

## Board of Management Audit Committee

**Date: 8 March 2016**

**Time: 12:30 pm (light lunch available)**

**Room: 2009**

### A G E N D A

			Presented by
1	Welcome and Apologies		HC
2	Declaration of Interest		HC
3	Minute of Meeting of 24 November 2015	(attached)	HC
4	Matters Arising		HC
5	Internal Audit Reports		
5.1	Value for Money - Procurement	(report attached)	PC
5.2	Strategic and Financial Planning	(report attached)	PC
5.3	Budgetary Control	(report attached)	PC
5.4	Progress Report	(report attached)	PC
6	Strategic Risk Register	(attached)	JB
7	Any Other Business		
8	Date and Time of Next Meeting - Tuesday 10 May 2016 at 2pm		

## Board of Management

Minute of the Meeting of the Audit Committee of the Board of Management of Dumfries and Galloway College held on 8 March 2016 at 12:30 pm in Room 2009

<b>Present:</b>	Hugh Carr (Chair) Stuart Martin	Delia Holland Pat Kirby
<b>In attendance:</b>	Carol Turnbull, Principal Philip Church, Client Manager, RSM Jannette Brown, Secretary to the Board and Vice Principal Corporate Services & Governance	Karen Hunter, Finance Manager Angela Pieri, Grant Thornton
<b>Minute Taker:</b>	Heather Tinning, Executive Team Assistant	

### 1 Apologies

The Chair welcomed members to the meeting. There were no apologies for absence.

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

### 2 Declaration of Interest

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

### 3 Minute of Previous Meeting

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

### 4 Matters Arising

There were no matters arising.

### 5 Internal Audit Reports

#### 5.1 Value for Money – APUC's Procurement Capability Assessment

Mr Church spoke to the report which had been issued. The purpose of the report was to provide the College with feedback on its current system and processes for procurement to ensure the College is ready for any future Procurement Capability Assessments (PCAs), as well as confirming that appropriate procurement systems and procedures are in place to ensure Value for Money is achieved. Overall the review showed that system and controls in place were adequate. RSM identified six 'low' and three 'medium' actions. The 'medium' actions relate to:

- No annual reporting to the board detailing compliance with the Procurement Strategy during the year;

- A review of approved suppliers had not been undertaken to ensure value for money was still being achieved; and
- An analysis of spend had not been provided to management identifying any large areas of spend.

One of the 'low' priority actions in relation to governance found the Scheme of Delegation not sufficiently detailed and doesn't outline the authority delegated by the Board. The College has agreed to update the Scheme by July 2016.

Taking account of the issues identified the Board can take **reasonable assurance** that the controls upon which the College relies to manage this area are suitably designed, consistently applied. Members discussed the report and noted the key findings.

**Action:** Update current Scheme of Delegation by July 2016 and bring to committee for review.

## 5.2 Strategic and Financial Planning

Mr Church spoke to the report which had been issued. As part of the approved Internal Audit Plan for 2015/16, RSM reviewed the College's strategic and financial planning arrangements. RSM concluded that the College has a strong control framework in place to deal with strategic and financial planning and are pleased to report that only one 'low' priority matter has been identified during our review, in relation to the level of detail recorded in Board meeting minutes surrounding the Board's involvement with the setting of the Strategic Plan.

Taking account of the issues identified, the Board can take **substantial assurance** that the controls upon which the College relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively. Members discussed the report and noted the key findings.

**Action:** Ensure detailed minutes are taken during Board strategic planning events

## 5.3 Budgetary Control

Mr Church spoke to the report which had been issued. An audit of Budgetary Control was undertaken as part of the audit plan for 2015/16. The College is required to have a robust control framework in place for budget setting and monitoring to ensure compliance with Scottish Funding Council requirements.

During the 2014/15 year the College undertook a year end change between its budget year for Scottish Funding Council (SFC) monitoring purposes and financial/ academic year end. This resulted in a March budget reporting year for SFC purposes and a July financial and academic year end. To accommodate this change the College undertook a 16 month budgeting year. Due to the change in budget reporting and financial/ academic year ends the College operates a four / eight month split to align the 12 month annual budgets to the two different year ends. The audit work confirmed that there are adequate controls in place around the budgetary controls at the College. RSM identified one area for improvement around the general documenting and audit trail available to

support the budgetary controls in place. This has resulted in one “low” management action being raised.

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 operating effectively. Members discussed the report and noted the key findings.

#### 5.4 Progress Report

Mr Church spoke to the report which had been issued. The purpose of the report was to provide an update on progress against the Internal Audit Plan for 2015/16 approved by the Audit Committee in May 2015. The Plan included a total of eight planned reviews. Summary of the results of the work to date:

Assignment area	Status
Strategic and Financial Planning	Being presented at this Audit Committee
Budgetary Control	Being presented at this Audit Committee
Value for Money – APUC’s Procurement	Being presented at this Audit Committee
Capacity Assessment	
Human Resources Effectiveness	Fieldwork complete. Will be presented to next Audit Committee
Value for Money – Procurement	Fieldwork complete. Will be presented to next Audit Committee
Action Tracking	Fieldwork planned week commencing 11th April
Student Support Funds	Field work planned for summer 2016
Student Activity Data (Credits)	Field work planned for summer 2016

Members discussed the report and noted the progress made to date.

#### 6 Strategic Risk Register

The Vice Principal, Corporate Services and Governance, spoke to the report which had been issued. She advised that the register has been adapted to show the Residual risk in order of highest to lowest. In terms of the College’s Risk Management Policy only risks with a rating of 12 or above need to be included in the Risk Register, but for completeness all risks have been included.

She advised the Committee there were two changes since the last board meeting. Risk no 4 ‘Unable to achieve credit (activity) target has increased from a rating of 8 to 12 and risk no 5 ‘The review of property and provision in Dumfries by the University of the West of Scotland’ is an addition to the register.

The Principal advised the Committee that she will provide a full update on the latest discussions with University of the West of Scotland at the Board meeting this afternoon.

Members discussed the report and noted the key changes.

## **7 Any other Business**

### **7.1 College's Risk Management Policy**

The Vice Principal, Corporate Services and Governance, advised the Committee that the College's Risk Management Policy was due to be reviewed and plans to bring the Policy to the next Audit Committee meeting for members to consider.

### **7.2 Account Year-End**

The Principal reported on recent discussions to move the account year back to a March year-end. Members to note that this is a just an informal discussion at this stage, and would be updated accordingly.

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

The next meeting of the committee planned to take place on Tuesday 10<sup>th</sup> May 2016 at 2 pm.

## Board of Management

Minute of the Meeting of the Audit Committee of the Board of Management of Dumfries and Galloway College held on 24 November 2015 at 2.00 pm in Room 1074b

<b>Present:</b>	Hugh Carr (Chair) Stuart Martin	Delia Holland Pat Kirby
<b>In attendance:</b>	Carol Turnbull, Principal John Henderson, Chair of F&GP Lindsay-Anne Straughton, RSM Robert Barnett, RSM Jannette Brown, Secretary to the Board and Vice Principal Corporate Services & Governance	Brian Johnstone, Regional Chair Karen Hunter, Finance Manager Jackie Ballard, Grant Thornton Angela Pieri, Grant Thornton
<b>Minute Taker:</b>	Caroline Donoghue, Executive Team Assistant	

### 1 Apologies

Apologies were intimated on behalf of Janice Goldie.

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

### 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 22 September 2015 was approved.

### 4 Matters Arising

There were no matters arising

### 5 2014-15 External Audit Annual Report

Jackie Ballard and Angela Pieri on behalf of Grant Thornton spoke to the External Audit Annual Report for 2014-15 which had been circulated:

Ms Ballard advised that the new format of the report was governed by requirements from Audit Scotland covering three areas of Finance, Governance and Performance and now includes a new Remuneration Report. The audit report covered the 16 month period from 01 April 2014 to 31 July 2015. Members were advised that the audit was substantially complete with the Remuneration Report and the Letter of Representation still to be included. The Remuneration Report currently has a qualification because the College is awaiting CETV pension information from the Local Government Pension Scheme. No adjustments have been made to the primary statements in the accounts. Both Ms Ballard and Ms Pieri thanked the Vice Principal, Corporate Services and

Governance, Karen Hunter, Finance Manager and the Finance team for all their help and support during the Audit.

The Committee discussed and noted the report. The Committee also recorded its thanks and appreciation of the work of the Finance team through difficult and complex circumstances in 2014/15

## **6 2014-15 Financial Statements**

The Chairman of the Audit Committee asked members to discuss the Financial Statements which had been issued.

Members noted that although a deficit was recorded, the College is performing in line with the budget; no concerns were raised. Ms Ballard confirmed that whilst the College accounts show a deficit this is due to technical accounting adjustments and not because of mismanagement of college finances. Ms Ballard advised the Committee the College is required to move to the full International Financial Report Standards (IFRS) when presenting its financial statements for 2015-16. Ms Ballard offered the services of Grant Thornton to support the College through the changes.

