

## Audit Committee

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Tuesday 24 February 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 2 December 2014               | (attached)        |    |
| 4   | Matters Arising                                    |                   |    |
| 5   | Internal Audit Reports                             |                   |    |
| 5.1 | Institutional Sustainability                       | (report attached) | IA |
| 5.2 | Partnerships / Collaborative Arrangements          | (report attached) | IA |
| 5.3 | Internal Audit - Follow up Report                  | (report attached) | IA |
| 6   | Financial Reporting and Depreciation               | (report attached) | JB |
| 7   | Capital expenditure - Transfer of Funds            | (report attached) | JB |
| 8   | Complaints Handling Statistics                     | (report attached) | JB |
| 9   | Strategic Risk Register                            | (report attached) | JB |
| 10  | Any Other Business                                 |                   |    |
| 11  | Date and Time of Next Meeting - 12 May 2015 at 2pm |                   |    |

## 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.

## Board of Management

### Minute of the Meeting of the Audit Committee of the Board of Management of Dumfries and Galloway College held on 2 December 2014 at 2.00 pm in Room 2009

**Present:** Hugh Carr (Chair)  
Janice Goldie  
Stuart Martin

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

#### 1 Apologies

Apologies for absence were intimated on behalf of Sandy Burgess and Delia Holland.

#### 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 19 August 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, or were tabled:

##### 5.1 Student Activity Data

Members noted the report which received a green classification, with no recommendations for action. This had been statutory audit and the certificate had been submitted to SFC. The committee was pleased to receive such a positive report and conveyed its congratulations to College staff for their work.

##### 5.2 Student Support Funds

Members noted the report on audit which received a green classification with one recommendation. The recommendation was in respect of reconciliation of spend across the change of year end which had already been actioned. This had been statutory audit and the auditor's certificate had been submitted to SFC.

##### 5.3 Cashflow Forecasts

Members noted the report on audit which had been undertaken on 21 October 2014 which had received a green/amber classification with three low-medium recommendations; that the cash flow procedures were signed off by the responsible member of the Executive Team, that documentation concerning the preparation of cashflow

forecasts be retained to evidence each month, and that the College reconcile the figures in the return with the figures reported internally to ensure no discrepancies between the two. All recommendations were accepted.

#### **5.4 Internal Audit Progress Report**

Members noted the progress made against the audit plan and the change to defer the Transform project until 2015/16 audit plan. Three further audits were planned this audit year: Institutional Sustainability; Partnerships / Collaborative Arrangements and Payroll.

#### **5.5 Internal Audit Benchmarking**

Members noted how well the College was performing in relation to all of Baker Tilly FE clients, and within discrete sub divisions of the education sector.

### **6 SDS Compliance Report**

The Finance Manager spoke to the compliance report on Independent Learning Accounts which had been circulated. Members noted that Skills Development Scotland concluded full compliance by the College.

### **7 Strategic Risk Register**

The Vice Principal spoke to the register which had been issued, advising of no change from the previous meeting. The Committee noted the position.

### **8 Procurement**

The Vice Principal reported that APUC had issued briefing information to senior managers in respect of the Procurement Reform Act (Scotland) currently being considered by Scottish Government. Once the impact on the College of this Act is known a report will be prepared for the Committee.

### **9 Hospitality Development Update**

The Principal reported that the project was approaching completion, on target and on budget, and should be completed by Christmas, with the exception of the roof and lift shaft which would be completed in early January 2015.

### **10 Change of Year End 2015**

The Finance Manager spoke to the report which had been circulated, advising that a recent derogation had been offered to colleges to change the accounting year end from 31 March to 31 July, as it had been previously in alignment with colleges accounting and academic years, but that colleges would require to continue to provide SFC with budget and cash flow information to 31 March each year. The Committee noted the position.

### **11 Business Case for Insurance**

Members noted the content of an e-letter from the Chief Executive of Colleges Scotland to its Board Members on 24 October 2014 that colleges had secured a three year derogation from the Scottish Public Finance Manual in respect of the continued use of commercial insurance.

### **12 Any Other Business**

None

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

The next meeting of the Committee would take place on 24 February 2014 at 2.00 pm.

# Dumfries and Galloway College

Internal Audit Report (5.14/15)

FINAL

Institutional Sustainability

5 January 2015

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Draft report issued	11 December 2014		
Responses received	19 December 2014	Client sponsor(s)	Janette Brown, Vice Principal
Final report issued	5 January 2015	Report distribution	Janette Brown, Vice Principal Karen Hunter, Finance Manager

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. 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.

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# 1 Executive Summary

## 1.1 Introduction

An advisory review of Institutional Sustainability was undertaken at the request of Dumfries and Galloway College.

Eight years ago, at the request of the Scottish Funding Council (SFC), every College was required to report on Institutional Sustainability with the focus being on Financial Sustainability. Reporting was undertaken via a spreadsheet or a framework, with Dumfries and Galloway College opting to report via a spreadsheet.

Since reclassification to a public body, the College requested that we perform an advisory review to establish if the reporting process can be improved or streamlined in any way without omitting important information and identify any areas not reported upon.

At the time of the review, the College currently reported their Institutional Sustainability matters to the full Board and Audit Committee on a quarterly basis. Relevant sections of the report were also reported to other sub-committees on a quarterly basis.

The College reported on several goals summarised into the following four areas:

- Financial Strategy;
- Human Resources (HR) Strategy;
- Buildings and Infrastructure Strategy; and
- Quality and Collaborative Strategy.

## 1.2 Conclusion

Our review of Institutional Sustainability identified the following:

- That the current matters reported by the College were out of date in that they had not been updated or amended since they were originally devised eight years ago.
- Thirteen of the 39 goals reported on in the Institutional Sustainability spreadsheet were duplicated with the risks reported on in the College's Risk Register.
- Of the 26 goals not reported on in the Risk Register, 21 of those goals were still relevant with regards to the College's Institutional Sustainability and therefore they should continue to be monitored on a regular basis.
- Because of the review the Board had not yet received an overall update on the College's progress towards Institutional Sustainability during this academic session.
- When benchmarking against Institutional Sustainability of another college, of the nine areas tested it was found that the College did not report on six of those areas. For the remaining three cases, they were above what was required for Institutional Sustainability and therefore the College had not yet considered reporting on those areas.

In conclusion, whilst Dumfries and Galloway College does report on all key aspects of Institutional Sustainability, there is some duplication of information and therefore the reporting could be further streamlined and made more efficient to reduce duplications and ensure that focus is not lost on priority areas. This is something which was already acknowledged by management and therefore why this review was requested to provide advice on how this could be enhanced.

## 1.3 Scope of the review

Time was allocated to provide support to the College in reviewing and refreshing its Institutional Sustainability framework, including providing advice on good practice and whether under the new ONS reclassification as a public body the College have captured and considered Institutional Sustainability issues appropriately.

This review considered:

- How the College identified and captured Institutional Sustainability matters;
- How the College reported on these, including integration within existing reporting frameworks to ensure there were no duplications or gaps; and
- Benchmarking against how Institutional Sustainability was monitored and reported at other Colleges.

When planning the audit, the following limitations were agreed:

**Limitations to the scope of the audit:**

- Advisory work does not lead to a formal audit opinion but we have made recommendations, where appropriate, where we believe the control framework could be improved or where the systems in place could be more efficient.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was an Advisory review.

