

## Audit Committee

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Tuesday 2 December 2014

2.00 pm  
Room 2009

### AGENDA

- 1 Apologies for Absence
- 2 Declaration of Interest
- 3 Minute of Meeting of 19 August 2014 (attached)
- 4 Matters Arising
- 5 Internal Audit Reports
  - 5.1 Student Activity Data (report attached)
  - 5.2 Student Funding (report attached)
  - 5.3 Cashflow (report attached)
- 6 SDS Compliance Report (report attached)
- 7 Strategic Risk Register (attached)
- 8 Procurement (verbal update)
- 9 Hospitality Development Update (verbal update)
- 10 Change to Year End 2015 - Arrangements (report attached)
- 11 Business Insurance Case (copy letter attached)
- 12 Any Other Business
- 13 Date and Time of Next Meeting

## Board of Management

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### 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.

## Board of Management

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### Minute of the Meeting of the Audit Committee of the Board of Management of Dumfries and Galloway College held on 19 August 2014 at 2.00 pm in Room 2009

**Present:** Hugh Carr (Chair)  
Delia Holland  
Stuart Martin

**In attendance** Carol Turnbull, Principal  
Karen Hunter, Finance Manager  
Jannette Brown, Assistant Principal (Learner Services) and Secretary to the Board  
Lindsay-Anne Straughton, Baker Tilly  
Angela Pieri, Grant Thornton  
Susan Sutherland, PA to the Principal

#### 1 Apologies

Apologies for absence were intimated on behalf of Sandy Burgess.

#### 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 14 May 2014 was approved.

#### 4 Matters Arising

None

#### 5 Internal Audit Reports

##### 5.1 Internal Auditor Annual Report – year ended 31 July 2014

Lindsay-Anne Straughton, on behalf of Baker Tilly spoke the report, which gave opinion on the adequacy and effectiveness of risk management, control and governance arrangements within the College. The four core elements were green which identified that there were no recommendations for remedial action.

The Committee was pleased to receive such a positive report and conveyed its congratulations to College staff for their excellent work.

#### 6 Strategic Risk Register

The Assistant Principal, Learner Services, spoke to the register which had been issued, advising of only one change from the previous meeting. It was suggested that the residual risk assessment for risk no. 11, which referred to changes following the ONS reclassification of colleges be reduced from 6 to 4, given that the majority of changes were now known and appropriate system/controls were in place. The Assistant Principal, Learner Services, proposed that this remain on the register until a full financial account year had taken place under ONS. This was agreed by the Committee.

## **7 Informing the Audit Risk Assessment**

Angela Pieri on behalf of Grant Thornton spoke to the report which had been issued.

The report listed the questions asked and management responses made as part of a process which informed the external auditors on the College's risk management appetite. The Assistant Principal and Finance Manager confirmed that they had found this a very worthwhile exercise.

## **8 External Auditor Annual Report**

Angela Pieri, on behalf of Grant Thornton, spoke to the report which had been issued, detailing an excellent set of final accounts and working papers, and that the College had adapted and prepared well in order to manage the requirement to change the accounting year to 31 March for the 2013/14. The Audit Findings reported no material errors or adjustments were required as a result of the audit

In summary, Grant Thornton intended to give an unqualified opinion on the financial statements and identified no material adjustments during the audit.

The Committee welcomed the report and offered congratulations to the Finance Manager and her team.

## **9 Financial Statements for the period ended 31 March 2014**

Members noted the draft Final Accounts and summary report which had been issued.

Following the assurances given earlier in the meeting, the Audit Committee recommended the Accounts to the Board for approval on 16 September 2014.

## **10 Draft Annual Audit Committee Report (for the period Aug 13 to March 14)**

The Finance Manager spoke to the draft Report which had been issued, which would advise the Board of Management of the activities and decisions of the Audit Committee during 2013-14 and to provide opinions on matters specified by the Code of Audit Practice.

Members noted the table of audit recommendations accepted and auctioned and that the main focus during the year had been the ONS reclassification and the change to the accounting year to 31 March.

The Committee approved the report to go to the Board.

## **11 Any Other Business**

### **11.1 Internal Audit Plan 2014/15 – 2016/17**

Lindsay-Anne Straughton, on behalf of Baker Tilly tabled the draft Internal Audit plan for the three year period, which was based on the issues affecting the College, and the key topics to be audited by March 2015.

The Committee noted and approved the 3 year plan

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

The next meeting of the Committee would take place on 2 December 2014 at 2.00 pm.

# Dumfries and Galloway College

Internal Audit Report (1.14/15)

FINAL

Student Activity Data

3 November 2014

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Debrief meeting	11 September 2014	Auditors	Patrick Green, Partner
Draft report issued	23 September 2014		Lindsay-anne Straughton, Manager
Responses received	3 November 2014		Daniel Wallace, Analyst
Final report issued	3 November 2014	Client sponsor	Jannette Brown, Assistant Principal
		Distribution	Jannette Brown, Assistant Principal Angela Wells, Student Records 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.

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.

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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

An audit of Student Activity Data (SUMs) was undertaken as part of the approved internal audit periodic plan for 2014/15.

Our review of Student Activity Data focussed on the data return for the 2013/14 academic year and was conducted in accordance with the Scottish Funding Council's (SFC) 2013/14 Audit Guidance for colleges. It included a detailed review of the processes and controls in place relevant to the collection and recording of data, and testing of those controls in order to assess the accuracy of the data.

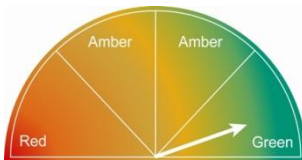
This included:

- Course data (non-fundable activities, classification of modes of provision and course coding),
- Student enrolments (including non-fundable students and infill students),
- Withdrawals,
- Attendance criteria and monitoring,
- Claims per student (multiple enrolments, related study, and extended learning support)
- Fee waiver,
- Open/distance learning and SUMs calculations, and
- Calculation of SUMs.

Since our review carried out in September 2013 on the 2012/13 data return, there has been a change to the process in recording withdrawals, this no longer requires a manual form to be completed and can now be done via SIM's system which automatically updates the SUM's data. No further changes have been made to the systems and procedures in use by Dumfries and Galloway College.

We issued our audit certificate to the Scottish Funding Council on 3<sup>rd</sup> November 2014. The audit certificate is attached to this report at Appendix A.

## 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 area 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.

Review of the systems and procedures in place regarding student activity data established that a number of well-designed controls are in place to ensure compliance with the SFC Funding Guidance, and sample testing confirmed overall compliance with these controls.

Full details of the testing carried out are included in section 2 of this report.

## 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.

The areas included within the scope of this review are detailed below and comply with the SFC Funding Guidance for 2013/14. Testing covered the data and underlying records to support the submission of student activity data for the academic year 2013/14 (FES return).

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

### Areas for Review:

The audit tested the College's procedures in relation to:

- Identifying and eliminating non-fundable activity.
- Identifying and eliminating non-fundable students from return.



- Classification of HE / FE, FT and other modes of provision.
- Identifying infill students and for determining the appropriate treatment of these students.
- Ensuring courses/ programmes are consistently coded.
- Dealing with student withdrawals.
- Calculation of SUMs.
- Ensuring that the SUMs claimed per student do not exceed the maximum.
- Identifying and administering ELS student records.
- Fee waivers.
- Attendance monitoring and recording, e.g. attendance registers.

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

- The findings of this report should not be considered to detail all errors that may currently or may in the future exist in the paper and computer records relating to student data.
- Testing was performed on a sample basis only and therefore we cannot give absolute assurance that controls have been applied in all instances.
- 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 a System-Based Audit.

## **1.4 Recommendations Summary**

No recommendations were made as a result of the audit work performed.

## 2 Findings and Recommendations

This report has been prepared in full and therefore covers all aspects of the testing carried out.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
<b>Area 1: Non Fundable Activity</b>					
1.1	<p>Offerings are pre-populated on the system and allocated a code depending on whether the offering is fundable or non-fundable.</p> <p>When a student is entered onto the system the course identified on the enrolment form is selected from a prepopulated drop down list.</p>	Yes	<p>A sample of 10 course offerings from the SUMs data report was selected and it was confirmed that they all were code 9 courses and therefore correctly included in the claim calculations.</p> <p>Through discussions with the Students Records Manager, it was advised that there were two programmes that spanned more than one academic year one ended in 2013/14 and the other is due to end in 2014/15.</p> <p>A check of the 10 sampled course SRI forms confirmed that in every case where applicable a form had been completed stating a maximum one year span.</p> <p>A review of the two courses which spanned two years confirmed that they had been identified as having a two year span and a review of the SUM for 2013/14 confirmed that the correct course element had been claimed for in the year.</p>	None.	N/A.
<b>Area 2: Non Fundable Students</b>					
2.1	<p>Students are coded on the enrolment form according to the category of funding eligibility. Code 36 students (overseas students) and bespoke course students are the only students who are non-fundable.</p> <p>When student enrolment details are entered onto the system, the system automatically identifies students coded as 36 and who have been allocated to a fundable course and excludes them from the SUMs claim.</p>	Yes	<p>A sample of 20 non-fundable students studying overseas / bespoke course were selected and it was confirmed that these had been classified within the system correctly and they had not been included in the SUMs claim.</p>	None.	N/A.

