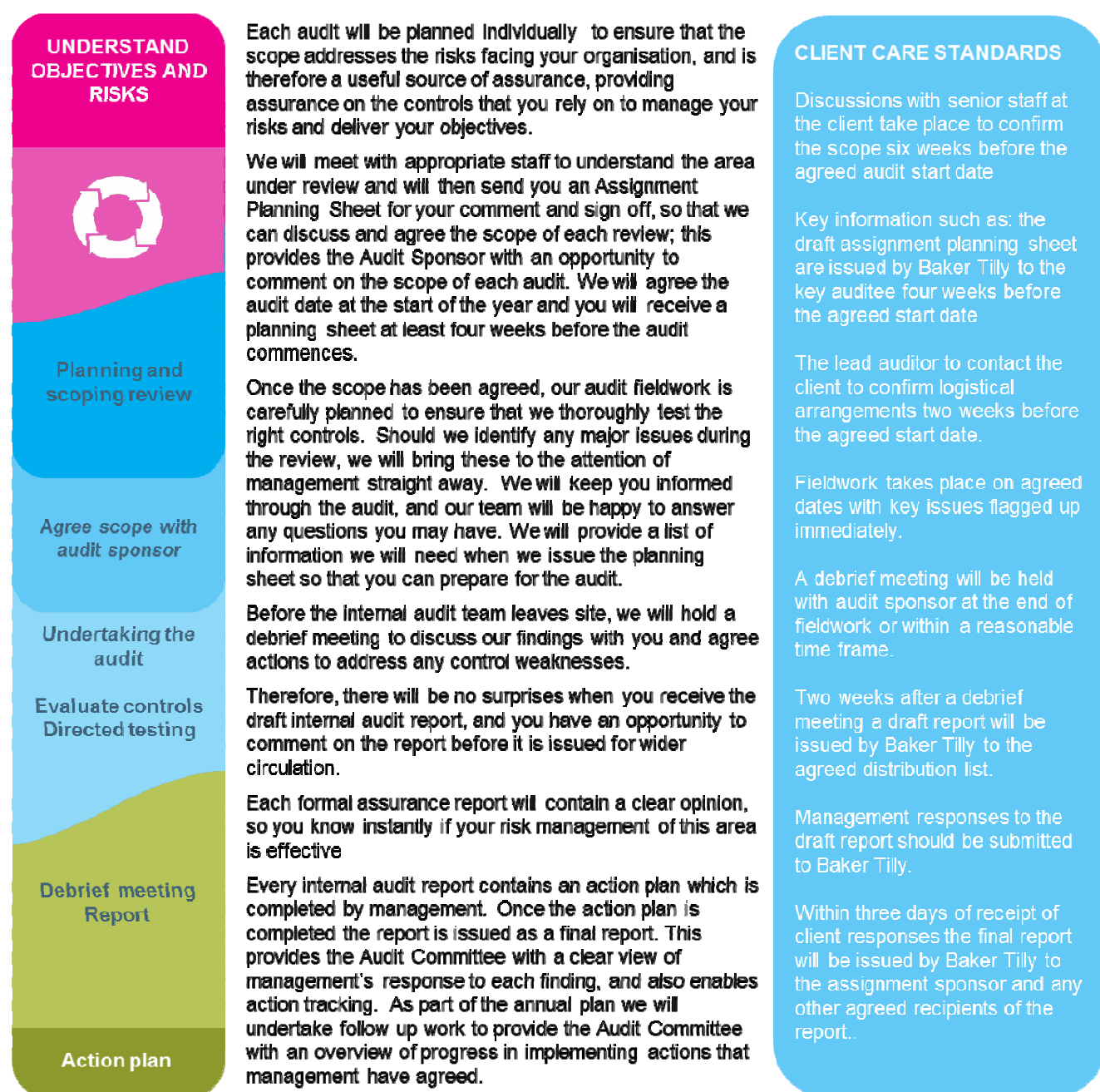
9.0 Fraud

9.1 The Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.

10.0 Approval of the internal audit charter

10.1 By approving this document, the annual plan, the Audit Committee is also approving the internal audit charter.

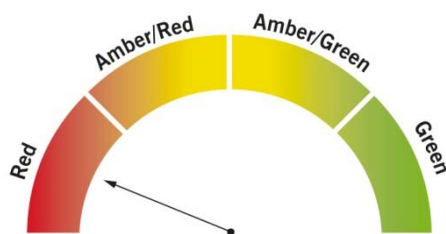
Appendix E: Our internal audit approach to an assignment



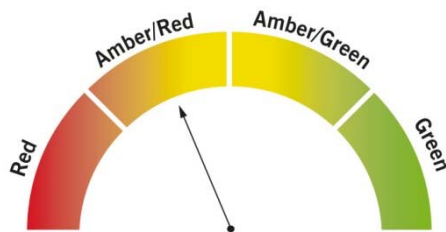
Appendix F: Overview of internal audit assignment opinions

For internal audits classed as “risk based assurance” reviews (compared with advisory input), we use four opinion levels as shown below. Each assignment report will explain the scope of the review, and therefore the context and scope of the opinion.

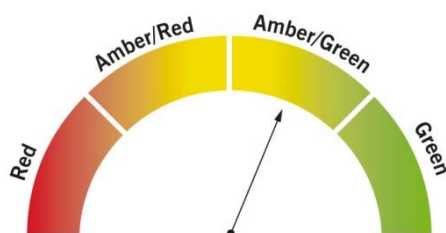
← Increasing level of assurance



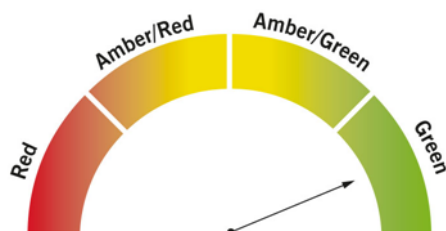
Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the Board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the Board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.

For further information contact

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This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of our engagement, should not be copied or disclosed to any third party without our written consent. No responsibility is accepted as the plan has not been prepared, and is not intended for, any other purpose.

