

## Board of Management Audit Committee

**Date: 10 May 2016**

**Time: 14:00 pm**

**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 8 March 2016	(attached)	HC
4	Matters Arising		HC
5	Internal Audit Reports		
5.1	Human Resources Effectiveness	(report attached)	PC
5.2	Procurement	(report attached)	PC
5.3	Progress Report	(report attached)	PC
5.4	Internal Audit Plan 2016-17	(report attached)	PC
6	External Audit Plan 2015-16	(report attached)	AP
7	Strategic Risk Register	(report attached)	JB
8	Review of Risk Management Policy	(report attached)	JB
9	Audit Scotland Letter re change of External Auditors	(letter attached)	JB
10	Any Other Business		
11	Date and Time of Next Meeting – Tuesday, 20 September 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 10 May 2016 at 2 pm in Room 2009

<b>Present:</b>	Hugh Carr (Chair) Stuart Martin	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 Kay Bird, (new Secretary to the Board)	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, in particular Kay Bird, the new Secretary to the Board. Apologies for absence were intimated on behalf of Delia Holland.

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

#### 2 Declaration of Interest

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

#### 3 Minute of Previous Meeting

The Minute of the Audit Committee meeting held on 8 March 2016 was approved.

#### 4 Matters Arising

In terms of the Account Year-End, the Principal confirmed that there was no update to report at present and that the Account Year-End will remain at 31st July.

#### 5 Internal Audit Reports

##### 5.1 Human Resources Effectiveness

Mr Church spoke to the report which had been issued, advising that the Human resources controls were found to be well designed and operating efficiently. Three management actions were identified. The college's policies and procedures are benchmarked against other colleges within the sector, and key findings are highlighted in the report. The findings summary identified issues relating to non-completion of four SD1 forms, and minor issues with the completion of two interview evaluation forms. In terms of the Rating identified as Amber/Green, Mr Church advised that this was

based on RSM's methodology, and that the rating was more directed towards Green, which would have been applied if there had been no medium issue identified.

## **5.2 Procurement**

Mr Church spoke to the report which had been issued, following an audit of Procurement as part of the approved internal audit periodic plan for 2015/16. It was identified that there was reasonable assurance that the college had adequate controls that were well designed and fully implemented. The key findings confirmed that all the procedures had been adhered to with the transactions in the PECOS system. Mr Church referred to the findings in terms of the supplier sourcing procedures in particularly in the case of Construction. The Finance Manager reported that the Finance Department contact firms to ensure that the information received is correct, especially with change of bank details, to help prevent any fraud.

## **5.3 Progress Report**

Mr Church spoke to the report which had been issued. Mr Church identified the main areas of concern in the key findings of the assignments:

- Human Resources Effectiveness
- Procurement
- Follow Up

The Impact of findings had been extracted from the Human Resources Effectiveness and Procurement Reports. Appendix A identified the other reports that had previously been to the Committee. A summary on progress will be discussed at the September meeting.

## **5.4 Internal Audit Plan 2016-17**

Mr Church spoke to the report which had been issued. He spoke of the recent fundamental changes resulting in the re-evaluation of the colleges' strategic aims and priorities, and highlighted the six Strategic Outcomes that had been identified by the college. In order to approve the Internal Audit Strategy, the committee were asked to confirm that the annual plan provides sufficient assurance to monitor the college's risk profile effectively and that the plan covers the key risks of the college. In order to alleviate pressure on the Student Funding team, Student Support Audit will take place week commencing 20<sup>th</sup> June. In terms of Income Generation, the Vice Principal CS&G advised that both campuses will be audited to ensure that processes and controls are in place in terms of best practice. The appendix B, included in the report, highlights how the strategy links into the college risk register.

**Decision:** The Committee formally approved the Internal Audit Plan 2016-17

## **6 External Audit Plan 2015-16**

The Vice Principal, Corporate Services & Governance, spoke to the report which had been issued, advising that this is the last year of the college's five-year work under work of Audit Scotland Contract. The draft External Audit Plan had now been confirmed, with no fundamental changes to

be made. The Vice Principal, Corporate Services & Governance highlighted the key areas in terms of the key changes resulting from FRS102. Accounts will be prepared for the year ending 31 July 2016 on an IFRS basis for the first time. In terms of the key phases of the audit cycle, following the final accounts visit in October 2016, the accounts will be presented to the committee in November for sign off. Discussion surrounded the fees for the college audit and other services, members were advised that indicative fees, which have remained stagnant, are set by Audit Scotland. A letter from Audit Scotland is received by the college informing of the fee level, which is also presented at the Audit Committee.

## **7 Strategic Risk Register**

The Vice Principal, Corporate Services & Governance spoke to the report which had been issued highlighting the three changes that had taken place since the last committee meeting. The Vice Principal, Corporate Services & Governance sought member's views on risk number six, review of property and provision in Dumfries, and advised that the SRUC is not part of the discussion at this stage. Members discussed the report and approved the key changes.

**Decision:** Strategic Risk Registers changes approved

## **8 Review of Risk Management Policy**

The Vice Principal, Corporate Services & Governance spoke to the report which had been issued, following review of the Policy by the Executive Management Team. The Secretary advised that the report highlights mainly terminology changes and that there was nothing significant to note.

**Decision:** The Committee agreed that the changes were robust and clear and approved the revised policy

## **9 Audit Scotland Letter re change of External Auditors**

The Vice Principal, Corporate Services & Governance spoke to the Audit Scotland letter which had been issued advising that the college has a change of External Auditor from next year. The proposed Auditor for the college is Scott Moncrieff, to commence on 1<sup>st</sup> August 2016. The Vice Principal, Corporate Services & Governance advised that the College had no part in the selection process. Angela Pieri advised that she is currently working towards completing this financial year prior to the new appointment. She advised that the protocol when taking over or giving up new audits is for both parties to share new policies. The Principal advised that Audit Scotland are looking to meet with College Principals on an individual basis, as part of a review of regionalisation and looking at wider governance issues.

## **10 Any other Business**

None.

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

The next meeting of the committee planned to take place on Tuesday 20 September 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 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:

<b>Assignment area</b>	<b>Status</b>
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.



# DUMFRIES AND GALLOWAY COLLEGE

**Human Resources Effectiveness**

**REVISED FINAL**

**Internal Audit Report: 6.15/16**

**11 March 2016**



# CONTENTS

1 Executive summary .....	2
2 Action plan.....	5
3 Detailed findings .....	7
APPENDIX A: SCOPE .....	14
APPENDIX B: FURTHER INFORMATION .....	16
Appendix C: Benchmarking.....	17
For further information contact .....	19

<b>Debrief held</b>	10 February 2016	<b>Internal Audit team</b>	Robert Barnett, Head of Internal Audit
<b>Draft report issued</b>	24 February 2016		Philip Church, Manager
<b>Responses received</b>	4 March 2016		Anastasia Morgan, Senior Auditor
			Dominic Davis, Internal Auditor
<b>Final report issued</b>	4 March 2016	<b>Client sponsor</b>	Jannette Brown, Vice Principal
<b>Revised final report issued</b>	11 March 2016	<b>Distribution</b>	Jannette Brown, Vice Principal
			Helen Pedley, Director of Organisational Development

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

A review of the arrangements in place for performance management, grievances, recruitment and selection was undertaken at Dumfries and Galloway College as part of the approved internal audit plan 2015/16.

This audit was designed to provide assurance against the objective that:

- The College's Human Resources processes are effective in managing personnel.

The College's Human Resource responsibilities lie with the Director of Organisational Development who is supported by a Human Resources Officer and a Human Resources Assistant.

## 1.2 Conclusion

Overall, we found that the human resources controls were appropriately designed. However, the controls were not consistency or correctly applied by management specifically in relation to the untimely completion of staff development reviews and Staff Development 1, SD1 forms, alongside lack of evidence retained to provide assurance that two individuals performed new starters' interviews.

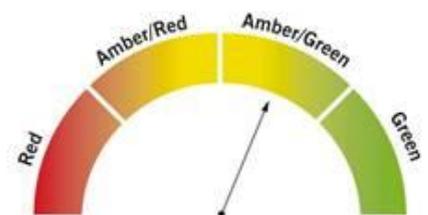
Furthermore, the design of the staff development review process identified that objectives were not consistently set for staff and therefore they were not in line with the College's strategic objectives. Three management actions have been agreed to address the weaknesses identified.

---

### 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 that need to be addressed in order to ensure that the control framework is effective in managing this area.



---

## 1.3 Key findings

The key findings from this review are as follows:

### Performance Management

- There were Staff Development and Career Review Scheme guidance and procedures in place at the College. The procedures detailed the process to be followed and timescales for when forms were due to be completed. These were also available via the intranet.

### Recruitment and Selection

- The Director of Organisation Development was responsible for reviewing a vacant position and deciding whether the position was still required. All advertisements for positions at the College were required to be approved by the Director of Organisational Development. For a sample of 10 new starters this was confirmed.

- The short listing panel for each staff recruitment exercise consisted of at least two people and a record of the decision made is retained. Each application is reviewed against six required criteria at the shortlisting panel. For a sample of five new starters, shortlisting documentation was reviewed which confirmed that two individuals were present.
- Two satisfactory written references were obtained before an offer of employment was made for a sample of 10 new starters. A form was completed which details why an individual required a PVG, Disclosure Scotland check, it was confirmed in nine instances this process was correctly followed, however in one case the Line Manager had stated 'not applicable' when in fact it was required. HR examine all forms, however stated this was an omission. A further sample of three new starters were tested which confirmed that they correctly had a PVG where required, therefore this was deemed an isolated incident.
- Selection criteria were agreed by the interview panel taking into account the person specification. In 10 cases, review of the interview documentation identified that both general and specific job related questions were asked.

#### Grievances

- There was a Grievance Procedure in place which details the process to follow when a grievance is raised. The document was issued to all new employees and was available on the intranet. Staff discussed any issues with their Line Manager as per the Grievance Policy to identify an informal resolution in the first instance.
- Where a formal resolution is required, staff record the grievance in writing detailing the nature of the complaint and the outcome the staff member is seeking. A meeting is then held within five working days of receipt of the written complaint. There had been one grievance, which although did not meet the five working day timeframe, this was agreed by the staff member as allowed within the Grievance Procedure.

However, we have identified four areas for improvement within the human resources controls framework which has resulted in three management actions. These are in relation to the following:

- From our sample of 10 senior/middle managers, seven had a completed career review scheme form held by HR for the 2014/15 academic year. A further two were held with the Principal for confidentiality reasons, however one was not completed within the last 12 months.

Of the seven completed career review scheme forms, five were signed by both the line manager and the employee; however two were unsigned by either party.

In all seven cases objectives were detailed which were broadly aligned to the College's strategic objectives and actions plans were in place. Although in two cases, actions were not SMART and did not include a timescale for implementation.

- Review of staff development forms, which are completed for all curriculum and support staff who were not in senior or middle manager roles, identified that staff did not detail objectives set for the forthcoming academic year, which were not aligned to the strategic objectives of the College.

We sampled 10 curriculum and 10 support staff who are required to have a staff development review. Two of the 20 members of staff were new starters for the period being audited and would have been subject to probationary reviews as opposed to staff development reviews. One member of staff was a student who had been elected to a paid position at the college for short term period and as a result would not be subject to a staff development review.

Of the 17 staff who are required to have a staff development review, seven did not have a review form on file in the HR office. The 10 staff who had a completed review all listed development objectives for the member of staff and were all signed by both the line manager and employee. One of the 10 was out of date.

- For a sample of 10 Staff Development forms where training needs had been identified, in four cases no SD1 form had been completed in either 2014/15 or 2015/16 to book onto training courses, in line with their staff development forms.

For five career review scheme forms, in four cases SD1 forms has been completed, fully signed by all responsible and in line with the training needs identified on the career review scheme form. However, in one case the SD1 form training was not in line with training identified on the career review scheme form.

- For a sample of 10 new starters the interview question sheets were obtained which confirmed that in four cases the two individual's signatures were electronically typed onto the one evaluation sheet and in two cases did not detail whether to appoint.

## 1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Staff Development and Performance Management	0 (4)	3 (4)	2	1	0
Recruitment and Selection	0 (5)	1 (5)	1	0	0
Grievances	0 (4)	0 (4)	0	0	0
<b>Total</b>			<b>3**</b>	<b>1**</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.

\*\* We have identified four areas of weakness; however two management actions have been agreed which address those area.

## 1.5 Additional feedback

We have reviewed Dumfries and Galloway College policies and procedures against others within the education sector. Key findings in relation to the Staff Development Policy included the following good practice that Dumfries and Galloway Policy could include:

- The Strategic Objectives of the Trust could be included within the Policy.
- Staff objectives should be specific, measurable, and timely.

Review of the Grievance Policy and Procedure and the Staff Appointment Policy against other policies within the Education Sector established that the content was in line with others and incorporated good practice.

Full details can be found in Appendix C.