	<b>Controls (actual and/or missing)</b>	<b>Adequate Design (yes/no)</b>	<b>Test Result / Implications</b>	<b>Recommendation</b>	<b>Categorisation</b>
<b>Area 3: Classification of HE/ FE, FT and other modes of provision</b>					
3.1	The College has a defined course coding structure made up of four characters (five for courses offered by the Stranraer site).  The mode of attendance is captured on the enrolment form and details are entered onto the system when processing the student enrolment.	Yes	A sample of 10 course offerings was reviewed and it was confirmed the course coding used by the College matched the FES Guidance code list G and that the mode of attendance had been correctly classified within the system.	None.	N/A.
<b>Area 4: Infill Students</b>					
4.1	Infill students are required to complete a separate enrolment form which is in addition to the standard full time enrolment form.  The form captures details of the course, the start and end dates and fee details. Students are categorised on the system as infill and therefore the system only counts them on the return once.	Yes	A sample of 10 infill students was selected both from the system and hardcopy forms and it was confirmed that each student had been correctly classified in the system and the information recorded for each student had been correctly input from the enrolment form.	None.	N/A.
<b>Area 5: Course/Programme Coding</b>					
5.1	FES 1 - Code list I is used to allocate the dominant programme group (DPG) code to each course/programme.	Yes	A sample of 10 course offerings was selected and it was confirmed that the classification of each course within the system was in line with the FES guidance code list I.	None.	N/A.
<b>Area 6: Required Attendance Criteria</b>					
6.1	Start and end dates are taken from the SR1 forms completed by the curriculum areas. Student Records input the start and end dates into the system and the system calculates the 25% attendance and identifies the 'required date'. The required date is then input to the system by Student Records.	Yes	A sample of 10 course offerings was reviewed and it was confirmed that the system had correctly calculated the required date for attendance. It was also confirmed that the start and end dates of the course had been correctly entered into the system from the course set up forms where appropriate i.e. open learning courses do not require a form.	None.	N/A.

	<b>Controls (actual and/or missing)</b>	<b>Adequate Design (yes/no)</b>	<b>Test Result / Implications</b>	<b>Recommendation</b>	<b>Categorisation</b>
6.2	<p>Withdrawal forms are completed by a member of staff (eg Tutor) electronically and as such the system automatically updates.</p> <p>The withdrawal date is the last date of attendance, which is taken directly from the online electronic registers.</p> <p>Where the last date of attendance is earlier than the required date the system automatically excludes the student from the SUMs return.</p>	Yes	<p>A sample of five student withdrawals where the last date of attendance was before the required date was selected. It was confirmed that in all cases the student had not been included in the claim calculations.</p> <p>A sample of five student withdrawals where the last date of attendance was after the required date was selected. It was confirmed that in all cases the student had been correctly included in the claim calculations.</p>	None.	N/A.
6.3	<p>Sums can be claimed where a student has attended 25% of the course.</p> <p>The student must attend one session after the 25% before SUMs can be claimed.</p>	Yes	<p>A sample of 10 students included in the 2013/14 claim calculations was selected and from reviewing the student attendance data within the student records system, it was confirmed that each had met the 25% attendance rule.</p> <p>A sample of five current students where the last date of attendance was before the required date was selected and it was confirmed that these students had not been included on the return.</p>	None.	N/A.
<b>Area 7: Calculation of SUMs</b>					
7.1	<p>Student records input the total course duration (in hours) divided by 40 (per the guidance) into the SITs system. The SUMs values are then calculated automatically by the system.</p>	Yes	<p>For a sample of 20 course hour calculations it was confirmed that in 10 cases the courses were infill or open learning and could not be reconciled back to the system however the remaining ten hours did reconcile to the SITs system.</p> <p>For the 10 cases where an SR1 form was available, the overall certified claim for WSUMs agreed with the total in the student records system and as such the hours had been accurately claimed.</p>	None.	N/A.
<b>Area 8: Claims per Student</b>					
8.1	<p>Students Records identify from the enrolments download where students are undertaking related study.</p>	Yes	<p>A sample of 10 students for whom related study had been claimed was selected and it was confirmed that for nine of the ten cases, the SUMs claim was above the usual maximum claim per student. i.e. 15 and 20 based on the</p>	None.	N/A.

	<b>Controls (actual and/or missing)</b>	<b>Adequate Design (yes/no)</b>	<b>Test Result / Implications</b>	<b>Recommendation</b>	<b>Categorisation</b>
	The SUMs claimed are then checked.		course. The remaining student's SUM's added up to 14 and as such the related study did not exceed the limit. For the nine that had exceeded the claim limit, the extra claim was appropriately justified as the related study course enhanced employability which is permitted in the SUMs claim.		
8.2	Student Records download all student enrolments and check that where students have more than one enrolment, the SUMs claimed in total for that student is not more than 20 (maximum claimable).  Any over the maximum are adjusted on the enrolment screen (SUMs calculation is set to zero).	Yes	A sample of five students who were attending more than one course offering was selected and it was confirmed that the College had not claimed more than 20 SUMs for any of these students.	None.	N/A.
<b>Area 9: ELS Student Records</b>					
9.1	Students who require extended learning support can be identified either during the enrolment process (on the form) or during the year through pastoral support.  At the start of the year student services provide student records with a list of students who they anticipate will require ELS during the year.  At the end of the year student services provide student records with a list of students who have actually received additional learning support and these are entered onto the system.	Yes	A sample of 15 students with extended learning support was selected and it was confirmed that for all cases, there was a Personal Learning Plan or extended learning agreement in place which included details of the learning need.	None.	N/A.
9.2	Course coding determines whether the course is a DPG 18 course and the system automatically adjusts the SUMS claim.  Student records also review the	Yes	For a sample of 15 students with additional learning needs it was confirmed that these were either receiving extended learning support or were undertaking a DPG18 course and that this had been correctly recorded and captured in the SUMs claim calculations.	None.	N/A.

	<b>Controls (actual and/or missing)</b>	<b>Adequate Design (yes/no)</b>	<b>Test Result / Implications</b>	<b>Recommendation</b>	<b>Categorisation</b>
	enrolments report and check that any students on a DPG18 course who are also identified as receiving ELS are excluded from the SUMs claim.				
<b>Area 10: Fee Waiver</b>					
10.1	Fee payment details are recorded on the enrolment form. Where fee waiver is applicable the student must complete a fee waiver form.  The student category is then recorded on the system.	Yes	A sample of 15 students in receipt of fee waiver was reviewed and it was confirmed that in all cases the student was eligible based on the guidance criteria, that evidence of eligibility had been provided to the College and that the student had been correctly classified in the system.	None.	N/A.
<b>Area 11: Open/Distance Learning</b>					
11.1	The College has a member of staff responsible for distance learning who stays in contact with the students and tutors to confirm that they are continuing with the learning.  The Opening Learning Coordinator monitors that students are completing work on time.  Admin support for the community work also monitor whether students are making progress on their programme of studies.	Yes	Where a student has not submitted any work by the 2nd month after enrolment they are sent a first reminder.  They are then sent a second reminder after the 4th month if they have still not contacted the College or are not showing signs of progression.  After 6 months the student is sent a 'Registration almost at an end' Letter.  Failure to contact the College one month after the final letter results in automatic withdrawal.  A sample of five distance learners was selected and it was confirmed that:- <ul style="list-style-type: none"> <li>• Two students had shown progress from the outset and therefore no reminder letters were necessary;</li> <li>• One had been issued with the two month reminder letter which received a response from a Prison Officer stating that they would no longer be completing the course and therefore the student was withdrawn by the College;</li> <li>• One had received all three letters and was</li> </ul>	None.	N/A.

	<b>Controls (actual and/or missing)</b>	<b>Adequate Design (yes/no)</b>	<b>Test Result / Implications</b>	<b>Recommendation</b>	<b>Categorisation</b>
			<p>withdrawn due to no responses; and</p> <ul style="list-style-type: none"> <li>The remaining one should have had all three letters sent out; however these had not been sent. Through discussion with the Open Learning Coordinator this was due to a transfer of systems which they were currently reviewing to ensure no further students had been missed.</li> </ul> <p>Due to this a further two students were selected: the first of which had produced work from the outset and as such did not require letters and the other received three letters before responding and therefore the student missed was deemed an isolated incident.</p>		

**Appendix A: Auditors Report****Auditor's report to the members of the Board of Management of Dumfries and Galloway College.**

We have audited the FES return which has been prepared by Dumfries and Galloway College under the 'SUMs' Guidance issued 3 May 2013 and which has been confirmed as being free from material misstatement by the College's Principal in his/her Certificate dated 30<sup>th</sup> October 2014. We conducted our audit in accordance with guidance contained in the 2013/14 Audit Guidance for colleges. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of the data. It also included examination, on a test basis, of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material mis-statement.

