

**AUDIT COMMITTEE
MINUTE OF MEETING HELD ON 29 NOVEMBER 2022 AT 16:00
VIA TEAMS**

Present:	
Gillian Brydson (Chair)	William Dowson
Ann Hill	Sue Irving
Jamie Ross	
In attendance:	
Caroline Stuart (arr, 1621h)	Joanna Campbell
Douglas Dickson	Karen Hunter
Steve Uphill	Lorraine Grierson
Richie Nicoll	Michael Gibson
Jill Galloway	David Eardley
Alison Donnelly (note taker)	
Apologies:	

1. Welcome and Apologies for Absence | Verbal | G. Brydson

- 1.1. The Chair welcomed everyone to the meeting and the meeting was recorded as quorate.

FOR APPROVAL

2. Minute of the Last Meeting 5 September 2022 | Approval | G. Brydson

- 2.1 The minutes were approved. It was noted by the Chair that the self-evaluation responses are within the Action Log.

2.2 Action Log | Approval | L. Grierson

- 2.2.1 The Action Log is completed except for action 2. Dates are forthcoming from the SFC, and when they are received the committee will be updated.

3. Strategic Risk Register | Paper 3.1 | Approval | L. Grierson

- 3.1 This committee is responsible for risks 4 and 11. It was noted from the report that, DGC senior management recommend no changes to the risk levels.
- 3.2 Risk 4 – ‘Financial Fraud’ is currently scored at 12 (amber) and 6 (green) with mitigations in place. JR asked about the mitigations, and how segregation of duties is controlled and reviewed. SU answered that there is no formal review cycle, but that one could be useful. Reviews would take place depending on financial circumstances. **SU noted that review could happen annually at budget time and that this be taken forward by management.**
- 3.3 Risk 11 – ‘Failure to achieve and maintain systems and operable and secure ICT’ , is currently scored at 20 (red) and 12 (amber) with mitigations. DGC senior management

recommend no changes and there was a brief discussion regarding the three lines of defence. WD asked how this risk is monitored at BoM level. JG answered that a digital update is sent through the FGP committee. LG confirmed that risk 11 is managed and reviewed by the audit committee and then recommendations are taken to BoM level. It was noted that the risk mitigations mention a disaster recovery “exercise in a box”. It was agreed that as Chair of Audit, GB be invited to participate in this exercise. SU noted it will not be a business continuity exercise but a cyber response. SI asked if there is any BoM oversight of the exercise and JG advised that there has been a discussion to do an exercise with BoM too, but the exercise would be carried out with ELT first. GB noted she would be happy to participate and that the board need to be sighted on this for assurance.

- 3.4 AH asked why the 3 lines of defence had not been updated for this risk. LG answered this was due to staff absence and she would have them in place by the end of the week and disseminate to the Committee for review. The committee agreed to respond with view by email to allow the risk register to be submitted to the Board of Management.

The Committee approved Risk 4 and will consider Risk 11 for approval once disseminated showing the 3 lines of defence.

4. Risk 3 Deep Dive | Paper 3.2 | Discussion | S. Uphill

- 4.1 It was noted that the audit committee owns its own risks and exercises the right to deep dive other risks as appropriate. The context and dynamics appear in the paper.
- 4.2 WD asked that **Audit Committee be added to the independent assurance in the 2 risks**. He asked why the risk is 4/5 in terms of likelihood, and not 5/5 before mitigation and if this was underplaying the challenges faced. SU answered that many of the circumstances were outwith the control of DGC. 4/5 expresses the likelihood of real difficulties and that there is a small amount within DGC gift to manage. WD responded that 4/5 implies that worse situations are possible and asked what those could be. SU answered that the inability to act as DGC or as a senior management team would be worse situations but we can manage our sustainability to a certain extent. DE added that DGC is not on its own in the sector with this risk at amber level and confirmed that the sector is facing extreme difficulties. The amber grading is based on the external environment, but this is a significant risk and it's how the college responds to this. MG noted that the internal audit report was issued in August and gave reasonable assurances, which is positive, as per the summary appended to the Annual Report.
- 4.3 Confidential to members only....
- 4.4 JR felt that 4/5 was the correct rating at present. JR asked why the residuals had the same score before and after mitigations. SU advised that this normally carries an amber rating, however FGP reviewed this. JR also noted that the three lines of defence all read tactically and wondered if more strategic options would be brought to BoM. SU responded that monitoring is in place in year to keep on track.
- 4.5 A short discussion took place regarding the similar situation colleges throughout the country face and DE advised that similar discussions were being had. On request of the committee, DE explained the difference between a going concern and financial sustainability.
- 4.6 DD advised that he has been meeting with college VPs to share information and plan a sectoral approach on financial sustainability and this has went to the Principals Group and SFC regarding the position required. **GB advised that she would like to see this coming through on the Risk Register.**
- 4.7 GB asked if FGP should review the risk rating for post mitigations specifically. SU answered that FGP will review after BoM discussions in December

ACTION: LG to add the three lines of defence and circulate the information to the committee for response.