The Chair of the Audit Committee expressed strong objections to the level of personal financial information included in the remuneration report for the Executive Management Team and felt it was excessive and intrusive; members of the Committee supported his views and requested their concerns be reported to the Board of Management at the next meeting. Brian Johnstone, Regional Chair agreed to highlight the Committee's objections at the next Regional Chairs meeting.

Following discussion and assurances given by the Grant Thornton, External Auditors the Audit Committee approved the Financial Statements for recommendation to the full Board of Management at its meeting on the 15<sup>th</sup> December 2015.

## **7 Internal Audit Reports**

Ms Straughton spoke to the reports which had been issued.

### **7.1 Student Activity Data**

Ms Straughton spoke to the report which had been issued. This report is one of two statutory audits which are required by the Scottish Funding Council. This report is an independent opinion of the accuracy of the Further Education Statutory (FES) return. The Auditors are required to assess the adequacy of the College's systems procedures and controls which underpin the completion of the FES data submitted.

Ms Straughton confirmed there were no issues or management actions raised and the College received a green audit opinion which is the highest rating available.

Members noted the report.

### **7.2 Student Support Funds**

Ms Straughton spoke to the report which had been issued. The audit is a statutory audit reviewing Bursaries, Student Support funds and the Education Maintenance Allowance (EMA). It includes a

detailed review of the processes and controls in place relevant to the processing of applications and payments.

Ms Straughton confirmed there were no issues raised. There was one management action raised around the requirement for a separate bank account for Bursary funds. The Finance Manager confirmed that this has already been addressed. The College again received a green audit opinion which is the highest rating available

Members noted the report.

### **7.3 Internal Audit Progress Report**

Ms Straughton spoke to the report which had been issued. The Internal Audit Report for 2015-16 was approved by the Audit Committee and this report gave an up to date overview of the audits completed to date. The report confirmed that there are no findings from the completed audits which require attention.

The Committee considered and noted the contents of the internal audit reports.

The committee congratulated the Principal and her staff on the positive reports from the internal auditors.

## **8 Strategic Risk Register**

The Vice Principal, Corporate Services and Governance spoke to the report which had been issued. The Vice Principal advised that there were no new risks added to the register since the last meeting. The Principal and Executive Management Team have reviewed the Risk Register and have increased the risk rating in relation to the lack of flexibility of the College to manage financial and estates issues and the need to use funding from College's foundation for development within the college.

The Committee considered and approved the Strategic Risk Register.

## **9 Any Other Business**

None

## **10 Date and Time of Next meeting**

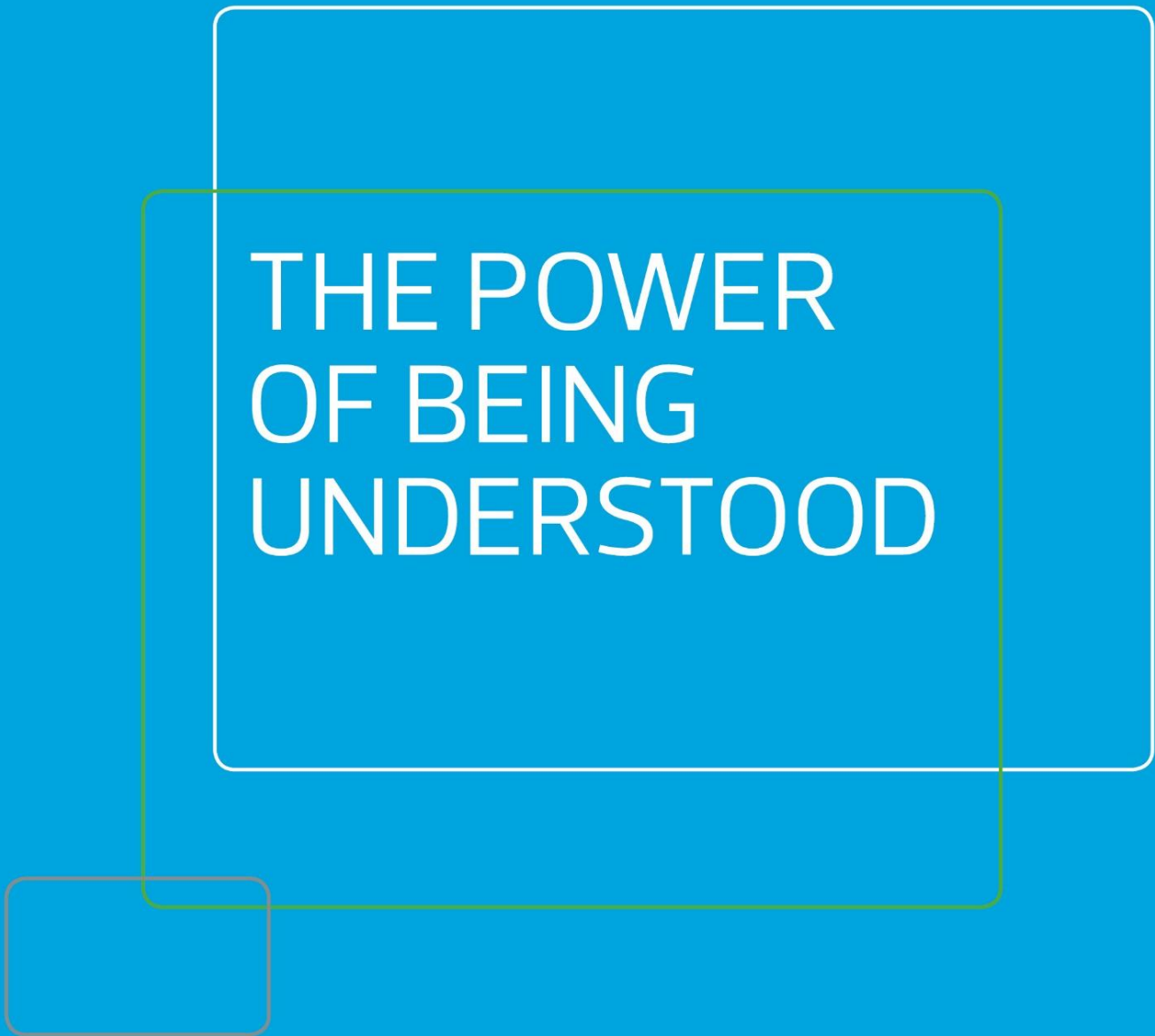
The next meeting of the Committee would take place on Tuesday 23 February 2016 at 2pm

## **11 Good Governance**

The Chair asked members of the Executive Team and the Finance Manager to withdraw from the meeting in order for the Committee to meet privately with internal and external auditors.

The Chair sought feedback from external and internal auditors on any matters that they wished to raise without staff present. Both reported on strong and positive relationships with staff, and complimented them on the quality of cooperation received and working papers provided for audit. Neither raised any concerns or criticisms of management or staff.





# THE POWER OF BEING UNDERSTOOD

## DUMFRIES AND GALLOWAY COLLEGE

### Value for Money – APUC's Procurement Capability Assessment

FINAL

Internal Audit Report: 3.15/16

7 December 2015



# CONTENTS

1 Executive summary .....	2
2 Action plan.....	4
3 Detailed findings .....	7
APPENDIX A: SCOPE .....	12
APPENDIX B: FURTHER INFORMATION .....	14
APPENDIX C: EXAMPLE OF A SCHEME OF DELEGATION .....	15
For further information contact .....	18

<b>Debrief held</b>	25 October 2015	<b>Internal Audit team</b>	Rob Barnett, Head of Internal Audit
<b>Draft report issued</b>	23 November 2015		Lindsay Straughton, Manager
<b>Responses received</b>	7 December 2015		Rakxa Parmar, Senior Auditor
			Luke Appleton, Auditor
<b>Final report issued</b>	7 December 2015	<b>Client sponsor</b>	
		<b>Distribution</b>	

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. Therefore, the most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the risk management, governance and control processes reviewed within this assignment. 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 RSM Risk Assurance 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, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to 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.

# 1 EXECUTIVE SUMMARY

## 1.1 Background

The College is part of the Advanced Procurement for Universities and Colleges (APUC) which provides access for Scotland's 60 universities and colleges to procurement contracts that offer savings. There is a new Procurement Capability Assessment (PCA) regime to be introduced by the APUC in 2015 which will have a number of additional requirements. This assessment focuses on the policies and procedures driving procurement performance and importantly, the results they deliver, and organisations will be assessed once every two years.

This review was undertaken to provide the College with feedback on their current systems and processes for procurement and to ensure that they are prepared for any future PCAs; as well as confirming that appropriate procurement systems and procedures are in place to ensure Value for Money (VfM) is achieved.

## 1.2 Conclusion

Overall our review showed that the system and controls in place were adequate however, we identified a number of areas where improvements can be made in order to ensure the College is prepared to future PCAs and is achieving VfM through its procurement activities.