In our opinion:

- The student data returns have been compiled in accordance with all relevant guidance;
- Adequate procedures are in place to ensure the accurate collection and recording of the data; and
- On the basis of our testing we can provide reasonable assurance that the FES return contains no material mis-statement.

Signature

Date:

Name of audit firm: Baker Tilly Risk Advisory LLP

Contact name: Patrick Green

Contact telephone number: 07786 807469

Date FES returned: 30<sup>th</sup> October 2014



# Dumfries and Galloway College

[Internal Audit Report \(2.14/15\)](#)

FINAL

Student Support Funds

21 October 2014

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Debrief meeting	25 September 2014	Auditors	Patrick Green, Head of Internal Audit
Draft report issued	13 October 2014		Lindsay-Anne Straughton, Manager
Responses received	21 October 2014		Leanne Brook, Consultant
Final report issued	21 October 2014	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 Student Support Funds was undertaken as part of the approved internal audit periodic plan for 2014/15.

Our review of Bursaries, Student Support Funds and the Education Maintenance Allowance (EMA) was conducted in accordance with the Scottish Funding Council's (SFC) 2013/14 audit guidance for colleges. It included a detailed review of the processes and controls in place relevant to the processing of applications and payments, and testing of these controls in order to assess the accuracy of the data.

Since the review carried out for 2012/13, the College has not changed its procedures for the administration of student support funds other than the use of online application forms where possible.

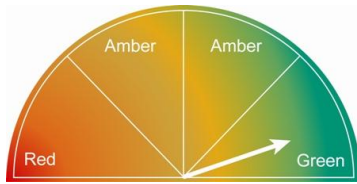
However, the ONS reclassification changes which the College have been working on have been complex and far-reaching, and the implications for student support have only materialised as the year has progressed. In particular, the differences between the budget treatment for Scottish Government reporting and the accounting and financial reporting requirements were only highlighted in March 2014. Due to the budget cut-off at 31<sup>st</sup> March 2014, and potential subsequent impact on student support budgets for the 2014/15 year, the College had to assess the net position up to 31<sup>st</sup> March and to 31<sup>st</sup> July, and carry forward sufficient funds to meet commitments for the period to July. The overall academic year position has now been reconciled, but this includes information from two different financial years, and this was not clear from the SFC Bursary and Student Support return guidance, which did not take into consideration the complexities of the change in accounting year-end, the impact on budget reporting, and implications of the relinquished funds.

We issued our audit certificate to the Scottish Funding Council on the 23<sup>rd</sup> October 2014. The audit certificate is attached to this report at Appendix A.

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

<b>Objective</b>	Funds were used for their intended purpose and College procedures complied with guidance.
<b>Risk</b>	<p>Funding Received from SFC was incorrectly recorded in the ledgers</p> <p>Awards were paid incorrectly</p> <p>Bursaries were paid to students who had not met the attendance criteria</p> <p>Use of bursary funds for childcare exceeded the maximum amount allowed and the college had not made provision to fund the excess from the college's own resources.</p> <p>Audited return was not in agreement with underlying records in the college ledgers.</p> <p>Limits specified on fund accounts were exceeded and the college had not made provision to fund this from its own resources.</p> <p>Alternative travel allowance was paid incorrectly</p> <p>Bursary overspends were not charged to the income and expenditure account</p> <p>Support funds were used for purposes specifically disallowed in the national policy.</p> <p>Childcare payments were made without due reference to the circumstances of the applicant.</p>

## 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:

We reviewed key controls and considered the controls in place for the delivery of the Student Support Funds function. It was ascertained that the College had adopted national policy documents formulated by the Scottish Government and the SFC to help improve the current system and processes.

We performed sample testing in order to assess compliance with the key controls identified and confirmed that overall the controls were being correctly and consistently applied.

However, through inspection and review we identified the following area of the control system which could be improved and have therefore raised one medium recommendation:

- The figure on the SFC return to confirm the amount of funds transferred from the Bursary allocation to Childcare did not match the figure in the finance system.

## 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 were put in place to ensure that risks to the achievement of the organisation's objectives were managed effectively.

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

### **Control activities relied upon:**

The online WSUM monitoring system enabled the College to have an immediate picture of performance and this was monitored on a weekly basis by Senior Management Team (SMT). SMT also monitored impact of declining demographic trends especially relating to full-time numbers.

### **Areas for Review:**

The audit considered the following funds:

- Bursaries,
- Student Support Funds (Childcare and Discretionary Funds), and
- Education Maintenance Allowance

The following areas were included:

- College policies;
- Recording of fund income received;
- Student eligibility and means testing of student income;
- Course eligibility;
- Payment controls, including award rates and monitoring of student attendance;
- Monitoring of spend and budgetary control;
- Reconciliation of College systems to the return; and

- Compliance with study expense guidance.

#### Limitations to the scope of the audit:

- This audit covered only those funds listed within the scope.
- Testing was performed on a sample basis.
- 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 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	-	-	-
Application of control framework	-	1	-
<b>Total</b>	-	<b>1</b>	-

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

Risk	Priority		
	High	Medium	Low
Funding Received from SFC is incorrectly recorded in the ledgers	-	-	-
Awards are paid incorrectly	-	-	-
Bursaries are paid to students who have not met the attendance criteria	-	-	-
Use of bursary funds for childcare exceeds the maximum amount allowed and the college has not made provision to fund the excess from the college's own resources.	-	1	-
Audited return is not in agreement with underlying records in the college ledgers.	-	-	-
Limits specified on fund accounts are exceeded and the college has not made provision to fund this from its own resources.	-	-	-
Alternative travel allowance is paid incorrectly	-	-	-
Bursary overspends are not charged to the income and expenditure account	-	-	-
Support funds are used for purposes specifically disallowed in the national policy.	-	-	-
Childcare payments are made without due reference to the circumstances of the applicant.	-	-	-
<b>Total</b>	-	<b>1</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
14	The College should perform a reconciliation as soon as possible to ensure that the underspend as per the student funds system and the SFC return agrees to the underspend in the finance system.	Medium	Y	Reconciliation for Academic Year 2013/14 has now been completed.  As the financial year end had changed from 31 March 2014, and various other ONS changes, the funds had been reconciled as at 31 March 2014.	31.10.14	Finance Manger

### 3 Findings and Recommendations

This report has been prepared in full and therefore covers all aspects of the testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
<b>Risk 1: Funding Received from SFC is incorrectly recorded in the ledgers</b>					
1	<p>The College maintains a separate bank account for bursary funds. Funding received from the SFC is paid directly into the College's current account and the Finance Assistant then transfers the amounts into the bursary account and makes the necessary adjustments in the ledgers.</p> <p>Payments made to students are also made from the College's current account and at the end of the month the Finance Assistant transfers money over from the bursary account and makes the necessary adjustments in the ledgers.</p>	Yes	<p>A sample of three bursary receipts was reviewed and it was confirmed that the amounts per the funding letter had been correctly transferred from the College's current bank account to the bursary account and that journal adjustments had been made within the accounting system for October 2013 and January and March 2014.</p> <p>A sample of three bursary payments from the current account was also reviewed and it was confirmed that the correct amounts had been transferred back in from the bursary account to cover these, and that the appropriate journal adjustments had been made in the accounting system for November 2013, February and June 2014.</p>	No recommendation made.	N/A
2	<p>The College maintains a separate bank account for student support funds. Funding received from the SFC is paid directly into the College's current account and the Finance Assistant then transfers the amounts into the student support funds account and makes the necessary adjustments in the ledgers.</p> <p>Payments made to students are also made from the College's current account and at the end of the month the Finance Assistant transfers money over from the student support fund account and makes the necessary adjustments in the ledgers.</p>	Yes	<p>A sample of three receipts into the College's current bank account for discretionary and childcare funding was reviewed. It was confirmed that these amounts had subsequently been transferred into the student support fund account and journal adjustments had been made in the accounting system for three receipts in February 2014.</p> <p>A sample of three payments for discretionary and childcare funds made from the College's current bank account was also reviewed and it was confirmed that transfers had been made from the student support fund account back into the current account to cover these.</p> <p>Appropriate journals had then been made within the accounting system as well for December 2013, April</p>	No recommendation made.	N/A