## 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: Staff Development and Performance Management</b>					
1.1	<p>One out of 10 sampled staff had not completed the career review scheme form.</p> <p>Two were held with the Principal for confidentiality reasons.</p> <p>Of the seven completed and reviewed career review scheme forms, five were signed by both the line manager and the employee; however two were unsigned by either party.</p>	Low	<p>The Director of Organisational Development has drafted a HR Strategy which is in consultation stage.</p> <p>The staff development process and career review scheme will be reviewed and redesigned to reflect the weaknesses identified.</p>	31 <sup>st</sup> August 2016	Director of Organisational Development
1.2	<p>Staff Development Forms had not been completed for all staff sampled.</p> <p>Staff Development Forms did not include objectives which were aligned to the College's strategic objectives.</p>	Medium	Please see management action 1.1.	As above	Director of Organisational Development

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
1.3	In four cases no SD1 form had been completed in either 2014/15 or 2015/16 in line with training identified on the staff development form.	Low	Please see management action 1.1.	As above	Director of Organisational Development

---

### Area 2: Recruitment and Selection

2.1	<p>In two cases the Interview Evaluation Form did not detail whether to appoint.</p> <p>In four cases the two individuals interviewing were electronically typed onto the one evaluation sheet.</p>	Low	A reminder will be issued to staff to ensure that two signatures are on the Interview Evaluation Form(s) are submitted back to HR.	Immediate	Director of Organisational Development
-----	---	-----	--	-----------	--

---

### 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)	Audit findings and implications	Priority	Actions for management
<b>Area 1: Staff Development and Performance Management</b>						
1.1	Curriculum Review  All senior staff and middle managers have a career review meeting once every 12 months and a Career Review Scheme Form is completed, which details objectives, which are aligned to the College's strategic objectives and training needs. The forms are sent to HR.	Yes	No	<p>For a sample of 10 senior/middle managers the following was identified:</p> <ul style="list-style-type: none"> <li>In seven cases staff had a completed career review scheme form held by HR for the 2014/15 academic year; however one was not completed within the last 12 months.</li> <li>In two cases they were for the Vice Principals whose career review scheme forms were held by the Principal rather than by HR for confidentiality reasons.</li> <li>The remaining individual had not completed the career review scheme form.</li> </ul> <p>Of the seven completed career review scheme forms, five were signed by both the line manager and the employee; however two were unsigned by either party.</p> <p>In all cases objectives were detailed which were broadly aligned to the</p>	Low	<p>The Director of Organisational Development has drafted a HR Strategy which is in consultation stage.</p> <p>The staff development process and career development scheme will be reviewed and redesigned.</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				<p>College's strategic objectives and actions plans in place. However, in two cases actions were not SMART and did not include a timescale.</p> <p>Whilst conducting the testing it became clear that line managers were often completing the reviews but failing to submit the documentation to HR as was the case with four of the 10 members of staff chosen in our sample.</p> <p>If Career Scheme Reviews are not being conducted with staff in-line with the College's Policy and in a timely manner, there is a risk that staff are not being provided with the support required to fulfil their personal development needs or contribute to the achievement of the College's objectives.</p> <p>Furthermore, without staff signing performance reviews, the College has no evidence that the member of staff confirms they agree to the objectives set or are aware of the objectives.</p>		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
1.2	<p><b>Partially missing control</b></p> <p>Staff Development Review</p> <p>All curriculum and support staff have a staff development review meeting once every 12 months. The staff development form details objectives, which are aligned to the College's strategic objectives and training needs. Staff development forms are submitted to HR.</p>	Yes	No	<p>We sampled 10 curriculum and 10 support staff who are required to have a staff development review.</p> <ul style="list-style-type: none"> <li>Two of the 20 members of staff were new starters for the period being audited and would have therefore been subject to probationary reviews as opposed to staff development reviews;</li> <li>One member of staff was a student who had been elected to a paid position at the College for short term period and as a result would not be subject to a staff development review; and</li> <li>Of the 17 staff who are required to have a staff development review, seven did not have a review form on file in the HR office. Line Managers were contacted during the audit however staff development forms had not been completed.</li> </ul> <p>The 10 staff who had a completed review all listed development objectives for the member of staff and were all signed by both the line manager and employee. One of the 10 was out of date.</p> <p>If staff development reviews are not being conducted with staff in-</p>	Medium	Please see management action 1.1.

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

line with the College's Policy and in a timely manner, there is a risk that staff are not being provided with the support required to fulfil their personal development needs or contribute to the achievement of the College's objectives.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
1.3	Staff training needs are assessed and identified during the staff development and career review meetings. Staff members then complete an SD1 form in line with their training needs identified.	Yes	No	<p>For a sample of 10 curriculum and 10 support staff it was identified that:</p> <ul style="list-style-type: none"> <li>In 10 cases no staff development form was completed, either due to non-compliance, new starter or a student in an elected post.</li> </ul> <p>Therefore, for the remaining 10 staff the following was identified:</p> <ul style="list-style-type: none"> <li>In six cases SD1 forms were fully completed, signed by the staff member, line manager and HR member, which detailed the link to their staff development form.</li> </ul> <p>Furthermore, review of what staff needs were identified the SD1 form confirmed that the training was aligned and as identified in the staff development form.</p> <p>In four cases no SD1 form had been completed in either 2014/15 or 2015/16 in line with training identified on the staff development form.</p> <p>For five career review scheme Forms it was identified:</p> <ul style="list-style-type: none"> <li>In four cases SD1 forms has been completed, fully signed by</li> </ul>	Low	Please see management action 1.1.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				<p>all responsible and in line with the training needs identified on the career review scheme form; and</p> <ul style="list-style-type: none"> <li>In one case the SD1 form training was not in line with training identified on the career review scheme form.</li> </ul> <p>Without following up training, as Career Review Scheme and staff development reviews are annual there is an increased risk that staff are not undertaking training required for their development, which could lead to lack of motivation from staff and staff who do not have up to date skills for their role.</p>		

## Area 2: Recruitment and Selection

2.1	<p>Interview question sheets are completed by each member of the interview panel and once a decision has been made the question sheet for each candidate are sent to HR. For unsuccessful candidates these are kept for three months.</p> <p>The interview panel consists of a minimum of two people.</p>	Yes	No	<p>For a sample of 10 new starters the interview question sheets were obtained which confirmed that:</p> <ul style="list-style-type: none"> <li>In 10 cases the interview evaluation sheet was retained on file;</li> <li>In three cases, two interview evaluations were completed and sent to HR;</li> <li>In three cases, one sheet was signed by the two on the panel;</li> </ul>	Low	A reminder will be issued to staff to ensure that two signatures are on the Interview Evaluation Form(s) are submitted back to HR.
-----	---	-----	----	--	-----	--

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				<ul style="list-style-type: none"> <li>• In four cases the two individuals were electronically typed onto the one evaluation sheet;</li> <li>• In two cases did not detail whether to appoint; and</li> <li>• In eight cases the interview sheet detailed the outcome.</li> </ul> <p>Without retaining evidence that interviews were undertaken by two members of staff and evidence of the decision to appoint, the College is leaving themselves exposed to the risk that they cannot appropriately respond to challenge from unsuccessful candidates, or demonstrate that a fair and transparent approach to recruitment has been followed.</p>		

# 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 areas:

### Objective of the area under review

The College's Human Resources processes are effective in managing personnel

---

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

### Areas for consideration:

This review considered the College's key Human Resources policies in place and provides assurances as to whether these were appropriate and were being applied effectively and consistently. In particular, we have reviewed compliance in the following areas:

#### ***Staff Development and Performance Management***

Review of the College's Staff Development and Performance Management Policy and Procedure and confirm its fit for purpose.

We have sample tested and confirmed compliance with the Policy in terms of the following areas: -

- Performance reviews had been carried out in line with the Staff Development and Performance Management Policy and Procedure, including both mid and end of year reviews.
- Training and development needs had been identified and addressed.
- Objectives were appropriately linked to the College's strategic objectives.

#### ***Recruitment and Selection***

Review of the College's Recruitment and Selection Policy and Procedure and confirm its fit for purpose.

We have sample tested and confirmed compliance with the Policy in terms of the following areas:

- Approval of vacancies.
- Shortlisting and interview including assessment of candidates against set essential and desirable criteria.
- Examination of pre-employment checks, including references, obtained prior to appointment.

#### ***Grievance***

- Review of the College's Grievance Policy and Procedure and confirm its fit for purpose.

We have sample tested and confirmed compliance with the Policy in terms of the following areas:

- Grievances were acknowledged in a timely manner.

- Appropriate records were in place to support the informal, formal and appeal stages of the grievance.

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

### ***Staff Development and Performance Management.***

- Testing has been undertaken on a sample basis.
- We have not commented on the quality or reasonableness of objectives set with appraisals.
- We have not commented on whether we agree with any scoring or evaluation methods of an individual's appraisal.
- We have not commented on the content of appraisal.

### ***Recruitment***

- Testing has been undertaken on a sample basis only, based on appointments from the current financial year.
- We have not formed an opinion on the decision to offer the position to a particular candidate.
- We have not confirmed whether the candidate had the necessary qualifications for the role, only whether a personal specification was formulated during the job advertisement stage.

### ***Grievance***

- We have not review or comment on the outcome of any particular cases.
- Testing has been undertaken on a sample basis only, based on appointments from the current financial year

Our testing has been limited to the aforementioned HR policies; we have not confirmed the College has all necessary HR policies in place.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

## APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Helen Pedley, Director of Organisational Development
- Helen Cronie, HR Officer
- Angharad Wallace, HR Assistant

Documentation reviewed during the audit:

- Staff Development Guide
- Guidance Notes for Career Review Scheme
- Recruitment Procedure
- Grievance Procedure

## APPENDIX C: BENCHMARKING

We have reviewed Dumfries and Galloway College policies and procedures against others within the education sector.

<b>Recruitment and Selection</b>	<i>Dumfries and Galloway College</i>	Client A	Client B	Client C	Client D	Client E	Client F
Number on panel for short list/interview	2 minimum	2 minimum	2 minimum	2 minimum	2 minimum	n/a	2 minimum
Recruitment based on job and person spec	Yes	Yes	Yes	Yes	Yes	n/a	Yes
All decisions must be recorded	Yes	Yes	Yes	Not specified	Yes	n/a	Yes
Offers of employment are conditional upon receipt of two satisfactory references (one of which must be the current or most recent employer)	Yes	Yes	Number of references not specified	Number of references not specified	Yes	n/a	Yes
Approval of vacant role	Director of Organisational Development and Facilities	Not stated	Manager/HR contact	Not stated	SMT	Principal	Principal
Approval of new role	Director of Organisational Development and Facilities	Not stated	Board/Governing body	Not stated	SMT	Principal	Principal

<b>Grievance Policy</b>	<i>Dumfries and Galloway College</i>					
		Client A	Client B	Client C	Client D	Client E
Examples provided	No	Yes	Yes	No	Yes	No
Responsibilities of key individuals	Yes	No	Yes	No	Yes	Yes
Informal procedure detailed	Yes	Yes	Yes	Yes	Yes	Yes
Formal procedure detailed	Yes	Yes	Yes	Yes	Yes	Yes
Formal meeting	Yes	Yes	Yes	Yes	Yes	Yes
Formal Appeal	Yes	Yes	Yes	Yes	Yes	Yes

<b>Appraisal policy</b>	<i>Dumfries and Galloway College</i>		Client A	Client B	Client C	Client D
	<i>Staff Development Guide</i>	<i>Career Review Scheme</i>				
Specifies objectives set against Education establishment objectives	No	Yes	Yes	Yes	Yes	Yes
Strategic objectives included in policy	No	No	Yes	No	No	Yes
Bring a copy of training record to performance review meeting	<i>Does not specifically state</i>	<i>Does not specifically state</i>	Yes	No	No	n/a
Specific details the requirement of signatories	No	Yes	Yes	No	No	n/a
Objectives should be SMART	No	<i>Does not state</i>	Yes	Yes	Yes	n/a
Details timeframes of completion of mid-year reviews	No	No	No	No	No	n/a
Number of reviews	<i>1 per year</i>	<i>1 per year</i>	1 per year	2 per year	2 per year	n/a

# FOR FURTHER INFORMATION CONTACT

**Rob Barnett, Head of Internal Audit**

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

Tel: 07791 237658

**Phil 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. 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**

**Procurement**

**FINAL**

**Internal Audit Report: 7.15/16**

**4 March 2016**



# CONTENTS

1 Executive summary .....	2
2 Action plan.....	4
3 Detailed findings.....	6
APPENDIX A: SCOPE .....	9
APPENDIX B: FURTHER INFORMATION .....	10
For further information contact .....	11

<b>Debrief held</b>	10 February 2016	<b>Internal Audit team</b>	Robert Barnett, Head of Internal Audit
<b>Draft report issued</b>	26 February 2016		Philip Church, Manager
<b>Responses received</b>	3 March 2016		Anastasia Morgan, Senior Auditor
			Dominic Davis, Internal Auditor
<b>Final report issued</b>	4 March 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 Procurement was undertaken as part of the approved internal audit periodic plan for 2015/16.

This audit was designed to provide assurance against the objective that:

- The College has a Procurement Policy and procedures in place which are consistently applied to ensure value for money is achieved.

There is a Finance Department at the College who are responsible for the accounts payable function. The Finance system used at the College is Civica which interfaces for payments of purchases from the PECOS, electronic eProcurement system. The PECOS system has automatic approval workflows for ordering, approval and receipting of goods and services.

## 1.2 Conclusion

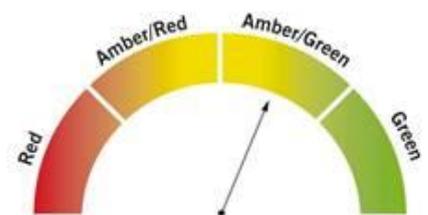
Overall, we found that the majority of controls within the procurement framework were appropriately designed and applied. However, there were controls in place that were not consistency applied by management, specifically in relation to; purchase orders raised, obtaining three quotes for orders over £5,000 or a reason documented why the quotes had not been received and finally verification of supplier amendments. We have agreed three management actions in relation to these findings, of which two were 'low' and one 'medium'.

---

### 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 that need to be addressed in order to ensure that the control framework is effective in managing this area.



---

## 1.3 Key findings

The key findings from this review are as follows:

- Review of the Financial Regulations confirmed that they detailed procurement and payment at a high level.
- Discussions with the Senior Finance Assistant established that there were procedures in place for raising purchase orders on PECOS, receipting orders on PECOS, budget holder procedures on ordering and authorisation levels.
- For the 14 purchase orders which had been raised on the PECOS system it was confirmed in all cases that goods had been receipted prior to payment. For the six purchases made outside of the PECOS system it was established that the invoice was signed by the budget holder to confirm receipt of goods as well as authorising to pay.
- For a sample of 20 purchases it was confirmed in all cases that the invoice was added to the system in a timely manner and matched the purchase order where available.

- New suppliers requested to be added to the system were checked by the Senior Finance Assistant to confirm they were a genuine company and PECOS was reviewed to confirm that no other suppliers currently used could supply the commodity.