Baker Tilly Corporate Finance LLP, Baker Tilly Restructuring and Recovery LLP, Baker Tilly Risk Advisory Services LLP, Baker Tilly Tax and Advisory Services LLP, Baker Tilly UK Audit LLP, and Baker Tilly Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly & Co Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. Before accepting an engagement, contact with the existing accountant will be made to request information on any matters of which, in the existing accountant's opinion, the firm needs to be aware before deciding whether to accept the engagement. © 2015 Baker Tilly UK Group LLP, all rights reserved.

Dumfries and Galloway College

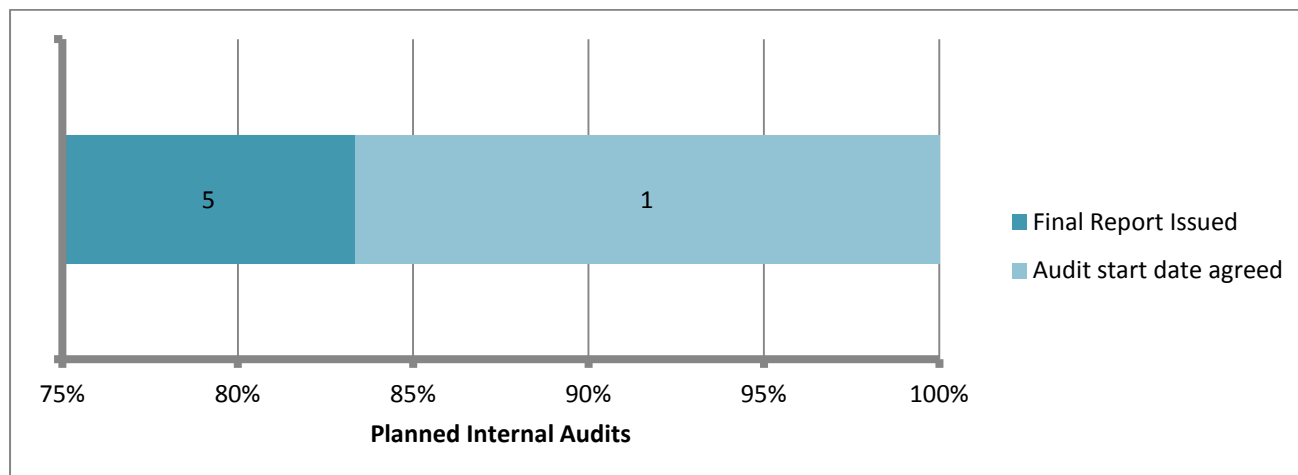
Internal Audit Progress Report

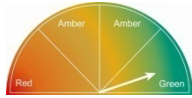
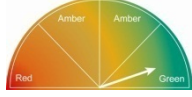
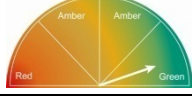
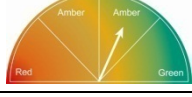
Audit Committee meeting: 12 May 2015

Introduction

The internal audit plan for 2014/15 was approved by the Audit Committee on 19 August 2014. This report provides an update on progress against that plan and summarises the results of our work to date.

Summary of Progress against the Internal Audit Plan



Assignment <i>Reports considered today are shown in bold italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Partnerships / Collaborative Arrangements (4.14/15)	FINAL		-	1	-
Institutional Sustainability (5.14/15)	FINAL	Advisory	1	2	-
Follow up (6.14/15)	FINAL	Reasonable Progress	-	3	-
Student Activity Data (SUMs) (1.14/15)	FINAL		-	-	-
Student Support Funds and Education Maintenance Allowances (EMA) (2.14/15)	FINAL		-	1	-
Cashflow Forecasts (3.14/15)	FINAL		-	2	1
Payroll	Deferred to May 2015*				

*as the Payroll system is new, at the request of management we have deferred this review from January 2015 to May 2015.

Other Matters

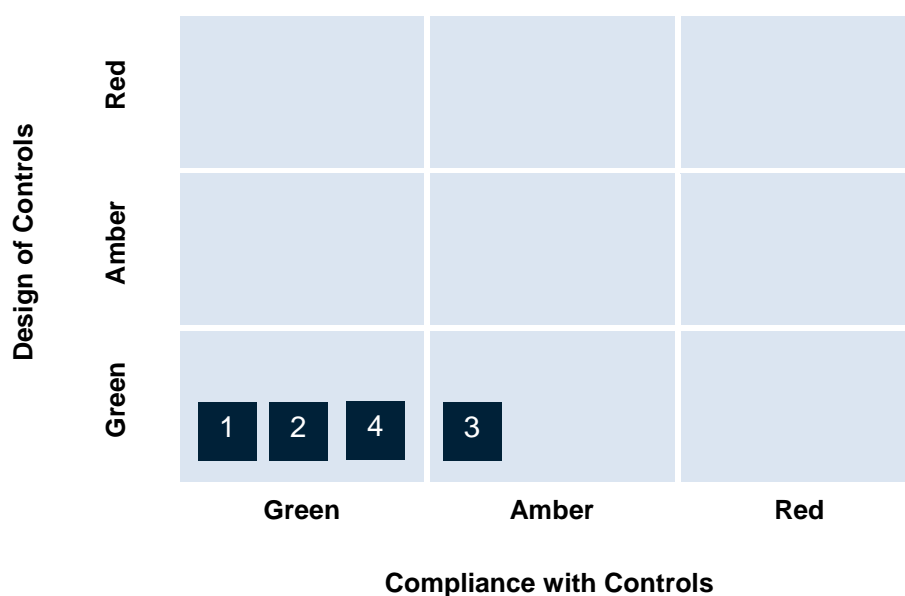
Planning and Liaison:

We have continued to hold regular planning and liaison meetings with both the Finance Manager and the Assistant Principal.

Internal Audit Plan 2014/15 - Change Control:

Action	Date	Agreed By
Transform Project	October 2014	At the request of management, this review has been deferred to the first quarter of 2015/16 (April to June) and the days utilised to extend the Institutional Sustainability review.