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			and June 2014.		
3	<p>EMA payments and receipts are all processed through the College's current account.</p> <p>Receipts are monthly and based on the claim submitted.</p>	Yes	<p>A sample of three EMA claims was reviewed and it was confirmed that all three amounts had been received from the SFC, but the amount claimed matched the actual amounts paid to students only for the January 2014 payment.</p> <p>The October 2013 and March 2014 payments to students did not reflect the amount claimed. However, this has not been raised further as a schedule was obtained showing that the SFC had clawed back the appropriate amount of money throughout the year in order for the actual amounts paid to match the amount claimed.</p> <p>All three claims were signed by the Finance Manager.</p>	No recommendation made.	N/A
<b>Risk 2: Awards are paid incorrectly</b>					
4	<p>Eligibility criteria for each student category is listed in the national policy documents.</p> <p>Students are required to provide a number of original documents or clear copies in support of their application and these are listed on the email generated after completing the application form.</p> <p>The Student funding staff determine eligibility based on SFC guidance, and upon input of the application to the system and all of the student's details, the system calculates the appropriate award.</p>	Yes	<p>A sample of 15 students receiving financial assistance in the 2013/14 year through bursaries (five students), EMA (five students) and student support (five students) was reviewed.</p> <p>It was confirmed that in all 15 cases the student had provided the necessary proof of eligibility along with their signed applications for funding.</p>	No recommendation made.	N/A



	<b>Controls (actual and/or missing)</b>	<b>Adequate Design (yes/no)</b>	<b>Test Result / Implications</b>	<b>Recommendation</b>	<b>Categorisation</b>
5	<p>Eligibility criteria for courses are listed in the national bursary policy document and these are prepopulated in the funding system.</p> <p>The system automatically determines whether the student is eligible for funding.</p>	Yes	For a sample of 15 students, it was confirmed that in all 15 cases the courses on which they were enrolled during 2013/14 were eligible as per the guidance issued by the SFC.	No recommendation made.	N/A
6	<p>The College has defined means testing arrangements for student support funds, EMAs and bursaries which are in line with the national guidance.</p> <p>The system is set up so that upon input of the information from each student's application, the system calculates the award.</p>	Yes	A sample of 15 student applications made in the 2013/14 year was reviewed and it was confirmed that their income and expenditure information provided on their funding application had been correctly input in to the funding system and this had been used to means test the funding award for all 15 cases.	No recommendation made.	N/A.
7	Award rates are prepopulated in the system and are paid at rates published in national policy (as adjusted by any means-testing).	Yes	<p>A sample of 15 students receiving financial assistance through bursaries (five students), EMA (five students) and student support (five students) in the 2013/14 year was reviewed.</p> <p>It was confirmed that in all five bursary and in all five EMA cases the award made was in line with national guidelines.</p> <p>There is not a standard amount awarded for student support payments as the student is just required to prove their household income is less than £30,000 per annum. In all five cases evidence was reviewed to support this and therefore, the award was made in line with national guidelines.</p>	No recommendation made.	N/A
8	Upon input of an application, the system flags where a student has already received the maximum award and will not allow the award of further funding.	Yes	A sample of 15 students receiving financial assistance through bursaries (five students), EMA (five students) and student support (five students) in the 2013/14 year was reviewed and it was confirmed that none of these had received more than the	No recommendation made.	N/A.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			maximum funding allowed.		
9	<p>Students are responsible for providing their own bank details on the online application form. Funding staff verify account holder is the student. Manual input only required if a student changes bank account or has provided incorrect information which results in a BACS rejection.</p> <p>All payments are made via BACS in the first instance. Cheques or manual bank payments are only made where the BACS payment has been returned by the student's bank.</p> <p>Payment runs are prepared by the Student Funding Officer and processed by the Finance Manager or the Senior Finance Assistant.</p>	Yes	<p>A sample of 15 students receiving financial assistance in the 2013/14 year through bursaries (five students), EMA (five students) and student support (five students) was reviewed and it was confirmed that the bank details provided by the student on their application had been correctly input to the funding system, Tequios for all 15 cases.</p> <p>It was confirmed that all 15 students had been paid by BACS which were created and processed by two separate individuals.</p>	No recommendation made.	N/A
10	<p>Students receiving EMA are required to complete the appropriate checkbox on the online application form to confirm they agree to the terms and conditions.</p> <p>The appropriate checkbox must also be completed by their parent or guardian.</p>	Yes	All five students in the sample who were receiving EMA in the 2013/14 year had an online learning agreement and both the student and the parent/guardian had checked the appropriate boxes to confirm their compliance with the learning agreement.	No recommendation made.	N/A
<b>Risk 3: Bursaries are paid to students who have not met the attendance criteria</b>					
11	<p>Students must be enrolled full time and achieve 90% attendance or provide adequate explanation for absences.</p> <p>Students may sign themselves off using the self-certification process for a maximum of 16 days per academic session.</p> <p>All medical absences over five consecutive</p>	Yes	<p>All 15 students tested from the 2013/14 year had not achieved a minimum of 90% attendance:</p> <ul style="list-style-type: none"> <li>Two students had their payments stopped as they had withdrawn from their course; and</li> <li>The remaining 13 students had all completed online self-assessments and had not exceeded the number of days of self-assessment allowed</li> </ul>	No recommendation made.	N/A.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	days must be covered by a doctors' certificate.		<p>in the academic session.</p> <p>As the absences from the remaining 13 students did not exceed five consecutive days, additional testing was not required in terms of ensuring that absences over five consecutive days were covered by a doctor's certificate.</p>		
12	The College carries out checks of student attendance on every fortnightly payment run.	Yes	<p>The attendance checks files for bursaries and student support funds were reviewed and it was confirmed that the Student Funding Officer carried out attendance checks on 100% of students each time a payment run was processed on a fortnightly basis.</p> <p>Where a student did not have 100% attendance and had not completed an online self-assessment, or had exceeded the number of days of self-assessment allowed in the academic session, the funding payments had been automatically stopped.</p> <p>It was noted that the fortnightly checks did not commence until November 2013. However, this was due to a backlog caused by staff sickness, the introduction of online application forms and as a result of the IT system being down for two weeks during summer 2013. As a result, this has not been raised further.</p>	No recommendation made.	N/A.
13	<p>A weekly report is received from Student Records listing all withdrawals within that week.</p> <p>This is then checked to identify whether any of the students are receiving EMA, Bursary of Discretionary Funding.</p> <p>The funding is automatically cancelled on the system with withdrawals being completed online and the system then</p>	Yes	<p>A sample of six student withdrawals who were receiving support funding in the 2013/14 year was reviewed.</p> <p>It was confirmed that in all six cases the student had received their last payment based on their last date of attendance and the attendance criteria associated with the payment. As a result, all six students had been paid the correct amount owed to them and they had not been overpaid.</p>	No recommendation made.	N/A

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	calculates whether a final payment is due. Funding staff must also manually calculate whether an overpayment has arisen and raise an invoice if this is the case.				
<b>Risk 4: Use of bursary funds for childcare exceeds the maximum amount allowed and the college has not made provision to fund the excess from the college's own resources.</b>					
14	<p>The College receive guidance from the SFC informing them they can transfer excess funds from the bursary allocation to cover an overspend in any other student funds area.</p> <p>The College inform the SFC of any transfers by detailing the transfer in the return submitted to the SFC.</p>	Yes	<p>The 2013/14 SFC Fund guidance was reviewed and it was confirmed that the College were able to transfer funds between areas.</p> <p>The Bursary return was reviewed and it was confirmed that one transfer had taken place this academic year from Bursary funds to Childcare funds.</p> <p>Evidence from the Resource accounting system was obtained to confirm the amount transferred to Childcare to cover the overspend was £32,636.18</p> <p>The Bursary return was reviewed and it showed the transfer on the return was £51,183 based on the underspend of the bursary fund. This confirmed that once submitted after the audit (September 2014), the SFC will have been informed of the transfer but the figure on the return did not match the figure in the finance system.</p> <p>There is a risk to the College that the financial statements are misstated, which could give a misleading impression of the College's current financial position and could lead to claw back of funding.</p>	<p>The College should perform a reconciliation as soon as possible to ensure that the underspend as per the student record system and the SFC return agrees to the underspend in the finance system.</p>	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
<b>Risk 5: Audited return is not in agreement with underlying records in the college ledgers.</b>					
15	<p>The Finance Assistant reconciles the bank accounts to the fund accounts and payments on a monthly basis.</p> <p>These are then checked and signed by the Finance Manager or the Senior Finance Assistant.</p>	Yes	<p>The reconciliations file was reviewed and it was confirmed that these had been performed monthly and in August 2013 and February 2014, there were no irreconcilable items.</p> <p>The August 2013 and February 2014 reconciliations had both been prepared by the Finance Assistant and reviewed by the Senior Finance Assistant.</p>	No recommendation made.	N/A
<b>Risk 6: Limits specified on fund accounts are exceeded and the college has not made provision to fund this from its own resources.</b>					
16	<p>The Student Funding Officer produces monthly projections from October each year for the bursary and student support funds in order to identify whether funds are likely to be under or over spent.</p>	Yes	<p>The fund projections file was reviewed and it was confirmed that these had been carried out every month. The projections for January, March and May 2014 were reviewed and it was confirmed that the College had a predicted overspend in January 2014 for bursaries, however this had subsequently been rectified in later projections.</p> <p>There were also projected overspends in HE and FE childcare and HE and FE discretionary funds for January, March and May 2014. However, the College had arrangements in place to offset the overspends using the underspend in bursaries estimated for July 2014 via a transfer. These projections resulted in an overall underspend and therefore the College did not need to meet the difference using their own resources.</p> <p>It was noted that at the time of the audit, the projected underspend on bursaries did not cover the overspend on student support funds. However, the College had not yet claimed all the money they were entitled to from the SFC and it is thought that once this is finalised with the SFC that the College will not have any overspends to meet using their own</p>	No recommendation made.	N/A