## 1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

**Recommendations made during this review:**

Our recommendations address the areas within the scope of the review as set out below:

	Priority		
	High	Medium	Low
How the College identifies and captures Institutional Sustainability matters.	1	-	-
How the College reports on Institutional Sustainability matters, including integration within existing reporting frameworks.	-	1	-
Benchmarking against how Institutional Sustainability was monitored and reported at other Colleges.	-	1	-
<b>Total</b>	<b>1</b>	<b>2</b>	<b>-</b>

## 2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
3.1	<p>The College should review the Risk Register and update it to include the following areas of the Institutional Sustainability spreadsheet so that only one document is used:</p> <ul style="list-style-type: none"> <li>Controls in order to diversify income streams and encourage efficient procurement practices in order to strengthen financial sustainability;</li> <li>A risk surrounding the impact of a recession and political instability on the College's ability to continue;</li> <li>A risk on if the College fails to improve business processes;</li> <li>An overall staff risk covering quality of staff and governors, training and qualifications of staff, staff turnover and staff sickness;</li> <li>An overall estate risk covering quality of facilities, space utilisation, repairs to the estate and access to the estate for all;</li> <li>A risk surrounding the College's impact on the environment and how they plan to improve it;</li> <li>Controls to incorporate the risk of inappropriate support services on student funding; and</li> <li>An overall risk covering provision in terms of diversity, quality, range and widening participation.</li> </ul> <p>Once the Risk Register has been updated, the College should highlight on the Risk Register which risks relate to Institutional Sustainability and which are strategic risks.</p>	High	Y	Accepted	June 2015	Jannette Brown, Vice Principal

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
3.2	Once the Risk Register has been updated to include the relevant Institutional Sustainability items, then the Risk Register should continue to be reported to the Audit Committee and the Board on a quarterly basis in order to sufficiently monitor and challenge Institutional Sustainability as well as Risk Management.	Medium	Y	Accepted	June 2015	Jannette Brown, Vice Principal
3.3	The College should implement a Sustainability Statement, which details the College's policy in relation to social, environmental and economic sustainability and how this impacts on the College's strategy. The College should then communicate this to all relevant parties and measure compliance with the Statement on a regular basis.	Medium	Y	Accepted	June 2015	Jannette Brown, Vice Principal
3.3	The College could consider if travel arrangements, health and well-being and incorporating sustainability into the curriculum can be included into their institutional sustainability reporting system and if so, include appropriate elements where necessary.	Suggestion	Y	Accepted	June 2015	Jannette Brown, Vice Principal

## 3 Finding and Recommendations

### 3.1 How the College identifies and captures Institutional Sustainability matters

As the College identified Institutional Sustainability Matters based on guidance given by the SFC eight years ago, testing was not performed on the adequacy of identifying matters. This was because these were effectively now out of date, especially since reclassification of the College as a public body.

All 39 items in the Institutional Sustainability spreadsheet were reviewed and reconciled back to the College's Risk Register. It was found that:

- 26 goals within the spreadsheet were not included in the Risk Register but the remaining 13 goals were.

Of those 26 goals:

- 21 were still relevant to the College, in that, if they were not monitored and reported on it could negatively impact sustainability for the College and the remaining five cases were not. We have made a recommendation whereby the 21 areas that were not in the Risk Register should be included in the Risk Register in order to centralise and streamline Institutional Sustainability Reporting.

The remaining five cases were not relevant due to:

- Two cases involved maintaining operating surpluses and reserves, which were no longer allowed due to the reclassification of the College to a public body. The College were now required to submit monthly and quarterly cash flows to the SFC in order to comply with this requirement and this was verified as part of our cash flows audit carried out in October 2014.
- In one case, it involved staff awareness of the Strategic Plan and this did not need to be reported upon unless major aspects of the Plan were being under-achieved or were not going to be achieved.
- In one case, it involved staff communications and this did not need to be reported separately as it would be covered when looking at staff turnover as part of staff satisfaction.
- For the remaining case, the goal involved transport and as the College had provided free transport for several years, which had not had a negative financial impact on the College during that time, it was no longer an influence on the College's Institutional Sustainability.

There is a risk to the College that by duplicating information, focus may be lost on priority areas. This could damage the College's reputation and negatively impact on the College's Institutional Sustainability. In addition, by reporting on non-priority areas, time may not be available to monitor priority areas.

Recommendation (High)
<p>The College should review the Risk Register and update it to include the following areas of the Institutional Sustainability spreadsheet so that only one document is used:</p> <ul style="list-style-type: none"> <li>• Controls in order to diversify income streams and encourage efficient procurement practices in order to strengthen financial sustainability;</li> <li>• A risk surrounding the impact of a recession and political instability on the College's ability to continue;</li> <li>• A risk on if the College fails to improve business processes;</li> <li>• An overall staff risk covering quality of staff and governors, training and qualifications of staff, staff turnover and staff sickness;</li> <li>• An overall estate risk covering quality of facilities, space utilisation, repairs to the estate and access to the estate for all;</li> <li>• A risk surrounding the College's impact on the environment and how they plan to improve it;</li> <li>• Controls to incorporate the risk of inappropriate support services on student funding; and</li> <li>• An overall risk covering provision in terms of diversity, quality, range and widening participation.</li> </ul> <p>Once the Risk Register has been updated, the College should highlight on the Risk Register which risks relate to Institutional Sustainability and which are strategic risks.</p>

### 3.2 How the College reports on Institutional Sustainability, including integration within existing reporting frameworks to ensure there were no duplications or gaps

Goals within the Institutional Sustainability spreadsheet were reported to the relevant Committee on a quarterly basis. This was in addition to the quarterly Risk Register update provided to the Audit Committee.

At the time of the review, there had only been one meeting of each of the: Audit, Finance and General Purposes and Learning and Teaching Committees and therefore all three sets of minutes were tested. It was found that:

- The Finance and General Purposes Committee and the Learning and Teaching Committee did partly but not fully, address all of the Institutional Sustainability goals they were responsible for but it was not evident when reviewing the minutes that the matters discussed were in fact a matter of the College's Institutional Sustainability.
- The Audit Committee minutes did not confirm that the Institutional Sustainability spreadsheet had been reported to the Audit Committee on a quarterly basis but they did confirm that the Risk Register had been reported on a quarterly basis.

The Institutional Sustainability spreadsheet was reported to the Board on a quarterly basis along with the Risk Register

There had been two meetings of the Board this academic year; one in September and one in November 2014. However, at the time of the review the November 2014 minutes had not been drafted and therefore the September 2014 minutes were tested. It was found that:

- The minutes did not confirm that the Institutional Sustainability spreadsheet had been reported to the Board on a quarterly basis but they did confirm that the Risk Register had been reported to the Board on a quarterly basis.

As not all items from the Institutional Sustainability spreadsheet were covered in the Risk Register and the Institutional Sustainability spreadsheet had not been reported to the Board, there is a risk to the College that Institutional Sustainability matters are not being sufficiently challenged. This could lead to inappropriate actions being taken, which could impact on the College's sustainability.

<b>Recommendation (Medium)</b>
Once the Risk Register has been updated to include the relevant Institutional Sustainability items, then the Risk Register should continue to be reported to the Audit Committee and the Board on a quarterly basis in order to sufficiently monitor and challenge Institutional Sustainability as well as Risk Management.

### 3.3 Benchmarking against how Institutional Sustainability is monitored and reported at other Colleges.

Upon review of a sustainability report from another College, there were nine sustainability areas on which they reported. All nine areas were reviewed in line with what was reported by Dumfries and Galloway College and it was found that:

- In three cases relating to: Estates, Procurement and Environmental sustainability, the College did not actively report on these areas but a recommendation has been raised regarding these issues in control 3.1 and therefore this has not been raised further.
- In three cases relating to: travel arrangements, health and well-being and incorporating sustainability into the curriculum, the College did not actively report on these areas. However, they were not fundamental areas of institutional sustainability and therefore a suggestion has been raised regarding these areas.
- For the remaining three cases relating to: a Sustainability Statement, communication of a Sustainability Statement and measuring compliance against a Sustainability Statement, the College did not do this and therefore a recommendation has been raised.