Assurance on Design of Controls / Compliance with Controls:



- 1 Student Activity Data (SUMs) (1.14/15)
- 2 Student Support Funds and Education Maintenance Allowances (EMA) (2.14/15)
- 3 Cashflow Forecasts (3.14/15)
- 4 Partnerships / Collaborative Arrangements (4.14/15)

Internal Audit Performance

Assignment	Debrief date	Draft report issued	Management responses received	Final report issued
Student Activity Data (SUMs) (1.14/15)	11 September 2014	23 September 2014	3 November 2014	3 November 2014
Student Support Funds and Education Maintenance Allowances (EMA) (2.14/15)	25 September 2014	13 October 2014	21 October 2014	21 October 2014
Cashflow Forecasts (3.14/15)	10 October 2014	20 October 2014	21 October 2014	21 October 2014
Partnerships / Collaborative Arrangements (4.14/15)	27 November 2014	11 December 2014	19 December 2014	5 January 2015
Institutional Sustainability (5.14/15)	28 November 2014	11 December 2014	15 December 2014 19 December 2014	5 January 2015
Follow up (6.14/15)	16 January 2015	29 January 2015	16 February 2015	17 February 2015
Payroll				

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

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. Recommendations for improvements should be assessed by you for their full impact before they are implemented. 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.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. 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 Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory 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 our Client 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.

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

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Informing the audit risk assessment for Dumfries and Galloway College

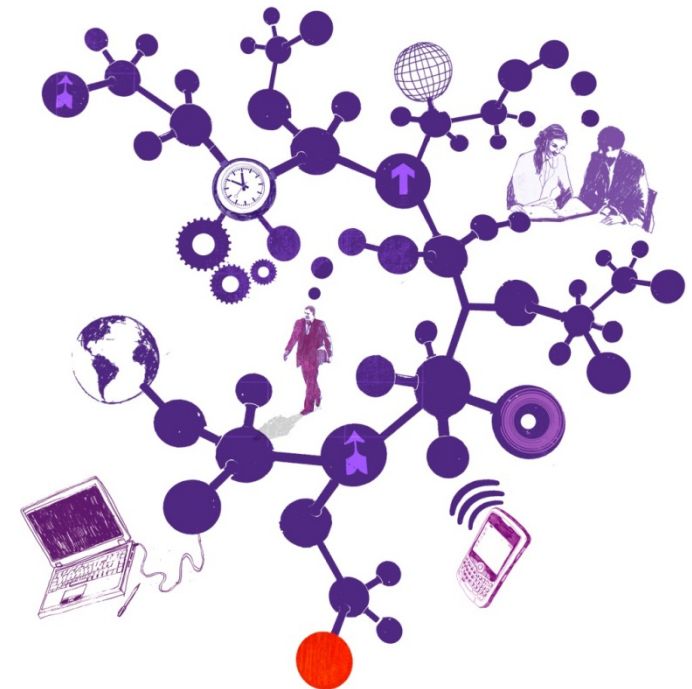
Year ended 31 July 2015

March 2015

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
Purpose	4
Fraud	5
Fraud Risk Assessment	6 - 7
Laws and Regulations	8
Impact of Laws and Regulations	9
Financial Reporting and Going Concern	10
Financial Reporting and Going Concern Considerations	11 - 12

Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the College's Audit and Risk Management Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of Management and the Audit and Risk Management Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Risk Management Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit and Risk Management Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Risk Management Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Management Committee, and supports the Audit and Risk Management Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Risk Management Committee's oversight of the following areas:

- fraud
- laws and regulations
- financial reporting and going concern.

This report includes a series of questions on each of these areas.

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Management Committee and management. Management, with the oversight of the Audit and Risk Management Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Management Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit and Risk Management Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Risk Management Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Risk Management Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below.

Fraud risk assessment

Question	Management response / Those charged with governance additional comments
Has the College assessed the risk of material misstatement in the financial statements due to fraud?	Yes
What are the results of this process?	No instances of fraud have been identified, and controls remain in place to reduce the risk of fraud, and highlight any concerns.
What processes does the College have in place to identify and respond to risks of fraud?	There are controls in place across the College to ensure the likelihood of fraud is low, as set out in the Financial Regulations, and work instructions - including segregation of duties, review and authorisation of transactions at different levels, as well as monitoring and reporting. The College also has an established Fraud Policy.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	None have been identified.
What have you determined to be the classes of accounts, transactions and disclosures in the financial statements that are most at risk of fraud?	There are no unusual transactions or balances within the accounts to date which would increase the risk of fraud for the current period. Controls over access to College bank accounts are reviewed regularly to ensure that they remain appropriate.
Are internal controls, including segregation of duties, in place and operating effectively?	Yes.
If not, where are the risk areas and what mitigating actions have been taken?	The College Internal Audit process and planning aims to review these areas on an annual basis, and no issues have been highlighted during the current period.
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	The new reporting requirements under ONS have tight deadlines for budget monitoring purposes, but this will not have any effect on the financial reporting and year-end processes.

Fraud risk assessment

Question	Management response / Those charged with governance additional comments
How does the Audit and Risk Management Committee exercise oversight of management's processes for identifying and responding to risks of fraud?	The College Internal Auditors plan their work each year, based on the Risk Register, and take account of any changes and plans. The Audit Committee have input to the plan before it is finalised. The Internal Auditors report to the Audit Committee on their findings for each review carried out during the year.
What arrangements are in place to report fraud issues and risks to the Audit and Risk Management Committee?	The College has established procedures and policies including a Fraud Policy, Whistleblowing Procedure and Anonymous Allegations Against Staff or Students. These ensure that any issues and risks are reported to the Audit Committee.
How does the College communicate and encourage ethical behaviour of its staff and contractors?	The College has a Code of Conduct policy which staff are expected to comply with. In addition, any contractors working in the College are also asked to comply with the policy. The College Procurement processes require contractors to comply with these procedures.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	Per the College Whistle blowing Procedure. No issues have been reported.
Have any reports been made under the Bribery Act?	No
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No
Are you aware of any instances of actual, suspected or alleged, fraud, either within the College as a whole or within specific departments since 1 April 2013?	No

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Risk Management Committee, is responsible for ensuring that the College's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Risk Management Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below.