5. Audit Committee Annual Report | Paper 4.1 | Approval | G. Brydson

5.1 GB introduced the paper. JR asked about the references to Value for Money and what best practice is in this area and if it was reviewed annually. MG answered that this is common practice elsewhere and that at this time he was not sure when a VfM audit had taken place within DGC, but advised that VfM was considered at part of other audits eg Petty Cash. MG would report back to the committee.

5.2 **The audit committee annual report was approved.**

ACTION: MG to clarify Value for Money details to the committee.

FOR DISCUSSION

6. Internal Audit Report | Paper 5.1 | Discussion | M. Gibson

6.1 Progress Report

MG noted that the internal audit plan reports were included in the pack. There were no recorded issues with KPIs. Two audits were rescheduled which do not impact on the annual opinion. The positive progress was noted.

6.2 Health and Safety Report

There are systems and processes in place and oversight is carried out by the Director of Estates and Sustainability. There were no issues raised and **substantial assurance** was given. SU advised the Committee that since the report, there had been a RIDDOR incident last week at the graduation ceremony where a member of the public was injured.

6.3 Student Support Funds Report

It was recorded that this report is conducted on an annual basis and concluded that appropriate and adequate processes and systems are in place to manage student support funds received from SFC and these are operating effectively. £2.7m has been disbursed to students in two tranches. There was mention of a medium priority action regarding the timing of a submission to the SFC. It was noted that this delay was due to staff absence and the timing of the return.

6.4 Further Education Statistics

It was noted that at the time of the audit, DGC was slightly under in terms of credits. There was **reasonable assurance** provided. 1 high priority action and 1 medium priority action were noted. AH asked about the high priority management action from AY 2021. It was explained that this was an issue pertaining to open learning students and that a similar issue had happened in the past. AH sought reassurance that similar future events would not occur. The high priority action was discussed, it being a situation of continuity of contact with open learning students. As this issue had been previously flagged at medium priority level, this had now escalated to high priority.

6.5 It was noted that there was not a singular underlying cause for this situation, but contact with distance learning students was noted as being ad hoc and not recorded. KH confirmed that external development has a new Open Learning Coordinator in place and processes have been implemented so that contact is being made with each student and the evidence recorded.

6.6 Questions and discussion followed pertaining to:

The paying of student support. JR asked if there were KPIs available in terms of students receiving their funding promptly in appropriate time windows. DD reassured the committee that DGC had received very complimentary feedback on the speed of funds delivery from

HMIe. DD added that there was a plan in place to ensure more funding would be delivered to students after winter break. SU noted the timely work of the funding team and the student journey team. CS remarked that money from SFC always comes with strings attached and commended DGC for timely disbursement of funds. The committee noted their thanks to funding staff. AH noted that “professional support staff” was a good term to use for non-academic staff in the sector.

7. Internal Audit Tracker | Paper 6.1 | Discussion | L. Grierson

- 7.1 LG reported that there were 12 actions and that 10 had been completed. 2 actions were in line to be completed by their respective deadlines.
- 7.2 JR asked about the tracker and specifically regarding items given the status of closed when they seem to still be in progress. There was a discussion about the progressive nature of some actions and how actions could be seen as being in hand. LG will review the timescale and keep the relevant action open. WD remarked that this can be reviewed by SLT without committee intervention and GB agreed to trust DGC SLT review. AH noted that “ongoing” is an ambiguous term. GB suggested “on-track” as a replacement term. AH expressed concerns about a lack of procedures in place for the finance team for budget setting. SU answered that budget setting is very rigorous and procedures are taking place within the team and that the current workload has precluded documenting a timetable, but this is scheduled.