There is a risk to the College that they are not focussing on key sustainability issues, which could result in reputational damage, this in turn could impact Institutional Sustainability.

**Recommendation (Medium)**

The College should implement a Sustainability Statement, which details the College's policy in relation to social, environmental and economic sustainability and how this impacts on the College's strategy. The College should then communicate this to all relevant parties and measure compliance with the Statement on a regular basis.

***Suggestion***

*The College could consider if travel arrangements, health and well-being and incorporating sustainability into the curriculum can be included into their institutional sustainability reporting system and if so, include appropriate elements where necessary.*

# **Dumfries and Galloway College**

[Internal Audit Report \(4.14/15\)](#)

FINAL

Partnerships / Collaborative Arrangements

5 January 2015



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Debrief meeting	27 November 2014	Auditors	Patrick Green, Head of Internal Audit Lindsay-Anne Straughton, Manager Rakxa Parmar, Senior Consultant Leanne Brook, Consultant
Draft report issued	11 December 2014		
Responses received	19 December 2014		
Final report issued	5 January 2015	Client sponsor	Jannette Brown, Assistant Principal Karen Hunter, Finance Manager
		Distribution	Jannette Brown, Assistant Principal Karen Hunter, Finance Manager

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# 1 Executive Summary

## 1.1 Introduction

An audit of Partnerships / Collaborative Arrangements was undertaken as part of the approved internal audit periodic plan for 2014/15.

The College is focused on the Scottish Funding Council's strategic commitment to encouraging collaboration in various ways. The College is strategically committed to collaborative and partnership working and has clearly demonstrated this with the partnerships formed. During the period they commit to continue to explore further opportunities for collaborative working and sharing services as a means of improving effectiveness and efficiency and to maximise the opportunities for learners.

The College has approximately 14 partnering arrangements ongoing; these include a number of arrangements with the Skills Development Scotland for Modern Apprenticeship, Employability Fund and CITB; Princes Trust and Dumfries and Galloway Housing Partnership.

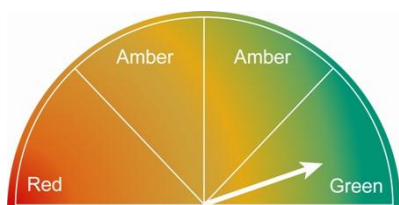
Company Training Solutions (CTS) is the business development unit of Dumfries and Galloway College and has been established to meet the following key strategic aims:

- To respond to the business development needs of local employers and the wider business community.
- To establish strong strategic alliances and develop a range of learning partnerships.

The audit was designed to assess the controls in place to manage the following objectives and risk:

<b>Objectives</b>	<p>Arrangements are in place to ensure that only appropriate collaborative and partnership arrangements are entered into by the College, to ensure benefit for the learner.</p> <p>The College secures its strategic objectives by working in collaboration with partners, and governance and management arrangements over this area ensure appropriate monitoring of controls and achievement of value for money.</p>
<b>Risk</b>	Loss of collaborative partnership arrangements.

## 1.2 Conclusion



**Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.**

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

### Design of control framework

Review identified a number of well-designed controlled:

- Potential collaborative/partnership arrangements are identified as part of the annual curriculum planning process and reported through to the Quality and Curriculum Committee.
- The College attends regular meetings of the Joint Academic Planning Group, Employability Partnership Group and Campus Leadership Group; gaps and demands within the local labour market are discussed, which help identify potential partnership working arrangements.
- There is an Outcome Agreement in place for 2014/17 which outlines how the College will meet the Scottish Government priorities through delivery of its curriculum and achievement of the outcomes in line with their strategic priorities. The Outcome Agreement has been approved and signed off by the Principal and Chair.
- The College Strategic Priorities also outline how the College is committed to working with Collaborative Partnerships in order to deliver their strategic priorities.
- The Assistant Principal Curriculum then reviews and discusses partnering arrangements and potential risks associated with them before any agreement is entered into.

- Partnership arrangements are monitored at regular review meetings attended by the Contract Managers and/or Business and Community Team; performance is also monitored through the use of KPIs. Any actions in place are reported and monitored at these meetings. The performance of the collaborative / partnering arrangements is reported through to the Senior Management Team on a regular basis.
- Audits are undertaken on key contracts twice a year to confirm compliance with contractual arrangements.
- An annual programme of self-evaluations are undertaken to confirm the quality of teaching and learning provided through the partnering arrangement. Results from learner engagement activity are incorporated into this evaluation.
- There is a Dumfries and Galloway Employability Partnership agreement in place which is reported upon on an annual basis.
- An Employability Partnership Action Plan is also in place which details the operational arrangements in place that will support the objectives within the Outcome Agreement.

However, the following areas were identified where one medium recommendation has been made in order to further enhance the processes:

- The College has not developed procedures for each stage of the partnership process including approval of contracts, contract management, quality assurance visits, due diligence, risk assessments and governance arrangements.
- Due diligence checks are not formally carried out for potential partners by the College.
- Risk assessments are not formally undertaken on an ongoing basis to ensure the risks are managed and reputational risk is minimised.

#### **Application of and compliance with control framework**

Testing confirmed that overall the controls were correctly and consistently applied. For a sample of partnering arrangement tested it was confirmed that:

- There were appropriate partnering arrangements in place which benefit the learner.
- The arrangements in place addressed the strategic priorities.
- There were good monitoring and reporting processes in place which highlighted and addressed any issues.

### **1.3 Scope of the review**

The scope of this review was to:

- Evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion; and
- Confirm that control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively.

When planning the audit, the following controls for review and limitations were agreed:

#### **Areas reviewed as part of this audit:**

- How the College identified collaborative/partnership working arrangements, and whether this was proactive or reactive.
- Governance arrangements in place for the approval of arrangements, including any due diligence work performed by the College and assessment of 'strategic fit'.
- How the College managed and monitored partnership arrangements to ensure that the reputational risk to the College was minimised.

We selected a sample of sub-contracts held by the College and considered:

- Due Diligence arrangements carried out by the College prior to entering into the agreements;
- KPIs put in place and used to measure performance, and how this is reported upon;
- On-going monitoring of the sub-contract arrangements, including termly review meetings and on-going risk assessments;
- Audits carried to ensure continued compliance with contractual terms and to monitor the quality of provision;

- Monitoring of any actions put in place to address performance issues identified through review meetings and audits; and
- How the College gained feedback from learners on their experiences.

**Limitations to the scope of the audit:**

- We have not commented on the suitability of any of the College's sub-contracted provision; only whether the College had appropriate mechanisms in place to assess suitability and whether these had been applied.
- We have not commented on the quality of the sub-contracted provision.
- We have not commented on whether learners had been accurately reflected in the student records system, nor considered any other funding related aspects of the sub-contracted provision.
- Testing was undertaken on a sample basis only and therefore we cannot give assurance that all partnering opportunities had been identified or that the College's procedures had been applied in all instances.
- Our work does not provide absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

**1.4 Recommendations Summary**

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

**Recommendations made during this audit:**

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	-	1	-
Application of control framework	-	-	-
<b>Total</b>	<b>-</b>	<b>1</b>	<b>-</b>

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Loss of collaborative partnership arrangements.	-	1	-
<b>Total</b>	<b>0</b>	<b>1</b>	<b>0</b>

## 1.5 Additional Feedback

We have included some comparative data to benchmark the number of recommendations made, as shown in the table below. In the past year, we have undertaken 59 audits of a similar nature in the education sector. These show that Dumfries and Galloway College is performing well compared to our other clients, in relation to its procedures over partnering arrangements.