Impact of Laws and regulations

Question	Management response / Those charged with governance additional comments
What arrangements does the College have in place to prevent and detect non-compliance with laws and regulations?	<p>The Internal and External Audit processes are part of the arrangements in place to prevent and detect non-compliance with Laws and Regulations, in addition to other audit work (ILA/ SDS/ Education Scotland) and other External Verification work which takes place for teaching areas.</p> <p>A member of the Executive Team has responsibility for Freedom of Information and Data protection. The College employs a Health and Safety Officer, and independent professional advice is taken when required - including dealing with any legal issues arising, taxation and VAT, Pensions valuations, property valuations, building surveys, insurance and HR legislation.</p>
How does management gain assurance that all relevant laws and regulations have been complied with?	The arrangements noted above should help to ensure that all relevant laws and regulations have been complied with, and reporting lines to the Executive Team and Board of Management highlight any issues arising, or risks identified.
How is the Audit and Risk Management Committee provided with assurance that all relevant laws and regulations have been complied with?	<p>As above.</p> <p>In addition, the Internal and External Auditors report directly to the Audit Committee.</p>
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2013, or earlier with an on-going impact on the 2013/14 financial statements?	None have been identified.
What arrangements does the College have in place to identify, evaluate and account for litigation or claims?	<p>Reporting procedures have been established to ensure that the Executive Team are alerted to any potential issues. Accidents are logged via the Health and Safety Officer to the Vice Principal, and complaints received are logged through the College Complaints handling procedure.</p> <p>Any claims received are logged and forwarded to the College Insurers.</p>
Is there any actual or potential litigation or claims that would affect the financial statements?	None identified
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None

Financial Reporting and Going Concern

Issue

Matters in relation to financial reporting and going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the College is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the College's financial resilience.

Financial reporting and going concern considerations have been set out below.

Financial Reporting Considerations

Question	Management response/ Those charged with governance additional comments
What has the College identified as the key events or issues that will have a significant impact on the financial statements for 2014/15?	<p>The change to revert back to a 31 July year-end will have a significant impact on the content of the financial statements, as the accounts will cover a 16 month period, with comparatives for 8 months.</p> <p>The accounting treatment of the costs for the Hospitality development are being considered, as well as any information which will be required under the new FE/HE SORP which will be effective for the 2015/16 financial statements.</p>
How do the College's risk management processes link to financial reporting?	The College has an established Risk management policy. The Risk Register is determined by the Executive Team, and monitored by the Audit Committee. Finance is one of the factors taken into account when risks are identified, and provisions are made as required.
Has the College considered the appropriateness of the accounting policies adopted? Have there been any events or transactions that may cause the College to change or adopt new accounting policies?	<p>Yes, the accounting policies have been reviewed and are considered appropriate.</p> <p>No changes are required at this time.</p>
Have there been any changes to the College's regulatory environment that may have a significant impact on the financial statements?	The changes resulting from ONS reclassification are the only regulatory changes affecting the current year. The changes arising from the revised SORP are being considered for the 2015/16 financial statements.
Have there been any significant transactions outside the normal course of business?	None have been identified.
Is the College aware of any changes in circumstances that would lead to impairment of non-current assets?	None have been identified.
Is the College aware of any new transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that	None have been identified.

Going Concern Considerations

Question	Management response/ Those charged with governance additional comments
Does the College have procedures in place to assess the College's ability to continue as a going concern?	Yes, regular management reporting, budget reviews and forecasting take place during the year which helps to inform the Executive Team for their decision-making. The Finance Committee receive regular financial reports and updates through-out the year.
Is management aware of the existence of other events or conditions that may cast doubt on the College's ability to continue as a going concern?	No such events have been identified.
Are arrangements in place to report the going concern assessment to the Audit and Risk Management Committee?	Yes
Are the financial assumptions supporting the going concern assessment (i.e. future levels of income and expenditure) consistent with the College's Plans and the financial information provided to the College throughout the year?	<p>Yes, the budget reporting/ review and forecasting have not identified any potential problems.</p> <p>In addition, the College now has a 3-year Outcome Agreement with SFC which is effective from 2014/15.</p>
Are the implications of statutory or policy changes appropriately reflected in the College's Plans, financial forecasts and report on going concern?	Yes, the College forecasts and budgets are updated on a regular basis to take account of any changes arising – for example pensions changes, and changes to NI rates.
Have there been any significant issues raised with the Audit and Risk Management Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	None have been raised.

Going Concern Considerations

Question	Management response/ Those charged with governance additional comments
<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?</p>	<p>No problems have been identified.</p>
<p>Does the College have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the College's objectives? If not, what action is being taken to obtain those skills?</p>	<p>Yes. This is monitored by the Board of Management.</p>



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The Audit Plan for Dumfries and Galloway College

2014/15

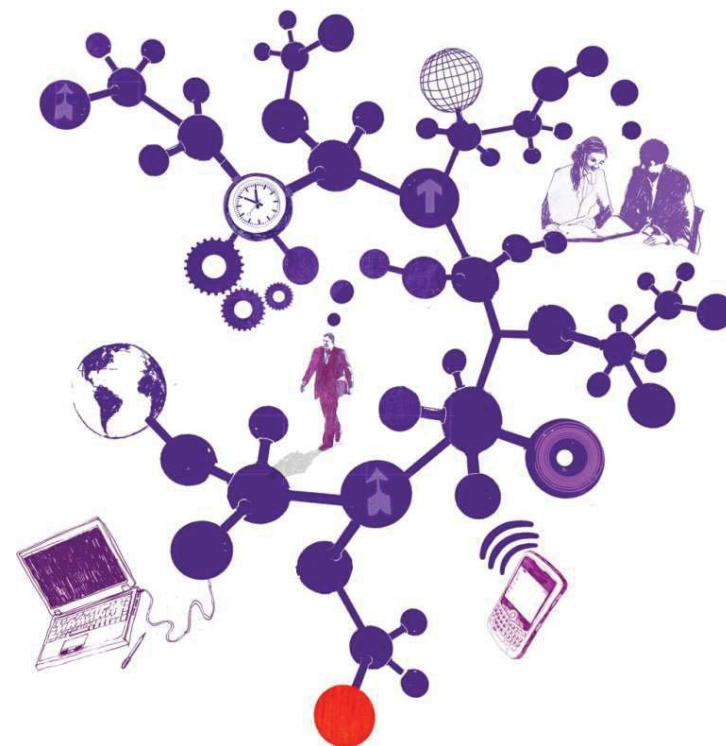
Sixteen months ended 31 July 2015

April 2015

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the College or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section

1. Introduction	4
2. Understanding the College	5
3. Developments relevant to the College and the audit	6
4. Our audit approach	7
5. Financial Statements	8
Significant risks identified	10
Reasonably Possible Risks identified	11
6. Governance	12
7. Logistics and our team	14
8. Fees and independence	15
9. Communication of audit matters with those charged with governance	16

Appendices

A. An audit focused on risks	
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Introduction

Introduction

Our annual audit plan is prepared for the benefit of discussion between Grant Thornton UK LLP and Dumfries and Galloway College (the College).