8. Annual External Audit Report | Paper 7.1 | Discussion | D. Eardley

- 8.1 The relevant paperwork of this report of the 2021/22 audit will be submitted to BoM for approval. The paper was taken as read. At present the report represents an unqualified opinion. It was noted that there are not a lot of audit adjustments and that a good working set of accounts was presented. Financial sustainability was noted as being an amber rated risk.
- 8.2 Regarding the report itself, from page 126 onward can be seen responses to risk areas. The significance of risk 4 was flagged up. The swing in pensions from a liability to an asset was noted and reported as being in line with sector wide movement. The wider scope of work covers financial sustainability and the governance statement. Re Governance Statement on p27, it was noted that fairness and equality commentary has been included on the direction of Audit Scotland across the Sector.
- 8.3 Confidential for members only

9. Draft Financial Statements| Paper 7.1 | Draft Financial Statements| Discussion |S. Uphill

- 9.1 Confidential for members only
- 9.3
- 9.4 AH noted the useful narrative and data. AH was particularly cheered that of the 46 awarding body visits, DGC was found to be in full compliance. GB agreed and the committee noted the comprehensive report detailing a compliant institution.
- 9.5 WD asked if the residual values of fixed assets were reviewed annually. SU answered that the assets were formally valued in July 2020. They would be re-evaluated this year, in normal years, but this will wait until next year due to the ongoing construction work taking place.
- 9.6 CS noted that infographics are a good way for people to understand this type of information and suggested that one could be inserted in page 1.

FOR INFORMATION ONLY

10. AOCB

There was no other business.

11. Date of the Next Meeting

The meeting was concluded at 1740 hours




The date of the next meeting is scheduled for 9th March 2023 at 1600 hrs.



**Dumfries and
Galloway College**

One step ahead

Item 2.2
AUD11.22-2.2

Key	
	Ongoing
	Closed
	Overdue

AUDIT COMMITTEE ACTION LOG 29.11.22

No	Meeting Date	Action	Lead	Deadline	Status	Commentary
1	5/5/22	The VP Learning , Skills and Student Experience would contact NUS to ascertain whether they would review previous work carried out at DGC.	DD	Aug	Closed	NUS will action any follow up in Aug 22. Nov update: Audit complete and awaiting report
2	15/6/22	DD to provide an update re statutory reporting to the Chair of Audit	DD	Sep 22 Nov 22 Mar 23	Ongoing	Dates still to be confirmed by SFC for Evaluative Report, Student Satisfaction and Engagement Survey and College Leaver Destinations. Nov update: SFC Evaluative Report – after December Board meeting. SSES – TBC by SFC CLD – TBC by SFC
3	5/9/22	Risk Register - The new proposal to include 3 lines of defence would be presented at the Board of Management Meeting of 15 September	LG	Sep 22	Closed	This was discussed and approved at BoM Sep 22.
4	5/9/22	LG to send out reminder for remaining responses for the self evaluation and forward the completed document to members.	LG	Nov 22	Closed	Self evaluation sent to committee members 11 Oct 22.



**Dumfries and
Galloway College**

One step ahead

AUDIT COMMITTEE 29.11.22

AUDIT COMMITTEE

Date of Meeting	<u>29 November 2022</u>
Subject of Paper	Strategic Risk Register
Paper No.	AUD1122-3.1
Agenda Item	Item 3.1
FOISA Status	Disclosable
Primary Lead	L Grierson
Date of production	10 November 2022
Intended Outcome	Approval

Financial Implications:	YES
Equality and Diversity Implications:	N/A
Learner and Learning Implications:	N/A
Risks Assessed:	YES
Publicly Available:	YES

Strategic Risk Register

1 Introduction

- 1.1 The purpose of this paper is to provide the Committee with the opportunity to review the Strategic Risk Register and Risks associated with Audit Committee.

2 The Report

The Principal and Executive Leadership Team routinely review the Strategic Risk Register to reflect the risks the College is facing and the mitigations that will be applied to each risk. Currently Audit Committee has 2 risks assigned to it for review – Risk 4 and Risk 11.

- Risk 4 - Financial Fraud – No change to scoring
- Risk 11 - Failure to achieve and maintain systems and operable and secure ICT – No change to scoring

- 2.1 The supporting paperwork has been updated to show the 3 lines of defence.

- 2.2 The full risk register is attached for Committee information.

Recommendation

It is recommended that the Committee consider and, if so minded, approve the Strategic Risk Register and risk appetite after discussion.