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			resources.		
<b>Risk 7: Alternative travel allowance is paid incorrectly</b>					
17	The College provides a free bus for bursary students.  This scheme has been in place for over ten years and was approved by the SFC at inception.	Yes	No further testing required.	No recommendation made.	N/A
18	Travel costs are only paid to students with disabilities or who are on placement.	Yes	A sample of five students who had received travel cost assistance during 2013/14 was tested and it was confirmed that all five students had additional support needs and therefore they were entitled to receive payment for their travel costs.	No recommendation made.	N/A
<b>Risk 8: Bursary overspends are not charged to the income and expenditure account</b>					
19	Overspends cannot be carried forward or offset against future allocations.  The College must bear the cost of overspends from its own resources.	Yes	The actual payments against the allocated funding were reviewed and it was confirmed that in 2013/14 none of the College's student funds had been overspent.	No recommendation made.	N/A
<b>Risk 9: Support funds are used for purposes specifically disallowed in the national policy.</b>					
20	The national policy documents identify which types of expenditure are specifically allowable and not allowable.  This is reflected in the College's own procedures.	Yes	The College followed the national policy documents which listed the types of funding which were available to students and the associated limits.  A sample of 15 students receiving financial assistance through bursaries (five students), EMA (five students) and student support (five students) in the 2013/14 year was reviewed and it was confirmed that in all cases, funding had only been provided in line with the SFC guidelines.	No recommendation made.	N/A

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
21	<p>Departments submit requests to the Finance Manager at the beginning of each year for allocations of budget from the bursary study expense account.</p> <p>The Finance Manager reviews these and uses judgement to allocate budget. Items which are not specifically allowed by the SFC guidance are excluded.</p> <p>The Finance Manager checks actual expenditure each month against the study expenses budgets to ensure that spend is within budget and only on allowable items.</p>	Yes	<p>A sample of two department study expense budgets (Art, Design and Media and Hair and Beauty) as at February 2014 before the College's financial year end were reviewed and it was confirmed that in all cases the actual spend was within the budget allocation and that spend had only been made on allowable items.</p> <p>This was because the Finance Manager confirmed that when a department wanted to order items, they were checked against the national policy documents for allowable expenditure before they were authorised to be bought by the Finance Manager.</p>	No recommendation made.	N/A
<b>Risk 10: Childcare payments are made without due reference to the circumstances of the applicant.</b>					
22	<p>The College has a defined approach for discretionary funds which details how they ensure that funds are targeted towards priority groups and those students with genuine hardship and need.</p> <p>This is reviewed annually and approved by the SMT.</p>	Yes	<p>Discussions with the Assistant Principal confirmed that there have been no significant changes made to the previous 2012/13 strategy and as this was confirmed adequate in the previous audit, this has not been tested further.</p> <p>Discussions with the Assistant Principal also confirmed that the minor changes made to the 2012/13 strategy were discussed during SMT but not formally minuted.</p> <p>This was because only a Policy shift from the Scottish Government or a fundamental change actioned by the SFC would require formal approval from SMT if it were to impact on the College's defined approach for discretionary funds.</p>	No recommendation made.	N/A.

## **Appendix A: Auditor's Certificate**

### **Standard Form of Auditor's Report for EMA Returns**

Name of College: Dumfries and Galloway College

Auditor's Report to the Scottish Funding Council (SFC) for the period from 1 August 2013 to 31 July 2014.

We have examined the books and records of the above college, including evidence of checks of five per cent of applications and payments, with a minimum sample size of five students, and have obtained such explanations and carried out such tests as we considered necessary.

On the basis of our examination and of the explanations given to us, we report that the information set out in these forms is in agreement with the underlying records.

We also report that, in our opinion, the college used these funds in accordance with the SFCs conditions and the principles of the Education Maintenance Allowance programme.

We are satisfied that the systems and controls of the administration and disbursements of these funds are adequate.

Signed:

*(Patrick Green)*

Dated:



# Dumfries and Galloway College

[Internal Audit Report \(3.14/15\)](#)

FINAL

Cashflow Forecasts

21 October 2014

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Findings and Recommendations	6

Debrief meeting	10 October 2014	Auditors	Patrick Green, Head of Internal Audit
Draft report issued	20 October 2014		Lindsay Straughton, Manager
Responses received	21 October 2014		Leanne Brook, Consultant
Final report issued	21 October 2014	Client sponsor	Jannette Brown, Assistant Principal Karen Hunter, Finance Manager
		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

An audit of Cashflow Forecasts was undertaken as part of the approved internal audit periodic plan for 2014/15.

The UK Office of National Statistics (ONS) reclassified all incorporated Scottish Colleges as Central Government entities for the purposes of accounting and budgeting, from April 2014. As a result, the College cannot hold reserves and monies are drawn down monthly, based on need. This is done by completing a monthly cashflow return for the Scottish Funding Council (SFC) showing actuals, the amount requested for the month ahead and the remainder for the year.

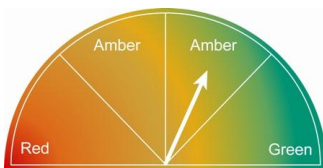
The SFC is then responsible for collating the budgeting and reporting for colleges and subsequent reporting to the Scottish Government on the colleges' behalf.

Within Dumfries and Galloway College, the responsibility with regards to the completion of the SFC returns lies with the Finance Team, which consists of the four following member of staff:

- The Finance Manager;
- The Senior Finance Assistant; and
- Two Finance Assistants.

As at period six (September 2014), the College had an actual cash inflow of £1,433,903 against an end of year projection of a £1,241,995 inflow. This shows that the College were sufficiently liquid at the time of the audit in that the College could still pay outstanding debts and liabilities of £190,000 before they would fall below their end of year projection target.

## 1.2 Conclusion



**Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of risk materialising in this area.**

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:

### Effectiveness

Our review of the accuracy of forecasting month on month compared to actuals for a sample of three figures from five months identified that actual cash spend was within 10% of the forecast predicted in the previous month. In addition, we confirmed through testing that the figures in the Cashflow Forecast were reasonable based on past performance and expected income and expenditure. This indicates that overall the procedures for cashflow forecasting are effective.

### Design of control framework

Our review established that the control framework in place in relation to Cashflow Forecasts is adequately designed in particular:

- There were Financial Regulations in place, which were regularly update on an annual basis and available to all staff via the intranet; the Financial Regulations were due their annual update at the time of the audit.
- In order to prepare the Cashflow Forecasts, the College's ledgers were closed down on the 27<sup>th</sup> of each month. Once the ledgers had been closed down, the Finance Assistant then reconciles the cash book with the bank statement on the 27<sup>th</sup> or on the next working day.
- The forecasts are included in the monthly management accounts, which are emailed to the Assistant Principal on a monthly basis for regular review and challenge.
- Performance against the Cashflow Forecasts is reported on a quarterly basis via a management report to the SMT, the Finance and General Purposes Committee and the Board.

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

Testing identified that the overall controls were reasonably well applied however, we have made three recommendations with regards to the application of the control framework:

- The individual Cashflow Forecast Procedures had not been formally approved as per normal practice to ensure they were in line with the latest Financial Memorandum issued by the Scottish Government.
- Sample testing of the Cashflow Forecasts between April and September 2014 identified that in five cases, not all documentation had been retained to confirm the correct process had been followed in order to devise the forecasts.
- For the five monthly returns and one quarterly return that were submitted to the SFC, it was found that in all six cases, the total numbers reported could not be reconciled with the figures reported internally.

Full details of the testing carried out and the results of this are included in section 3 of this report.

## **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 had been applied, with a view to providing an opinion; and
- Confirm that control activities were put in place to ensure that risks to the achievement of the organisation's objectives were managed effectively.

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

### **Areas for Review:**

Due to the reclassification of the College, the SFC pays grants to the College on the basis of cash flow projections that are updated month-by-month during the financial year. Testing was focused upon controls and procedures in the following areas:

- The adequacy of any overarching policy/procedural guidance in place for managing cash.
- The adequacy of the cashflow forecasting, including reviewing the forecasts made against the actual position.
- Compliance with Scottish Government reporting and submission requirements; and
- Management reporting.