## 1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Procedural documentation	0 (2)	0 (2)	0	0	0
Supplier sourcing procedures	0 (7)	2 (7)	2	0	0
Supplier selection procedures	0 (2)	1 (2)	0	1	0
<b>Total</b>			<b>2</b>	<b>1</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 1: Supplier sourcing procedures</b>					
1.1	For a sample of 20 purchases, in four cases no purchase order, either on PECOS or manually had been raised.	Low	A reminder will be sent to all staff that purchase orders should be raised either via PECOS or manually.	31.03.16	Finance Manager
1.2	For a sample of 10 purchases over £5,000, three quotes were not obtained as per the Financial Regulations. This was due to the item being available from a sole supplier only. However, this was not documented.	Low	The College will consider the introduction of a single tender justification whereby the item can only be sourced from one supplier.	01.08.16	Finance Manager

---

**Area 2: Supplier selection procedures**

---

2.1	Amendments to supplier details were updated on Civiva via letter or invoice; however there was no process where the College checked to confirm whether the change was genuine.	Medium	Suppliers will be contacted when changes are requested and supporting evidence will be signed by the member of staff to confirm verification from the supplier.  The College will investigate how a report can be output from Civiva which details supplier changes in order to review on a timely basis.	31.03.16	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)	Audit findings and implications	Priority	Actions for management
<b>Area 1: Supplier sourcing procedures</b>						
1.1	<p>Purchase orders are raised electronically via PECOS and authorised by the appropriate budget holder in line with the Financial Regulations and Scheme of Delegation.</p> <p>Manual purchase orders are completed for one-off purchases.</p>	Yes	No	<p>For a sample of 20 transactions it was identified that:</p> <ul style="list-style-type: none"> <li>In 14 cases a purchase order was raised on PECOS and approved by the budget holder in-line with Financial Regulations;</li> <li>In one case a manual purchase was raised, this order was part of a contract which had been renegotiated for an extra year; and</li> <li>In one case the purchase was for exam fees and therefore was not applicable.</li> </ul> <p>Therefore, for the remaining four purchases no purchase order, either on PECOS or manually had been raised.</p> <p>Discussions with the Senior Finance Assistant established that:</p> <ul style="list-style-type: none"> <li>In one case the purchase was emergency cover;</li> <li>In one case it was required during year end; and</li> <li>In two cases there was no</li> </ul>	Low	A reminder will be sent to all staff that purchase orders should be raised either via PECOS or manually.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
				<p>explanation.</p> <p>There is an increased risk that without raising purchase orders, which are approved in a timely manner prior to entering into arrangements with suppliers, the order may not be approved by the authorised budget holder, funds may not be available, or money may not be considered fully.</p>		
1.2	Ordering of goods and services over £5,000 require three written quotations in accordance with the Financial Regulations.	Yes	No	<p>For a sample of 10 purchases made over £5,000 it was identified that:</p> <ul style="list-style-type: none"> <li>• In two cases three quotes were obtained as per the Financial Regulations;</li> <li>• In one case it was for exam fees therefore not applicable;</li> <li>• In two instances the purchases were acquired through a framework; and</li> <li>• In one case the order was part of a contract arrangement.</li> </ul> <p>However, in four cases no quotes were obtained, due to the item being available from a sole supplier only, but this was not documented.</p> <p>Without obtaining three quotes or the justification as to why three quotes were not obtained, the College cannot provide assurance that Value for Money has been</p>	Low	The College will consider the introduction of a single tender justification whereby the item can only be sourced from one supplier.

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

considered.

## Area 2: Supplier selection procedures

2.1	<p>Amendments are made to E-Financials system by the Finance Department.</p> <p>Amendments are made when a supplier writes to the College or if bank details change on an invoice.</p> <p>Changes to bank details are verified by contacting the supplier to provide a scan of their bank details.</p>	Yes	No	<p>Discussions with the Finance Manager and Senior Finance Assistant established that no report could be produced from Civiva to identify what supplier amendments had been made to the system.</p> <p>Supplier amendment documentation was held within a file and for a sample of 10 it was confirmed that the changes had been made on Civiva in a timely manner and accurately.</p> <p>However, there was no process where the College checked to confirm whether the change was genuine. In one instance out of the 10 sampled it was identified that the Senior Finance Assistant had contacted the supplier by telephone to confirm the change and this was documented and signed on the change documentation.</p> <p>Without independently verifying new supplier bank details there is an increased risk that the bank details may not be correct and the College is exposed to details being maliciously changed with the intention of fraud.</p>	Medium	<p>Suppliers will be contacted when changes are requested and supporting evidence will be signed by the member of staff to confirm verification from the supplier.</p> <p>The College will investigate how a report can be outputted from Civiva which details supplier changes in order to review on a timely basis.</p>
-----	--	-----	----	--	--------	---

# 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 area:

### Objective of the area under review

The College has a Procurement Policy and procedures in place which are consistently applied to ensure value for money is achieved.

---

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

### Areas for consideration:

This audit reviewed the controls in place at Dumfries and Galloway College for ensuring that relationships were established with suitable suppliers, appropriate purchases were made and in line with the College's Procurement procedures. The following areas were covered during the review:

- Supplier sourcing procedures, including tendering procedures and mechanisms for obtaining supplier quotes in order to ensure Value for Money was achieved.
- Supplier selection procedures, including supplier assessment and approval controls.
- Procedures for raising and approving orders, confirming receipt of goods or services and approval of the subsequent invoices for payment.

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

- Testing has been completed on a sample basis only, based on transactions from the current financial year.
- This review has focused on a sample of specific transactions with suppliers and consisted of substantive testing, but has not duplicated the strategic level review conducted as part of our report on APUC.
- We have not commented on the appropriateness of purchases; only whether the College's Financial Regulations and Procurement Policy were complied with.
- We have not commented on whether the College achieves VfM from specific transactions, only whether the College had demonstrated whether VfM activities had taken place.
- We have not examined accounting for VAT.
- We did not review tender procedures and mechanisms, as no purchases had been made over the threshold in the current academic year.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

## APPENDIX B: FURTHER INFORMATION

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

- Karen Hunter, Finance Manager
- Dawn Tait, Senior Finance Assistant

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

- Financial Regulations
- Raising Purchase Orders on PECOS
- Receipting Orders on PECOS
- Budget Holder Procedures on Ordering
- Authorisation Levels

# 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. 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

10 May 2016



# CONTENTS

1 Introduction.....	2
2 Reports considered at this Audit Committee.....	3
3 Other matters .....	6
For further information contact .....	8

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
Human Resources Effectiveness	Being presented at this Audit Committee
Procurement	Being presented at this Audit Committee
Follow Up	Being presented at this Audit Committee

## 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
Human Resources Effectiveness (6.15/16)	Final	Reasonable Assurance	0	1	3
Procurement (7.15/16)	Final	Reasonable Assurance	0	1	2
Follow Up (8.15/16)	Final	Reasonable Progress	1	3	0

---

## 2.1 Impact of findings to date

---



### Human Resources Effectiveness (06.15/16)

Conclusion: Amber-Green Assurance

Impact on Annual Opinion: Positive

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

The medium finding related to:

- Staff Development Forms had not been completed for all staff sampled.

*Management Action: The staff development process and career review scheme will be reviewed and redesigned to reflect the weaknesses identified.*

---



### Procurement (07.15/16)

Conclusion: Amber-Green Assurance

Impact on Annual Opinion: Positive

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

The medium finding related to:

- Amendments to supplier details were updated on Civiva via letter or invoice; however, there was no process where the College checked to confirm whether the change was genuine.

*Management Action: Suppliers will be contacted when changes are requested and supporting evidence will be signed by the member of staff to confirm verification from the supplier.*

*The College will investigate how a report can be output from Civiva which details supplier changes in order to review on a timely basis.*

---



### **Follow Up (08.15/16)**

Conclusion: Reasonable

Testing confirmed of the 12 recommendations followed nine had been fully implemented. In one case, Partnership/Collaborative Arrangements, the recommendation was in the process of being completed. In the case of the Institution Sustainability review we confirmed the recommendations had not been implemented due to the significant changes faced by the sector.

---

## 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:		<i>100% (eight) final reports issued</i>			
	Target	Actual		Target	Actual
Audits commenced in line with original timescales	Yes	<i>All audits are on schedule to be delivered by year-end</i>	Conformance with PSIAS and IIA Standards	Yes	Yes
Draft reports issued within 10 days of debrief meeting	100%	<i>12 days<sup>1</sup> (average)</i>	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit.	Yes	<i>Discussion held with External Audit in October as part of their planning procedures</i>
Management responses received within five days or draft report	100%	<i>4.6 days (average)</i>	% of staff with CCAB/CMIIA qualifications	>50%	100%
Final report issued within five days of management response	100%	<i>1 day(average)</i>	Turnover rate of operational staff	<10%	<i>Nil</i>
% audit reports presented to agreed Audit Committee meetings	100%	<i>100%</i>	Response time for all general enquiries for assistance	2 working days	<i>100%</i>
% High and Medium recommendations followed up	100%	<i>100%</i>	Response for emergencies and potential fraud	1 working days	<i>N/A – at this time</i>

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 (01.15/16)	FINAL	Substantial	0	1	0
Student Activity Data (Weighted SUMs) (02.2015/16)	FINAL	Substantial	0	0	0
Value for Money – APUC’s Procurement Capacity Assessment (03.2015/16)	FINAL	Reasonable	6	3	0
Strategic and Financial Planning (04.2015/16)	FINAL	Substantial	1	0	0
Budgetary Control (05.2015/16)	FINAL	Substantial	1	0	0

# 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.

# HUMAN RESOURCES EFFECTIVENESS - EXECUTIVE SUMMARY

## 1.1 Background

A review of the arrangements in place for performance management, grievances, recruitment and selection was undertaken at Dumfries and Galloway College as part of the approved internal audit plan 2015/16.

This audit was designed to provide assurance against the objective that:

- The College's Human Resources processes are effective in managing personnel.

The College's Human Resource responsibilities lie with the Director of Organisational Development who is supported by a Human Resources Officer and a Human Resources Assistant.

## 1.2 Conclusion

Overall, we found that the human resources controls were appropriately designed. However, the controls were not consistency or correctly applied by management specifically in relation to the untimely completion of staff development reviews and Staff Development 1, SD1 forms, alongside lack of evidence retained to provide assurance that two individuals performed new starters' interviews.

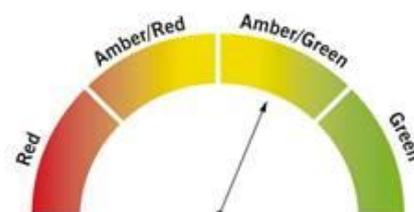
Furthermore, the design of the staff development review process identified that objectives were not consistently set for staff and therefore they were not in line with the College's strategic objectives. Three management actions have been agreed to address the weaknesses identified.

---

### 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 that need to be addressed in order to ensure that the control framework is effective in managing this area.



---

## 1.3 Key findings

The key findings from this review are as follows:

### Performance Management

- There were Staff Development and Career Review Scheme guidance and procedures in place at the College. The procedures detailed the process to be followed and timescales for when forms were due to be completed. These were also available via the intranet.

### Recruitment and Selection

- The Director of Organisation Development was responsible for reviewing a vacant position and deciding whether the position was still required. All advertisements for positions at the College were required to be approved by the Director of Organisational Development. For a sample of 10 new starters this was confirmed.

- The short listing panel for each staff recruitment exercise consisted of at least two people and a record of the decision made is retained. Each application is reviewed against six required criteria at the shortlisting panel. For a sample of five new starters, shortlisting documentation was reviewed which confirmed that two individuals were present.
- Two satisfactory written references were obtained before an offer of employment was made for a sample of 10 new starters. A form was completed which details why an individual required a PVG, Disclosure Scotland check, it was confirmed in nine instances this process was correctly followed, however in one case the Line Manager had stated 'not applicable' when in fact it was required. HR examine all forms, however stated this was an omission. A further sample of three new starters were tested which confirmed that they correctly had a PVG where required, therefore this was deemed an isolated incident.
- Selection criteria were agreed by the interview panel taking into account the person specification. In 10 cases, review of the interview documentation identified that both general and specific job related questions were asked.

#### Grievances

- There was a Grievance Procedure in place which details the process to follow when a grievance is raised. The document was issued to all new employees and was available on the intranet. Staff discussed any issues with their Line Manager as per the Grievance Policy to identify an informal resolution in the first instance.
- Where a formal resolution is required, staff record the grievance in writing detailing the nature of the complaint and the outcome the staff member is seeking. A meeting is then held within five working days of receipt of the written complaint. There had been one grievance, which although did not meet the five working day timeframe, this was agreed by the staff member as allowed within the Grievance Procedure.

However, we have identified four areas for improvement within the human resources controls framework which has resulted in three management actions. These are in relation to the following:

- From our sample of 10 senior/middle managers, seven had a completed career review scheme form held by HR for the 2014/15 academic year. A further two were held with the Principal for confidentiality reasons, however one was not completed within the last 12 months.

Of the seven completed career review scheme forms, five were signed by both the line manager and the employee; however two were unsigned by either party.

In all seven cases objectives were detailed which were broadly aligned to the College's strategic objectives and actions plans were in place. Although in two cases, actions were not SMART and did not include a timescale for implementation.

- Review of staff development forms, which are completed for all curriculum and support staff who were not in senior or middle manager roles, identified that staff did not detail objectives set for the forthcoming academic year, which were not aligned to the strategic objectives of the College.

We sampled 10 curriculum and 10 support staff who are required to have a staff development review. Two of the 20 members of staff were new starters for the period being audited and would have been subject to probationary reviews as opposed to staff development reviews. One member of staff was a student who had been elected to a paid position at the college for short term period and as a result would not be subject to a staff development review.

Of the 17 staff who are required to have a staff development review, seven did not have a review form on file in the HR office. The 10 staff who had a completed review all listed development objectives for the member of staff and were all signed by both the line manager and employee. One of the 10 was out of date.

- For a sample of 10 Staff Development forms where training needs had been identified, in four cases no SD1 form had been completed in either 2014/15 or 2015/16 to book onto training courses, in line with their staff development forms.

For five career review scheme forms, in four cases SD1 forms has been completed, fully signed by all responsible and in line with the training needs identified on the career review scheme form. However, in one case the SD1 form training was not in line with training identified on the career review scheme form.

- For a sample of 10 new starters the interview question sheets were obtained which confirmed that in four cases the two individual's signatures were electronically typed onto the one evaluation sheet and in two cases did not detail whether to appoint.