Lorraine Grierson
Secretary to the Board
29 August 2022

RISK REGISTER

RISK DEFINITION		ORIGINAL TASK				RESIDUAL RISK					
No	Risk	Likelihood	Impact	Total	Risk Level	Likelihood	Impact	Total	Risk Level	Risk Appetite	Trend
Responsible Person – Principal											
1	Failure of College strategy to meet the needs of Dumfries and Galloway Region and/or national priorities (BoM)										
		4	4	16		3	3	9			=
2	Legal actions; serious accident; incident or civil/criminal breach (BoM)										
		5	3	15		3	2	6			=
Responsible Person - VP Finance, Strategy and Sustainability											
3	Failure to achieve institutional sustainability (FGP)										
		4	5	20		4	5	20			=
4	Financial Fraud (AUD)										
		4	3	12		3	2	6			=
5	Business Continuity Incident – Fire, Systems, Emergency Procedures, Health (BoM)										
		4	4	16		4	3	12			=
6	Failure to meet regulatory obligations (BoM)										
		3	5	15		1	5	5			=
12	Health and Safety (BoM)										
		4	5	20		3	4	12			=
Responsible Person – Vice Principal People and Transformation											
7	Failure to achieve effective Industrial Relations (FGP)										
		5	4	20		4	3	12			=
11	Failure to achieve and maintain systems and operable and secure ICT (AUD)										
		4	5	20		3	4	12			=
Responsible Person – VP Learning, Skills and Student Experience											
8	Failure to achieve highest academic performance levels (LT)										
		4	4	16		3	4	12			=
9	Failure to adhere to academic compliance arrangements (LT)										
		4	3	12		2	2	4			=

Item 3.1
AUD1122-3.1

10	Failure to achieve an effective student experience (LT)									
		3	4	12		2	4	8		=

KEY: ASSESSMENT OF RISKS

Risks which should be monitored by the Risk Management Group:	Scores: 1 – 8	Minor Risk
Risks to be brought to the attention of SMT and the Board of Management:	Scores: 9 - 15	Significant Risk
Risks to be reported to, and monitored by, Board of Management:	Scores: 16 – 20	Major Risk
Risks to be reported to, and monitored by, Board of Management:	Scores: 21 – 25	Fundamental Risk

Impact	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
Likelihood					

Classification	Description
Avoid	No appetite for risk. The organisation is not prepared to accept any risks.
Averse	Prepared to accept only the very lowest levels of risk, with the preference being for very safe decision-making and strategy implementation, while recognising there may be little opportunity for innovation or the exploitation of new opportunities.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe decision-making and strategy implementation, despite the probability that there is restricted potential for innovation and increased outcomes and benefits.
Moderate	Tending predominantly towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes or benefits.
Open	Prepared to consider innovative decisions and strategic implementation and selecting those with the highest probability of productive outcomes and benefits, even where there are elevated levels of associated risk.
Hungry	Proactively taking innovative/creative/pioneering decisions and adopting forms of strategic implementation, while accepting the associated substantial risk levels in order to secure highly successful outcomes and benefits.

Strategic Objective: Risk No: 4 Fraud

Reference to Departmental Risk Registers:	Financial
Owner:	VP Finance, Strategy and Sustainability
Description of the Risk:	Financial Fraud
What are the possible consequences if the risk was to emerge?	Financial Loss, Loss of reputation, impact to financial sustainability

Numerical Scoring of Gross Risk (i.e., without controls in place)

What is the predicted LIKELIHOOD of the risk occurring?	(A) 4/5	What is the predicted IMPACT of the risk?	(B) 3/5	What is the total risk score? (A x B)	12/25
The GROSS risk is therefore: MIN/SIG/MAJ/FUN	Significant Risk				

3 LINES OF DEFENCE	MITIGATIONS	MONITORING
FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> No PO / no Pay policy Scheme of financial delegation Segregation of duties and review of transactions 	<ul style="list-style-type: none"> Continuous review of financial controls Implementation of Internal Audit recommendations
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> Review of impact of any changes in structure or duties Public Interest Disclosure (Whistleblowing) Policy 	<ul style="list-style-type: none"> Continuous review of financial controls Budget / spend review
INDEPENDENT ASSURANCE Internal Audit / external bodies	<ul style="list-style-type: none"> Internal Audit plan 	<ul style="list-style-type: none"> Internal Audit External Audit Counter Fraud Initiative

Numerical Scoring of NET Risk (i.e., with controls in place) (2 cont.)