We identified areas of concern which have resulted in six 'low' and three 'medium' management accounts being identified. The 'medium' management actions related to:

- There was no annual report provided to the Board detailing compliance with the Procurement Strategy and procurement activity during the year.
- A review of the approved suppliers had not been undertaken to ensure value for money was still being achieved.
- An analysis of spend had not been provided to faculties or senior management identifying any large areas of spend or trends.

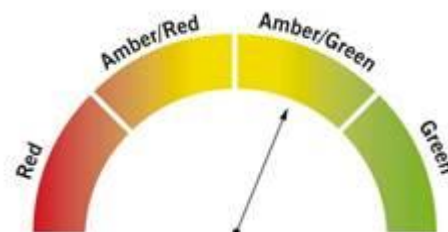
---

### Internal Audit Opinion:

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.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing this area.

---



## 1.3 Key findings

We reviewed key controls and considered the controls in place for the processes in place for achieving value for money through procurement activities and the preparedness for future APUC assessments; the following well-designed controls were identified:

- The established financial processes in place especially the review of procurement activity centrally by the Finance team.
- The implementation of the APUC assessment improvement plan.
- The use of the electronic procurement system, PESCOS, for the recording, authorisation and review of purchases.
- The use of a preferred supplier list via the PECOS system.
- The use of purchase limits to ensure value for money is achieved through the use of competitive quotes and tenders and the use of PCS.
- The College's commitment to CSR through the procurement and tender activity.
- The use of the Hunters database to record all contracts.

Discussions were held with a sample of three budget holders to confirm that the procurement activity was embedded with the departments selected.

## 1.4 Additional information to support our conclusion

Area	Control design*	Non-compliance with controls*	Agreed actions		
			Low	Medium	High
Governance	1 (5)	1 (5)	1	1	-
Organisation structure	- (1)	- (1)	-	-	-
Resources and skills	1 (3)	- (3)	1	-	-
Practices and processes	2 (3)	- (3)	1	1	-
Information systems	1 (4)	1 (4)	1	1	-
Collaboration	- (1)	- (1)	-	-	-
Corporate and social responsibility	- (1)	- (1)	-	-	-
KPIs	1 (1)	- (1)	1	-	-
EU Legislation	- (1)	- (1)	-	-	-
Procurement Strategy and Policy	1 (1)	- (1)	1	-	-
<b>Total</b>			<b>6</b>	<b>3</b>	<b>-</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## 2 ACTION PLAN

Categorisation of internal audit findings	
Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
<b>Area: Governance</b>					
1	The Scheme of Delegation is not sufficiently detailed and does not outline the authority delegated by the Board.	Low	The Scheme of Delegation will be updated and expanded upon to include details of the authority delegated to the Chair and sub-committees as well as the reporting mechanisms in place.	June 2016	Finance Manager
2	There was no annual report provided to the Board detailing compliance with the Procurement Strategy and procurement activity during the year.	Medium	An annual procurement report will be produced and presented to the Board, outlining, but not restricted to, the following: <ul style="list-style-type: none"> <li>• Summary of procurement activities during the year;</li> <li>• Review of compliance with the Procurement Strategy and its objectives;</li> <li>• Achievement of the College's Corporate and Social responsibilities;</li> <li>• Achievement of Key Performance Indicators; and</li> <li>• Compliance with procurement legislation.</li> </ul>	December 2016	Finance Manager

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
<b>Area: Resources and Skills</b>					
3	There was no formal procurement training provided to staff involved in the process.	Low	Staff involved in the procurement process within the College will either attend training or receive guidance on EU and other procurement legislation on at least an annual basis to ensure that they are aware of any changes in legislation.	Identify training requirements December 2015  Suitable training to be completed by June 2016	Finance Manager
<b>Area: Practices and Processes</b>					
4	A review of the approved suppliers had not been undertaken to ensure value for money was still being achieved.	Medium	The approved suppliers on the PECOS system will be reviewed on an annual basis, in light of feedback received from staff, stakeholders and APUC, to confirm that value for money and a good quality of service/goods are still being achieved.	June 2016	Finance Manager
5	There was no procurement risk register in place to review the risks and controls associated with the non-compliance of the procurement legislation.	Low	A procurement risk register will be developed and outline the risks associated with non-compliance of the procurement legislation and EU regulations and strategic objectives, as well as detailing the controls in place to mitigate the key procurement risks.	June 2016	Finance Manager
<b>Area: Information systems</b>					
6	A contracts register had not been produced and reported to senior management in order to review for any possible benefits and savings.	Low	Contracts register will be produced, in line with the Procurement Reform (Scotland) Act 2014, from the information recorded on the Hunter contract database. This will be reviewed and reported to senior management to confirm that benefits and savings are still being achieved thorough the existing contract activity.	June 2016	Finance Manager
7	An analysis of spend had not been provided to faculties or senior management in order to review large areas of spend.	Medium	The analysis of spend, provided by Spikes Carvell, will be summarised and provided to Faculty Heads and senior management on a regular basis.	Spend analysis by June 2016  Report to management by December 2016	Finance Manager

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
-----	------------------	----------	------------------------	---------------------	-------------------

#### Area: KPIs

8	There were no performance indicators in place to assess the effectiveness of procurement activity.	Low	Key Performance Indicators relating to procurement activity will be developed and linked to the strategic and procurement objectives.	June 2016	Finance Manager
---	--	-----	---	-----------	-----------------

#### Area: Procurement Strategy and Policy

9	The Procurement Strategy was still in draft and required more detail, particularly in relation to tender and quotations, authorisation levels and value for money.	Low	<p>The draft Procurement Strategy will be updated to also reflect the following:</p> <ul style="list-style-type: none"> <li>• Tender and quotation process and levels;</li> <li>• Authorisation levels;</li> <li>• How value for money will be achieved;</li> <li>• Details of CSR;</li> <li>• How the Strategy is linked to the Financial Regulations; and</li> <li>• How the effectiveness of the procurement activity and the Strategy will be monitored and reported.</li> </ul> <p>Once the Strategy has been finalised it will be presented to the Board for approval and disseminated to staff.</p>	June 2016	Finance Manager
---	--	-----	--	-----------	-----------------

### 3 DETAILED FINDINGS

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Findings summary	Priority	Actions for management
-----	---------	----------------------------------	---------------------------------	------------------	----------	------------------------

#### Area: Governance

1	<p>There is an approved Scheme of Delegation in place which has been challenged at the Audit Committee prior to approval by the Board.</p> <p>The authorisation levels are as follows:</p> <ul style="list-style-type: none"> <li>• Less than £10,000 - Budget holder</li> <li>• £10,000 to £75,000 - Principal</li> <li>• Over £75,000 must be authorised by the Chair</li> </ul>	Yes	No	<p>Review of the Financial Regulations confirmed that they outlined the financial levels of authorisation; however they did not outline details of the specific authority delegated by the Board.</p> <p>Our review of Finance and General Purpose Committee meeting minutes from April 2013 confirmed that there was appropriate challenge of the authorisation levels at the meeting and the Financial Regulations and authorisation levels were approved by the Audit Committee at the April 2013 meeting.</p> <p>Without a suitable Scheme of Delegation in place there is a risk that authority is not delegated appropriately leading to non-compliance with policies and procedures.</p> <p>An example of a Scheme of Delegation has been provided in Appendix C.</p>	Low	The Scheme of Delegation will be updated and expanded upon to include details of the authority delegated to the Chair and sub-committees as well as the reporting mechanisms in place.
---	--	-----	----	--	-----	--



Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Findings summary	Priority	Actions for management
2	<b>Missing Control</b>  An annual report is produced detailing the procurement activities and the College's compliance with the Procurement Strategy and objectives.	No	-	The Finance Manager confirmed that an annual report on compliance with the Procurement Strategy and legislation had not been produced and reported. Without the production and reporting of an annual procurement report there is risk that non-compliance with policies, procedures and legislation is not identified and reported.	Medium	An annual procurement report will be produced and reported to the Board, outlining, but not restricted to, the following: <ul style="list-style-type: none"> <li>• Summary of procurement activities during the year;</li> <li>• Review of compliance with the Procurement Strategy and its objectives;</li> <li>• Achievement of the College's Corporate and Social responsibilities;</li> <li>• Achievement of Key Performance Indicators; and</li> <li>• Compliance with procurement legislation.</li> </ul>

#### Area: Resources and Skills

3	<b>Missing Control</b>  Staff involved in the procurement process within the College have received appropriate procurement training.	No	-	Discussions with a sample of three budget holders confirmed that they had only received training on the use of the PECOS system and no other procurement training had been provided.  Without the appropriate level of training provided to staff involved in procurement activity there is a risk of non-compliance with EU and procurement legislation.	Low	Staff involved in the procurement process within the College will either attend training or receive guidance on EU and other procurement legislation on at least an annual basis to ensure that they are aware of any changes in legislation.
---	--	----	---	---	-----	---

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Findings summary	Priority	Actions for management
-----	---------	----------------------------------	---------------------------------	------------------	----------	------------------------