## 1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Staff Development and Performance Management	0 (4)	3 (4)	2	1	0
Recruitment and Selection	0 (5)	1 (5)	1	0	0
Grievances	0 (4)	0 (4)	0	0	0
<b>Total</b>			<b>3**</b>	<b>1**</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.

\*\* We have identified four areas of weakness; however two management actions have been agreed which address those area.

## 1.5 Additional feedback

We have reviewed Dumfries and Galloway College policies and procedures against others within the education sector. Key findings in relation to the Staff Development Policy included the following good practice that Dumfries and Galloway Policy could include:

- The Strategic Objectives of the Trust could be included within the Policy.
- Staff objectives should be specific, measurable, and timely.

Review of the Grievance Policy and Procedure and the Staff Appointment Policy against other policies within the Education Sector established that the content was in line with others and incorporated good practice.

Full details can be found in Appendix C.

## 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: Staff Development and Performance Management</b>					
1.1	<p>One out of 10 sampled staff had not completed the career review scheme form.</p> <p>Two were held with the Principal for confidentiality reasons.</p> <p>Of the seven completed and reviewed career review scheme forms, five were signed by both the line manager and the employee; however two were unsigned by either party.</p>	Low	<p>The Director of Organisational Development has drafted a HR Strategy which is in consultation stage.</p> <p>The staff development process and career review scheme will be reviewed and redesigned to reflect the weaknesses identified.</p>	31 <sup>st</sup> August 2016	Director of Organisational Development
1.2	<p>Staff Development Forms had not been completed for all staff sampled.</p> <p>Staff Development Forms did not include objectives which were aligned to the College's strategic objectives.</p>	Medium	Please see management action 1.1.	As above	Director of Organisational Development

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
1.3	In four cases no SD1 form had been completed in either 2014/15 or 2015/16 in line with training identified on the staff development form.	Low	Please see management action 1.1.	As above	Director of Organisational Development

---

### Area 2: Recruitment and Selection

2.1	<p>In two cases the Interview Evaluation Form did not detail whether to appoint.</p> <p>In four cases the two individuals interviewing were electronically typed onto the one evaluation sheet.</p>	Low	A reminder will be issued to staff to ensure that two signatures are on the Interview Evaluation Form(s) are submitted back to HR.	Immediate	Director of Organisational Development
-----	---	-----	--	-----------	--

---

# PROCUREMENT - EXECUTIVE SUMMARY

## 1.1 Background

An audit of Procurement was undertaken as part of the approved internal audit periodic plan for 2015/16.

This audit was designed to provide assurance against the objective that:

- The College has a Procurement Policy and procedures in place which are consistently applied to ensure value for money is achieved.

There is a Finance Department at the College who are responsible for the accounts payable function. The Finance system used at the College is Civica which interfaces for payments of purchases from the PECOS, electronic eProcurement system. The PECOS system has automatic approval workflows for ordering, approval and receipting of goods and services.

## 1.2 Conclusion

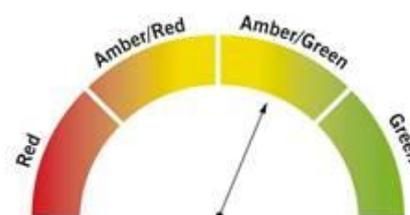
Overall, we found that the majority of controls within the procurement framework were appropriately designed and applied. However, there were controls in place that were not consistency applied by management, specifically in relation to; purchase orders raised, obtaining three quotes for orders over £5,000 or a reason documented why the quotes had not been received and finally verification of supplier amendments. We have agreed three management actions in relation to these findings, of which two were 'low' and one 'medium'.

---

### 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 that need to be addressed in order to ensure that the control framework is effective in managing this area.



---

## 1.3 Key findings

The key findings from this review are as follows:

- Review of the Financial Regulations confirmed that they detailed procurement and payment at a high level.
- Discussions with the Senior Finance Assistant established that there were procedures in place for raising purchase orders on PECOS, receipting orders on PECOS, budget holder procedures on ordering and authorisation levels.
- For the 14 purchase orders which had been raised on the PECOS system it was confirmed in all cases that goods had been receipted prior to payment. For the six purchases made outside of the PECOS system it was established that the invoice was signed by the budget holder to confirm receipt of goods as well as authorising to pay.
- For a sample of 20 purchases it was confirmed in all cases that the invoice was added to the system in a timely manner and matched the purchase order where available.

- New suppliers requested to be added to the system were checked by the Senior Finance Assistant to confirm they were a genuine company and PECOS was reviewed to confirm that no other suppliers currently used could supply the commodity.

## 1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Procedural documentation	0 (2)	0 (2)	0	0	0
Supplier sourcing procedures	0 (7)	2 (7)	2	0	0
Supplier selection procedures	0 (2)	1 (2)	0	1	0
<b>Total</b>			<b>2</b>	<b>1</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 1: Supplier sourcing procedures</b>					
1.1	For a sample of 20 purchases, in four cases no purchase order, either on PECOS or manually had been raised.	Low	A reminder will be sent to all staff that purchase orders should be raised either via PECOS or manually.	31.03.16	Finance Manager
1.2	For a sample of 10 purchases over £5,000, three quotes were not obtained as per the Financial Regulations. This was due to the item being available from a sole supplier only. However, this was not documented.	Low	The College will consider the introduction of a single tender justification whereby the item can only be sourced from one supplier.	01.08.16	Finance Manager

---

**Area 2: Supplier selection procedures**

---

2.1	Amendments to supplier details were updated on Civiva via letter or invoice; however there was no process where the College checked to confirm whether the change was genuine.	Medium	Suppliers will be contacted when changes are requested and supporting evidence will be signed by the member of staff to confirm verification from the supplier.  The College will investigate how a report can be output from Civiva which details supplier changes in order to review on a timely basis.	31.03.16	Finance Manager
-----	--	--------	---	----------	-----------------

---

# FOLLOW UP - EXECUTIVE SUMMARY

## 1.1 Introduction

As part of the approved internal audit periodic plan for 2015/16 we have undertaken a review to follow up progress made by you to implement the previously agreed recommendations. The audits considered as part of the follow up review were:

- Student Support Funds
- Cashflow Forecasts
- Partnerships / Collaborative Arrangements
- Payroll
- Institutional Sustainability
- Follow Up

The twelve recommendations considered in this review comprised of one 'high' and eleven 'medium'. The focus of this review was to provide assurance that all actions previously made have been adequately implemented. For recommendations categorised as 'low' we have accepted management's assurance regarding their implementation.

## 1.2 Conclusion

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

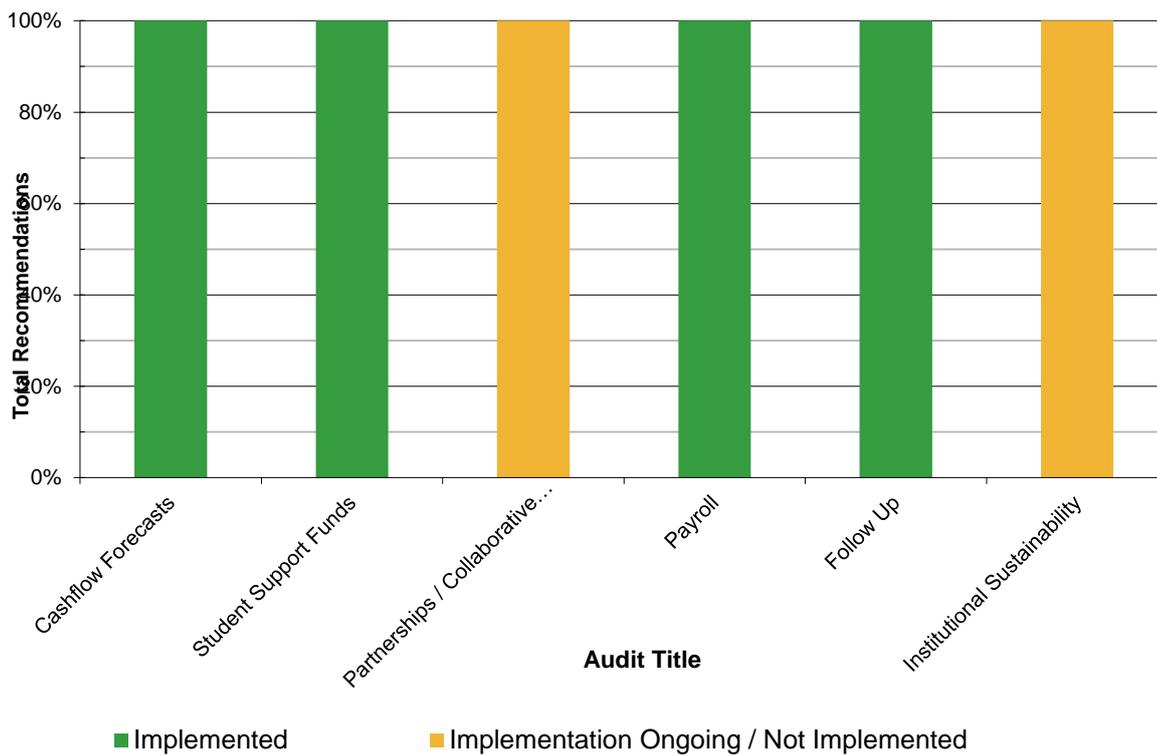
Of the nine management actions covered in this review, we confirmed eight were implemented and are detailed in Appendix C, and one was on-going at the time of the review as it was only partially implemented.

### 1.3 Action Tracking

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

We found that there was an action tracking spreadsheet in place at the College, however it had not been updated since November 2015. We recommend that this document is kept up to date by management and regularly presented to the Audit Committee so they are kept informed of actions taken.

The following graph highlights the number and categories of actions issues and progress made to date:



Further details of progress made are provided in Section 2 of this report. It is important to note that until a management action is fully implemented, the College is still exposed to risk.

## 1.4 Progress on Actions

Implementation status by review	Number of actions agreed	Status of management actions					Confirmation as completed or no longer necessary (1)+(4)
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)		
Cashflow Forecasts	2	2	-	-	-	2	
Student Support Funds	1	1	-	-	-	1	
Partnerships / Collaborative Arrangements	1	-	1	-	-	1	
Payroll	1	1	-	-	-	1	
Institutional Sustainability	3	-	-	3	-	0	
Follow Up	4	4	-	-	-	4	

Implementation status by management action priority	Number of actions agreed	Status of management actions					Confirmation as completed or no longer necessary (1)+(4)
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)		
Medium	12	8	1	3	-	11	

## 2 FINDINGS AND MANAGEMENT ACTIONS

This report has been prepared by exception. Therefore, we have included only those actions graded as 2 and 3. Each action followed up has been categorised in line with the following:

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.

Partnerships / Collaborative Arrangements										
Ref	Original Recommendation	Original date	Original priority	Audit findings	Current status	Updated management actions	Priority issued	Revised date	Owner responsible	
1	<p>The College should develop a framework surrounding the partnership process. The process should include:</p> <ul style="list-style-type: none"> <li>Approval of partnership arrangements;</li> <li>Contract management;</li> <li>Quality assurance visits;</li> <li>Due diligence checklist;</li> <li>Risk Assessments;</li> <li>Managing exposure to reputational risk; and</li> <li>Governance</li> </ul>	June 2015	Medium	<p>We were informed by the Vice Principal of Corporate Services and Governance that at the time of the original audit the College was taking part in discussions around hosting another school which would require a partnership if it went ahead. However, nothing came of these discussions and no partnership was put in place.</p> <p>The only other partnership the College has is with a tenant that is renting a building to use as a nursery; however this is managed through a solicitor as a tenant's agreement; so there is no need to put a partnership in place for this.</p> <p>As the College had to bid for all of its partnerships and all partnerships were on the other party's terms, not the College's, it was decided that there was no need to put a partnership framework in place.</p>	2	A partnership framework should be developed as and when the school implement partnerships in future.	Medium	Ongoing	Jannette Brown, Vice Principal	

arrangements.

This will ensure that a consistent approach is adopted in terms of monitoring and reporting partnership arrangements..

The Vice Principle stated this recommendation is ongoing as the College will produce a Partnership framework as and when they need it, but to produce one when there is no potential partnership will lead to the document being too generic. A specific framework will be needed for each individual partnership that arises in future.

---

Institutional Sustainability

2	<p>The College should review the Risk Register and update it to include the following areas of the Institutional Sustainability spreadsheet so that only one document is used:</p> <ul style="list-style-type: none"> <li>• Controls in order to diversify income streams and encourage efficient procurement practices in order to strengthen financial sustainability;</li> <li>• A risk surrounding the impact of a recession and political instability on the College's ability to continue;</li> <li>• A risk on if the College fails to</li> </ul>	June 2015	High	<p>We were informed by the Vice Principal of Corporate Services and Governance that due to the significant changes in the sector together with the new Economic Strategy and refresh of the Regional Skills Assessment the implementation of this recommendation has been delayed until December 2016.</p>	3	<p>Accepted. Implementation date extended to December 2016.</p>	High	December 2016	<p>Jannette Brown, Vice Principal</p>
---	--	-----------	------	--	---	---	------	---------------	---------------------------------------

- 
- improve business processes;
- An overall staff risk covering quality of staff and governors, training and qualifications of staff, staff turnover and staff sickness;
  - An overall estate risk covering quality of facilities, space utilisation, repairs to the estate and access to the estate for all;
  - A risk surrounding the College's impact on the environment and how they plan to improve it;
  - Controls to incorporate the risk of inappropriate support services on student funding; and
  - An overall risk covering provision in terms of diversity, quality, range and widening participation.

	Once the Risk Register has been updated, the College should highlight on the Risk Register which risks relate to Institutional Sustainability and which are strategic risks.								
3	Once the Risk Register has been updated to include the relevant Institutional Sustainability items, then the Risk Register should continue to be reported to the Audit Committee and the Board on a quarterly basis in order to sufficiently monitor and challenge Institutional Sustainability as well as Risk Management.	Medium	June 2015	We were informed by the Vice Principal of Corporate Services and Governance that due to the significant changes in the sector together with the new Economic Strategy and refresh of the Regional Skills Assessment the implementation of this recommendation has been delayed until December 2016.	3	Accepted. Implementation date extended to December 2016.	Medium	December 2016	Jannette Brown, Vice Principal
4	The College should implement a Sustainability Statement, which details the College's policy in relation to social, environmental and economic sustainability and how this impacts on the College's strategy. The College should then communicate this to all relevant parties and	Medium	June 2015	We were informed by the Vice Principal of Corporate Services and Governance that due to the significant changes in the sector together with the new Economic Strategy and refresh of the Regional Skills Assessment the implementation of this recommendation has been delayed until December 2016.	3	Accepted. Implementation date extended to December 2016.	High	December 2016	Jannette Brown, Vice Principal

---

measure compliance  
with the Statement on  
a regular basis.