What is the predicted LIKELIHOOD of the risk occurring?	(A) 3/5	What is the predicted IMPACT of the risk?	(B) 2/5	What is the total risk score? (A x B)	6/25
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Risk Status	Meeting 1 MIN	Meeting 2 MIN	Meeting 3	Meeting 4
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MEETING	AMENDMENTS TO RECORD
1	Mitigation deleted: Adherence to procurement processes and internal approval processes Monitoring deleted: <ul style="list-style-type: none"> Regular review of costs and budgets /Transactional data sample testing / Monthly review of payroll
2	Risk updated to show the 3 lines of defence.
3	
4	

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
4	Financial Fraud						

Strategic Objective: Risk No: 11

Reference to Departmental Risk Registers:	Organisational
Owner:	VP People and Transformation
Description of the Risk:	Failure to achieve and maintain systems and operable and secure ICT
What are the possible consequences if the risk was to emerge?	Serious impact to the college's ability to operate and deliver education to students, financial loss, loss of data and reputation

Numerical Scoring of Gross Risk (i.e., without controls in place)					
What is the predicted LIKELIHOOD of the risk occurring?	(A) 4/5	What is the predicted IMPACT of the risk?	(B) 5/5	What is the total risk score? (A x B)	20/25
The GROSS risk is therefore: (MIN/SIG/MAJ/FUN)		Major			

Control Measures	
What controls/procedures are in place to reduce the likelihood and impact of the risk to a more acceptable level?	<p>Mitigations</p> <ul style="list-style-type: none"> Documented disaster recovery procedures Cyber Incident disaster recovery plan Staff CPD on business continuity areas including Cyber security Firewalls and antivirus software in place <p>Monitoring</p> <ul style="list-style-type: none"> Penetration Testing to identify system vulnerabilities Rolling programme of routine updates to systems and equipment Regular security monitoring/testing Active ICT/data security monitoring and cyber security policy "Exercise in a box" programme in planning stages

Numerical Scoring of NET Risk (i.e., with controls in place) (2 cont)					
What is the predicted LIKELIHOOD of the risk occurring?	(A) 3/5	What is the predicted IMPACT of the risk?	(B) 4/5	What is the total risk score? (A x B)	12/25

Risk Status		Meeting 1 SIG	Meeting 2 SIG	Meeting 3	Meeting 4
MEETING	AMENDMENTS				
1	No change to scoring – additional monitoring in place				
2	Risk updated to show the 3 lines of defence.				
3					
4					

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
11	Failure to achieve and maintain systems and operable and secure ICT						

AUDIT COMMITTEE 29.11.22

AUDIT COMMITTEE

Date of Meeting	29 th November 2022
Subject of Paper	Finance & General Purposes Committee – Risk 3 – Deeper Dive
Paper No.	AUD1122-3.2
Agenda Item	Item 3.2
FOISA Status	Non - Disclosable
Primary Lead	S.Uphill
Date of production	November 2022
Intended Outcome	Discussion

Financial Implications:	Yes
Equality and Diversity Implications:	Yes
Learner and Learning Implications:	No
Risks Assessed:	Yes
Publicly Available:	No

AUDIT COMMITTEE 29.11.22

Read Time: 10 minutes

PURPOSE OF REPORT

This report provides a deeper dive into one of the risks that the Finance & General Purposes Committee monitors –

Risk 3 - Failure to achieve institutional sustainability

This paper provides context to the risk, outlines mitigations, identifies how the risks are monitored and residual risks after discussion at the Finance & General Purposes Committee.

Risk 3

Risk 3 is 'Failure to achieve institutional sustainability'. The context to this risk is the College is required to achieve a balanced budget position on an annual basis while ensuring that it delivers on the objectives set out in the Regional Outcome Agreement (ROA).

The College is provided with core **funding** by the Scottish Funding Council (SFC) in relation to credit delivery, the value of that funding is reduced to recognise the direct funding from SAAS and SDS for HE and MA provision. It receives further ring-fenced fund for specific schemes such as student support and digital poverty, this funding is formula based and if not spent then the money must be returned. Further income is generated from the provision of commercial training. The current funding model does not encourage growth in HE student provision nor recognise the challenges is delivering a wide curriculum offer to a remote/rural demographic. The traditional sectoral response of growing commercial income is also constrained by the economic scale and performance of the region. The college receives a small capital/lifecycle maintenance allocation linked to a 2017 condition survey; the college building is now 15 years old and more significant investment will be required.