#### Area: Practices and Processes

4	<b>Missing control</b>  The suppliers on the system are reviewed on a regular basis, in light of past performance to ensure that VfM and quality of service/goods are achieved.	No	-	<p>Review of PECOS and discussions with the Finance Team confirmed that suppliers must be authorised by a member of the Finance Team before a new supplier could be added to the system.</p> <p>The Senior Finance Assistant confirmed that a number of checks were undertaken before a new supplier was added to the system i.e. whether a framework can be entered, one off supplier or not.</p> <p>A review of the suppliers on the system had not been undertaken to confirm that value for money and a good quality of service/goods were being achieved.</p> <p>Without the regular review of approved suppliers there is a risk that value for money and a standard quality of service/goods are not achieved.</p>	Medium	The approved suppliers on the PECOS system will be reviewed on an annual basis, in light of feedback received from stakeholders, staff and APUC, to confirm that value for money and a good quality of service/goods are still being achieved.
5	<b>Missing Control</b>  A procurement risk register has been developed and outlines the risks associated with non-compliance of the procurement regulations and legislation as well as the controls in place to mitigate the key procurement risks.	No	-	<p>Discussions with the Senior Finance Assistant and Finance Manager confirmed that a procurement risk register had not been developed.</p> <p>Without the identification of procurement risks there is a risk of non-compliance with procurement regulations and legislation.</p>	Low	A procurement risk register will be developed and outline the risks associated with non-compliance of the procurement legislation and EU regulations and strategic objectives, as well as detailing the controls in place to mitigate the key procurement risks.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Findings summary	Priority	Actions for management
<b>Area: Information Systems</b>						
6	The Hunter contracts database is used to record framework and contract activity as well as the benefits and savings achieved.	Yes	No	<p>Observation of the Hunter contracts database confirmed it had been used by the College to record frameworks and contracts, however a contracts register had not been produced and reported, nor had contracts awarded been reviewed on a regular basis to confirm benefits and savings were being achieved.</p> <p>Without the regular review and reporting of contracts and frameworks there is a risk that benefits and savings are not achieved leading to non-compliance with procurement policies, procedures and legislation.</p>	Low	<p>Contracts register will be produced, in line with the Procurement Reform (Scotland) Act 2014, from the information recorded on the Hunter contract database.</p> <p>This will be reviewed and reported to confirm that benefits and savings are still being achieved through the existing contract activity.</p>
7	<p><b>Missing Control</b></p> <p>Areas of aggregation are identified and consideration given to the use of frameworks or tender exercise. This information is reported to Faculty Heads and Senior Management on a regular basis.</p>	No	-	<p>A review of the spend analysis provided by Spikes Carvell, a data analysis company, confirmed that a breakdown of the spend per month and aggregate spend per supplier had been provided to the College. However, discussions with the Senior Finance Assistant and the Finance Manager confirmed that this information had not been reported to the Faculty or Senior Management.</p> <p>Financial updates had been provided to senior management, however a detailed analysis of the expenditure had not.</p> <p>A review of spend over £12,000 had been undertaken to identify whether a contract or a framework was to be entered into or not.</p> <p>Without the review and reporting of annual expenditure there is a risk that benefits and savings will not be achieved through the use of frameworks or contracts leading to non-compliance with procurement legislation</p>	Medium	The analysis of spend, provided by Spikes Carvell, will be summarised and provided to Faculty Heads and Senior Management on a regular basis.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Findings summary	Priority	Actions for management
<b>Area: KPI's</b>						
8	<b>Missing Control</b>  The College has developed Key Performance Indicators which are linked to the strategic and procurement objectives. These are monitored on a regular basis and reported to the Board on an annual basis alongside the annual expenditure analysis of cumulative spend.	No	-	Discussions with Finance staff and budget holders identified that procurement KPIs had not been set up for procurement activities as yet.  Without the setting and monitoring of KPIs there is a risk that the procurement process is ineffective and weaknesses are not addressed.	Low	Key Performance Indicators relating to procurement activity will be developed and linked to the strategic and procurement objectives.
<b>Area: Procurement Strategy and Policy</b>						
9	A Procurement Strategy has been developed which outlines the procurement objectives, how these are linked to the strategic objectives and financial regulations and how they will be achieved.  The Strategy also details how regulated procurements will be carried out, how value for money will be delivered and how the College will comply with the duties under the Act.  The Strategy has been approved by the Board and has been embedded across the College.	No	-	Review of the Procurement Strategy confirmed that it was still in draft and was in the process of being updated by the Senior Finance Assistant. Our review of the Strategy confirmed it included the objectives, the College's role, legislative requirements, however it did not include the following: <ul style="list-style-type: none"> <li>• How value for money will be achieved;</li> <li>• How it is linked to the Financial Regulations; and</li> <li>• How the effectiveness of procurement activity will be monitored and reported.</li> </ul> Without a suitable Procurement Strategy in place there is a risk that staff are unaware of the process and their responsibilities leading to value for money not being achieved and non-compliance with legislation.	Low	The Draft Procurement Strategy will be updated to also reflect the following: <ul style="list-style-type: none"> <li>• Tender and quotation process and levels;</li> <li>• Authorisation levels;</li> <li>• How value for money will be achieved;</li> <li>• Details of CSR;</li> <li>• How the Strategy is linked to the Financial Regulations;</li> <li>• How the effectiveness of the procurement activity and the Strategy will be monitored and reported.</li> </ul> Once the Strategy has been finalised it will be presented to the Board for approval and disseminated to staff.

# APPENDIX A: SCOPE

## Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

### Objectives of the area under review

**The College has appropriate procurement systems and procedures in place to ensure Value for Money (VfM) through its purchases.**

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

### Areas for consideration:

- Governance arrangements in place at the College in relation to procurement, including whether there was a formal approved Scheme of Delegation in place and an appropriate challenge process at Board level. We also compared the Scheme of Delegation with that of similar size College clients in order to provide feedback to the College.
- The organisation structure set up by the College to manage procurement, in order to assess whether there was an appropriate segregation of duties and whether there was oversight of procurement at an appropriate level to ensure cohesion in procurement activities. This also included how VfM was embedded throughout the organisation.
- Resources and skills of key staff involved in procurement, focussing on training and guidance issued to staff and any formal qualifications held.
- Procurement practices and processes in order to provide feedback to the College on whether these were in line with good practice, and whether there were any areas where the processes could be made more efficient.
- The information systems used to record and capture procurement data, and the extent to which the College utilises e-Procurement.
- In line with the guidance issued by APUC, the use of collaboration with other organisations in order to maximise efficiencies and VfM.
- For a sample of significant tenders and/contract awards we reviewed whether the College considered its corporate and social responsibility (CSR) and how it ensured that the contractors had regard to this. We have also considered how CSR was embedded within the College's overall procurement strategy.
- How the College monitors and reports on KPIs in relation to procurement, including performance data in respect of compliance with procurement procedures.
- How the College ensured compliance with EU Legislation, including communication of thresholds to staff responsible for making purchases and whether the College had central management of major procurement activities. This also included whether the aggregate spend rules had been considered by the College.
- The College's Procurement Strategy and Policy and whether this accurately reflected the procurement arrangements in place across the College, and was in line with good practice.

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

- This review focused on the design of the control framework only; limited testing for compliance with controls was performed in order to avoid duplication with our Procurement audit planned for later in 2015/16.
- We have not comment on whether VfM has been or is likely to be achieved through any of the College purchases.
- We have not comment on the appropriateness of any purchases or contract awards.
- We have not comment on the adequacy of the College's overall Financial Regulations or test for compliance with these.
- We have not comment on whether EU Legislation has been followed.
- We have not comment on the recruitment process for key procurement staff.
- Benchmarking was excluded from the scope of this review other than to the extent of providing feedback on how the College performs overall compared with good practice observed at other clients.
- 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.

## APPENDIX B: FURTHER INFORMATION

### **Persons interviewed during the audit:**

- Sharyn Prendiville – Employability Team Leader
- Alison Jardine – Business Development Community Services Manager
- Ian Richardson – Maintenance Co-ordinator
- Dawn Tait – Senior Finance Administrator
- Karen Hunter – Finance Manager

### **Documentation reviewed during the audit:**

- Draft Procurement Strategy
- Financial Regulations, 2013
- Spend Analysis provided by Spikes Carvell, July 2015

## APPENDIX C: EXAMPLE OF A SCHEME OF DELEGATION

The scheme of delegation for the College's Board is set out in three parts below: the Board's delegated authority to the Chair, to its Committees, and to the Executive Director. The mechanisms for reporting back to Board are outlined in each section.

### **Part 1: Board's delegated authority to the Chair**

The Chair may generally act on behalf of the Board.

The Chair may both proactively and reactively make public statements concerning the objectives, strategies and activities of the Board. As far as possible, the Chair will endeavour to ensure that such statements are consistent with previous Board decisions and discussions.

Delegated authority relating to a particular issue will normally be approved by the Board in advance.

From time to time it may be necessary for the Chair to take urgent action, in which case the procedure set out in the Board's Regulations will apply.

The Chair may delegate authority to another Board member to exercise their authority as Chair during periods when the Chair is unavailable to conduct Board business.