We are required to conduct our audit in accordance with the Code of Audit Practice (the Code) issued by Audit Scotland. The Code requires our audit to cover aspects of the College's arrangements for the preparation of financial statements, governance and performance management. Our audit approach is based on an annual integrated assessment of risk across the Code responsibilities.

The Code requires that we undertake our audit in accordance with:

- relevant legislation (the Public Finance and Accountability (Scotland) Act 2000)
- Statements of Auditing Standards and applicable Practice Notes issued by the Auditing Practices Board
- the Statement of Recommended Practice: accounting for further and higher education (the SORP)
- the Accounts Direction issued by the Scottish Funding Council (SFC)
- other guidance issued by Audit Scotland.

This Plan summarises our approach to the audit of the College for 2014-15, which is a sixteen month period ended 31 July 2015 to ensure compliance with the Code, and other legislative and audit practice requirements.

Our Audit Strategy

Our key audit objectives are as follows:

- to audit the financial statements of the College within agreed timescales
- to ensure that the College complies with applicable enactments and guidance issued by SFC
- to consider aspects of performance and governance arrangements
- to consider legality and losses
- to deal with formal complaints
- to produce a concise and constructive report of key issues to the Audit Committee of the College and the Auditor General for Scotland.

The College's responsibilities

The Accountable Officer is responsible for the preparation of the financial statements which show a true and fair view of the College's affairs, and for making available to us all the information and explanations we consider necessary for the purposes of our audit. The College's management team are responsible for putting proper arrangements in place to ensure that:

- public business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for
- economy, efficiency, effectiveness and Best Value is achieved in the use of resources.

Understanding the College

In planning our audit we consider the key financial and governance challenges and opportunities the College is facing. We set out a summary of our understanding below.

Business challenges/opportunities

1. Financial Year End Change	2. PPE Additions and Valuations	3. Continuing Financial Pressures	4. Arms-Length Foundation Trust (ALFT)
<ul style="list-style-type: none"> Following SFC and Audit Scotland guidance, the financial year end reverts back to the academic year end of 31 July. This will result in increased compliance and preparation pressures on College staff The College must prepare the annual SFC resource return as at the 31 March and prepare the 2014-15 financial statements as a 16 month period 	<ul style="list-style-type: none"> During 2014-15, the College has managed a significant capital programme, with a £1.5 million hospitality suite created within the existing Dumfries campus. The College will be seeking advice and valuations from architects and valuers to determine the value of tangible fixed assets, with a full revaluation of land and buildings as at 31 July 2015. 	<ul style="list-style-type: none"> The College's costs are mainly funded through grant-in-aid from SFC. There continues to be pressures on this funding, with student number targets increasing annually Increased pressure over the operating costs of the College, a key challenge for the College continues to be income generation to reduce reliance on SFC grants. 	<ul style="list-style-type: none"> In 2013-14 the College transferred £2.1m to the ALFT. In 2014-15 the College received £1.5 million from the ALFT to fund the hospitality suite capital programme The College donates to the ALFT annually in March any commercial surpluses The key challenge for the College is to ensure they cannot exert dominant influence over the Trust, and its purpose is not solely for the benefit of the College and demonstrating that the ALFT continues to be independent.

Our response

<ul style="list-style-type: none"> We will assess the implications of a 16 month period when reviewing the 2014-15 financial statements. 	<p>As part of the financial statements audit we will:</p> <ul style="list-style-type: none"> review the instructions given to the external valuer including their response, assumptions used and the impact of the full revaluation report review the accounting judgments, treatment and related disclosures for tangible fixed assets. 	<ul style="list-style-type: none"> We will review the College's medium term plans for continuing to manage further decreases grant-in-aid, monitoring the potential for additional SFC funding and any impact on performance targets and outcomes this may have. 	<ul style="list-style-type: none"> We will update our review of the governance arrangements put in place to provide assurance that transfers into the ALFT are 'regular' We will update our review of the arrangements in place to ensure the ALFT remains independent from the College.
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Developments relevant to the College and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

<p>1. Revised Financial Memorandum</p> <ul style="list-style-type: none"> • The SFC has issued a revised Financial Memorandum (FM) for fundable bodies in the college sector which applies from 1 December 2014. The period prior to 1 December 2014 is covered by the previous Financial Memorandum. • The FM sets out the formal relationship between the College and the SFC • It is a condition of the grants from the SFC that colleges comply with the requirements of the memorandum, and it is the College's responsibility to ensure they are compliant. 	<p>2. Revised Statement of Recommended Practice</p> <ul style="list-style-type: none"> • The FE/ HE Board has issued a new Accounting for Higher and Further Education Statement of Recommended Practice (SORP) based on FRS 102. The accounting framework for the SORP is International Financial Reporting Standards (IFRS) • The first year under the new SORP will be 2015-16, however comparative figures will be required for 2014-15 and a closing balance sheet for 2013-14 will be required • A number of changes to the presentation of the financial statements are arising from the revised SORP • Key changes include the use of the performance model for accounting for non-Government Capital Grants and the movement of service concessions to on-balance sheet. 	<p>3. Code of Good Governance for Scotland's Colleges</p> <ul style="list-style-type: none"> • The SFC has developed a Code of Good Governance for Scotland's Colleges • Colleges are required from 2014-15 to comply with this Code as a condition of grant from the SFC and should state its adoption of the Code in the Corporate Governance Statement in its annual financial statements.
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Our response

<ul style="list-style-type: none"> • Our work on the financial statements includes a review the College's compliance with the requirements of the FM for the sixteen months year ended 31 July 2015. We would report any non compliance and consider any wider implications as a result. 	<ul style="list-style-type: none"> • We will review the arrangements put in place to manage the transition to the new SORP and assess progress of the project plan • We can discuss and review early the College's proposed methodology and accounting treatment for the key changes as a result of the SORP in advance of the transition. 	<ul style="list-style-type: none"> • Our work on the financial statements will include a review of the College's disclosures of compliance with the requirements of the Code of Good Governance. We would report any non compliance and consider any wider implications as a result.
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Our audit approach

We will use Voyager, our audit software package to document, evaluate and test, where appropriate, internal controls over the financial reporting process in order to reduce our detailed testing. We also tailor the software to incorporate the governance, regularity and performance risks identified at the planning stages.