More than 70% of college **expenditure** relates to staff costs with the terms & conditions and associated remuneration largely negotiated at a national level. This generate the key financial risk to the college in that with a flat cash funding settlement, the entirety of nationally negotiated pay awards must be absorbed by the college. The nature of recruitment and employment in the region has resulted in a staffing pattern with many employees on multiple part-time contracts leading to further complexity and risk. Departmental budgets are developed through an annual operations planning process where spend is identified and validated against previous activity and curriculum plans. Most of the non-staff expenditure is not discretionary and therefore in year budget management is largely only possible through deferment of specific activity. Any capital/maintenance spend not projected in the lifecycle maintenance allocation must be drawn from core funds.

The college is not permitted to borrow money commercially, nor does it have access to the financial transactions (capital investment) funding that SFC provides to the University sector.

The Scottish Funding Council (responsible to Ministers) monitors overall college performance against the ROA through Performance Indicators and specific returns in relation to academic activity (FES) and financial results/forecasts (FFR)

AUDIT COMMITTEE 29.11.22

RECOMMENDATION

- Note that the Finance & General Purposes Committee have agreed with the ratings and appetite for risks 3.

Steve Uphill

Vice Principal, Finance, Strategy & Sustainability
November 2022

AUDIT COMMITTEE 29.11.22

Strategic Objective: Risk No: 3 Financial Sustainability

Reference to Departmental Risk Registers:	Financial
Owner:	VP Finance, Strategy and Sustainability
Description of the Risk:	Failure to achieve institutional sustainability
What are the possible consequences if the risk was to emerge?	The college will be unable to continue, becomes insolvent, contravening governance requirements by SG, Section 22, Reputational damage to Board and F&GP

Numerical Scoring of Gross Risk (i.e., without controls in place)					
What is the predicted LIKELIHOOD of the risk occurring?	(A) 4/5	What is the predicted IMPACT of the risk?	(B) 5/5	What is the total risk score? (A x B)	20/25
The GROSS risk is therefore: MIN/SIG/MAJ/FUND	Major Risk				

3 LINES OF DEFENCE	MITIGATIONS	MONITORING
FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> • Increase commercial income to reduce reliance on SFC funding • Effective cost control • Active tracking of Credits achieved/forecast vs target • Protection of funding through dialogue with SFC 	<ul style="list-style-type: none"> • Regular review of financial strategy and non-core income sensitivity • Finance business partnering to review budgets/spend with Managers • Continuous monitoring of demand v funding allocation of student funds
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> • Strategic plan and Operating Plans approved by BoM and Committee • Budgets approved by BoM and Committee • Major project business cases approved by BoM and Committee • Finance Directors Network 	<ul style="list-style-type: none"> • Regular internal reporting to BoM and Committee • Regular interaction with Scottish Funding Council Finance Team • Knowledge exchange through Finance Directors Network / Colleges Scotland
INDEPENDENT ASSURANCE Internal Audit / external bodies	<ul style="list-style-type: none"> • Internal Audit Programme agreed by BoM/Audit Committee • External Auditors appointed through Audit Scotland • Regional Outcome Agreement 	<ul style="list-style-type: none"> • BoM/Committee review and approval of IA reports and action points tracking • Audit Committee/BoM oversight • Regular returns to Scottish Funding Council (FFR/FES)

AUDIT COMMITTEE 29.11.22

Numerical Scoring of NET Risk (i.e., with controls in place) (2 cont.)					
What is the predicted LIKELIHOOD of the risk occurring?	(A) 4/5	What is the predicted IMPACT of the risk?	(B) 5/5	What is the total risk score? (A x B)	20/25

Risk Status	Meeting 1	Meeting 2	Meeting 3	Meeting 4
	SIG	MAJ		

MEETING	AMENDMENTS TO RECORD
1	No changes. FGP recommendation to increase Net scoring from 3/5 to 4/5 to reflect deficit forecast.
2	Updated to reflect 3 lines of defence
3	
4	

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
3	Failure to achieve institutional sustainability						

Classification	Description
Avoid	No appetite for risk. The organisation is not prepared to accept any risks.
Averse	Prepared to accept only the very lowest levels of risk, with the preference being for very safe decision-making and strategy implementation, while recognising there may be little opportunity for innovation or the exploitation of new opportunities.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe decision-making and strategy implementation, despite the probability that there is restricted potential for innovation and increased outcomes and benefits.
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KEY: ASSESSMENT OF RISKS