### **Reporting mechanism**

The Chair's use of delegated authority under paragraphs 2 to 4 above will be reported verbally to Board meetings under the Chair's Business standing item on the agenda.

The Chair's use of delegated authority under paragraph 5 above will be reported in writing to Board meetings for homologation.

### **Part 2: Board's delegated authority to its committees**

Delegated authority for each committee is contained in the remit for each committee as agreed by the Board.

Generally committees are expected to take matters as far as appropriate before making recommendations to the Board. The Chair of the committee will normally have responsibility for judging when it is appropriate to bring recommendations to the Board: where items are routine they will stay with the committee until the final stage of decision-making; and where items are novel, unusual or potentially contentious, proposals should be considered by the Board at an earlier stage.

### **Reporting mechanism**

Each set of committee minutes will come to the next scheduled Board meeting for noting.

The Board will receive regular briefing reports on the work of each committee.



### Part 3: Scheme of delegation from the Board to the Executive Director

#### Financial delegations

Authority to commit funds, within agreed budgets, as follows:

Money Decided by

Up to £20,000	Executive Director
£20,001 to £50,000	Executive Director and the Chair
Above £50,000	Board

Authority to vary budgets or initiate expenditure within limits specifically established by Board.

Unless specifically determined under paragraphs above:

- i Revision of individual budgets for any one year up to a limit of £10,000 or 5%, whichever is the higher.
- ii Acquisition and disposal of property and equipment, subject to the limits set out in paragraphs above.
- iii Varying planned monthly payments to assigned colleges within the total for the grant year.
- iv For grant schemes covering more than one year, varying the timing of grant payments across years.
- v Accepting ring-fenced offers of grant from Government, Scottish Funding Council and other public bodies and setting up the appropriate budgets, unless a circumstance arises in which the executive Director considers such an offer might not be an appropriate exercise of the other organisation's power's, in which case it will be referred to the Board.

The Board may agree an annual budget for the Executive Director to spend at his/her discretion in pursuit of Board objectives. The use of funds from this budget will be based on the following principles:

- that the expenditure supports activities relating to the Board's aims and objectives; and
- that the expenditure does not readily fit into any other of the budgets determined by the Board.

#### Other delegation

Implementing decisions taken by Board.

Provision of advice to the Scottish Funding Council or Scottish Government.

Accountability for the operational effectiveness of the executive.

Appointment of staff (consistent with the current organisational structure approved by the Board or relevant Board committee.

Maintenance of an effective risk management process.

Management of the pay remit and salary negotiation process within the strategies endorsed by the Board or relevant Board committee.

Opening Board bank accounts and making and altering the necessary arrangements for signatories for authorisation of payments.

Approvals required under the Financial Memorandum between the Board and the assigned colleges.

Conduct of all other administrative matters pertaining to the Board's activities and operations, except if they have a direct financial consequence for which authority is not delegated to the Executive Director under any of the earlier provisions of this Scheme.

The Executive Director may delegate authority to another member of GCRB staff and/or a senior staff member of one of the assigned colleges, to exercise their authority as Executive Director during periods when the Executive Director is unavailable to conduct GCRB business.

The Executive Director may delegate elements of the Executive Director's authority to other members of GCRB staff, within a defined scheme of management delegation.

### **Reporting mechanism**

The Executive Director will report to the Board on a quarterly basis on the use of delegated authority under paragraphs 13, 15i, 15ii, and 16 above, for amounts greater than £10,000.

The Performance & Resources Committee will receive a financial report on GCRB's activities at each meeting. Minutes of the Performance & Resources Committee will be received by the Board for noting (in the same way as for other committees).

# FOR FURTHER INFORMATION CONTACT

**Name:** Rob Barnett, Head of Internal Audit

**Email:** [robert.barnett@rsmuk.com](mailto:robert.barnett@rsmuk.com)

**Telephone number:** 07791 237658

**Name:** Lindsay Straughton, Client Manager

**Email:** [lindsay-anne.straughton@rsmuk.com](mailto:lindsay-anne.straughton@rsmuk.com)

**Telephone number:** 07800 61738

## rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Consulting LLP, RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM Employer Services Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

© 2015 RSM UK Group LLP, all rights reserved



# DUMFRIES AND GALLOWAY COLLEGE

## Strategic and Financial Planning

FINAL

Internal Audit Report: 4.15/16

23 December 2015



# CONTENTS

1 Executive summary .....	2
2 Action Plan .....	4
3 Detailed findings .....	5
APPENDIX A SCOPE .....	6
APPENDIX B FURTHER INFORMATION .....	7
For further information contact .....	8

<b>Debrief held</b>	26 November 2015	<b>Internal Audit team</b>	Robert Barnett, Head of Internal Audit Lindsay-Anne Straughton, Manager Zoe Morton, Senior Auditor Evgeni Dimov, Auditor
<b>Draft report issued</b>	22 December 2015		
<b>Responses received</b>	23 December 2015		
<b>Final report issued</b>	23 December 2015	<b>Client sponsor</b>	Jannette Brown, Vice Principal Karen Hunter, Finance Manager
		<b>Distribution</b>	Jannette Brown, Vice 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. Therefore, the most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the risk management, governance and control processes reviewed within this assignment. 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 RSM Risk Assurance 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, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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

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

# 1 EXECUTIVE SUMMARY

## 1.1 Background

As part of the approved Internal Audit Plan for 2015/16 we were asked to undertake a review of the College's strategic and financial planning arrangements. Dumfries and Galloway College's mission is 'One College, one Team where':

- Learners come first
- The changing needs of the economy are met
- Innovation, collaboration and creativity are core to what we do

In August 2015, the College introduced a Vision 2020 Strategic Plan (2015 – 2020). The Plan outlines the College's six strategic outcomes which are:

1. We will provide opportunities to access and progress through education and training at all levels.
2. We will deliver education and training that is a route to employment and career development and is aligned to local and national economic needs.
3. We will be the first choice for recruitment, training and development of the workforce.
4. We will enable communities to grow and develop through local education and training.
5. We will support more businesses to start-up, grow and diversify.
6. We will enable people to build their independence and confidence in a supportive environment.

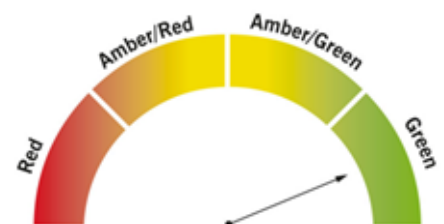
## 1.2 Conclusion

We have concluded that the College has a strong control framework in place to deal with strategic and financial planning and we are pleased to report that only one 'low' priority matter has been identified during our review, in relation to the level of detail recorded in Board meeting minutes surrounding the Board's involvement with the setting of the Strategic Plan.

---

### Internal Audit Opinion:

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



## 1.3 Key findings

The key findings from this review are as follows:

- The College introduced a Vision 2020 strategic plan in August 2015 which reflects the six key objectives of the College. The Plan has been aligned to the six national priorities outlined in the Regional Outcome Agreement (2015-16) with the Scottish Funding Council (SFC).
- College funding is agreed on an annual basis by the SFC. The amount is outlined in the Regional Outcome Agreement and entered into the College's accounts at the outset of the fiscal year (April). The College is required to submit monthly cash flow returns and quarterly budget returns to the SFC. The College's financial position is monitored by the Vice Principal and Finance Manager regularly. The Finance and General Purposes Committee are presented with financial updates at each meeting.
- The College Board had approved both the budget for 2015/16 and the Vision 2020 Plan.
- As the Regional Outcome Agreement was put into place prior to the introduction of the College's Vision 2020 Plan, the College has undertaken a mapping exercise to ensure the requirements of both the College's strategic priorities and the SFC national priorities have been aligned.
- The College has documented detailed aims to support its strategic objectives which outline how the targets will be met. Success criteria are also outlined in the Vision 2020 Plan. The College monitors performance against its Key Performance Indicators (KPIs) regularly and reports achievement to the Board each quarter.
- We established that in the lead up to the agreement of the Vision 2020 Plan, the College had engaged key stakeholders including the Board, staff and students. However, there was a lack of evidence to support the Board's involvement. We acknowledge that meeting records show the Plan was discussed, but minutes were brief and in our opinion, did not demonstrate the appropriate degree of contribution in respect of the Board's responsibility for the setting of the College's strategic objectives.