---



# DUMFRIES AND GALLOWAY COLLEGE

**Internal Audit Strategy 2016/17-2018/19**

**Presented at the Audit Committee meeting of:**

**10 May 2016**





# CONTENTS

1 Introduction.....	2
2 Developing the internal audit strategy.....	3
3 Your Internal Audit service .....	5
4 Audit committee requirements .....	6
Appendix A: Internal audit plan 2016/17 .....	7
Appendix B: Internal audit strategy 2016 – 2019 .....	11
Appendix C: Outline of internal audit coverage.....	14
Appendix D: Internal audit charter.....	15
Appendix E: Our client care standards.....	19
For further information contact .....	20

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

# 1 INTRODUCTION

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

## 1.1 Background

The College has undergone a period of fundamental change (regionalisation and a re-focus of Government priorities) resulting in the re-evaluation of their strategic aims and priorities. The main campus is situated in Dumfries (the capital of the region) and the College has a second campus in the town of Stranraer, 75 miles to the west of Dumfries.

## 1.2 Vision

The College's approach to learning is a reflection of the rural locality, the local economy and the changing patterns of lifestyles. In 2015, the College launched "Vision 2020", its new five year Strategic Plan which sets out the College vision and aspirations.

## 1.3 Objectives

The College's has identified six 'Strategic Outcomes':

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

## 2 DEVELOPING THE INTERNAL AUDIT STRATEGY

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

### 2.1 Risk management processes

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

- Vice Principal
- Finance Manager
- Audit Committee Members

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



Figure A: Sources considered when developing the Internal Audit Strategy

**Figure B** details those strategic risks in which may warrant internal audit coverage. This review of your risks allows us to ensure that the proposed plan will meet the College’s assurance needs for the forthcoming and future years.

Strategic risk No	Strategic risk
SR1	National Pay Bargaining
SR2	Public sector funding cuts – forecast for session 2016/17
SR3	Governance issues: Reclassification and other changes to governance reduce the flexibility of the College to manage financial and estate issues and meet targets in the Outcome Agreement
SR4	Unable to achieve credit (activity) target
SR5	University of West of Scotland – Review of property and provision in Dumfries
SR6	Failure to achieve attainment targets

## 2.2 Working with other assurance providers

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

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

## 3 YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Rob Barnett, Director supported by Philip Church as your client manager.

### 3.1 Conformance with internal auditing standards

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

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

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

### 3.2 Conflicts of interest

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

## 4 AUDIT COMMITTEE REQUIREMENTS

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

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

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

## APPENDIX A: INTERNAL AUDIT PLAN 2016/17

Audit	Scope for Year 2016/17	Audit days	Proposed timing	Proposed Audit Committee
<b>Risk Based Assurance</b>				
Student Activity Data (SUMs)	<p>The following areas will be included:</p> <ul style="list-style-type: none"> <li>• Enrolment.</li> <li>• Programmes eligible for funding.</li> <li>• Student eligibility.</li> </ul>	5 days	Week commencing 5 <sup>th</sup> September	November 2016
Student Support Funds and Education Maintenance Allowances (EMA)	<p>The following areas will be included:</p> <ul style="list-style-type: none"> <li>• Compliance with EMA guidance.</li> <li>• Compliance with Bursary / Discretionary Fund guidance.</li> </ul> <p>Aspects of the work will be performed week commencing 20<sup>th</sup> June with secondary checks performed on 5<sup>th</sup> September.</p>	5 days	<p>Week commencing 20<sup>th</sup> June</p> <p>Week commencing 5<sup>th</sup> September</p>	November 2016
Safeguarding	<p>Our review will consider the processes in place to confirm compliance with regulatory requirements for the safeguarding of children and vulnerable adults.</p> <p>We will also consider the College's arrangements as a 'specified authority' to have due regard to the need to prevent people from being drawn into terrorism as part of the Government's Counter-Terrorism and Security Bill.</p>	4 days	Week commencing 3 <sup>rd</sup> October	November 2016

Audit	Scope for Year 2016/17	Audit days	Proposed timing	Proposed Audit Committee
<b>Core Assurance</b>				
Income Generation	<p>This review will consider the income generation activities by the restaurant and salon (Stranraer and Dumfries and Galloway campuses) to ensure costs are minimised (including waste) and income is maximised. In particular, the review will consider:</p> <ul style="list-style-type: none"> <li>• How the College determines the selling price for products and goods sold (the pricing model).</li> <li>• Confirmation of the actual selling price for a sample of products and goods.</li> <li>• Comparison of the selling price to the purchase price, in order to assess whether the costs have been recovered.</li> <li>• Order and stock controls are applied appropriately.</li> <li>• A benchmark of prices charged in the salon and restaurant against other colleges.</li> </ul>	6 days	Week commencing 13 <sup>th</sup> February	May 2017

Audit	Scope for Year 2016/17	Audit days	Proposed timing	Proposed Audit Committee
Marketing and Communication	<p>This review will consider the following:</p> <ul style="list-style-type: none"> <li>• Review of the College’s Marketing Strategy including delivery of events in accordance with agreed timetables and budgets.</li> <li>• The production of key materials such as, the College’s prospectus and parental information is reviewed and approved to reflect the College’s branding.</li> <li>• How partnerships are identified and established through marketing incentives.</li> <li>• Review of internal communication and how this reflects the College’s brand and other marketing activities.</li> <li>• Assessment of the College’s social media strategy where applicable and how this is informed by social media trends.</li> <li>• Review of current and emerging technologies, social media opportunities and how they have been identified and used to target exist and new customers.</li> <li>• Marketing and promotion events are monitored, recorded and evaluated to determine the impact of the key events.</li> </ul>	4 days	Week commencing 19 <sup>th</sup> September	November 2016
IT Cyber Security	<p>The review will consider the College’s computer systems and data resilience to threats resulting from connection to the Internet. The high level review will consider the following:</p> <ul style="list-style-type: none"> <li>• The high level controls such as risk assessments, contracts with third parties.</li> <li>• The controls to identify and mitigate software vulnerabilities.</li> <li>• The monitoring and reporting processes in respect of incidents / near misses.</li> <li>• User policies in respect of data security.</li> <li>• Open port scanning/testing of the College’s externally facing IP addresses.</li> </ul>	6 days	Week commencing 13 <sup>th</sup> February	May 2017

Audit	Scope for Year 2016/17	Audit days	Proposed timing	Proposed Audit Committee
<b>Other internal audit activity</b>				
Value for Money	<p>The Scottish Funding Council (SFC) requires the College's Internal Audit service to provide a comprehensive appraisal of management's arrangements for achieving value for money.</p> <p>The exact nature of the work will be agreed with management during the year.</p>	5 days	Week commencing 13 <sup>th</sup> February	May 2017
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	2 days	Week commencing 5 <sup>th</sup> September	November 2016
Management	<p>This will include:</p> <ul style="list-style-type: none"> <li>• Annual planning</li> <li>• Preparation for, and attendance at, Audit Committee</li> <li>• Regular liaison and progress updates</li> <li>• Liaison with external audit and other assurance providers</li> <li>• Preparation of the annual opinion</li> </ul>	5 days	Throughout the year	N/A

## APPENDIX B: INTERNAL AUDIT STRATEGY 2016/17 – 2018/19

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
<b>Risk based assurance</b>				
Student Activity Data (SUMs)	SR4: Unable to achieve credit (activity) target	✓	✓	✓
Student Support Funds and Education Maintenance Allowances (EMA)	SR11: Imbalance between demand for student support fund/bursaries and funds available	✓	✓	✓
Safeguarding	SR9: Prevent Duty – disruption due to threat of extremism / risk of external influences	✓		
Business Continuity Planning	SR8: Disruption to business continuity due to Influenza pandemic, terrorism, fire or other disaster		✓	
Student Journey	SR6: Failure to achieve attainment targets		✓	
Partnerships / Collaborative Arrangements	SR12: Loss of collaborative partnership arrangements			✓
Strategic and Financial Planning	SR1: National Pay Bargaining  SR2: Public sector funding cuts – forecast for session 2016-17  SR3: 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			✓
<b>Core Assurance</b>				
Income Generation	The College currently sells products through the hair and beauty salon and restaurant. Sales income includes VAT which must be paid over to HMRC however, the VAT paid on the initial purchase is non-recoverable and therefore we will consider whether the current cost pricing method is appropriate in order to ensure that the College does not make a 'loss'.	✓		
Marketing and Communication	This review will be undertaken to challenge the marketing activities used by the College against good practice identified elsewhere.	✓		

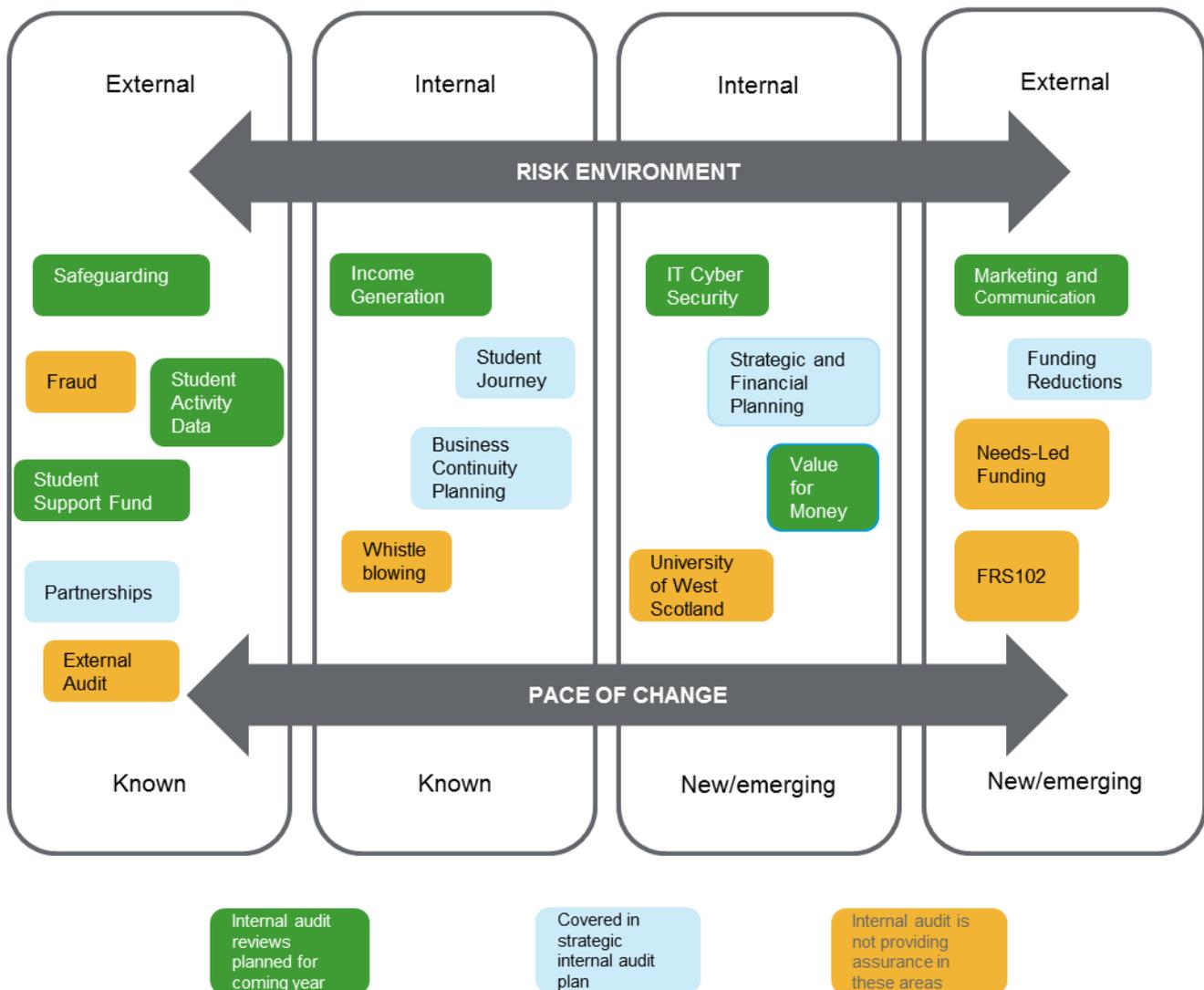
Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Governance	<p>In 2016/17 our governance opinion will be taken from reviewing the governance and reporting arrangements in place during the following reviews:</p> <ul style="list-style-type: none"> <li>• Safeguarding</li> <li>• Marketing and Communication</li> </ul>			
Risk Management	In 2016/17 we will place reliance upon the reporting framework and our work completed from the risk based section of this plan.			
Value For Money	<p>Annual requirement of the Scottish Higher and Further Education Funding Council.</p> <p>In the current climate college's need to ensure that value is obtained from expenditure incurred. This may be by reducing costs for the same output or improving quality and outcome for the same overall cost.</p>	✓	✓	✓
Equality and Diversity	A review of compliance with the requirements of the Equality and Diversity Act.			✓
Curriculum Planning	To provide assurance that the College has processes in place to deal with and respond to the Governments agenda and to develop curriculum plans which meet funding targets and the needs of learners.			✓
Information Technology	<p>It is essential that the College has a robust IT infrastructure and systems in place to meet the needs of the College and its learners.</p> <p>The review would focus on a key area of IT risk within the College, to be discussed and agreed with management at the time.</p>	✓		✓
<b>Other Internal Audit Activity</b>				
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	✓	✓	✓

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Management	This will include: <ul style="list-style-type: none"> <li>• Annual planning</li> <li>• Preparation for, and attendance at, Audit Committee</li> <li>• Regular liaison and progress updates</li> <li>• Liaison with external audit and other assurance providers</li> <li>• Preparation of the annual opinion</li> </ul>	✓	✓	✓

---

# APPENDIX C: OUTLINE OF INTERNAL AUDIT COVERAGE

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



# APPENDIX D: INTERNAL AUDIT CHARTER

## Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for **Dumfries and Galloway College**. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the audit committee.