Level of Assurance	Percentage of Reviews	Results of this Audit
Green	36.21	✓
Amber	58.62	
Red	5.17	

Recommendations	Average number in similar audits	Number in this audit
Recommendations made	4.07	1

## 2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1	<p>The College should develop a framework surrounding the partnership process. The process should include:</p> <ul style="list-style-type: none"> <li>• Approval of partnership arrangements;</li> <li>• Contract management;</li> <li>• Quality assurance visits;</li> <li>• Due diligence checklist;</li> <li>• Risk Assessments;</li> <li>• Managing exposure to reputational risk; and</li> <li>• Governance arrangements.</li> </ul> <p>This will ensure that a consistent approach is adopted in terms of monitoring and reporting partnership arrangements.</p>	Medium	Y	Accepted in full	June 2015	Jannette Brown, Vice Principal

### 3 Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
<b>Risk 1: Loss of collaborative partnership arrangements.</b>					
1.1	<b>Missing Control</b> The College has developed procedures for each stage of the partnership process including approval of contracts and contract management, Quality Assurance Visits, Due Diligence, Risk Assessments and Governance Arrangements.	No	There were no procedural guidance available surrounding the partnership process.  Without the presence of formal documented procedural there is a risk that inappropriate collaborative and partnership arrangements are entered into by the College, in that they ultimately do not benefit the learner.	The College should develop a framework surrounding the partnership process. The process should include: <ul style="list-style-type: none"> <li>• Approval of partnership arrangements;</li> <li>• Contract management;</li> <li>• Quality assurance visits;</li> <li>• Due diligence checklist;</li> <li>• Risk Assessments;</li> <li>• Managing exposure to reputational risk; and</li> <li>• Governance arrangements.</li> </ul> This will ensure that a consistent approach is adopted in terms of monitoring and reporting partnership arrangements.	Medium
1.2	<b>Missing Control</b> Due diligence checks are carried out for all potential partners by the College and a due diligence checklist is completed.	No	There were no formal due diligence checks undertaken by the College on potential partnerships.  Discussions with the Assistant Principal Curriculum however, established that they do informally review any potential risks before an agreement is entered into.  Please see Appendix 1 for an example of a due	See recommendation made within 1.1 above.	N/A

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			diligence checklist.  Without the completion of formal due diligence checks there is a risk that that inappropriate collaborative and partnership arrangements are entered into by the College, in that they ultimately do not benefit the learner.		
1.3	<b>Missing Control</b>  Risk assessments are undertaken on an ongoing basis to ensure the risks are managed and reputational risk is minimised.	No	Testing confirmed that risk assessments and health and safety checks had been completed for partnership arrangements only where learners were on work placements.  There were also no formal checks taking place on how the reputational risk is minimised through exposure to partnering / collaborative working arrangements.  Without the presence of formal assessments in place there is a risk that reputational risk may be affected leading to negative publicity.	See recommendation made within 1.1 above.	N/A



## Appendix A

### EXAMPLE PARTNER / SUB-CONTRACTOR DUE DILIGENCE QUESTIONNAIRE

#### Guidance Notes

The purpose of this questionnaire is to:-

- Ensure that potential partners/sub-contractors meet the minimum standards required by the College.

You may be asked to clarify your answers or provide more details about certain issues before being accepted as a potential partner or subcontractor to the College.

The submission of the Due Diligence Questionnaire is the first step to becoming (formalising) you as a partner or subcontractor with xxxxx. Please note being accepted onto the College's potential partners / sub-contractors list does not guarantee that your organisation will be offered a contract\*.

Please answer all questions carefully as incomplete responses may lead to rejection of the questionnaire. If a question does not apply to your organisation please answer N/A rather than leaving the section unanswered. We will not accept any questionnaires that have had the questions altered in any way.

\* You are advised that nothing in this Partner/ Sub Contractor Due Diligence documentation or any other communication from or with The College shall be taken as constituting a contract or other binding agreement or a representation that any contract shall be offered in accordance herewith or at all. The College reserves the right to modify, amend or seek further clarification on Partner/ Sub Contractor Due Diligence documentation at any time prior to contracting.

Please note that your organisation is not entitled to claim from The College any costs or expenses which may be incurred in the preparation of your due diligence submission.

1	DETAILS OF YOUR ORGANISATION		
1.1	Legal name of organisation:		
1.2	Trading name of organisation: (if different from the above)		
1.3	Main function of organisation (SIC code if known)		
1.4	Contact name:		
1.5	Job Title:		
1.6	Address:  Post Code:		
1.7	Telephone number:		
1.8	E-mail address:		
1.9	Website address (if any):		
1.10	Company Registration number (if this applies):		
1.11	Charities or Housing Association or other Registration number (if this applies). Please specify registering body:		
1.12	Date of Registration: (if this applies)		
1.13	Registered company address if different from the above:  Post Code:		
1.14	Are you registered for VAT? If "YES" please provide Registration number:		
1.15	Please provide your UK Provider Reference Number (UKPRN)**  **Please see <a href="http://www.ukrlp.co.uk">http://www.ukrlp.co.uk</a> as this is a <a href="http://www.ukrlp.co.uk">mandatory requirement</a>		
1.16	Is your organisation:  (please indicate by ticking the appropriate box)	i) a public limited company?	
		ii) a limited company?	

		iii) a limited liability partnership (LLP)?	
		iv) Statutory Corporation? e.g. Further Education College	
		v) other (please specify the legal status of your organisation)?	
1.17	Is your organisation part of a group of companies? If "YES" please give details below.	YES / NO*	
1.18	Name of (ultimate) parent company (if this applies):		
1.19	Companies House registration number of parent company (if this applies):		
<b>2</b>	<b>FINANCIAL INFORMATION</b>		
2.1	If you are invited to supply services to the College we require you to submit evidence of financial stability, usually a set of the last audited accounts for your organisation and details of your banker including a contact name and address from whom we may apply for references. Please indicate which of the following you would you be able to provide (please tick a minimum of one). Please enclose a copy with the return of this questionnaire.		
	<i>A copy of your audited accounts for the most recent year (if this applies)</i>		
	<i>A statement of your turnover, profit &amp; loss account and cash flow for the most recent year of trading</i>		
	<i>A statement of your cash flow forecast for the current year and a bank letter outlining the current cash and credit position (if trading for less than a year)</i>		
2.2	Has your organisation had any CCJs issued against it within the last 3 years	YES / NO*	
2.3	Please state the percentage proportion of your annual income, for the provision of educational and vocational training or employment support services that comes from the public purse.		
2.4	Do you currently hold contracts for provision funded by the Skills Funding Agency, either as direct or sub-contractor, with a cumulative value in excess of £500,000 per annum?	YES / NO*	
If "YES" have you completed the Skills Funding Agency "Due Diligence Assurance Gateway" on-line questionnaire.			YES / NO*
2.5	Please indicate the size category of your organisation	*Less than 10 employees *Less than 50 employees *Less than 250 employees *Less than 5000 employees *More than 5000 employees	