## 1.4 Additional information to support our conclusion

Risk	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Inadequate financial strategy / management and Failure to manage financial position maintain solvency.	- (9)	1 (9)	1	-	-
<b>Total</b>			<b>1</b>	<b>0</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## 2 ACTION PLAN

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
<b>Risk: Inadequate financial strategy / management and failure to manage financial position maintain solvency</b>					
1	There was a lack of evidence to support the Board's contribution to the setting of the College's strategic objectives.	Low	Moving forward, the minutes of any strategic sessions will be documented in more detail.	Immediate effect	Vice Principal and Secretary (Jannette Brown)



### 3 DETAILED FINDINGS

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

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Actions for management
<b>Risk: Inadequate financial strategy / management and failure to manage financial position maintain solvency</b>						
1	There is a Vision 2020 Plan in place outlining the College's five year strategic plan. The Plan was approved by the College Board and key stakeholders were consulted.	Yes	No	<p>The Vision 2020 Plan outlines the College's mission statement along with its six key strategic objectives. The Plan also summarises how success against the strategic priorities will be evidenced. We noted the Plan was approved by the Board in the meeting held on the 30<sup>th</sup> June 2015.</p> <p>We asked if evidence could be provided to support the Board Member engagement process and in particular the Chair of the Board who should be integral to the setting of the College's strategic direction. While we were provided with records to support the fact that workshops had been held, these lacked detail to support Board Member engagement and discussion.</p> <p>We also noted that meeting minutes were brief when it came to evidencing that a sufficient degree of discussion and challenge had taken place with Board Members.</p> <p>The Principal reported that two further SMT development events had taken place since the joint BoM/SMT sessions, and submitted the proposed Vision 2020 document for the Board to agree what impacts it would want the College to make going forward. Following this discussion, and slight adjustment, the Board approved the Vision 2020.</p> <p>We were therefore unclear over the level of engagement the Board had in the setting of the Strategy vs the approval of the approval of the Strategy.</p>	Low	Moving forward, the minutes of any strategic sessions will be documented in more detail.

# APPENDIX A: SCOPE

## 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.

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
Robust financial planning and business control processes are in place and appropriately linked.	Inadequate financial strategy / management and failure to manage financial position maintain solvency.	Risk Register

## Areas for consideration:

As part of this review, we considered the following:

- Preparation of the Strategic and Financial Plan, including any consultation with stakeholders;
- The alignment of the Strategic Plan to the budget and Financial Plan;
- Approval of the Strategic and Financial Plan and annual budget for 2015/16;
- Budget monitoring processes in place to inform future financial planning;
- The identification and setting of the College's vision and strategic objectives;
- Review of the Strategic Plan to ensure it is aligned to the College's aims and objectives; and
- Monitoring and reporting of progress against the Strategic Plan.

## Limitations to the scope of the audit assignment:

- We have not confirmed whether assumptions were reasonable and appropriate; only that they were based on working papers and the opinions of management.
- We have not confirmed that the figures contained within the financial plan are correct, only that there are underlying assumptions in place to support them.
- We have not commented on the content of the strategic plan or provided any assurance that the Academy's plans will aid sustainability of the organisation.
- Testing was completed on a sample basis only.
- 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.

## APPENDIX B: FURTHER INFORMATION

### **Persons interviewed during the audit:**

- Jannette Brown, Vice Principal
- Karen Brown, Finance Manager

### **Documentation reviewed during the audit:**

- Vision 2020 Plan (2015 - 2020)
- Board Meeting Minutes - January - October 2015
- Mapping Exercise (ROA to Vision 2020 Plan) - 2015
- Finance and General Purposes Committee Minutes (December 2014 – October 2015)
- KPI Reports (2015)
- Principal Reports (2015)
- Cash Flow Return (November 2015)
- Budget Return (Q2 2015)

# FOR FURTHER INFORMATION CONTACT

**Rob Barnett, Head of Internal Audit**

[Robert.Barnett@rsmuk.com](mailto:Robert.Barnett@rsmuk.com)

Tel: 07791 237658

**Lindsay Straughton, Client Manager**

[Lindsay-anne.Straughton@rsmuk.com](mailto:Lindsay-anne.Straughton@rsmuk.com)

Tel: 07800 61738

**rsmuk.com**

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Consulting LLP, RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM Employer Services Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

© 2015 RSM UK Group LLP, all rights reserved



# DUMFRIES AND GALLOWAY COLLEGE

**Budgetary Control**

**FINAL**

**Internal Audit Report: 5.15/16**

**7 January 2016**



# CONTENTS

1 Executive summary .....	2
2 Action Plan .....	4
3 Detailed findings .....	5
APPENDIX A SCOPE .....	7
APPENDIX B FURTHER INFORMATION .....	8
For further information contact .....	9

<b>Debrief held</b>	26 November 2015	<b>Internal Audit team</b>	Robert Barnett, Head of Internal Audit
<b>Draft report issued</b>	23 December 2015		Lindsay Straughton, Manager
<b>Responses received</b>	7 January 2016		Zoe Morton, Senior Auditor
			Evgeni Dimov, Auditor
<b>Final report issued</b>	7 January 2016	<b>Client sponsor</b>	Jannette Brown, Vice Principal
			Karen Hunter, Finance Manager
		<b>Distribution</b>	Jannette Brown, Vice 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. Therefore, the most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the risk management, governance and control processes reviewed within this assignment. 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 RSM Risk Assurance 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, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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

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

# 1 EXECUTIVE SUMMARY

## 1.1 Background

An audit of Budgetary Control was undertaken as part of the audit plan for 2015/16. The College is required to have a robust control framework in place for budget setting and monitoring to ensure compliance with Scottish Funding Council requirements.

There are a total of 22 individual budget holders who are structured in line with the College's organisational structure. The overall College budget responsibility is split between the three Vice Principals and Directors who are line managers to the lower level budget holders.

During the 2014/15 year the College undertook a year end change between its budget year for Scottish Funding Council monitoring purposes and financial/ academic year end. This resulted in a March budget reporting year for SFC purposes and a July financial and academic year end. To accommodate this change the College undertook a 16 month budgeting year. Due to the change in budget reporting and financial/ academic year ends the College operates a four / eight month split to align the 12 month annual budgets to the two different year ends.

## 1.2 Conclusion

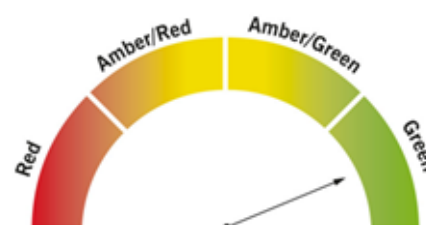
Our audit work confirmed that there are adequate controls in place around the budgetary controls at the College.

We identified one area for improvement around the general documenting and audit trail available to support the budgetary controls in place. This has resulted in one "low" management action being raised.

---

### Internal Audit Opinion:

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 operating effectively.



---

## 1.3 Key findings

We reviewed the controls in place with regards to Budgetary Control at the College, and identified that overall the control framework was well-designed including the following areas:

- Budget setting meetings are held between the Finance team and the individual budget holder. The Finance team provide a point of contact for all budget holders with regards to issues and queries.
- The Finance team prepare reports on a monthly basis for the Executive Management Team, and reports are prepared for the Finance and General Purposes Committee in accordance with the schedule of regular meetings. As part of the reporting process issues and variance are identified and investigated. Individual budget holders are ultimately responsible for their budget with monitoring of this being made available via a budget reporting tool direct from the finance system.
- The College has applied a four / eight month split within the budgeting process to allow for the College financial and academic year ends to be aligned. The high level four / eight month split is then applied to the finance system and as such the day to day budgets via a monthly allocation of the total for each of the two segments. The reporting tool is programmed to only provide the relevant four or eight month spell when used by the budget holders.

- The College has a robust process in place for the budget setting and assumptions. Budget setting and assumptions are discussed and agreed between the individual budget holders, where relevant, line managers and the Finance team. Once the budgets have been agreed at this level the budget and assumptions are presented to the Finance and General Purposes Committee via a report for scrutiny and approval. The Board of Management conduct the highest level review and approval of the budgets and assumptions following on from the Finance and General Purposes Committee.
- Testing of 10 budget Items between the 2014/15 actual figures and the 2015/16 budgeted figures confirmed that there we no significant differences between the monthly budget figures for 2014/15 and 2015/16.
- While the College provides no formal training, budget holders are provided with a walkthrough and support from documented procedures. The procedures for budget setting and budget reporting are made available to all staff via the College intranet and cover the key budget management procedures. The College's Financial Regulations are used to support the budget monitoring process with expenditure requiring approval in line with agreed delegation limits, acting as a control on large expenditure.

The following area of improvement has been identified:

- The College budgetary processes are not adequately documented through an audit process to support the decision made and the actions taken.

## 1.4 Additional information to support our conclusion

Area	Control design*	Non-Compliance with controls*	Agreed actions		
			Low	Medium	High
Budgetary Control	0 (7)	1 (7)	1	0	0
<b>Total</b>			<b>1</b>	<b>0</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.