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

- Testing was undertaken on a sample basis.
- We have not confirmed the College had complied with the Financial Memorandum in all instances or with any other specific terms and conditions attached to the payment of grant from the SFC.
- We have not re-performed the compilation of the monthly cashflow forecast.
- We have not commented on transfers made to arms-length-foundations.
- We have not offered investment advice.
- 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.

## 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	-	-	-
Application of control framework	-	2	1
<b>Total</b>	-	<b>2</b>	<b>1</b>

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

Area	Priority		
	High	Medium	Low
Policies and Procedural Guidance	-	-	1
Cashflow Monitoring and Reporting	-	1	-
Compliance with Scottish Government Submissions	-	1	-
Management Reporting	-	-	-
<b>Total</b>	<b>2</b>	<b>2</b>	<b>1</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
1.1	The College should ensure that their Cashflow Procedures are approved by the Senior Management Team (SMT) or Finance and General Purposes Committee to confirm that they are in line with the latest Financial Memorandum.	Low	Y	The original procedures have been updated and refined to include format changes and other SFC guidance which has been received during the period to date. The procedures will now be reviewed and approved by SMT	31 December 2014	Finance Manager
2.1	The Finance Team should ensure that all documentation concerning the preparation of the cashflow forecasts is retained to evidence the correct process has been followed each month, including evidence of sign off and review.	Medium	Y	The new procedures and processes have been developed from the initial funding claims from April to date. Working papers documenting assumptions and processes will now be retained.	31 October 2014	Finance Manager

<b>Ref</b>	<b>Recommendation</b>	<b>Categorisation</b>	<b>Accepted (Y/N)</b>	<b>Management Comment</b>	<b>Implementation Date</b>	<b>Manager Responsible</b>
3.1	In line with the SFC returns, the College should reconcile the figures in the return with the figures reported internally to ensure there are no discrepancies between the two, and that evidence of this reconciliation is retained.	Medium	Y	The worksheet for the Cash Flow forecast report includes a template for the SFC cash flow return which is automatically populated from the internal report, to ensure that there are no discrepancies. This template will be updated to take account of any future changes to the format of the SFC return.	31 October 2014	Finance Manager

### 3 Findings and Recommendations

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
<b>Area 1: Policies and Procedural Guidance</b>					
1.1	<p>There are individual cashflow procedures in place within the College, which explain the College's cashflow processes in more detail including working instructions. These are in line with the Reclassification of Incorporated Colleges circular issued by the ONS.</p> <p>They are regularly updated and available to all relevant staff via the Finance Network Drive.</p>	Yes	<p>The cashflow procedures were reviewed and it was confirmed that they were sufficiently detailed in that they included the working instructions in order to complete the College's monthly cashflow forecasts as well as the cashflow forecasts that needed to be submitted to the SFC. It was also confirmed that the procedures were in line with the Reclassification of Incorporated Colleges circular issued by the ONS.</p> <p>A screenshot was obtained to confirm that the Cashflow Procedures were available to all relevant staff via the Finance Network Drive.</p> <p>Discussions with the Finance Manager confirmed that at the time of the audit, the cashflow procedures had not been formally approved.</p> <p>There is a risk to the College that the cashflow procedures may not be in line with the latest Financial Memorandum. This could result in incorrect procedures being followed, which could lead to clawback of funding and financial loss for the College.</p>	The College should ensure that their cashflow procedures are approved by the SMT or Finance and General Purposes Committee to confirm that they are in line with the latest Financial Memorandum.	Low
<b>Area 2: Cashflow Monitoring and Reporting</b>					
2.1	<p>The Senior Finance Assistant prepares the actual figures and compares that to the forecast.</p> <p>Where there are variances, notes are made on the forecast in order to explain</p>	Yes	<p>The cashflow forecasts completed between April and September 2014 were tested and it was found that:</p> <ul style="list-style-type: none"> <li>In all six cases, the actual figures had been included in the forecast.</li> <li>The Senior Finance Assistant had compared actuals with forecast for the September 2014 forecast but there was no evidence that this had been carried out</li> </ul>	The Finance Team should ensure that all documentation concerning the preparation of the cashflow forecasts is retained to evidence the correct process has been	Medium



	<b>Controls (actual and/or missing)</b>	<b>Adequate Design (yes/no)</b>	<b>Test Result / Implications</b>	<b>Recommendation</b>	<b>Categorisation</b>
	those variances.		<p>in the remaining five cases. Further discussions with the Finance Manager established that the paper copies of the internal forecasts in the file of cash flow working papers were not the final versions; the final versions were held electronically the Finance network folder and our observations confirmed that the final forecast and actual figures reconciled, although as this reconciliation had been performed electronically by Finance there was no audit trail.</p> <ul style="list-style-type: none"> <li>• Explanations for variances had been provided for the September 2014 forecast but there was no evidence that this had been carried out in the remaining five cases.</li> </ul> <p>There is a risk to the College that by not evidencing that the correct process has been followed, discrepancies may be overlooked meaning the financial statements could be misstated.</p>	followed each month, including evidence of sign off and review.	
2.2	Once the forecast against actuals has been passed to the Finance Manager, it is then reviewed and projections for the rest of the period are altered where applicable.	Yes	<p>The cashflow forecasts completed between April and September 2014 were tested and it was found that:</p> <ul style="list-style-type: none"> <li>• The July and September 2014 forecasts had been reviewed by the Finance Manager. <ul style="list-style-type: none"> <li>○ The April, June and August 2014 forecasts had been reviewed by the Finance Manager but the forecasts had not been signed to evidence this review.</li> <li>○ For the May 2014 forecast, there was no evidence that it had been reviewed by the Finance Manager.</li> </ul> </li> <li>• For the April-June and September 2014 forecasts, the cashflow projections had been altered where necessary to create the final version of the forecast.</li> </ul>	See recommendation 2.2.	

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			<ul style="list-style-type: none"> <li>○ For July and August 2014, the final draft forecast had not been retained in paper copy only electronically and therefore it could not be confirmed if the necessary projections had been altered in order to create the final version of the forecast.</li> </ul> <p>There is a risk to the College that by not evidencing that the correct process has been followed, discrepancies may be overlooked meaning the financial statements could be misstated.</p>		
<b>Area 3: Compliance with Scottish Government Submissions</b>					
3.1	<p>Under Scottish Government, the College are required to submit to the SFC a monthly cashflow forecast on the 1<sup>st</sup> of each month.</p> <p>The SFC then acknowledges receipt of the return and they would make any queries or raise any issues where necessary.</p>	Yes	<p>The monthly returns submitted between April and August 2014 were tested and it was found that:</p> <ul style="list-style-type: none"> <li>• In all five cases, the College had submitted monthly returns on or before the due date therefore they had been submitted in a timely manner.</li> <li>• In four cases, the SFC had acknowledged receipt of the return. The SFC had not acknowledged receipt of the April 2014 return but if there was an issue, the SFC would have queried this and as subsequent returns had been acknowledged, this was not raised further.</li> <li>• In all five cases, the SFC had not queried the return and therefore this did not need to be tested further.</li> <li>• In all five cases, the total figures in the return did not match the figures reported internally.</li> <li>• For April and July 2014, the values of the discrepancies were £10 and £12 respectively therefore this was not considered material.</li> <li>• For May, June and August 2014 the value of the discrepancies in the closing cash balances were: £19,369, £1,057,001 and £134,175 respectively between the SFC</li> </ul>	In line with the SFC returns, the College should reconcile the figures in the return with the figures reported internally to ensure there are no discrepancies between the two, and that evidence of this reconciliation is retained.	Medium

	<b>Controls (actual and/or missing)</b>	<b>Adequate Design (yes/no)</b>	<b>Test Result / Implications</b>	<b>Recommendation</b>	<b>Categorisation</b>
			<p>return and the figures reported internally. Further discussions with the Finance Manager established that the paper copies of the internal forecasts in the file of cash flow working papers were not the final versions, and hence they did not agree to the SFC projections and claims. The final electronic versions, which were used to complete the SFC return by copying and pasting the values from the excel worksheet, were all stored on the Finance network folder, and the net balances on this were agreed to the SFC returns.</p> <p>There is a risk to the College that the figures returned to the SFC are misstated showing an excess forecast outturn position, which could lead to clawback of funding and punitive fines leading to financial loss for the College.</p>		

	<b>Controls (actual and/or missing)</b>	<b>Adequate Design (yes/no)</b>	<b>Test Result / Implications</b>	<b>Recommendation</b>	<b>Categorisation</b>
3.2	<p>Under Scottish Government, the College are also required to submit to the SFC a quarterly cashflow return showing results for the preceding three months by the mid-month date set by the SFC.</p> <p>The SFC then acknowledges receipt of the return and they would make any queries or raise any issues where necessary.</p>	Yes	<p>The quarterly returns were tested from April 2014 and as the Quarter 2 return was not yet due at the time of the audit, Quarter 1 was tested and it was found that:</p> <ul style="list-style-type: none"> <li>• Quarter 1 had been submitted in a timely manner as it was submitted four days before the deadline.</li> <li>• The SFC had acknowledged receipt of the return.</li> <li>• No queries had been raised with the Quarter 1 return and therefore this did not need to be tested further.</li> <li>• Of the 36 figures tested in the Quarter 1 return, only three matched the actual figures reported internally.</li> </ul> <p>There is a risk to the College that the figures returned to the SFC are misstated, which could lead to clawback of funding and punitive fines leading to financial loss for the College.</p>	See recommendation 3.1.	