Our approach will be to report all findings to management so that the College can choose to secure improvement opportunities. We report only those findings that represent a control weakness to the Audit Committee and make formal recommendations.

In all cases, we invest time with management in understanding the basis of the weakness identified and what the options are, for example mitigating controls and system modifications, for improving the system.

Planning

- Updating our understanding of the College through discussions with management and review of reports presented to the College and Audit Committee
- Reviewing the design, implementation and effectiveness of internal financial controls including Information Technology, where they impact the financial statements
- Assessing audit risk and developing and implementing an appropriate audit strategy
- Work with the College's internal auditors to ensure that key risks are addressed by audit, but that we do not duplicate areas of work.

Substantive Procedures

- Reviewing accounting policies and key judgements within the financial statements
- Performing analytical review
- Reviewing primary statements and performing sample testing on all material income and expenditure and balance sheet balances, taking in to account potential risks to regularity and ensuring audit evidence is sufficient and appropriate
- Reviewing the Operating and Financial Review and Statement of Corporate Governance and Internal Control

Completion

- Performing overall evaluation of our work on the financial statements to determine whether they give a true and fair view
- Obtain management representations from the College
- Determining an audit opinion
- Reporting to those charged with governance through our Audit Findings Report to the Audit Committee.

Financial Statements

Introduction

Further Education financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.

We are required to audit the financial statements and to give an opinion as to:

- whether they give a true and fair view of the financial position of the College and its expenditure and income for the period in question
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
- whether the Statement of Corporate Governance and Internal Control has been prepared in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.

Materiality

Under International Standards Auditing (ISA) 320 the auditor is required to establish both an overall materiality and a performance materiality. Materiality is an auditing and accounting concept relating to the importance or significance of an amount, transaction or discrepancy in respect of an entity's financial accounts.

Overall materiality is set for the financial statements as a whole and is based on our perception of the needs of users of the financial statements. This is informed by the level of public scrutiny, key performance indicators used by management, management's view on materiality and specific risks identified to the firm. An item would be considered material to the financial statements if,

through omission or non-disclosure, the financial statements would no longer show a true and fair view. The assessment of what is material is a matter of professional judgement.

As the primary focus of Dumfries and Galloway College is to provide educational services largely through the use of public funds, we use gross expenditure as the benchmark for our overall materiality. In 2014-15 we have conducted a risk assessment and established planning materiality at 2.0% of 2013-14 gross expenditure. As a result of the year end changes, the 2013-14 financial year was an 8 month period and the 2014-15 financial year is a 16 month period. Therefore our materiality figure calculated on the basis of the 13-14 financial statements will be doubled to represent the 14-15 financial year length. This means that cumulative unadjusted misstatements above £338,000 would result in an adverse audit opinion.

Performance materiality as defined by ISA 320 as the amount set by the auditor, at less than materiality, for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality is the maximum amount of a misstatement that the audit team can accept in an individual account. We would therefore expect any individual misstatement detected above this level to be adjusted.

We also use this level to assess the risk of material misstatement and to plan the nature, timing and extent of our audit procedures.

At the planning stages we have set our level of performance materiality at £253,000. This has been informed by our sector knowledge and prior experience, taking into consideration fraud risk indicators, prior year adjustments and accounting issues facing the sector.

In addition to the guidance on materiality ISA 450 requires the auditor to accumulate misstatements identified during the audit, other than those that are clearly trivial. Any identified errors greater than £16,000 will be recorded on a schedule of immaterial misstatements, assessed individually and in aggregate, discussed with you and if not adjusted, signed off by you as part of your letter of representation to us.

We will review materiality at the reporting stage of the audit to assess its appropriateness in light of the revised financial statements. If gross expenditure at year-end changes by more than 10% than used in our planning stage the materiality thresholds will be revised.

At all times we will assess the impact of an item on the financial statements. An item of low value may be judged to be material by its nature (e.g. cash) and an item of higher value may be judged not material if it does not distort the truth and fairness of the financial statements.

Our work with Internal Audit

Each year, we work with the College's internal auditors to ensure that our audit approach takes account of the risks identified and the work they have conducted, subject to our review of the internal audit function.

We have not identified any areas in the current year where we will seek to place reliance on the work of internal audit. We have reviewed the internal audit reports issued to date and have not identified any weaknesses which would impact our audit approach. Further update will be provided in the Audit Findings Report.

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>We have classified the College as having three main revenue streams:</p> <ul style="list-style-type: none"> • Grant income • Other income • Tuition Fee income <p>Our consideration of the three streams based upon the risk factors of ISA240 are set out below.</p> <p>Grant Income</p> <p>We have rebutted this presumed risk for grant income. The reasoning behind this is:</p> <ul style="list-style-type: none"> • Grant revenue does not primarily involve cash transactions • Grant revenue is primarily an allocation from the SFC. <p>Other Income</p> <p>We will also rebut the presumed risk for other Income. The reasoning behind this is:</p> <ul style="list-style-type: none"> • we do not expect other income to be above materiality and is largely from accommodation rentals and catering which are based upon contracts • opportunities to manipulate the revenue recognition is therefore very limited <p>Tuition Fee income</p> <p>Tuition fee revenue is regarded as a significant risk and assurance will be gained with testing of:</p> <ul style="list-style-type: none"> • review and testing of revenue recognition policies • detailed walkthrough of control procedures • perform analytical review and substantive testing .
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management and the associated controls in place • Testing of journal entries • Review of unusual significant transactions.