## 2 ACTION PLAN

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
<b>Area: Budgetary Control</b>					
1.1	The College budgetary processes are not adequately documented through an audit process to support the decision made and actions taken.	Low	<p>The College is to introduce an improved audit trail for the management, challenge and approval of the budgeting process.</p> <p>The discussions and agreements concerning budget processes and decisions that are currently taking place are to be supported by e-mail confirmation of the agreed actions. The e-mails are to be stored as PDF files within a central network folder to allow for access to finance staff. With regards to budget virement this should be in a form detailing the budget codes for virement, amounts, reasons, checks to ensure the budget is not ring-fenced and approval.</p> <p>The Finance team within the College will ensure that copies of all management accounts are maintained to support the financial reports being provided to Finance and General Purposes Committee. This would provide transparency</p>	Immediate	Finance Manager

### 3 DETAILED FINDINGS

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

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
-----	---------	----------------------------------	---------------------------------	---------------------------------	----------	------------------------

#### Area: Budgetary Control

1.1	<p>Production of the SFC submission is the responsibility of the Finance Manager. The submissions are required at the start of the fiscal funding period, as well as on a quarterly basis, with the exception for quarter four where the submissions are required monthly.</p> <p>The Finance Manager has a record and follows the SFC submission guidelines to ensure timely submissions.</p> <p>There is segregation of duties between the drafting of the SFC submission by the Finance Manager and the review and approval by the Vice Principal prior to SFC submission.</p>	Yes	Yes	<p>The SFC has communicated with the College the required submission deadlines for the quarterly and monthly (for quarter four) budget submission.</p> <p>As per the SFC guidance, quarter one and two submissions had been undertaken by the College. Budget review by the Vice Principal had been agreed to e-mail discussion and approval for the July Submission (quarter one).</p> <p>For the October submission e-mail evidence has been received detailing the SFC review. For the quarter one submission e-mail evidence has been provided of SFC receipt.</p> <p>There is no evidence of the Vice Principal review for the quarter two submission. Discussion with the Finance Manager indicated that the review consisted of a discussion with the Vice Principal with no evidence-able communication.</p>	Low	<p>The College is to introduce an improved audit trail for the management, challenge and approval of the budgeting process.</p> <p>The discussions and agreements concerning budget processes and decisions that are currently taking place are to be supported by e-mail confirmation of the agreed actions. The e-mails are to be stored as PDF files within a central network folder to allow for access to finance staff. With regards to budget virement this should be in a form detailing the budget codes for virement, amounts, reasons, checks to ensure the budget is not ring-fenced and approval.</p> <p>The Finance team within the College will ensure that copies of all management accounts are maintained to support the financial reports being provided to Finance and General Purposes Committee. This would provide transparency</p>
-----	---	-----	-----	--	-----	--

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				There is a risk to the College that decisions and funding submissions cannot be adequately evidence. As a result there is a potential threat that incorrect submissions are made resulting in unnecessary actions from the SFC in line with Resource Return Guidelines		
1.2	Budget virements are agreed between the individual budget holders as well as with the Head of Faculty (if relevant) and the Finance Manager. Specific funding provided to the College under contractual / funding requirements is ring-fenced from virement and cannot be transferred.	Yes	Yes	<p>There is no single list of budget virements within the College. This is due to the limited nature and value of virement that occur on an annual basis. Where virements do occur these are recorded within the changes section of the budget revision spreadsheet.</p> <p>An example of virement has been agreed via e-mail correspondence following discussion and approval of the budget transfer. Discussion with management indicated that this was not always the case for all virement agreements.</p> <p>The risk of virements not being supported by relevant review and approval is that they are carried without senior management knowledge and can mask budgetary issues or shortfalls which would be in the College's interest to investigate and resolve.</p>	Low	Please see management action 1.1

# APPENDIX A: SCOPE

## Scope of the review

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. The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the area under review	Areas relevant to the scope of the review	Risk source
Budgetary control is adequate and arrangements are in place and the system provides management with relevant, accurate and up to date management information.	Budgetary Control	Internal Audit

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

### Areas for consideration:

- The processes and controls in place in relation to the production of the budget submission to the Scottish Funding Council, and alignment with the academic year budget, including how Finance provide challenge over the assumptions made;
- The budget monitoring arrangements in place, including the production, distribution and review of financial reports (management accounts and budget holder reports) and analysis of any variances by budget holders and/or Finance;
- The completion of monthly budget reviews by budget holders and Finance;
- Budget virements; and
- Budget holder training.

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

- All testing was completed on a sample basis from the current financial year.
- We did not comment on whether all budgetary targets are being or are likely to be achieved at the year end.
- We have not tested the monthly management accounts.
- Whilst we reviewed the challenge of assumptions provided by Finance over the budget setting, we did not validate these assumptions.
- Our work does not provide absolute assurance that material error; loss or fraud does not exist.

## APPENDIX B: FURTHER INFORMATION

### **Persons interviewed during the audit:**

- Finance Manager, Karen Hunter
- Senior Finance Assistant, Dawn Tait
- Drew Easton, Head of Faculty
- Helen Pedley, Director of Organisational Development
- Sandra Norris, Marketing and Admissions Manager
- Shona Scott, Student Support Manager

### **Documentation reviewed during the audit:**

- Budget Setting Procedures
- Budget Reports Procedures
- Financial Regulation – July 2013
- Financial and General Purposes Committee Reports and Minutes

# FOR FURTHER INFORMATION CONTACT

**Rob Barnett, Head of Internal Audit**

[Robert.Barnett@rsmuk.com](mailto:Robert.Barnett@rsmuk.com)

Tel: 07791 237658

**Lindsay-anne Straughton, Client Manager**

[Lindsay-Anne.Straughton@rsmuk.com](mailto:Lindsay-Anne.Straughton@rsmuk.com)

Tel: 07800 617385

**rsmuk.com**

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Consulting LLP, RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM Employer Services Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

© 2015 RSM UK Group LLP, all rights reserved



# DUMFRIES AND GALLOWAY COLLEGE

Internal Audit Progress Report

Audit Committee

Date: 8 March 2016



## CONTENTS

1	Introduction.....	2
2	Reports considered at this Audit Committee.....	3
3	Other matters .....	5
	For further information contact .....	7

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 RSM Risk Assurance 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, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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

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

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



# 1 INTRODUCTION

The Internal Audit Plan for 2015/16 was approved by the Audit Committee in May 2015 and included a total of eight planned reviews.

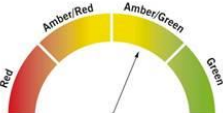
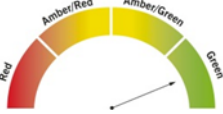
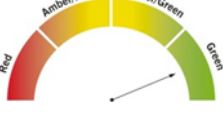
This report provides an update on progress against that plan and summarises the results of our work to date. Please see table below for current progress with the plan:

Assignment area	Status
Strategic and Financial Planning	Being presented at this Audit Committee
Budgetary Control	Being presented at this Audit Committee
Value for Money – APUC’s Procurement Capacity Assessment	Being presented at this Audit Committee
Human Resources Effectiveness	Fieldwork complete
VfM Procurement	Fieldwork complete
Action Tracking	Fieldwork planned week commencing 11 <sup>th</sup> April

## 2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This table informs of the audit assignments that have been completed and the impacts of those findings since the last Audit Committee. Below provides a summary update on progress against that plan and summarises the results of our work to date.

The Executive Summary and Key Findings of the assignments below are attached to this progress report.

Assignments	Status	Opinion issued	Actions agreed		
			H	M	L
Value for Money – APUC’s Procurement Capacity Assessment (3.15/16)	Final		0	3	6
Strategic and Financial Planning (4.15/16)	Final		0	0	1
Budgetary Control (5.15/16)	Final		0	0	1

## 2.1 Impact of findings to date



---

### Value for Money – APUC’s Procurement Capacity Assessment (3.15/16)

Conclusion: Amber-Green Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, three medium and six low priority management actions have been identified and agreed with management.

The medium findings related to:

- There was no annual report provided to the Board detailing compliance with the Procurement Strategy and procurement activity during the year.

*Management Action: An annual procurement report will be produced and presented to the Board.*

- A review of the approved suppliers had not been undertaken to ensure value for money was still being achieved.

*Management Action: A review of the approved suppliers had not been undertaken to ensure value for money was still being achieved.*

- An analysis of spend had not been provided to faculties or senior management in order to review large areas of spend.

*Management Action: The analysis of spend, provided by Spikes Carvell, will be summarised and provided to Faculty Heads and senior management on a regular basis.*

---

## 3 OTHER MATTERS

### 3.1 Changes to the audit plan

There have been no changes to the Internal Audit Plan since the Plan was approved by the Audit Committee in May 2015.

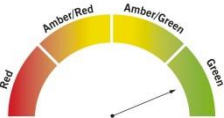
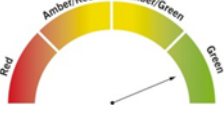
### 3.2 Key performance indicators (KPIs)

Delivery			Quality		
Percentage of plan delivered:			63% (five) final reports issued)		
Audits in progress:			24%		
Assignments not yet due:			13%		
	Target	Actual		Target	Actual
Audits commenced in line with original timescales	Yes	All audits are on schedule to be delivered by year-end	Conformance with PSIAS and IIA Standards	Yes	Yes
Draft reports issued within 10 days of debrief meeting	100%	15 days <sup>1</sup> (average)	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit.	Yes	Discussion held with External Audit in October as part of their planning procedures
Management responses received within five days or draft report	100%	4 days (average)	% of staff with CCAB/CMIIA qualifications	>50%	100%
Final report issued within five days of management response	100%	1 day(average)	Turnover rate of operational staff	<10%	Nil
% audit reports presented to agreed Audit Committee meetings	100%	100%	Response time for all general enquiries for assistance	2 working days	100%
% of High and Medium recommendations followed up	100%	Planned for May 2016	Response for emergencies and potential fraud	1 working days	N/A – at this time

Note: <sup>1</sup> This relates to Budgetary Control and VfM – APUC Assessment that took 19 and 20 days respectively to issue following the debrief meeting.

## APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

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

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Student Support Funds (1.15/16)	FINAL		-	1	-
Student Activity Data (Weighted SUMs) (2.2015/16)	FINAL		-	-	-

# FOR FURTHER INFORMATION CONTACT

**Rob Barnett, Head of Internal Audit**

[Robert.Barnett@rsmuk.com](mailto:Robert.Barnett@rsmuk.com)

Tel: 07791 237658

**Philip Church, Client Manager**

[Philip.Church@rsmuk.com](mailto:Philip.Church@rsmuk.com)

Tel: 07528 970082

## rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

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

© 2015 RSM UK Group LLP, all rights reserved.

## Audit Committee

---

### Strategic Risk Register

#### 1. Introduction

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

#### 2 The Report

- 2.1 In line with the College's Risk Management Policy any risk with an inherent rating of 12 or above must have mitigating controls in place and where the residual ratings remains above 12. The College has identified 12 strategic risk, 4 of which are rated 12 or above. For completeness all risks are included in the attached register, in order of high to low ratings.
- 2.2 The Principal and Executive Management Team routinely review the Strategic Risk Register to reflect the risks the College is facing and the mitigation that will be applied to each risk.
- 2.3 There are two changes since the last board meeting. Risk no 4 'Unable to achieve credit (activity) target has increased from a rating of 8 to 12 and risk no 5 'The review of property and provision in Dumfries by the University of the West of Scotland' is an addition to the register

#### 3. Recommendation

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

## Strategic Plan 2015-2016 Risk Register

Risk No.	Risk Description	Inherent Risk			Controls in Place	Assurances	Internal/ External	Residual risk			Further Action	Risk Owner
		Likelihood	Impact	Total				Likelihood	Impact	Total		
1	National Pay Bargaining	4	4	16	1. Detailed financial planning undertaken and approved by Finance and General Purposes Committee to ensure "affordability" of any offer. 2. National negotiation processes in place with recognised unions. 3. Government public sector pay guidance for 2015-16 is for maximum 1%.	1. Feedback to EMT and the Board 2. Included in budget which is monitored and reported through F&GP and Board 3. Sound internal planning and monitoring to ensure service continuity in event of industrial action	Internal/ External	4	4	16	Regular communication with staff and student association executive on sector developments and management position. Regular liaison with union bodies in college. Industrial action will be detrimental to learners achieving their aims/qualifications.	EMT
2	Public sector funding cuts - forecast for session 2016-17	4	4	16	1. Scenario planning undertaken and measures to offset reduction identified which is then used to inform curriculum planning. 2. Annual review of provision undertaken through planning and budgetary process to ensure match of income and expenditure.	1. Curriculum plans approved by EMT and L&T 2. Budget approved by the Board	Internal	3	4	12	Reduce curriculum provision and or student services in line with funding and implement cost savings. Seek to increase non SFC income.	EMT
3	Governance issues: Reclassification and other changes to governance reduce the flexibility of the College to manage financial and estates issues and meet targets in the Outcome Agreement.	4	4	16	1. Executive Management Team and Finance Manager representation at relevant briefings and ongoing monitoring of changes 2. External audit advice	1. Appropriate and robust internal planning and monitoring arrangements 2. Regular liaison with Scottish Funding Council	Internal/ External	3	4	12	Seeking support from Scottish College Foundation to support College's continuing development. SFC Guidance on Depreciation and Deficits	EMT
4	Unable to achieve credit (activity) target	3	4	12	1. Real time monitoring system. 2. Contingency plans in place to offer additional provision as required. 3. Annual review of staffing and provision to rebalance areas of growth with areas of decline. 4. Annual review carried out by internal audit	1. Reviewed by ET on a weekly basis 2. Reviewed by ET on a weekly basis 3. Review carried out by HR and presented to ET for consideration/approval. 4. Internal audit report presented to audit committee	Internal / External	3	4	12	No further action.	EMT
5	University of West Of Scotland - Review of property and provision in Dumfries. Immediate concerns relate to reduction in income / contribution to overheads UWS pay for the library, potential redundancy of college staff who deliver on UWS courses and reduction in articulation opportunities for students	4	3	12	1. Principal meeting with Senior Management of UWS 2. Principal and Vice Principal on the Joint Academic Strategy Group. 3. Regular reporting and discussion at EMT as information becomes available.	1. UWS Provision and Property Plans for Dumfries 2. EMT meetings/minutes 3. Meet with the SFC regarding potential loss of income for shared space	Internal / External	3	3	9	Continue dialogue with UWS. Keep SFC informed of potential changes to shared accommodation. Seek to open up dialogue on articulation possibilities with other Universities.	EMT
6	Failure to achieve attainment targets	4	4	16	1. Real time monitoring systems in place 2. Strategies in place to improve retention. 2. Strategies in place to improve student success 3. Poorly performing programmes removed from the curriculum.	1. Monitored at course level and review by Vice Principal (Learning and Skills) 2. Monitored through self evaluation process and reported to ET and L&T committee	Internal/ External	1	4	4	Moving forward achieving attainment targets agreed with the SFC in the Regional Outcome will be a condition of grant. Low attainment can be detrimental to college reputation	EMT
7	Implications following the implementation of 'needs-led' funding model, in particular ELS and rural funding	4	4	16	1. Principal member of College Sector Funding Group. 2. Continuous review of curriculum and delivery by ET to ensure that adverse impact minimised.	1. Feedback to ET and Board meetings 2. Reports to L&T Committee	Internal	2	2	4	Implementation of 'needs led' funding approach in 15/16. Internal audit review planning for 15/16. ELS audit requirements in 2016/17	EMT
8	Disruption to business continuity due to Influenza pandemic, terrorism, fire or other disaster	2	4	8	1. Business continuity plan in place (check audit report recs)	1. Reviewed by ET and report to Board 2. Internal audit review carried out in 11/12	Internal / External	2	2	4	Implementation of audit recs	EMT



## Strategic Plan 2015-2016 Risk Register

Risk No.	Risk Description	Inherent Risk			Controls in Place	Assurances	Internal/ External	Residual risk			Further Action	Risk Owner
		Likelihood	Impact	Total				Likelihood	Impact	Total		
9	Prevent Duty – disruption due to threat of extremism / risk of external influences	3	4	12	1. Vice Principal attendance at local multi-agency CONTEST group 2. Regular reporting of Prevent issues at EMT. 3. Constant scanning to identify new potential threats.	1. College Prevent Action Plan 2. CONTEST meetings/minutes 3. EMT meetings/minutes	Internal	2	2	4	Vice Principal leading on Prevent Action Plan, any issues would be identified through regular reporting at EMT. Immediate concerns to be raised with contact within Police Scotland. Review of evacuation procedures in relation to 'stay safe' principles planned for January 2016	EMT
10	Failure to achieve an 'effective' outcome following Education Scotland Review	4	4	16	1. Real time monitoring systems. 2. Quality learning, learner engagement and quality culture monitored through annual self evaluation	1. Monitored through self evaluation process 2. Education Scotland Annual Engagement Visit 3. Monitored through external audits and external moderation visits 4. Regularly reviewed by executive team, L&T and the Board.	Internal/ External	1	3	3	A less than favourable review will be detrimental to the college reputation. Moving forward achieving attainment targets agreed with the SFC in the Regional Outcome will be a condition of grant. Low attainment can be detrimental to college reputation	EMT
11	Imbalance between demand for student support funds/bursaries and funds available	2	3	6	1. Detailed analysis and monitoring of spend undertaken on an ongoing basis by Finance Manager, discussed monthly with VP (CS&G) who updates ET. 2. Allocation and amounts reviewed on an annual basis to ensure funding constrained within amount available. 3. Annual review carried out by internal audit	1. ET meetings/minutes 2. ET meetings/minutes 3. Internal audit report presented to audit committee	Internal / External	1	2	2	No further action but continue to monitor expenditure and amend student funding policies to match demand with available budget. For session 2015-2016 SFC advised depreciation funds to be used for student funding shortfall	EMT
12	Loss of collaborative partnership arrangements	2	3	6	1. Policy of limiting dependence on any one partnership. 2. Regular reporting of partnership issues at ET. 3. Constant scanning to identify new potential partnerships.	1. Currently not specifically reviewed 2. ET meetings/minutes 3. ET meetings/minutes	Internal	1	2	2	No further action. Although policy not specifically reviewed, any issues would be identified through regular reporting at ET. Internal audit review planned for 15/16	EMT