Risks which should be monitored by the Risk Management Group:	Scores: 1 – 8	Minor Risk
Risks to be brought to the attention of SMT and the Board of Management:	Scores: 9 - 15	Significant Risk
Risks to be reported to, and monitored by, Board of Management:	Scores: 16 – 20	Major Risk
Risks to be reported to, and monitored by, Board of Management:	Scores: 21 – 25	Fundamental Risk

Risk Score Matrix



AUDIT COMMITTEE 29.11.22

	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Likelihood				



**Dumfries and
Galloway College**

One step ahead

AUDIT COMMITTEE 29.11.22

AUDIT COMMITTEE

Date of Meeting	<u>29 November 2022</u>
Subject of Paper	AUDIT ANNUAL REPORT
Paper No.	AUF1122-4.1
Agenda Item	Item 4.1
FOISA Status	Disclosable
Primary Lead	Gillian Brydson
Date of production	08 November 2022
Intended Outcome	Approval

Financial Implications:	NO
Equality and Diversity Implications:	N/A
Learner and Learning Implications:	NO
Risks Assessed:	N/A
Publicly Available:	YES

DRAFT – ANNUAL REPORT OF THE AUDIT COMMITTEE 2021-22

1 PURPOSE OF REPORT

- 1.1 To advise the Board of Management of the activities and decisions of the Audit Committee during Financial Period 2021-22 and to provide opinions on matters specified by the Code of Audit Practice.
- 1.2 This is currently in draft format pending discussion and approval by the Audit Committee members.

2 BACKGROUND TO REPORT

- 2.1 It is a requirement of the Code of Audit Practice and the College's Standing Orders and Financial Regulations that the Audit Committee provides the Board with an Annual Report so that all members of the Board can be fully informed of, amongst other things, aspects of the system of Internal Control.

3 ADMINISTRATIVE MATTERS

- 3.1 The period covered by this report is the twelve-month period 1 August 2021 to 31 July 2022.
- 3.2 The membership of the Committee during the period was:

Naomi Johnson – Chair until 31.01.22
Hugh Carr – Chair from 01.02.22 until 27.06.22
Gillian Brydson – from 27.06.22
Ann Hill
Ian White – until 08.08.22
Sue Irving
Will Dowson
Jamie Ross – from 27.06.22
Ritchie Nicoll – from 27.06.22

Gillian Brydson was appointed Chair from 27.06.22

- 3.3 Other attendees at Audit Committee meetings include:

Joanna Campbell (Principal)
Rob Barnett (RSM)
Philip Church (RSM)
Mike Gibson (RSM)
David Eardley (Azets)
Alex Elkins (Executive Assistant)
Dorothy McMinn (PA to the Principal)
Douglas Dickson (VP learning, Skills, and Student Experience)
Scott Proctor (VP Finance and Commercial Services until 15.06.22)
Jill Galloway (VP People and Transformation from 06.06.22)

Steve Uphill (Interim VP Finance, Strategy and Sustainability from 16.06.22)
Caroline Stuart (Chair of the Board from 01.02.22)
Gillian Brydson
Richie Nicoll
Lorraine Grierson (Sec to the Bd)

3.4 During the relevant period, the Committee's formal meetings were as follows:

Date of Meeting:	Board members present:
02.09.21 - Quorate	Naomi Johnson, Will Dowson, Sue Irving, Ian White
01.12.21- Quorate	Naomi Johnson, Will Dowson, Ann Hill, Sue Irving, Ian White
10.02.22 – Quorate	Hugh Carr, Will Dowson, Sue Irving, Ian White
05.05.22 – Quorate	Hugh Carr, Will Dowson, Ian White
15.06.22 - Quorate	Hugh Carr, Will Dowson, Jamie Ross, Sue Irving, Ian White

There was an average attendance of 4 members (78%).

Following the impact of the COVID-19 pandemic on Dumfries and Galloway College, the Audit Committee has continued to meet remotely.

4 INTERNAL AUDIT

4.1 RSM acted as internal auditors throughout the year.

4.2 RSM's Annual Audit Report for 2021-22 was presented at the September 2022 Audit Committee Meeting. The report provides an annual internal audit opinion:

The Opinion

For the 12 months ended 31 July 2022, the Head of Internal Audit opinion for Dumfries and Galloway College is as follows:

The organisation has an adequate and effective framework for risk management, governance, and internal control.

However, our work has identified further enhancements to the framework of risk management, governance, and internal control to ensure that it remains adequate and effective.