2.6	Please list names of all directors, company secretary, partners or other persons occupying positions of financial authority within your organisation.	
2.7	Have any of the above ever been, or are currently in bankruptcy, insolvency, compulsory winding up, receivership, composition with creditors, or subject to relevant proceedings. If you answer "YES" we will require further details before proceeding to contract.	YES / NO*
<b>3</b>	<b>INSURANCE</b>	
3.1	Please state your current level of insurance cover for the following.  <i>Please note: Please submit a copy of relevant certificates with this document</i>	Employer's Liability: Public Liability: Professional Indemnity : Other (Specify):
<b>4</b>	<b>COMPETENCIES</b>	
4.1	Does your organisation hold approved centre status from relevant awarding organisations to deliver education and training services?	YES / NO*
4.2	Does your organisation hold certification from relevant awarding organisations to deliver IAG or other support services?  If "YES" please specify	YES / NO*
4.3	Do all staff potentially delivering training / teaching on funded programmes on behalf of xxxx hold Qualified Teacher Status? Please provide copies of Staff CVs and qualifications held with the return of this questionnaire.	YES / NO*
4.4	Does your organisation hold evidence of other professional qualifications of its staff that it is prepared to submit for verification on request?	YES / NO*
4.5	Does your organisation actively encourage CPD for staff and have an auditable record of staff development?	YES / NO*
<b>5</b>	<b>CONTRACTUAL COMPLIANCE</b>	
5.1	Claims to xxxx will be made in arrears, based on actual delivery and the submission of the correct documentation within defined timescales. Please confirm that your organisation has the resources and capacity to work within this framework.	YES / NO*
5.2	Do you have a business continuity plan that will cover your ability to continue to deliver the services for which you are or may be contracted with xxx?	YES / NO*
5.3	Are you registered with the Information Commissioner's Office for processing or intending to process personal data for educational purposes?	YES / NO*
If "YES" please give registration number:		
Please provide brief details of any contracts or sub-contracts funded through the Skills Funding Agency that are currently held by your organisation (eg direct or indirect contracts, contract amounts, services delivered).		

6	QUALITY ASSURANCE	
6.1	Does your organisation have a quality assurance policy in place? If yes please enclose a copy with the return of this questionnaire.	YES / NO*
6.2	Does your organisation conduct annual observation of teaching and learning and/or assessment?	YES / NO*
6.3	Is your organisation able to supply three year trend data (retention/success(timely)/achievement) in relation to the programmes being considered for subcontracting? If yes, please enclose with the return of this questionnaire.	YES / NO*
6.4	Does your organisation undertake an annual self-assessment of its training activities in accordance with the Quality Inspection Framework and produce results in a written report?  If "No" this a requirement of xxxxx subcontractors and if successful, a template will be provided with your contract.	YES / NO*
6.5	Does your organisation produce and monitor a Continuous Improvement Plan?	YES / NO*
6.6	Does your organisation have established systems in place to undertake robust Internal Verification? If yes, please provide a copy of your Internal Verification Policy/Procedures with the return of this questionnaire.	YES / NO*
6.7	Does your organisation have established systems in place to undertake robust Initial Assessment of learners?	YES / NO*
6.8	Does your organisation have systems in place to identify and support learners with additional needs?	YES / NO*
6.9	Does your organisation have established systems in place to monitor learner progress?	YES / NO*
6.10	Does your organisation have established systems in place to collect and act upon client / learner feedback?	YES / NO*
6.11	Does your organisation have established systems in place to collect and act upon employer feedback?	YES / NO*
6.12	Would all personnel used to fulfil any contracts agreed with xxxxxx be direct employees of your organisation?	YES / NO*
<p>If "NO" please describe any arrangements that may be made to fulfil the contract:-</p> <p><b>Note: sub-contracting of any provision delivered on behalf of xxxx is not permitted.</b></p>		
6.10	Has your organisation had a full inspection by OFSTED?	YES / NO*
<p>If "YES" please give the OFSTED unique reference number and date of the latest inspection:</p> <p>Provider Reference:</p>		

<b>7</b>	<b>HEALTH &amp; SAFETY</b>	
7.1	Does your organisation have a written health and safety policy that demonstrates your compliance with Health and Safety legislation? If yes, please provide a copy with the return of this questionnaire.	
7.2	When were your Health and Safety procedures last audited and / or reviewed and updated?	
7.3	In the past 5 years has your organisation ever been prosecuted under health & safety legislation or been served prohibition or improvement notices by an Enforcing Authority such as the Health & Safety Executive? <i>Please note that if "YES" further details will be required before contracting</i>	YES / NO*
7.4	Do you have systems in place to undertake and / or monitor risk assessments at employer locations	
7.5	Does your health and safety policy make reference to and arrangements for clients / learners?	YES / NO*
7.6	Please name and state the position of the person who will have responsibility for the health and safety of clients / learners:	
<b>8</b>	<b>EQUALITY AND DIVERSITY</b>	
8.1	Do you collect and monitor equality and diversity data relating to your organisation and the services it provides, including that on ethnicity, gender and disability?	YES / NO*
8.2	Where relevant, do you monitor participation and success rates of learners by ethnic origin, gender and disability?	YES / NO*
8.3	Do you produce an action plan with targets based on the analysis of the equality data collected and review progress regularly?	YES / NO*
8.4	In the last three years has any finding of unlawful discrimination been made against your organisation by any court or industrial or employment tribunal or equivalent body?	YES / NO*
8.5	If "YES", what steps did your organisation take as a result of that finding?	
8.6	Do you undertake, in the delivery of services to xxxx, to actively promote good practice in terms of ensuring equality and eliminating discrimination in all forms through, as a minimum:	
a	The implementation of an organisational Equality and Diversity policy? If yes, please provide a copy with the return of this questionnaire.	YES / NO*

b	Providing relevant examples of the instructions, documents, recruitment advertisements or other literature with concern to the delivery of the contracted services when requested by xxxx?	YES / NO*
c	Issuing appropriate messages to clients / learners concerning recruitment onto provision and / or training progression?	YES / NO*
8.7	Do you ensure that all staff in your organisation undertake training so that they are aware of their responsibilities under your Equality & Diversity policy and the Equality Act 2010?	YES / NO*
<b>9.</b>	<b>SAFEGUARDING</b>	
9.1	Does your organisation have a written Safeguarding policy that demonstrates your compliance with Safeguarding requirements? If yes, please provide a copy with the return of this questionnaire.	YES / NO*
9.2	Please name and state the position of the person who will have responsibility for the safeguarding of clients / learners:	
9.4	We will require the CRB check reference numbers and the date that they were undertaken for all staff working with learners on this subcontract. Please provide a copy with the return of this questionnaire.	YES / NO*
9.5	Do you ensure that all staff in your organisation undertake training so that they are aware of their responsibilities under your safeguarding policy and the law?	YES / NO*
<b>10</b>	<b>REFERENCES</b>	
Please provide the names and contact details of two organisations to whom you have delivered training (or services similar to those being offered to xxxxx) within the last three years:		
	Contact 1	Contact 2
10.1	Customer Organisation (name): Website (if available)	
10.2	Customer contact name, phone number and email	
10.3	Date contract awarded:	
10.4	Brief description of contract	
10.5	Indicative value: e.g. circa £50K	
If you cannot provide at least one reference, please briefly explain why (100 words max)		

<b>11</b>	<b>PROFESSIONAL AND BUSINESS STANDING</b>	
11.1	Has your organisation ever been removed from a contract prior to its intended close date for failure to meet minimum levels of performance or for any other reason? If you answer YES we will require further details before proceeding to contract.	YES / NO*
11.2	Do any of the following apply to your organisation, or to (any of) the director(s) / partners / proprietor(s) or any other person with powers of representation?	
i	A conviction (or convictions ) for a criminal offence related to business or professional conduct	YES / NO*
ii	In a state of insolvency, voluntary administration, compulsory winding up, receivership, composition with creditors, company voluntary arrangements or subject to equivalent proceedings?	YES / NO*
iii	Failure to fulfil obligations related to the payment of taxes	YES / NO*
iv	Failure to fulfil obligations related to the payment of social security contributions?	YES / NO*
v	Legal or administrative finding of commission of an act of grave misconduct in the course of business	YES / NO*
vi	Failure to provide information required or providing inaccurate/misleading information when participating in a procurement exercise	YES / NO*
vii	Failure to obtain and maintain relevant licences or membership of an appropriate trading or professional organisation where required by law	YES / NO*
<b>12</b>	<b>ENCLOSURES</b>	
I/We can confirm that the following documents are enclosed with this completed questionnaire:		
1	The most recent years audited accounts.	YES / NO*
2	Employers Liability Insurance Certificate.	YES / NO*
3	Public Liability Insurance Certificate.	YES / NO*
4	An organisational chart.	YES / NO*
5	Certificate(s)/Letter(s) of accreditation from each awarding body.	YES / NO*
6	Copies of Staff CVs and qualifications held.	YES / NO*
7	A list of staff and CRB reference numbers and date undertaken.	YES / NO*
8	Quality Assurance Policy	YES / NO*
9	Three year trend data	YES / NO*
10	Internal Verification Policy/Procedures	YES / NO*
11	Health and Safety Policy	YES / NO*