The internal audit service is provided by RSM Risk Assurance Services LLP ("RSM"). Your key internal audit contacts are as follows:

	Director	Client manager
Name	Rob Barnett	Philip Church
Telephone	07791 237658	07528 970082
Email address	<a href="mailto:Robert.Barnett@rsmuk.com">Robert.Barnett@rsmuk.com</a>	<a href="mailto:Philip.Church@rsmuk.com">Philip.Church@rsmuk.com</a>

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives.

An overview of our client care standards are included at Appendix E of the internal audit strategy plan for 2016 – 2019.

## Role and definition of internal auditing

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

### Definition of Internal Auditing, Institute of Internal Auditors

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

## Independence and ethics

To provide for the independence of Internal Audit, its personnel report directly to the Rob Barnett (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the Principal, with further reporting lines to the Vice Principal and Chair of the Audit Committee.

The head of internal audit has unrestricted access to the Chair of Audit Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Dumfries and Galloway College. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service.

If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Audit Committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

## Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit and Compliance Committee for review and approval each year before work commences on delivery of that plan.
- Implement the audit plan as approved, including any additional tasks requested by management and the Audit and Compliance Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design and training.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Provide a list of significant measurement goals and results to the Audit and Compliance Committee to demonstrate the performance of the internal audit service.
- Liaise with the external auditor for the purpose of providing optimal audit coverage to the organisation.

## Authority

The internal audit team is authorised to:

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

The head of internal audit and internal audit staff are not authorised to:

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

## Key performance indicators (KPIs)

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

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

## Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

## **Data protection**

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's Terms of Business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Personal data is not shared outside of RSM. The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of internal audit work or where the firm has a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings).

RSM has a Data Protection Policy in place that requires compliance by all of our employees. Non-compliance will be treated as gross misconduct.

## **Fraud**

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

## **Approval of the internal audit charter**

By approving this document, the internal audit strategy, the Audit Committee is also approving the internal audit charter.

## APPENDIX E: OUR CLIENT CARE STANDARDS

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date
- The lead auditor to contact the client to confirm logistical arrangements two weeks before the agreed start date.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Two weeks after a debrief meeting a draft report will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

# 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. 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  
External Audit Plan  
For the financial year ending 31 July 2016  
April 2016 [Draft]



# Contents



Section	Page
1. Introduction	3
2. Our audit approach	4
- Understanding your business	5
3. Our audit of the financial statements	7
- Our identification of significant risks	8
- Other risks identified	10
- Other areas of focus	11
4. Our governance responsibilities	12
5. Results of interim work	14
6. Audit timing and our team	16
- Fees and independence	17
- Communication of audit matters	18
Appendices	20

# 1. Introduction

---

## Our Plan

The Auditor General for Scotland appointed Grant Thornton UK LLP as auditor of Dumfries and Galloway College ('the College') for the 5 year period 2011-12 to 2015-16. This appointment is made under the Public Finance and Accountability (Scotland) Act 2000.

This Audit Plan sets out an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260, for the benefit of those charged with governance (the Audit Committee in the case of the College).

This document summarises:

- our responsibilities as external auditors (section 1)
- our audit approach (Section 2)
- the identification of risk impacting on the audit of the financial statements, and our assessed level of materiality (Section 3)
- our approach to the audit of governance (Section 4)
- our results from interim (Section 5)
- audit timings, our team and proposed fees (Section 6).

The Plan is intended to help aid discussion with the Audit Committee, including the consequences of our work, issues of risk and the concept of materiality, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the College and your environment. The contents of the Plan have been discussed with management.

---

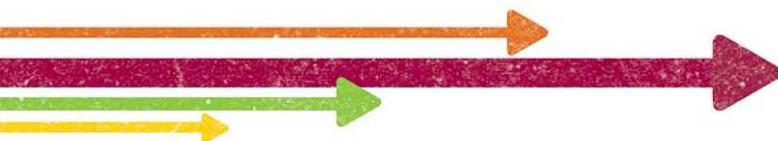
## Our responsibilities

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

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

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

This plan summarises our approach to the audit of the College 2015-16, to ensure compliance with the Code, and other legislative and audit practice requirements.



## 2. Our audit approach

We have developed an audit approach for our public sector clients. Our audit software, Voyager is designed to ensure compliance with International Standards on Auditing and reflects the national approach to public sector audit. We further tailor the approach to reflect client specific issues and to incorporate the governance, regularity and performance risks identified at the planning stages.

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

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

### Planning

- Updating our understanding of the College through discussions with management and review of reports presented to the Board and Audit Committee
- Documenting our understanding of the key risks impacting your financial statements and determining materiality
- Work with the College's internal auditors to ensure that key risks are addressed by audit, but that we do not duplicate areas of work

### Interim Audit Work

- Reviewing the design, implementation and effectiveness of internal financial controls including IT, where they impact the financial statements
- Assessing audit risk and developing and implementing an appropriate audit strategy

### Substantive Procedures

- Reviewing and advising on material disclosure issues in the financial statements
- Performing analytical review
- Performing sample testing of income and expenditure balances
- Verifying all material income, expenditure and balances, taking into consideration whether audit evidence is sufficient and appropriate
- Performing detailed testing on journals through computer aided audit techniques, using IDEA software to extract large and unusual transactions and to verify the completeness of journal listings
- Reviewing the Operating and Financial Review and Statement of Corporate Governance and Internal Control
- Reviewing compliance with FRS102 as adopted by the 2015 SORP

### Completion

- Performing overall evaluation of our work on the financial statements to determine whether they give a true and fair view of the financial position of the College
- Determining an audit opinion
- Reporting to those charged with governance through our Annual Report and attendance at the Audit Committee

# Understanding your business

## Key Challenges

Economic and social development for the Dumfries and Galloway area continues to be a leading objective for the College. The College is committed to this objective through the continued dedication to providing excellent education, training and skills.

The College has outlined their vision in the 'Vision 2020' Strategic Plan 2015 – 2020 aiming to:

*'Inspiring our people, businesses and communities to be successful'*

The Strategic Plan which sets out the priorities and objectives for the College. This is underpinned by the strategic outcomes in the Scottish Funding Agreement 2015/17 which is updated annually and sets out the College's annual priorities.

The College continues to face risks and challenges at a strategic level and on an operational day to day basis. These are highlighted below.

Risk / Challenge	Our response
<p><b>1. Continuing Financial Pressures</b></p> <ul style="list-style-type: none"> <li>The College's costs are mainly funded through grant-in-aid from the Scottish Funding Council (SFC). The College seeks ways to reduce the reliance upon SFC grant funding. In order to increase student numbers and achieve the agreed outcomes per the Outcome Agreement, the College faces continued risks around financial pressures.</li> <li>Increased pressure over the operating costs of the College is a key challenge as well as creating efficiencies while maintaining the quality of service. Further budgetary expenditure pressures from 2016-17 will be created from increasing salary scales for both support and teaching staff.</li> </ul>	<ul style="list-style-type: none"> <li>We will monitor progress over 2015-16 to generate efficiencies in order to meet the budget requirements.</li> <li>We will obtain and review the medium to long term plans for achievement of corporate objectives against the budgeted pressures in funding.</li> </ul>
<p><b>2. Arms Length Foundation Trust (ALFT)</b></p> <ul style="list-style-type: none"> <li>In 2013-14 the College donated £2.1m to the ALFT, and in 2014-15 £0.02m. During 2014-15 the College received £1.5m in funding from the ALFT for the new restaurant development at Dumfries Campus. The College donates to the ALFT annually in March any commercial surpluses.</li> <li>The key challenge for the College is to ensure they cannot exert dominant influence over the Trust, and its purpose it not solely for the benefit of the College and demonstrating that the ALFT continues to be independent.</li> </ul>	<ul style="list-style-type: none"> <li>We will update our review of the governance arrangements put in place to provide assurance that transfers into the ALFT are 'regular'.</li> <li>We will update our review of the arrangements in place to ensure the ALFT remains independent from the College.</li> </ul>

## Developments affecting your audit

In planning our audit, we consider the key changes impacting the financial statements and governance of the College.

Our 2014-15 Annual Report to Those Charged with Governance highlighted one significant change that will impact your audit. The key change relates to the revised 2015 SORP adopting FRS102, which will result in technical accounting and presentational changes from the 2015-16 financial year onwards.

Re-stated 2014-15 balances will also be expected. The key changes are summarised in the table below.

### Key changes resulting from FRS102

#### Primary Financial Statements Changes:

- The Income and Expenditure account will now be known as the Statement of Comprehensive Income
- The Statement of historical cost surpluses and deficits is no longer a requirement
- The Statement of Total Recognised Gains and Losses will now be known as the Consolidated Statement of Changes in Reserves

**Government Grants:** Chapter 17 of the 2015 SORP states that government grants may now be accounted for using the accrual model or the performance model. Under the performance model income is recorded as the performance related conditions to which the income relates are met.

**Non exchange revenue transactions** (i.e. endowments and donations): Chapter 18 of the 2015 SORP states non exchange transactions must be accounted for using the performance model.

**Property, Plant and Equipment (PPE):** FRS102 places greater emphasis on component accounting. FRS102 gives the option to measure PPE assets using the cost or revaluation model. As the College follows the Government Financial Reporting Manual (FRm), this requires the revaluation model.

**Leases:** Under FRS102 a lease is presumed to be a finance lease if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.

**Retirement Benefits:** FRS102 implies the net interest cost should be calculated using the discount rate rather than the expected return on the assets. This is likely to result in an increase in the net finance charge.

**Accounting policies:** Any changes in policy will need reflected in a revised statement of accounting policies.

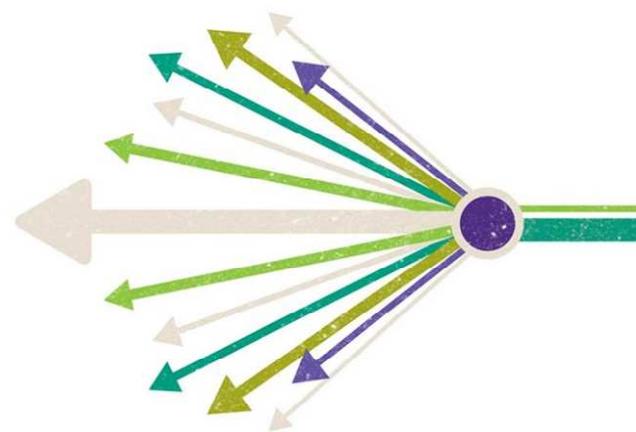
## Our work with internal audit

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

We also seek to ensure that we co-ordinate our work and avoid duplication of effort. The internal audit plan for 2015-16 covers key areas including:

- Procurement
- Human Resources Effectiveness
- Budgetary Control
- Strategic and Financial Planning
- Student Support Funding and Education Maintenance Allowance
- Student Activity Data.

We have not identified any areas in the current year where we will seek to place reliance on the work of internal audit. We have, however, reviewed the internal audit reports issued to date and note that their work has not identified any weaknesses which would impact our audit approach.



# 3. Our audit of the financial statements

## Introduction

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

- whether they give a true and fair view of the financial position of the College and its expenditure and income for the period in question
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
- The part of the remuneration report which is subject to audit is free from misstatement.

## Determining materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

We have reconsidered our approach to materiality in the current year and have set one level of overall materiality for the financial statements.

As is usual in public sector entities, we have determined materiality for the financial statements as a whole as a proportion of the total expenditure of the College.

For purposes of planning the audit we have determined overall materiality to be £262,000 (being 2% of annualised 2014-15 total expenditure less the charitable trust donation). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Performance materiality as defined by ISA 320 as the amount set by the auditor, at less than materiality, for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality is the maximum amount of a misstatement that the audit team can accept in an individual account. We would therefore expect any individual misstatement detected above this level to be adjusted. We have defined the performance materiality to be £196,500 (being 75% of materiality).

Under ISA 540, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £13,100 (being 5% of materiality).

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

- Cash and cash equivalents: all transactions made by the College affect the cash balance. It is therefore considered material by nature.
- Disclosures of senior management salaries and allowances in the remuneration report: there is a statutory requirement for these disclosures and they attract a high degree of public interest. Materiality has been set in line with the required disclosure level i.e. any differences which would impact the disclosed bandings will be considered material.
- Related Party Transactions are considered material by nature.

# Our identification of significant risks

There are two presumed significant risks which are applicable to all audits under auditing standards. As shown in the table below, we have partially rebutted the risk around revenue recognition meaning this risk is only applicable to one revenue stream at the College.

## Significant risks identified at the planning stage

Significant Risk	Description of risk	Work planned
1 Management override of controls	Under ISA (UK&I) 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none"> <li>Review of accounting estimates, judgments and decisions made by management</li> <li>Testing of journal entries</li> <li>Review of unusual significant transactions</li> </ul>
2 The revenue cycle includes fraudulent transactions	<p>Under ISA 240 (UK&amp;I) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>We have classified the College as having three main revenue streams; Grant income, Other income and Tuition fee income.</p> <p>Our consideration of the three streams based upon the risk factors of ISA240 are set out below.</p> <p><b>Grant Income</b></p> <p>We have rebutted this presumed risk for grant income. The reasoning behind this is:</p> <ul style="list-style-type: none"> <li>grant revenue does not primarily involve cash transactions</li> <li>grant revenue is primarily an allocation from the SFC</li> <li>the culture and ethical frameworks of further education bodies, including the College, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p><b>Other Income</b></p> <p>We will also rebut the presumed risk for other income. The reasoning behind this is:</p> <ul style="list-style-type: none"> <li>other income is largely from accommodation rentals and catering which are based upon contracts</li> <li>revenue is principally recognised in accordance with the Service Level Agreement and is therefore predictable, opportunities to manipulate the revenue recognition is therefore limited</li> <li>the culture and ethical frameworks of further education bodies, including the College, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p><b>Tuition Fee income</b></p> <p>Tuition fee revenue is regarded as a significant risk and assurance will be gained with testing of:</p> <ul style="list-style-type: none"> <li>review and testing of revenue recognition policies</li> <li>detailed walkthrough of control procedures</li> <li>perform analytical review and substantive testing.</li> </ul>

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

# Our identification of significant risks

In addition to the two presumed significant risks, there are three other significant risks identified that are outlined below.