# **Dumfries and Galloway College**

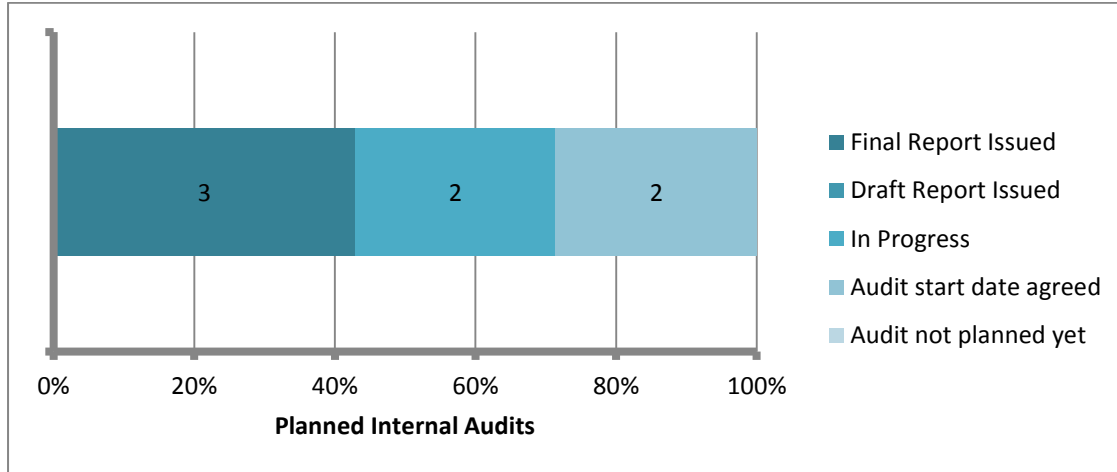
Internal Audit Progress Report

Audit Committee meeting: 2 December 2014

# Introduction

The internal audit plan for 2014/15 was approved by the Audit Committee on 19<sup>th</sup> 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 italics</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
<i>Student Activity Data (SUMs) (1.14/15)</i>	<i>FINAL</i>		-	-	-
<i>Student Support Funds and Education Maintenance Allowances (EMA) (2.14/15)</i>	<i>FINAL</i>		-	1	-
<i>Cashflow Forecasts (3.14/15)</i>	<i>FINAL</i>		-	2	1
Partnerships / Collaborative Arrangements	In progress 26th November				
Institutional Sustainability	In progress 26th November				
Follow up	Scheduled 5th January				
Payroll	Scheduled 26th January				

**Other Matters**

**Planning and Liaison:**

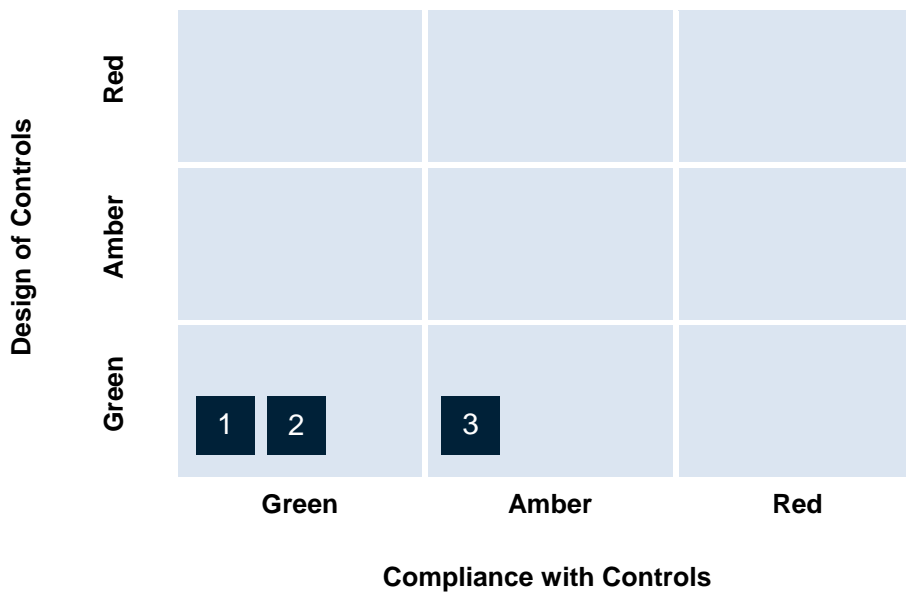
We have continued to hold regular planning and liaison meetings with both the Finance Manager and the Assistant Principal.

In addition, our auditors certificates in relation to the Student Activity Data (SUMs) and Student Support Funds and Education Maintenance Allowances (EMA) reviews have now been signed off and returned to the Scottish Funding Council.

**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)

## Internal Audit Performance

Assignment	Debrief date	Draft report issued	Management responses received	Final report issued
<i>Student Activity Data (SUMs) (1.14/15)</i>	<i>11 September 2014</i>	<i>23 September 2014</i>	<i>3 November 2014</i>	<i>3 November 2014</i>
<i>Student Support Funds and Education Maintenance Allowances (EMA) (2.14/15)</i>	<i>25 September 2014</i>	<i>13 October 2014</i>	<i>21 October 2014</i>	<i>21 October 2014</i>
<i>Cashflow Forecasts (3.14/15)</i>	<i>10 October 2014</i>	<i>20 October 2014</i>	<i>21 October 2014</i>	<i>21 October 2014</i>
Institutional Sustainability				
Partnerships / Collaborative Arrangements				
Follow up				
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.

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

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# **Compliance Service Report**

## **Individual Learning Accounts**

**2013-14**

## Compliance Service Report

**Provider Name:** Dumfries & Galloway  
College

**ILA ID No:** 1304A05TA4

**Provider Type:** TP

**Visit Date:** 23/04/14

**Period:** 01/04/13 – 31/03/14

**Field Work  
Completion Date:** 23/04/14

**Existing SDS ILA Risk Band:** Low

**Updated SDS ILA Risk Band:**

### Report distribution

**Provider:** Karen Hunter

### Report Sent to SDS ILA:

**Compliance Executive:** Martin Simpson

**Report Issued:** 24/04/14

## COMPLIANCE PAYMENT ASSURANCE TESTING

### Objective

The purpose of the compliance testing carried out by Skills Development Scotland (SDS) Compliance Service is to provide assurance that expenditure on Individual Learning Accounts has been properly incurred and in accordance with the policies and rules detailed in the ILA Operational Rules and Supplementary Guidance.

### Results Summary

#### Sample coverage:

Spend in period	£31165
Sample value	£1655
Percentage tested	5.31%

#### Results of testing:

Sample		Non compliance		Code
Volume	Value	Volume	Value	
10	£1655	0	£0	

#### Findings Summary:

All Learning Tokens were held for the sample selected. They had been signed & dated as required. Learner contribution payments could be confirmed. The grant claim was made after the start date.

#### Conclusion:

The Compliance monitoring conducted for this review identified no issues.

## Follow Up of Previous Report

Previous Recommendations:	Actioned	Date confirmed
<b>Evidence of Learner / 3<sup>rd</sup> Party contribution</b> As stated in the previous report balances must be noted in the correct section of the ILA database.	✓	23/04/14

### Detailed Results

Rules Ref No.	Test	Compliant	Non Compliant Code	Details of Breach (Including Indication of Scale)	Scale of Breach £
22, 23, 33, 41	Completed Learner Token on file signed & dated prior to claim date.	✓			
12, 13	Confirm receipt of balance of course fee from Learner/3 <sup>rd</sup> Party (Learning Provider has made no contribution towards learner's share of the cost of the course)	✓			
14, 33	Claims for ILA funds are net of any 3 <sup>rd</sup> party contributions and contribution is as stated in the claim.	✓			
18	Confirm that VAT has not been claimed for ILA grant element of course cost.	n/a			
33, 41	Evidence held confirming start date of learning and proof that learner has commenced that period of learning.	✓			
31	Confirm ILA grant claimed on or after start of learning	✓			

Rules Ref No.	Provider Feedback
	None

### Action Plan

<b>Provider Name:</b>	Dumfries & Galloway College
<b>Date of visit:</b>	23/04/14

Rules Ref. No.	Recommendation/Improvement Required	To Be Actioned By	Due Date	Learning Provider Response (Need SMART Action to address recommendation).	Completed Date	Notes
	None					

**Provider Representative (Print name):** \_\_\_\_\_

**Position in Organisation:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## Learner List

<b>FORENAMES</b>	<b>SURNAME</b>	<b>COURSE_NAME</b>
Stuart	Ritchie	First Aid At Work Certificate (FAIB)
Claire	McKnight	REHIS Intermediate Food Hygiene The Continuation Of Life - Human Biology National Unit
Rebecca	Proudlock	
Emma	Holmes	Getting Started In Business - HN Unit
Tessy	Obasuyi	Essential Book-Keeping
Wallace	Guthrie	Portable Appliance Testing 2377 - City & Guilds
Martin	Scougal	Essential Book-Keeping
Elizabeth	Gillespie	Health & Social Care - SVQ Level 2
Fiona	Magee	English - Higher
Gordon	McDonald	Editing And Proofreading



## Strategic Plan 2008-2014 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
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	2	2	4	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

## Strategic Plan 2008-2014 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		
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



5 September 2014

To: FE Principals  
(Copied to: Chairs and Directors of Finance)

Dear Principal

## **Change to college accounting year-end to 31 July**

### **Purpose**

The purpose of this communication is to advise all incorporated colleges of the concession now agreed that moves colleges' accounting year-end to 31 July.