12	Equality and Diversity Policy	YES / NO*
13	Safeguarding Policy	YES / NO*
<b>DECLARATION</b>		
<p>By submitting this document electronically I/We certify that the information supplied within this questionnaire is accurate to the best of my/our knowledge, and that I/We accept the conditions and undertakings requested in this questionnaire. I/We understand that false information could result in my/our exclusion from this and future exercises.</p> <p>I/We understand that if the organisation or its employees does anything which could constitute an offence under s1 of s7 of the Bribery Act 2010 the College reserves the right to exclude the organisation from this &amp; any future procurement.</p>		
<b>Please enter the name of the person and contact number confirming the above declarations, and the date of the confirmation.</b>		
Name:		
Position (Job Title):		
Date:		
Telephone number:		

# Dumfries and Galloway College

Internal Audit Report (6.14/15)

FINAL

Follow Up

17 February 2015

# Contents

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Debrief meeting	16 January 2015	Auditors	Patrick Green, Head of Internal Audit Lindsay Straughton, Manager Dan Nield, Analyst
Draft report issued	29 January 2015		
Responses received	16 February 2015	Client sponsor(s)	Jannette Brown, Assistant Principal
Final report issued	17 February 2015	Report distribution	Jannette Brown, Assistant Principal Karen Hunter, Finance Manager

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 Dumfries and Galloway College 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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# 1 Executive Summary

## 1.1 Introduction

As part of the approved internal audit periodic plan for 2014/15 we have undertaken a review to follow up progress made by Dumfries and Galloway College to implement previous internal audit recommendations.

The audits considered as part of the follow up review were:

- Income and Debtors (04.13/14);
- Procurement and Payments (05.13/14); and
- Follow Up (07.13/14).

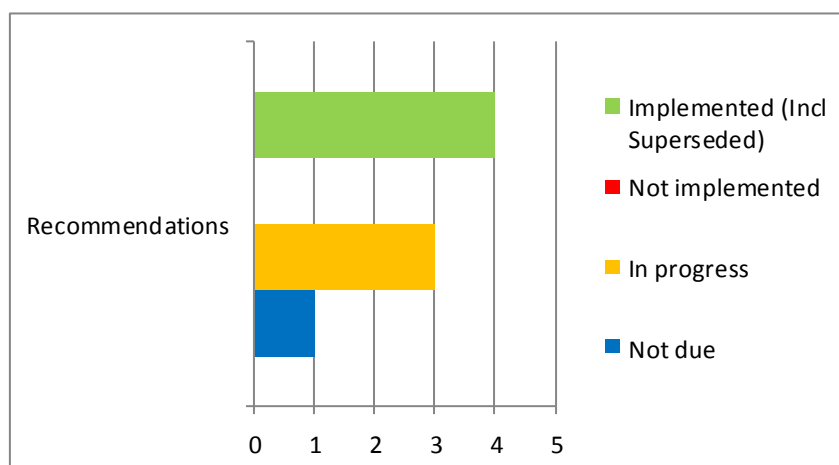
The eight recommendations considered in this review comprised of seven 'medium' and one 'low' recommendation.

The focus of this review was, to provide assurance that all recommendations previously made have been adequately implemented.

Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing has been completed to assess the level of compliance with this status and the controls in place

## 1.2 Conclusion

**Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion Dumfries and Galloway College has demonstrated reasonable progress in implementing actions agreed to address the restorative justice recommendations.**



**There are no recommendations that we consider to be receiving inadequate management attention.**

**We have reiterated recommendations where these have not yet been implemented. In addition, we have made new recommendations where appropriate; these are detailed in the Findings, Recommendations and Actions.**

### **1.3 Scope of the review**

#### **Limitations to the scope of the review:**

Only recommendations raised by Internal Audit, and agreed by management have been reviewed.

The review only covers audit recommendations previously made and does not review the whole control framework of the areas listed above, therefore we are not providing assurance on the entire risk and control framework.

Testing has been completed, where appropriate, on a sample basis over the period since actions were implemented or controls enhanced.

Where the indication is that recommendations have been implemented, we will undertake limited testing to confirm this.

Our work does not provide any guarantee or absolute assurance against material errors, loss or fraud.

### **1.4 Recommendation Tracking**

Recommendation tracking enhances an organisation's risk management and governance processes. It provides management with a method to record the implementation status of recommendations made by assurance providers, whilst allowing the Audit Committee to monitor actions taken by management.

Recommendation tracking is undertaken by Dumfries and Galloway College on a regular basis, with an update provided to the Audit Committee at each meeting.

## 1.5 Data to Support our Findings

Implementation Status by Review	Number of recs agreed	Status of Recommendation					Confirmed as completed or no longer necessary (1)+(4)	Carried forward for follow up (2)+(3)+(5)
		Not due for implementation (5)	Implemented (1)	Implementation Ongoing (2)	Not Implemented (3)	Superseded (4)		
Income and Debtors (04.13/14)	3	-	2	1	-	-	2	1
Procurement and Payments (05.13/14);	1	-	1	-	--	-	1	-
Follow Up (07.13/14)	4	1	1	2	-	-	1	3

## 2 Findings, Recommendations and Actions

This report has been prepared by exception. Therefore, we have included in this section, only those recommendations graded as 2, 3 or 5.

Each recommendation followed up has been categorised in line with the following:

Status	Detail
1	The entire recommendation has been fully implemented.
2	The recommendation has been partly though not yet fully implemented.
3	The recommendation has not been implemented.
4	The recommendation has been superseded and is no longer applicable.
5	The agreed date for implementing the recommendation has not yet been reached.

2.1	INCOME AND DEBTORS 4.13/14		FINDINGS		
Ref	Original Recommendation	Management Comments	Status	Comments / Implications / Recommendations	Updated Response
2.1.1	<p>The College should perform a regular spot check to ensure debtors have been issued with the latest reminder applicable to them.</p> <p>(Medium)</p>	Regular Spot-checks will be carried out to correspond with reporting on aged debts to the Finance and General Purposes Committee.	2	<p>Discussions with the Senior Finance Assistant identified that the recommendation had not been implemented as the management of the College had decided that a spot check was not necessary or practical.</p> <p>The previous review identified one exception where a student was overdue for receiving their second reminder letter by 19 days. Discussions with the Finance Assistant identified that the exception occurred due to the system not producing a reminder.</p> <p>Testing of a sample of five debtors from the January 2015 aged debtors report as part of this audit identified that:</p> <ul style="list-style-type: none"> <li>• In three cases the correct letter had been issued.</li> <li>• In one case, the College was awaiting a response from a query from the Student Awards Agency; and</li> <li>• In one case the second letter was overdue by 26 days.</li> </ul>	<p>Spot-checks have been carried out in checking older debt balances rather than debt letters, as part of the work in preparation of debtors reports for the Finance and General Purposes Committee meetings.</p> <p>The delay in generating the debt letters in this instance is due to the holiday period and the timing of other work which was prioritised before the holidays.</p> <p>However we will look at reviewing our processes and</p>