## Significant risks identified at the planning stage continued

Significant Risk	Description of risk	Work planned
3 Valuation of pension fund net liability	Pension Fund net liability measurements not materially correct. The College's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	We will: <ul style="list-style-type: none"> <li>Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>Review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation</li> <li>Gain an understanding of the basis on which the valuation is carried out</li> <li>Undertake procedures to confirm the reasonableness of the actuarial assumptions made</li> <li>Review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>
4 Valuation of property, plant and equipment (PPE)	Revaluation measurements not materially correct. Our work carried out is to address the risk that the College's property, plant and equipment (including assets held for sale) portfolio valuation is not materially misstated.	We will: <ul style="list-style-type: none"> <li>Gain an understanding of the basis on which the valuation is carried out</li> <li>Review management's processes to assess the impact of the new accounting standards</li> <li>Review management's processes and assumptions for the calculation of the estimate</li> <li>Review the competence, expertise and objectivity of any management experts used</li> <li>Evaluation of the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value</li> <li>For any valuation undertaken, we will:                             <ul style="list-style-type: none"> <li>review the instructions issued to valuation experts and the scope of their work</li> <li>discuss with the valuer the basis on which the valuation is carried out and challenge the key assumptions</li> <li>review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding</li> <li>undertake testing revaluations made during the year to ensure they are input correctly into the College's asset register.</li> </ul> </li> </ul>
5 FRS102 implementation	FRS102 is a requirement for 2015-16, therefore the College will be producing their accounts for the year ending 31 July 2016 on an IFRS basis for the first time.	We will: <ul style="list-style-type: none"> <li>Review management's arrangements for the implementation of FRS102</li> <li>Carry out work on the restatement of the financial statements including the 31 July 2015 and 1 August 2014 position</li> <li>Review the associated disclosure notes within the financial statements for the FRS102 implementation.</li> </ul>

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



# Other risks identified

In this section we detail our response to the other risks of material misstatement which we identified where the likelihood of material misstatement can not be reduced to remote, without gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement is lower than that for a significant risk and they are not considered to be areas that are highly judgemental, or unusual in relation to the day to day activities of the business.

## Other risks identified at the planning stage

Risk	Description of risk	Work planned
<b>Operating Expenses</b>	Operating Expenses/Creditors understated or not recorded in the correct period.	<ul style="list-style-type: none"> <li>• Review of the control environment through internal controls walkthrough testing</li> <li>• Review of accounting estimates, judgements and the accruals accounting process</li> <li>• Reconciliation of the creditors system to the general ledger and financial statements</li> <li>• Testing of post year end transactions for potential unrecorded liabilities.</li> </ul>
<b>Employee Remuneration</b>	Employee Remuneration accruals understated.	<ul style="list-style-type: none"> <li>• Review of the control environment through internal controls walkthrough testing</li> <li>• Substantive testing of employee remuneration accruals at the year end</li> <li>• Sample testing to agree staff members to HR system and recalculation of employer costs</li> <li>• Analytical review of employee remuneration against expectations and investigate significant variances</li> <li>• Review relevant disclosures relating to staff costs within the financial statements.</li> </ul>



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

(ISA (UK&I) 315).

# Other areas of audit focus

---

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure".

All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Grant Revenues income
- Tuition Fees and Education contracts income
- Other operating income
- Cash and Cash Equivalents
- Reserves
- Provisions
- Trade and Other Receivables
- Statement of Cash Flows
- Related Party Transactions
- The part of the remuneration report which is subject to audit, including the table of salaries and allowances payable to senior managers, the table of pension benefits accrued by senior managers, information on compensation on early retirement or for loss of office, payments to past directors and pay multiples.

Our assessment of inherent risk for each of the material streams is included in **Appendix A** with the rationale behind our judgements.

---

## Other audit responsibilities

We will undertake work to satisfy ourselves that disclosures made in the financial statements are in line with the SORP and are consistent with our knowledge of the College.



## 4. Our governance responsibilities

---

### Introduction

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

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

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

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

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

---

### Statement of Corporate Governance and Internal Control

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

Under the Code of Audit Practice, we are required to review and report on the Statement of Corporate Governance and Internal Controls annually. We will assess the College's external reporting of governance, through the 2015-16 Statement of Corporate Governance and Internal Controls Statement.

---

### Regularity Opinion

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

The Code of Audit Practice requires that the auditor provides an opinion on the regularity of the income and expenditure of the College. We will therefore consider whether there are adequate controls in place over expenditure and substantively test transactions to ensure they are in line with the approved purpose of the College. As stated in section 2, we will update our review of the College's governance arrangements put in place to provide assurance that any donations to the ALFT are 'regular' and that the ALFT remains independent from the College.

---

## Fraud and Irregularity

The term fraud refers to intentional acts of one or more individuals among management, those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of financial statements. In assessing risks, the audit team is alert to the possibility of fraud at the College.

As part of our audit work we are responsible for:

- identifying and assessing the risks of material misstatement of the financial statements due to fraud
- designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud
- responding appropriately to any fraud or suspected fraud identified during the audit.

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

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

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



# 5. Results of interim work

The finding of our interim work to date, and the impact of our findings on the accounts audit approach, are summarised in the table below:

## Interim work results

Area	Work performed	Conclusion
1 Internal Audit	We have conducted a high level review of internal audit's overall arrangements. This has included a review of internal audit's work to date on the College's key systems and other coverage to date.	Overall, we have concluded that the internal audit service provided is independent and Internal Audit contributes to an effective internal control environment.
2 Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>Communication and enforcement of integrity and ethical values</li> <li>Commitment to competence</li> <li>Participation by those charged with governance</li> <li>Management's philosophy and operating style</li> <li>Organisational structure</li> <li>Assignment of authority and responsibility</li> <li>Human resource policies and practices.</li> </ul>	Our work has identified no material weaknesses which are likely to adversely impact on the College's financial statements.
3 Walkthrough testing	<p>We have completed early walkthrough tests of the College's controls operating in areas where we are able to do so. Testing is in areas considered to be a risk of material misstatement to the financial statements. Walkthrough testing undertaken to date is in the following systems;</p> <ul style="list-style-type: none"> <li>Creditor payments (operating expenses)</li> <li>Employee remuneration</li> <li>Tuition fee revenues income</li> </ul> <p>Walkthrough testing of other areas of risk that are more efficient to test after the year-end are;</p> <ul style="list-style-type: none"> <li>Property, Plant and Equipment</li> <li>IAS19.</li> </ul>	<p>Internal controls have been implemented by the College in accordance with our documented understanding.</p> <p>Our work of systems tested to date has not identified any weaknesses which impact on our audit approach.</p>



# Results of interim work

The finding of our interim work to date, and the impact of our findings on the accounts audit approach, are continued in the table below:

## Interim work results

Area	Work performed	Conclusion
<p>4 Journal entry controls</p>	<p>We have reviewed the College's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the College's control environment or financial statements.</p> <p>A full download of the ledger for the first seven months of the financial year has been obtained and balanced to the trial balance in order to allow early substantive testing to be undertaken.</p>	<p>We have not identified any weaknesses which impact on our audit approach.</p> <p>We will provide an updated assessment of the work on journals testing as part of our Annual Report.</p>
<p>5 Early substantive testing</p>	<p>We carry out early testing where it is efficient to so do. We carried out testing in the following areas for the first seven months of the financial year for August 2015 to February 2016;</p> <p>Creditor payments (operating expenses)</p> <p>Employee remuneration</p> <p>Tuition fees income.</p>	<p>We have not identified any material weaknesses which are likely to impact on the College's financial statements.</p> <p>We will provide an updated assessment of the full year work on these systems as part of our Annual Report.</p>



# 6. Audit timing and our team

## The audit cycle



### Our team

**Jackie Bellard**  
**Engagement Lead**  
 T 0161 234 6394  
 E jackie.bellard@uk.gt.com

**Angela Pieri**  
**Engagement Manager**  
 T 0141 223 0887  
 E angela.l.pieri@uk.gt.com

**Nick Smith**  
**In-charge auditor**  
 T 0141 223 0780  
 E nicholas.smith@uk.gt.com

Date	Activity
April 2016	Planning and interim visit
May 2016	Audit Plan presented to the Audit Committee
October 2016	Year end fieldwork
November 2016	Audit findings clearance meeting with management Annual Audit Report issued to management
November 2016	Report audit findings to those charged with governance (Audit Committee)
December 2016	Sign financial statements opinion

# Fees, non audit services and independence

## Fees

Service	Fees £
College Audit	14,500
<b>Total audit fees</b>	<b>14,500</b>

## Fees for other services

Service	Fees £
Review of transition to FRS102	4,000
<b>Total other fees</b>	<b>14,500</b>

## 2015-16 Audit Fee

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

Your fee for the 2015-16 external audit is £14,500 representing an increase for inflation and £1,000 due to the additional work required for the audit of the FRS102 implementation.

Our fee assumptions include:

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

## Other services

The review of the transition to FRS102 is a separate engagement, with an engagement letter issued prior to the commencement of the work. The fee is £4,000 plus VAT. The work has been carried out by other staff who are not part of the financial statements audit team. The review highlights the key changes as a result of FRS102 and includes a presentation to the Finance Committee.

## Independence and ethics

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

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

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

We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team. We can confirm that no such relationships exist that would affect our independence and objectivity.

# Communication of audit matters with those charged with governance

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

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

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

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

This plan has been prepared in the context of the Code of Audit Practice ('the Code') issued by Audit Scotland, which outlines the responsibilities of appointed auditors.

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

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

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

# Appendices

Contents	Page
Appendix A – An audit focused on risks	20



# Appendix A-An audit focused on risks

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

**Significant** – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. The International Standards on Auditing identify two overall significant risks inherent in any financial statements. These are separately disclosed in the significant risks table on page 8 and 9.

**Other**– Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake extended substantive testing. Cycles where we have identified a reasonably possible risk of material misstatement are outlined in full on page 10 along with full details of the proposed testing.

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

Section of the financial statements	Material (or potentially material) balance?	Description of Risk	Inherent risk	Material misstatement risk identified?	Inherent Risk Assessment	Will substantive testing be carried out?
Scottish Funding Council Grant Income	Yes	SFC Grant contributions are not recorded correctly	Low	None	The balance is made of a very low volume of high value transactions therefore inherent risk is deemed to be low.	✓
Tuition Fee Income and education contracts	Yes	Revenues fraudulently recognised./ not recorded in the correct period	High	Significant	Tuition Fee income totalled £2.271 million in the sixteen months of 2014-15 . This income stream is made up of a large number of frequent transactions. Under ISA 240 there is therefore an inherent significant risk around recognition of revenue.	✓
Other Grant Income	Yes	Other Grant income contributions are not recorded correctly	Low	None	The balance is made of a very low volume of higher value transactions therefore inherent risk is deemed to be low.	✓
Other Income	Yes	Other income sources are not recorded correctly	Low	None	The balance is largely from the catering and per a service level agreement. As the balance is made up of a very low volume of high value transactions, the inherent risk is deemed to be low.	✓
Investment Income	No	Investment Income is not recorded correctly	Low	None	The balance is not material and is made of a very low volume of high value transactions therefore inherent risk is deemed to be low.	×

# An audit focused on risks

Section of the financial statements	Material (or potentially material) balance?	Description of Risk	Inherent risk	Material misstatement risk identified?	Inherent Risk Assessment	Will substantive testing be carried out?
Staff Costs	Yes	Employee Remuneration accruals are understated	Medium	Other	In the sixteen months of 2014-15, the College reported staff costs of £9.878 million and 209 average full time equivalent staff members. There is therefore a high number of monthly transactions which represents a significant proportion of running costs. Based on this information we have assessed the inherent risk as medium.	✓
Operating Expenditure	Yes	Operating expenses are misstated	Medium	Other	Operating expenditure in the sixteen months of 2014-15 was £6.002 million (excluding staff costs) with a high volume of transactions being processed. We have therefore assessed the inherent risk as medium.	✓
Donation to Charitable Trust	Yes	Donation to Charitable Trust is misstated	Low	None	The balance may be below materiality therefore risks are deemed to be low, we will however verify the trust donation.	✓
Interest Payable	No	Interest Payable is misstated	Low	None	The balance is below materiality therefore risks are deemed to be low.	×
Property, Plant and Equipment and Assets Held for Sale	Yes	Revaluation measurements not materially correct	High	Significant	Valuations of PPE (including assets held for sale) holds a material balance in the financial statements. Due to the degree of estimation involved in valuation we have concluded this as a high inherent risk.	✓
Trade and Other Receivables	Yes	Recorded debtors are misstated	Low	None	Debtors is comprised of a high volume of routine low value transactions. We therefore assess the inherent risk associated with debtors to be low.	✓
Cash and cash equivalents	Yes	Cash misappropriated	Low	None	Handled cash is a low volume of low value transactions therefore we have deemed inherent risk to be low. As cash is material by nature substantive testing will be undertaken.	✓

# An audit focused on risks

Section of the financial statements	Material (or potentially material) balance?	Description of Risk	Inherent risk	Material misstatement risk identified?	Inherent Risk Assessment	Will substantive testing be carried out?
Trade and Other Payables	Yes	Creditors understated or not recorded in the correct period	Medium	Other	Creditors were a material balance in the 14-15 financial statements. The creditors figure is comprised of a number of accruals with a high value and requiring management judgements. We have therefore deemed the inherent risk to be medium.	✓
Provisions	No	We have not identified a risk of material misstatement	Low	None	We have not identified a risk of material misstatement.	✓
Pension Fund Net Liability	Yes	Pension fund net liability measurements not materially correct	High	None	The College's pension fund asset and liability as reflected in its balance sheet represents a significant material estimate in the financial statements therefore we have concluded a high inherent risk.	✓
Reserves	Yes	We have not identified a risk of material misstatement	Low	None	The balance is made of a very low volume of high value transactions therefore inherent risk is deemed to be low.	✓



© 2016 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

[grant-thornton.co.uk](http://grant-thornton.co.uk)

GRT100964

## 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 rating remains above 12 should be reviewed at least quarterly in order to identify if any further actions could be taken to reduce the residual rating to below 12. For completeness all risks are included in the attached register, in order of high to low ratings.