### **Background**

ONS Communication Number 13, issued on 7 March, reported details of a derogation being offered to UHI incorporated colleges and signalled ongoing discussions between the Scottish Government and HM Treasury to establish whether such a derogation might be capable of extension to all incorporated colleges. The key in these discussions was trying to minimise the scope and detail of HM Treasury's reporting requirements at 31 March so as to avoid an excessive burden on colleges, should a 31 July accounting year-end be adopted.

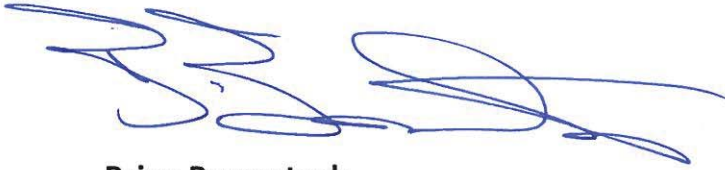
The Chief Secretary to the Treasury has since proposed offering all colleges a derogation to change their accounting year-end from 31 March to 31 July, subject to colleges meeting HM Treasury budgeting and reporting requirements. Importantly, HM Treasury has also agreed to a light touch approach to these reporting requirements.

While it is regrettable that HM Treasury did not reach this point sooner and so avoid the requirement on non-UHI colleges to implement a 31 March 2014 year-end, this concession and the light touch approach to reporting will enable colleges to align their accounting and academic year. The Cabinet Secretary for Education and Lifelong Learning has therefore written to the Chief Secretary to the Treasury accepting this offer of derogation.

The impact of the change to the year-end on budgeting and reporting requirements is set out in the attached annex.

If you have any questions on the contents of this letter, please contact Andrew Millar ([amillar@sfc.ac.uk](mailto:amillar@sfc.ac.uk) 0131 313 6538) or Peter Ward ([pward@sfc.ac.uk](mailto:pward@sfc.ac.uk) 0131 313 6667).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'B. Baverstock', with a large, stylized flourish at the end.

**Brian Baverstock**

Deputy Director

Learning, Governance and Sustainability Group

**Change to college accounting year-end to 31 July Q & A****Q1 From what year will the July year end apply?**

A Non-UHI incorporated colleges will complete their first set of accounts with the (reinstated) July year end as at 31 July 2015. This represents a 16 month accounting period. Thereafter, accounts will be completed for a 12 month period. The comparative figures for the first set of accounts with a July year-end will be for the 8 months to 31 March 2014. UHI incorporated colleges will retain the 31 July year end in 2014 and beyond.

**Q2 What 31 March reporting will all incorporated colleges be required to undertake as a result of the move to 31 July year-end?**

A The reporting requirements as agreed between Scottish Government and HM Treasury have been made as light touch as possible and rely upon the reports that colleges are already required to provide to the SFC. Colleges will still be required to complete Resource Returns, Cash Flow Returns and, from 2015-16, Whole of Government Accounts returns.

**Q3 What Resource Returns will be required?**

A Resource Returns will be required to be completed for the financial year April to March. Colleges will complete the Resource Returns for Q1, Q2, Q3, and monthly for Q4, in line with the timetable issued by SFC on 26 June 2014.

The March return submitted by colleges to SFC on 13 April will be used by SFC to provide the Scottish Government with the provisional year-end outturn figures they are required to provide to HM Treasury. This provisional outturn can be adjusted if there is a subsequent change to the figures reported by colleges.

**Q4 What is the latest date by which the provisional figures can be adjusted?**

A Any change to the provisional figures must be notified to SFC by the last Friday in September each year, at the latest. SFC will collate the returns and pass

them to Scottish Government for input to the HM Treasury reporting system by the end of the first week in October.

**Q5 What is the expected source of any changes made to the provisional resource return figures?**

A Any changes to the provisional resource return figures provided to the SFC at 31 March are likely to be identified when colleges are in the process of completing their annual accounts. It is expected that colleges will provide SFC with a statement of adjusting items to their provisional 31 March resource return based upon their draft annual accounts. This statement should reflect any material adjustments identified by the college or required by the external auditors that would impact on the resource accounting period to 31 March. The statement will be reviewed by colleges' external auditors.

It is appreciated that the production of draft annual accounts by the end of September may create additional work pressure for colleges (and auditors), however this needs to be seen in the light of the 31 July year-end concession from HM Treasury, and the benefits of this to colleges. It is also acknowledged that this will be a new process for colleges and auditors and will require further guidance to ensure continuity of practice and efficiency of process. To this end, we will be engaging with college Finance Directors and external auditors over the coming weeks.

**Q6 Are colleges still required to balance their budgets on a resource basis as at 31 March each year?**

A Colleges are still subject to government budgetary controls at 31 March each year, even with the change in the college accounting year to July. Colleges will need to ensure that they do not exceed either their resource DEL (RDEL) or capital DEL (CDEL) budget limits.

Colleges are required to balance their resource budget as at 31 March each year and provide returns to SFC that disclose the 31 March outturn as detailed above.

**Q7 When do colleges have to make donations to arms-length foundations?**

A Colleges will need to make any donations to arms-length foundations prior to 31 March each year. In doing so, colleges need to ensure that they have

sufficient resource budget available to make the transfer to the arms-length foundation and that they at least break even in income and expenditure terms after the donation to the foundation has been made.

When making a donation to the ALF colleges need to satisfy themselves and their board that the donation does not breach either of the controls above.

## Board of Management

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### CHANGE OF YEAR END 2015

#### 1. PURPOSE OF REPORT

The purpose of this report is to note the recent derogation offered to colleges to change the accounting year-end from 31 March to 31 July.

#### 2. REPORT

Following the Office of National Statistics (ONS) reclassification of colleges as central government arms length bodies from 1 April 2014, HM Treasury had previously advised SFC that in order to comply with the reporting requirements for government accounting and budgeting the college sector were required to move to a 31 March year-end.

The derogation has now been offered on the basis that the additional reporting for a July year-end will be minimal, but will allow colleges to align their accounting and academic years. The college will require to continue to provide SFC with budget and cash flow information to 31 March each year, to ensure that SFC balance their books on both a resource and operational basis and in order that cash is not paid out in advance of need. In addition, any transfers to the Arms Length Foundation will require to be made before 31 March.

The changes are expected to be effective from 31 July 2015, and the current accounting period will be extended to cover the 18 month period to July 2015.

A copy of the letter from SFC dated 5 September 2014 is attached.

#### 3. RECOMMENDATION

Members are asked to note the current developments.



## Board of Management

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### BUSINESS CASE FOR INSURANCE

#### 1. PURPOSE OF REPORT

The purpose of this report is to update Members on the content of an e-letter issued by the Chief Executive of Colleges Scotland to its Board Members on 24 October 2014.

#### 2. REPORT

*"I am delighted to advise you that we have secured a 3-year derogation from the Scottish Public Finance Manual in respect of the continued use of commercial insurance by colleges, following a meeting with Kerry Twyman, Scottish Government this afternoon. The three year period will run from 1 August 2015 to 31 July 2018.*

*A number of important points emerged in the course of our meeting and there are a small number of amendments to be made to the business case to strengthen it. The key points to emerge were:*

- a) insurance in respect of statutory covers was accepted unequivocally as necessary;*
- b) insurance arrangements required by banking or commercial contracts should continue; and*
- c) greater value for money should be demonstrated over the three year period by a reduction in premium costs as a result of economies of scale and improved procurement.*

*This last point is very important as if the savings are not demonstrated the derogation will not be extended. I shall be working with the finance directors and APUC to ensure the savings can be achieved, in particular in respect of material damage cover, though also across other areas."*

#### 3. RECOMMENDATION

Members are asked to note the current developments.