2.1	INCOME AND DEBTORS 4.13/14		FINDINGS		
Ref	Original Recommendation	Management Comments	Status	Comments / Implications / Recommendations	Updated Response
				<p><b>Revised recommendation</b></p> <p>The College should investigate why the system is missing debtors when reminder letters are being produced.</p> <p>In addition, as there is an inherent system errors the College should also perform a periodic check to ensure all debtors have been appropriately chased up and to identify any that the system may have missed, until this issue is resolved. For example, running of a report of aged debts once a quarter and check that they have all been chased up.</p> <p><b>(Medium)</b></p>	<p>procedures to incorporate a check that the all debtors have been chased up as required.</p>

2.2	FOLLOW UP 07.13/14		FINDINGS		
Ref	Original Recommendation	Management Comments	Status	Comments / Implications / Recommendations	Updated Response
2.2.1	<p>The College should maintain a record of the total costs of each of the vehicles within the fleet. This should include:</p> <ul style="list-style-type: none"> <li>Fuel cost;</li> <li>Maintenance costs including MOT;</li> <li>Insurance costs;</li> <li>Road Fund Licence; and</li> <li>Depreciation.</li> </ul> <p><b>(Medium)</b></p>	<p>The transport co-ordinator will develop a spread sheet to capture the total costs of each vehicle in the fleet.</p>	2	<p>Review of the Vehicle Cost Log confirmed that it had been developed to include the areas detailed in the recommendation. However, the insurance costs and depreciation were yet to be included in the log.</p> <p><b>Revised Recommendation</b></p> <p>The College should ensure that the Vehicle Cost Log is updated on an on-going basis and includes insurance and depreciation costs.</p> <p><b>(Medium)</b></p>	<p>The Vehicle Cost log will be updated and will include insurance and depreciation costs.</p>



2.2	FOLLOW UP 07.13/14		FINDINGS		
Ref	Original Recommendation	Management Comments	Status	Comments / Implications / Recommendations	Updated Response
2.2.1	<p>The College should continue to develop the vehicle replacement policy, including those areas of improved discussed where the policy could be further enhanced.</p> <p>Once finalised this should be formally approved and implemented.</p> <p>(Medium)</p>	<p>The draft policy will now be updated to reflect the enhancements suggested following the recent follow-up audit.</p>	2	<p>Discussions with the Finance Manager identified due to College capital funding changes, developing a vehicle replacement policy was no longer a viable option.</p> <p>As an alternative, the College plans to incorporate vehicle replacement costs into a rolling budget, however at the time of the audit this was in its early stages of implementation.</p> <p><b>Revised Recommendation</b></p> <p><b>The College should ensure the replacement of vehicles and their associated costs are incorporated into the College's annual budgeting.</b></p> <p><b>(Medium)</b></p>	<p>The budget process will be updated to ensure it includes an assessment of replacement plans for vehicles.</p>
2.3.4	<p>The College should plan the main aspects of key systems that will be tested during each test restore on a rolling basis to ensure that all key systems are tested.</p> <p>(Medium)</p>	<p>The College will alter the process for data recovery on a sample basis to also include recovery and restore key business systems.</p>	5	<p>Discussions with the Assistant Principal of Learner Services identified that the College was nearing completion with regards to data recovery on key business systems.</p> <p>However, as the implementation date had not yet been reached this action is still in progress.</p>	N/A

## Appendix A: Definitions for Progress Made

The following opinions are given on the progress made in implementing recommendations.

This opinion relates solely to the implementation of those recommendations followed up and not does not reflect an opinion on the entire control environment.

Progress in implementing recommendations	Overall number of recommendations fully implemented	Consideration of high recommendations	Consideration of medium recommendations	Consideration of low recommendations
<b>Good</b>	75% +	None outstanding	None outstanding	All low recommendations outstanding are in the process of being implemented
<b>Reasonable</b>	51 – 75%	None outstanding	75% of medium recommendations made are in the process of being implemented	75% of low recommendations made are in the process of being implemented
<b>Little</b>	30 – 50%	All high recommendations outstanding are in the process of being implemented	50% of medium recommendations made are in the process of being implemented	50% of low recommendations made are in the process of being implemented
<b>Poor</b>	< 30%	Unsatisfactory progress has been made to implement high recommendations	Unsatisfactory progress has been made to implement medium recommendations	Unsatisfactory progress has been made to implement low recommendations

## Audit Committee

### FINANCIAL REPORTING AND DEPRECIATION

#### 1. PURPOSE OF REPORT

The purpose of this report is to highlight the differences between the two sets of financial reporting rules for depreciation charges which the College must comply with following Office for National Statistics reclassification of the College sector.

#### 2. EXTERNAL FINANCIAL REPORTING

The College currently is required to comply with UK Generally Accepted Accounting practice (UK GAAP) for external financial reporting. Specific requirements for the college sector are also set out in the Statement of Recommended Practice (SORP) 'Accounting for further and higher education'.

UK GAAP and the SORP set out detailed rules on how transactions and balances require to be measured and reported for accounting purposes, in order to ensure that the financial statements give a true and fair view of the financial position and income and expenditure for the period reported, and ensure consistency in accounting treatment and disclosures for reporting between entities.

UK GAAP defines tangible fixed assets as property, plant and equipment which are held for use in the production and supply of goods or services, and are expected to be used for more than one accounting period. In order to comply with the requirements of UK GAAP, fixed assets should be included the balance sheet at cost or revaluation, and depreciation should be applied over the estimated useful life of the assets.

The College has a mixture of fixed assets including land and buildings, vehicles and some items of equipment.

Depreciation for each period is recognised as a cost in the income and expenditure account in the financial statements, and the cost should reflect the pattern of consumption of the assets future economic benefits.

The cash flow transactions for fixed assets are very different from the accounting transactions. The whole cash outflow is incurred initially when the asset is purchased, but the depreciation costs are reflected in the accounts annually over the expected useful life of the asset, which can be up to 50 years for buildings. This cash flow difference creates an imbalance each year between income and expenditure for accounting purposes and annual cash flow movements.

Grants received for the cost of fixed assets are treated in a similar way under the current SORP, and released as income over the expected useful life of the asset and offset depreciation costs.

Accounting adjustments for property revaluations have an impact on depreciation costs, as any increase in value will result in an increased depreciation charge for accounts purposes.

#### 3. BUDGETING AND BUDGET REPORTING

The budget reporting framework for the college sector has changed significantly following the ONS reclassification. With effect from 1<sup>st</sup> April 2014, the college must comply with the requirements of HM Treasury's Consolidated Budget Guidance. The Budgeting guidance sets out the requirements in order to comply with the annual budget for government finances, and details the rules for the budget treatment of certain types of income, expenditure and other items.

The ONS training sessions through the College Finance network have highlighted a difference between the budget treatment and accounting treatment of depreciation costs. The SFC has provided the college with an annual budget which is split between capital and revenue (Resource) limits. The budget rules require the college to spend the full amount of the cash budget in order to meet the Resource Department Expenditure Limits (RDEL), which includes a cash grant to meet depreciation costs. As the depreciation is already included in the financial statements as a cost, but does not include any cash outflow, any additional revenue spend will result in a net deficit for external reporting purposes.

HM Treasury have offered derogation to colleges to allow them to have a 31 July accounting year-end. However, the sector is still subject to government budgetary controls at 31 March each year. As a result of this, the College will need to balance its resource budget at 31 March each year, and provide returns to SFC that disclose the 31 March budget out-turn.