Reasonably possible risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description of risk	Substantive audit procedures
Operating expenses	Creditors understated or not recorded in the correct period (Completeness)	Work completed to date: <ul style="list-style-type: none">• Documentation of the system and identification of controls and walkthrough test Further work planned: <ul style="list-style-type: none">• Review of accounting estimates, judgements and the accruals accounting process.• Reconciliation of the creditors system to the general ledger and financial statements• Testing of after date transactions for unrecorded liabilities
Employee remuneration	Employee remuneration accrual understated (Completeness)	Work completed to date: <ul style="list-style-type: none">• Documentation of the system and identification of controls and walkthrough test Further work planned: <ul style="list-style-type: none">• Trend analysis to review payroll expenses in comparison to expectations and investigate any significant variances• Substantive testing of employee remuneration accruals against expectation• Reconciliation of the payroll system to the general ledger and financial statements

Governance

Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. The College is responsible to ensure proper arrangements are in place for:

- compliance with applicable guidance
- ensuring the legality of activities and transactions
- monitoring the adequacy and effectiveness of these arrangements in practice

The Code of Audit Practice gives the auditor a responsibility to review and, where appropriate, report finding's on the College's corporate governance arrangements. We will review and, where applicable, report findings relating to financial governance, strategic financial planning and financial control. Specifically we will review:

- the systems of internal control, including its reporting arrangements
- the prevention and detection of fraud and irregularity
- the standards of conduct, and arrangements in relation to the prevention and detection of corruption
- risk management procedures
- the financial position of the College

The Code of Good Governance for Scotland's Colleges has been developed in 2014-15 and it is a requirement for the College to state its adoption in the Statement of Corporate Governance and Internal Control. Any non compliance should also be disclosed by the College and reported to the SFC.

Statement of Corporate Governance and Internal Control

The Statement of Corporate Governance and Internal Control is the key document that records the governance ethos of the College, and assurances around the achievement of the vision and strategic objectives of the College. The Statement of Corporate Governance and Internal Control summarises the internal control framework, arrangements for risk management, financial governance and accountability.

Under the Code of Audit Practice, we are required to review and report on the Statement of Corporate Governance and Internal Controls annually. We will assess the College's external reporting of governance, through the 2014-15 Statement of Corporate Governance and Internal Controls Statement.

Regularity Opinion

The College are responsible for ensuring that public money is used only for its approved purpose. The College should therefore have systems of internal control in place to ensure the regularity of transactions.

The Code of Audit Practice requires that the auditor provides an opinion on the regularity of the income and expenditure of the College. We will therefore consider whether there are adequate controls in place over expenditure and substantively test transactions to ensure they are in line with the approved purpose of the College. We will update our review of the College's governance arrangements put in place to provide assurance that any transfers into the ALFT are 'regular' and that the ALFT remains independent from the College.

Governance

Fraud and Irregularity

It is the College's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity

We work with the College's internal audit team to review specific areas of fraud risk, including the operation of key financial controls. We also examine the College's policies, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control.

Logistics and our team

The audit cycle



Date	Activity
Mar 2015	Planning
Mar 2015	Interim site visit
May 2015	Audit Plan to the Audit Committee
Oct 2015	Financial Statements year end work
Nov 2015	Audit Findings Report to the Audit Committee
Dec 2015	Sign financial statements opinion

Our team

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Fees and independence

Fees

Service	£
College external audit	14,250
Total fees (excluding VAT)	14,250

2014-15 Audit Fee

The audit fee is calculated in accordance with guidance issued by Audit Scotland for determining the fee level for further education bodies. Audit Scotland requires that the agreed fee is within the limits of the indicative fee range.

Your external audit fee for 2014-15 is £14,250, representing a real price increase of 1.06% in the audit fee.

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the College and its activities, have not changed significantly
- The College will make available management and accounting staff to help us locate information and to provide explanations.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the College.

Respective responsibilities

We have been appointed as the College's independent external auditors by the Accounts Commission, the body responsible for appointing external auditors to Colleges in Scotland. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Audit Scotland Code of Audit Practice ('the Code') includes nationally prescribed and locally determined work. Our work considers the College's key risks when reaching our conclusions under the Code.

It is the responsibility of the College to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the College is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: An audit focused on risks

We undertake a risk based audit, focussing audit effort on those areas where we have identified the highest risk of material misstatement in the financial statements. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. The International Standards on Auditing identify two overall significant risks inherent in any financial statements. These are separately disclosed in the significant risks table on page 10.

Reasonably Possible – Reasonably Possible risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake extended substantive testing. Cycles where we have identified a reasonably possible risk of material misstatement are outlined in full on page 11 along with full details of the proposed testing.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the financial statements is not material we do not carry out detailed substantive testing.

Section of the financial statements	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk identified?	Description of Risk	Will substantive testing be carried out?
Other Income	Yes	Other Revenues	Low	None	We have not identified a risk of material misstatement	✓
Tuition Fees	Yes	Tuition and Fee Revenues	High	Significant	Tuition Revenues are incorrectly stated	✓
Other Operating Expenses	Yes	Operating Expenses	Medium	Reasonably Possible	Creditors understated or not recorded in the correct period	✓
Staff Costs	Yes	Employee remuneration	Medium	Reasonably Possible	Employee Remuneration accruals are misstated	✓
Funding Council Grant Income	Yes	Grant Revenues	Low	None	We have not identified a risk of material misstatement	✓

An audit focused on risks (continued)

Section of the financial statements	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk identified?	Description of Risk	Will substantive testing be carried out?
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Low	None	We have not identified a risk of material misstatement	✓
Trade and Other Receivables	Yes	Other revenues	Low	None	We have not identified a risk of material misstatement	✓
Cash & cash Equivalents	Yes	Cash	Low	None	We have not identified a risk of material misstatement	✓
Trade and Other Payables	Yes	Operating Expenses	Low	None	Creditors understated or not recorded in the correct period	✓
Provisions	Yes	Operating Expenses	Low	None	We have not identified a risk of material misstatement	✓
Retirement Benefit Obligations	Yes	Employee Remuneration	Low	None	We have not identified a risk of material misstatement	✓



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Strategic Plan 2008-2015 Risk Register