- 2.2 The Principal and Executive Management Team routinely review the Strategic Risk Register to reflect the risks the College is facing and the mitigation that will be applied to each risk.

- 2.3 There are three changes since the last committee meeting. The risk relating to 'Failure to achieve an effective outcome following Education Scotland Review' has been removed following confirmation by Education Scotland that "Dumfries & Galloway College has in place **effective** arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders".

Risk no 7 'unable to achieve credit (activity) target has been downgraded to a rating of 4 as a result of the EIS accepting the nation pay award for 2016-17.

Risk no 5 'Safety concerns relating to construction of the College by Miller Construction' is new to the register.

#### 3. Recommendation

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

## Audit Committee

---

## 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	3	9	1. Real time monitoring system. 2. Contingency plans in place to offer additional provision as required. 3. Annual review of staffing and provision to rebalance areas of growth with areas of decline. 4. Annual review carried out by internal audit	1. Reviewed by 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	3	9	No further action.	EMT
5	Safety concerns relating to the construction of the college by Miller Construction	2	4	8	1. Detailed Structural Survey. 2. Constant scanning on developments relating to Edinburgh Schools.	1. Full Structural Survey 2. Retention monies to pay for any actions 3. EMT meetings/minutes □	Internal/ External	2	4	8	Any actions identified in the survey will be addressed as a priority. Cost of any actions to be paid by releasing some of the new build retention money	EMT
6	University of West Of Scotland - Review of property and provision in Dumfries.	4	3	12	1. Principal continue to discuss with Senior Management of UWS and SRUC 2. Principal and Vice Principal on the Joint Academic Strategy Group. 3. Regular reporting and discussion at EMT as information becomes available.		Internal/ External	3	3	9	Continue dialogue with UWS. Keep SFC informed of potential loss of contribution to college overheads from UWS for shared accommodation. Also potential loss of articulation opportunities for College students if UWS provision if reduced. <b>16 March 2016 agreement reached by College, UWS and SFC to prepare an outline business case for funding to build an extension to the College building to accommodate UWS and the SRUC</b>	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		
7	Failure to achieve attainment targets	4	4	16	1. Real time monitoring systems in place 2. Strategies in place to improve retention. 2. Strategies in place to improve student success 3. Poorly performing programmes removed from the curriculum.	1. Monitored at course level and review by Vice Principal (Learning and Skills) 2. Monitored through self evaluation process and reported to ET and L&T committee	Internal/ External	1	4	4	Moving forward achieving attainment targets agreed with the SFC in the Regional Outcome may be a condition of grant. Low attainment can also be detrimental to college reputation.	EMT
8	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
9	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 recommendations)	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 recommendations	EMT
10	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
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

## Audit Committee

---

### Review of Risk Management Policy

#### 1. Introduction

- 1.1 The purpose of this paper is to provide the Audit Committee with the opportunity to review the Risk Management Policy.

#### 2. Background

- 2.1 In line with its remit the Audit Committee should review the Risk Management Policy and the effectiveness of the risk management systems, including the College's appetite for risk, every three years. Following a review the Executive Management Team recently is recommending some changes to the content of the policy which are highlighted in red.

#### 3. Recommendation

- 3.1 The Committee is asked to consider and approve the policy being recommended by the Executive Management Team.

## Audit Committee

---



### RISK MANAGEMENT POLICY

Responsibility	Vice Principal Corporate Services & Governance
Review Date	May 2019

## Audit Committee

---

### 1 Purpose of the policy

The purpose of the risk management policy is to outline the college approach to risk management and define the key principles, processes and responsibilities for the management of risk across the organisation. **This policy forms part of the College's internal control and corporate governance arrangements**

### 2 Objective of risk management

The objective of undertaking risk management is to provide a systematic way of identifying, recording, monitoring and reporting risks to ensure the organisation is able to meet its objectives.

### 3 Principal documents

The identification and management of risk affecting the organisation's ability to achieve its objectives are set out in college **strategic plan** ~~which incorporate the corporate level risk register~~ and in other planning documents such as college ~~operational and faculty plans~~ **regional outcome agreement**. These contain the key responsibilities of all members of staff and partners involved in the college's work. The effective management of risk is an important means by which the organisation achieves its goals. To that end the college policy is designed to:

- manage risk actively across the full range of activities
- devolve responsibility for risk ownership and management to the most appropriate level whilst maintaining clear overall executive management responsibilities
- integrate risk management with planning at department and corporate levels
- encourage a risk aware way of working
- accept levels of risk that are compatible with professional responsibilities and take account of stakeholder expectations
- monitor and report regularly on the management of risk

### 4 Nature and context of risk

Risk can be defined as the threat that an event, action or inaction will adversely affect the organisation's ability to achieve its objectives.

Risks can be strategic or operational in nature. It is possible to control some risks and to influence others but there will be some that are outside management control or influence. Risk management takes these factors into account in judging the acceptable level of risk and the actions needed to reduce the risk level.

### 5 Implementing the risk management policy

#### 5.1 Roles and responsibilities

Risk management is an integral part of the overall governance arrangements of the College. As such there are specific responsibilities for people and groups undertaking different roles in the organisation:

#### 5.2 Board of Management

## Audit Committee

The Board of Management has ultimate responsibility for the management of risk within the College. This includes:

- determining the appropriate risk appetite for the College;
- or level of setting the tone at the top for risk management throughout the organisation;
- approving the overall risk management arrangements including this policy and the appetite for risk;
- consideration of reports on the operation of risk management arrangements through the Audit Committee, the Principal and annual assurances for completion of annual report and accounts.

### 5.3 Audit Committee

Detailed consideration of the operation of risk management arrangements is delegated to the Audit Committee. This role includes:

- consideration, at each meeting of the corporate level risk register;
- consideration of internal audit reports involving risk or risk management;
- consideration of external audit reports involving risk or risk management;
- advising the Board on annual assurances involving risk and risk management included in the annual report and accounts.

### 5.4 Accountable Officer

The Principal has specific personal responsibility for signing the annual accounts including the Statement on the System of Internal Control.

### 5.5 Executive Management Team

The Executive Management Team has day to day responsibility for the management of the system of internal control including risk management. This role includes:

- encouraging a culture of risk awareness and risk management
- consideration of risk related procedures, strategies and registers
- ensuring that risks and risk management are included in project proposals or work plans presented to it for consideration or approval
- ensuring that there is ownership for all significant risks by a named member of the Senior Management Team

### 5.6 Staff, partner organisations and contractors

Members of staff and partner organisations or contractors are expected to:

- be familiar with the policy on and approach to risk management
- to be risk aware in their work
- to take responsibility for the ownership of risks assigned to them
- to inform managers if they become aware that business objectives could be at risk
- to take a corporate approach to risk by considering the implications for the whole organisation of individual risk management actions

This risk management policy and the risk register will form part of induction training for new staff.

### 5.7 Risk register

The college will maintain a corporate level risk register under the ownership of the member of executive management responsible for planning. The register will be updated and considered regularly by the Executive Management Team and considered by the Audit Committee at each scheduled meeting. The

## Audit Committee

Audit Committee is responsible to the Board of Management for monitoring, updating and raising awareness of risk levels. The main annual update is carried out in parallel with corporate planning processes.

The corporate risk register is intended to cover corporate wide risks and risks to corporate developments. Risks to individual projects are recorded and reported through operational planning and Executive Management Team monitoring processes unless they are so significant or pervasive that they pose a risk to corporate level objectives, at which point they are added to the corporate risk register.

Individual projects with a value over £50k or require constant active monitoring will carry a separate risk register throughout the life of the project.

### 5.8 Structure of the risk register

The register will ~~group risks by strategic aims and~~ include the following components for each risk:

- inherent risk assessments of likelihood and impact
- controls/actions in place to mitigate the inherent risks
- residual risk assessments of likelihood and impact
- further actions or monitoring required including timescales and reference to any relevant Key performance Indicators
- identity of risk owner

### 5.9 Risk scoring and risk appetite

The likelihood and impact of each risk is scored in accordance with Table A below. A definition of the categories of impact is provided in Table B below.

Traffic lights are used to identify the highest scoring Residual risk assessments which will be those requiring the greatest Board of Management / Senior Management Team attention. For Residual risk assessments Table C indicates the organisation's appetite for different levels of risk.

Any risks which have impacts on strategic objectives must have mitigating controls in place. Any risks with an inherent rating of 12 or above must have mitigating controls in place and where the residual rating remains above 12 should be reviewed at least quarterly in order to identify if any further actions could be taken to reduce the residual rating to below 12.

**Table A:**

		LIKIEHOOD			
IMPACT	Multiplier	Unlikely	Possible	Likely	Almost Certain
<b>Multiplier</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Major</b>	<b>4</b>	4	8	12	16
<b>Moderate</b>	<b>3</b>	3	6	9	12
<b>Minor</b>	<b>2</b>	2	4	6	8
<b>Insignificant</b>	<b>1</b>	1	2	3	4

## Audit Committee

**Table B:**

IMPACT	Financial	Health and Safety	Reputation	Strategic Aims
<b>Major</b>	Reduction in SFC grant >£250k	Loss of life, permanent disability	National press	Not able to deliver on an aim
<b>Moderate</b>	Reduction in SFC grant between £100-250k	Serious injury (not permanent)	Significant local press (region wide)	Increased cost to deliver an aim
<b>Minor</b>	Reduction in SFC grant between £50-100k	RIDDOR Report (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995).	Minor local press	Delay on delivering an aim
<b>Insignificant</b>	Reduction in SFC grant <£50k	No perm injury	No press	No impact

**Table C:**

Residual risk assessment	Risk appetite response
<b>12-16</b>	Unacceptable level of risk exposure which requires immediate corrective action to be taken
<b>6-9</b>	Acceptable level of risk that requires constant monitoring and action to be taken to reduce exposure
<b>1-4</b>	Acceptable level of risk exposure subject to regular active monitoring measures

### 5.10 Other risk management arrangements

Risk management is also included in the project planning for major corporate projects. The nature and extent of documentation will depend on the significance of the project and the risks involved. Where major projects are concerned the risk may also appear at the corporate level – this does not obviate the need for specific risk management and ownership at the project level.

## 6.0 Review

6.1 This policy will be reviewed every 3 years or whenever Corporate Governance changes affect any part of it.

### DISTRIBUTION LIST

All Staff Members  
Quality Manual

Mrs Carol Turnbull  
Principal  
Dumfries and Galloway College  
College Gate  
Bankhead Road  
DUMFRIES  
DG1 4FD

12 April 2016

Dear Mrs Turnbull

Audit Scotland recently conducted an audit tender exercise on behalf of the Accounts Commission for Scotland (for local government) and the Auditor General for Scotland (for central government, health and further education bodies). Following the completion of the tender and consultation with the firms, the proposed auditor of Dumfries and Galloway College for the financial years 2016/17 to 2020/21 is Scott-Moncrieff.

I would be grateful if you could let me know of any reason why the proposed appointment would create a conflict of interest that would make the appointment inappropriate. When assessing potential conflicts of interest, we refer to the FRC's Ethical Standards, but the final decision on the appointment rests with the Auditor General and Accounts Commission and there is unlikely to be scope to amend proposed appointments simply to accommodate a preference for a different auditor.

Audit Scotland has a vision of being a world class audit organisation improving the use of public money. We believe that using a mix of in house teams and private firms supports that vision and allows us to benefit from the latest audit approaches and experience of audit from across the UK. Alongside the audit appointment exercise we have been revising the Code of Audit Practice which will emphasise the wider scope of public audit. The tender exercise selected a number of private firms of accountants that, alongside Audit Scotland's own audit teams, will undertake public sector audits in Scotland for the financial years 2016/17 to 2020/21. The evaluation process included assessment of written tenders, oral presentations by firms and prices offered.

Across all sectors, the successful private firms will undertake 36% of the total audit portfolio. The following firms and Audit Scotland will work in the sectors shown below:

<b>Auditor</b>	<b>Local government</b>	<b>Health</b>	<b>Central government</b>	<b>Scottish Water</b>	<b>Further education</b>
Deloitte	✓	✓	✓		
Ernst & Young	✓				✓
Grant Thornton	✓	✓	✓		
KPMG	✓			✓	
Mazars					✓
Scott-Moncrieff	✓	✓	✓		✓
Audit Scotland	✓	✓	✓		✓

In constructing the provisional allocation of audits we took account of a number of criteria including:

- Conflicts of interest – we did not appoint auditors where they have a conflict of interest, for example through being internal auditors of the body.
- Grouping audits – we aligned health boards and at least one of the councils in the health board area, and aligned Joint Boards/Committees and Integrated Joint Boards with parent councils.
- Rotation of auditors – we sought to minimise reappointing a firm to the same audit.
- Relative portfolio sizes – we allocated larger portfolios to the firms with the highest overall tender scores.
- Balanced portfolios – we allocated at least two principal bodies to each auditor.

You will understand that it was not possible to satisfy all of these criteria for each appointment.

The charging regime we operate shares the savings that will be achieved from the tender exercise across all audited bodies within each sector. This means that the statutory charges paid for audit (or notional charges in appropriate cases) are not affected by whether a body is audited by a particular firm, or by a team from Audit Scotland. Information about the savings that the tender exercise has achieved and future audit charges will be provided in due course.

Please provide any comments by 2 May 2016 so that we can proceed with finalising appointments. Please address any email responses to [rfrith@audit-scotland.gov.uk](mailto:rfrith@audit-scotland.gov.uk) and copy to [osmith@audit-scotland.gov.uk](mailto:osmith@audit-scotland.gov.uk). If we do not hear from you by this date, we will assume that you are not aware of any impediment to the proposed appointment. If you wish to discuss any aspect of this letter or the proposed appointment please contact me (on 0131 625 1607) or Owen Smith (on 0131 625 1914).

Yours sincerely



Russell AJ Frith  
Assistant Auditor General