The 'net depreciation' – total depreciation less release of capital grants – for Dumfries and Galloway College for the 12 months to 31 March 2015 amounts to £392,000.

#### **4. RECOMMENDATION**

Members are asked to note the differences between the financial reporting rules for depreciation charges.

## Audit Committee

### CAPITAL EXPENDITURE/TRANSFER TO FOUNDATION

#### 1 Purpose of the Report

The purpose of this report is to seek approval to transfer funds to the Scottish Colleges Foundation by 31 March 2015.

#### 2 Background to the Report

Following the Office for National Statistics (ONS) reclassification of college sector, the College must comply with HM Treasury's Consolidated Budget Guidance and is subject to government budgetary controls at 31 March each year. HM Treasury have offered derogation to colleges to allow them to have a 31 July accounting year-end. However, the sector is still subject to government budgetary controls at 31 March each year. As a result of this, the College will need to balance its resource budget at 31 March each year, and provide returns to Scottish Funding Council that disclose the 31 March budget out-turn. Any donations to the Scottish Colleges Foundation must be from available resource budget, and made before 31 March.

#### 3 The Report

In March 2014 the College transferred £2,120,000 to the Scottish Colleges Foundation (D&G College sub-fund). In April 2014 a grant application was made to the SCF for £2m for the hospitality development. This application was approved and £2m was transferred to the College bank account. The hospitality development is now complete and the overall project costs will be finalised by the end of February 2015. The project is still on schedule to come in on budget. We have been able to allocate some of the project costs against our capital grant from the Scottish Funding Council – both capital and revenue. This means that not all monies received from the Scottish College Foundation is now required for the hospitality development. Not all final invoices have been received so it is difficult to be precise but at the time of writing this report it is likely that we will not use approx £500k of the SCF monies. We would therefore be looking to return up to £500k to the SCF.

In addition to the above, the College is also looking to transfer surplus funds of up to £250k to the Scottish Colleges Foundation. Following ONS reclassification of Colleges the Scottish Funding Council has issued a new Financial Memorandum with Fundable Bodies in the College Sector. It is a condition of grant from the Scottish Funding Council that colleges comply with this financial memorandum. The Financial memorandum clearly states that colleges can donate surplus funds to arms-length foundation. The College has received guidance that the Scottish Funding Council grant monies cannot be transferred to arms-length foundations. However any commercial income generated by the college can be treated as surplus therefore can be transferred. It is difficult to be precise on the amount of surplus we may have by the end of March. However, at this time there is a possibility that commercial income up to March could be around £250k.

#### 4 Recommendation

Members are asked to approve and make recommendation to the Board to transfer funds to the Scottish College Foundation (D&G College sub fund) up to the value of £750K before 31 March 2015 in line with Scottish Funding Council guidance.

## COMPLAINTS HANDLING STATISTICS

Under section 16B of the Scottish Public Services Ombudsman Act 2002 (as amended by the Public Services Reform (Scotland) Act 2010) the College must comply with the Scottish Public Services Ombudsman model Complaints Handling Procedure.

In August 2013 the College adopted the model Complaints Handling Procedure, provided the Ombudsman with a compliance statement and a self-assessment of compliance with the model.

The College is required to report annually to the Scottish Public Services Ombudsman (SPSO) on its performance in handling complaints. This analysis includes statistics showing the volume and type of complaint as well as key performance details.

The information below summarises complaints handling information from the period 1st September 2014 to 13th February 2015.

	Number and percentage of complaints considered	Number and percentage of complaints closed within 5 working days	Number and percentage of complaints where an extension to the 5 working day timeline was agreed	Average time in working days to resolve complaints
<b>Total number of Complaints Received – Frontline Resolution (Stage 1)</b> ACKNOWLEDGE RECEIPT WITHIN 3 WORKING DAYS & FINAL DECISION WITHIN 5 WORKING DAYS	<b>13</b>	<b>9 (69%)</b>	<b>4 (31%)</b>	<b>5</b>
Student complaint regarding course application refusal	1 (7.6%)	1 (7.6%)		
Student complaint regarding derogatory comment made by a member of staff	1 (7.6%)		1 (7.6%)	
Complaint by parent regarding students withdrawal from course	1 (7.6%)	1 (7.6%)		
Student complaint regarding funding	1 (7.6%)	1 (7.6%)		
Student complaint regarding smokers using accessible ramp at the front door.	1 (7.6%)	1 (7.6%)		
Copy of complaint letter received from SPSO regarding College's administration of HNC course and response to complaints	1 (7.6%)	1 (7.6%)		
Complaint received regarding noise in the room used for Gas Assessment training	1 (7.6%)		1 (7.6%)	
Complaint received regarding behaviour of bus driver result following an incident involving students on the bus	1 (7.6%)	1 (7.6%)		
Complaint regarding members of staff - lack of tutor feedback, tutor late for class, tutor rude in class	3 (23%)	2 (15.3%)	1 (7.6%)	
Student complaint regarding failure to identify additional support early on	1 (7.6%)	1 (7.6%)		
Student complaint regarding course application/bullying/tutor absence	1 (7.6%)		1 (7.6%)	
<b>Total number of Complaints Received – Investigation (Stage 2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Number of complaints received	None	None	None	None



# 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 SMT on a weekly basis 2. Reviewed by SMT on a weekly basis 3. Review carried out by HR and presented to SMT 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 SMT. 3. Constant scanning to identify new potential partnerships.	1. Currently not specifically reviewed 2. SMT meetings/minutes 3. SMT meetings/minutes	Internal	1	2	2	No further action. Although policy not specifically reviewed, any issues would be identified through regular reporting at SMT. Internal audit review planned for 14/15	SMT
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 SMT. 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. SMT meetings/minutes 2. SMT 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	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 SMT to ensure that adverse impact minimised.	1. Feedback to SMT 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	Unable to agree Pay Award	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 SMT and the Board 3. Included in budget which is monitored and reported through F&GP	Internal	2	2	4	Monitor Grant settlement and maintain dialogue consultations with unions	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 SMT and report to Board 2. Internal audit review carried out in 11/12	Internal / External	2	2	4	Implementation of audit recs	SMT
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 SMT. Exception reporting to Board. 2. Monitored through self evaluation process and reported to SMT and L&T committee	Internal	1	3	3	Internal audit review planned 13/14	SMT
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 Scotland's Colleges 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 SMT 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	SAW/ CAT
10	SA 1,2,3,4,5,6,7	Public sector funding cuts	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 SMT and L&T 2. Budget approved by the Board	Internal	2	4	8	Reduce curriculum provision in line with funding and implement cost savings. Seek to increase non SFC income.	SMT
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 college is region earmarked for growth.	1. Scottish Government confirmed D&G as a single college region 2. Principal member of Crichton Leadership group and feeds back to SMT and Board	Internal / External	1	2	2	Proactive involvement of SMT and BoM in process	SMT
12	SA 6 & 7	ONS reclassification of college impacts on governance, financial arrangements and ability to develop capital projects	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 SMT and Board	Internal/ External	2	2	4	External audit will review any changes to accounting treatments	SMT
13	SA 3,5 & 6	Facilitate and support R&D in small and micro-business through the provision of facilities, equipment and infrastructure to help businesses develop new commercial products and processes	3	4	12	1. Detailed monitoring undertaken on a daily basis by Vice Principal - Monitoring by and reporting to Lead Partner - Extra support provided by Vice Principal to ensure efficient start up of CREST project	1. Feedback to SMT and Board	Internal / External	2	2	4	No further action	SAW
14	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 SMT and Board	Internal / External	2	2	4	No further action	JB