Risk No.	Strategic Aim	Risk Description	Inherent Risk			Controls in Place	Assurances	Internal/ External	Residual risk			Further Action	Risk Owner
			Likelihood	Impact	Total				Likelihood	Impact	Total		
1	SA 6	Unable to achieve WSUM target	2	4	8	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 ET on a weekly basis 2. Reviewed by ET on a weekly basis 3. Review carried out by HR and presented to ET for consideration/approval. 4. Internal audit report presented to audit committee	Internal / External	1	3	3	No further action.	JB
2	SA 1, 3 & 6	Loss of collaborative partnership arrangements	2	3	6	1. Policy of limiting dependence on any one partnership. 2. Regular reporting of partnership issues at ET. 3. Constant scanning to identify new potential partnerships.	1. Currently not specifically reviewed 2. ET meetings/minutes 3. ET meetings/minutes	Internal	1	2	2	No further action. Although policy not specifically reviewed, any issues would be identified through regular reporting at ET. Internal audit review planned for 14/15	ET
3	SA 1 & 6	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	No further action but continue to monitor expenditure and amend student funding policies to match demand with available budget. For session 2015-2016 SFC advised depreciation funds to be used for student funding shortfall	JB
4	SA 1, 2 & 6	Impact of the implementation of new 'needs led' funding model along with the simplification approach (WSUM replacement)	4	4	16	1. Principal member of College Sector Funding Group. 2. Vice Principal (CS&G) college lead in the parallel running of new simplification approach 3. 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	1. Parallel running of simplification methodology in 14/15 with full implementation starting 15/16. Implementation of 'needs led' funding approach in 15/16. Internal audit review planning for 15/16	CAT/ JB
5	SA5 & 6	Move to National Pay Bargaining	2	4	8	1. Detailed financial planning undertaken and approved by Finance and General Purposes Committee to ensure "affordability" of any offer. 2. Clear and well established negotiation processes in place with recognised unions. 3. Government suggested maximum 1% pay awards for 2014/15 and 2015/16.	1. F&GP meetings/minutes 2. Feedback to ET and the Board 3. Included in budget which is monitored and reported through F&GP	Internal	2	2	4	The Board will be asked to sign up to a National Recognition and Procedure Agreement	HP
6	SA 1,2,3,4,5,6,7	Disruption to business continuity due to Influenza pandemic, terrorism, fire or other disaster	2	4	8	1. Business continuity plan in place (check audit report recs)	1. Reviewed by ET and report to Board 2. Internal audit review carried out in 11/12	Internal / External	2	2	4	Implementation of audit recs	ET
7	SA 1 & 6	Failure to maintain student numbers	2	4	8	1. Strategies in place to improve retention. 2. Self evaluation process. 3. Poorly performing programmes removed from the curriculum.	1. Monitored at course level and review by ET. Exception reporting to Board. 2. Monitored through self evaluation process and reported to ET and L&T committee	Internal	1	3	3	Internal audit review planned 13/14	ET
8	SA 6	Loss of 'charitable' status	2	4	8	1. Internal control and governance arrangements in place to meet requirements of OSCR. 2. Work with Colleges Scotland to influence and respond to any potential change to legislation affecting charitable status.	1. External audit coverage as part of annual review of financial statements	External	1	2	2	No further action	CAT
9	SA 6	Downturn impacts on recruitment of Modern Apprentices	2	3	6	1. Maintain regular dialogue with training bodies. 2. Alter curriculum delivery to accommodate low numbers as and when required. 3. Contracts with relevant sector skills bodies and SDS in place.	1. Curriculum plans approved by ET and L&T Committee 2. Curriculum monitor contract on ongoing basis	Internal	2	2	4	Reduction in demand and income to be balanced by staffing reductions. Planned internal audit on strategic planning in 14/15	AW
10	SA 1,2,3,4,5,6,7	Public sector funding cuts - forecast for session 2016-17	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 ET and L&T 2. Budget approved by the Board	Internal	2	4	8	Reduce curriculum provision and or student services in line with funding and implement cost savings. Seek to increase non SFC income.	ET
11	SA 6 & 7	Changes to structure of FE colleges in Scotland adversely impacts on DAGCOL	2	4	8	1. D&G now confirmed as a single college region. Uncertainty still exists about future Crichton relationship and impact of being second smallest region in Scotland. Current indications are that under 'needs-led' funding model college is a growth region.	1. Scottish Government confirmed D&G as a single college region 2. Principal member of Crichton Leadership group and feeds back to ET and Board	Internal / External	1	2	2	Proactive involvement of ET and BoM in process	ET
12	SA 6 & 7	Governance implications resulting from reclassification of colleges by the ONS	4	4	16	1. Senior Management and Finance Manager representation at relevant briefings and ongoing monitoring of changes 2. External audit advice	1. Feedback to ET and Board	Internal/ External	2	2	4	SFC Guidance on Depreciation and Deficits External audit will review any changes to accounting treatments	ET
13	SA 1,2,3,5 & 6	Unable to increase Broadband width	4	4	16	1. Vice Principal (CS&G) member of H&FE Sector Oversight Board for ICT 2. Vice Principal (CS&G) member of Jisc RSC Scotland Advisory Board	1. Implementation of SWAN monitored 2. Feedback to ET and Board	Internal / External	2	2	4	No further action	JB
14	SA 6 & 7	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	1	4	4	Moving forward achieving attainment targets agreed with the SFC in the Regional Outcome will be a condition of grant. Low attainment can be detrimental to college reputation	ET

Strategic Plan 2008-2015 Risk Register

Risk No.	Strategic Aim	Risk Description	Inherent Risk			Controls in Place	Assurances	Internal/ External	Residual risk			Further Action	Risk Owner
			Likelihood	Impact	Total				Likelihood	Impact	Total		
15	SA 6 & 7	Failure to achieve an 'effective' outcome following Education Scotland Review	4	4	16	1. Real time monitoring systems. 2. Quality learning, learner engagement and quality culture monitored through annual self evaluation	1. Monitored through self evaluation process 2. Education Scotland Annual Engagement Visit 3. Monitored through external audits and external moderation visits 4. Regularly reviewed by executive team, L&T and the Board.	Internal/ External	1	3	3	A less than favourable review will be detrimental to the college reputation. Moving forward achieving attainment targets agreed with the SFC in the Regional Outcome will be a condition of grant. Low attainment can be detrimental to college reputation	ET