A copy of the full report is detailed in RSM's Annual Internal Audit Report - Year ended 31st July 2022

4.3 A summary of the internal audit undertaken, and the resulting opinions, is provided below:

Assignment	Assurance level	Actions agreed		
		L	M	H
Further Education Statistical (FES) Return	Reasonable Assurance	4	1	0

Student Support Funds	Advisory	2	0	0
Student Applications	Reasonable Assurance	7	0	0
Income Generation: External Development	Reasonable Assurance	5	0	0
Financial Planning	Reasonable Assurance	3	1	0
Health & Safety	Substantial Assurance	2	0	0
HR/ Payroll	Substantial Assurance	1	1	0
Curriculum Timetabling/ Efficiency of Lecturing Staff	Substantial Assurance	0	1	0
Previous Audit Management Actions	Reasonable Progress	4	3	0
Total (2021-22)		28	7	0
Total (2020-21)		12	9	1

4.4 The recommendations are categorised by the auditors according to the level of priority – High, Medium, and Low, and are prioritised to reflect the auditors’ assessment of risk associated with the control weaknesses.

In addition, Suggestions may be included as part of the Action Plan reported. These are not formal recommendations that impact the overall audit opinion but used to highlight a suggestion or idea that management may want to consider.

7 of the recommendations made during the year were categorised as Medium Priority, with 28 categorised as Low Priority.

No High Priority management actions were made during the year.

4.5 Where a recommendation is not accepted this is documented in the individual audit reports considered by the Audit Committee. In general, recommendations may not be accepted where it is considered that the benefits of implementation are outweighed by the costs.

4.6 Factors and Findings which have informed the Internal Audit Opinion

Governance – RSM did not perform a specific governance review at the College in 2021-22, however they have covered elements of the governance framework in place for the following reviews and have used that work to support their governance opinion:

- Curriculum Planning/ Efficiency of Lecturing Staff
- Student Applications
- Income Generation: External Development

Each of the above reviews resulted in a positive opinion being provided to the Board. They concluded that the governance arrangements in place, for the College, were adequate.

Risk – although RSM have not undertaken a specific review of the College's Risk management arrangements, their annual report notes that their risk management opinion is informed by the assessment of risk mitigation controls and compliance with those controls in their risk-based reviews in the following areas:

- Health and Safety (Risk 3.3: Failure to meet regulatory obligations, e.g., H&S, Prevent).
- Financial Planning (Risk 2.1: Failure to achieve Institutional Sustainability)

Those specific reviews resulted in a reasonable and a substantial assurance opinion (positive) which the Board take assurance in those areas.

RSM have attended all Audit Committee meetings throughout the year and confirmed that the College's risk management arrangements had been reported consistently and scrutinised by committee members.

Control – RSM undertook seven audits (including the two risk driven reviews mentioned above) of the control environment that resulted in formal assurance opinions. Those reviews concluded that the Board could take four **reasonable assurance** (positive) and three **substantial assurance** (positive) opinions.

Furthermore, the implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinion on control. RSM have performed a Follow Up review during the year which concluded in **reasonable** (positive) progress had been made towards the implementation of those actions agreed.

Value for Money – RSM have not performed a specific value for money review but have considered the arrangements in place as part of each individual assignment. The College are currently reviewing all processes with a view to automation where possible.

RSM concluded the College are aware of arrangements in place to promote and secure Value for Money and taking steps to improve processes through the acquisition or utilisation of relevant software.

5 EXTERNAL AUDITORS

- 5.1 The external auditors throughout the period were Azets, Exchange Place 3, Seiple Street, Edinburgh.
- 5.2 The external auditors were originally appointed by Audit Scotland for the five-year period 2016-17 to 2020-21. Audit Scotland highlighted in June 2020 that the COVID-19 pandemic has resulted in significant disruption for public bodies and their capacity for financial reporting, and to auditors of the public sector. Due to this, the Auditor General for Scotland and the Accounts Commission for Scotland extended the current audit appointments to 2021-22.
- 5.3 Audit Scotland have approved the appointments for the audits of financial years 2022-23 to 2026-27. The provisional appointments were reviewed, and alternatives were proposed following some conflicts that were identified to ensure compliance with the Ethical Standard and Code of Audit Practice. Audit Scotland have now confirmed that Azets Audit services will be the auditor for Dumfries and Galloway College for the audits of 2022-23 to 2026-27.

- 5.4 The fundamental objective of the planning, approach and execution of the audit is to enable the auditors to express an opinion on whether or not the financial statements, as a whole, give a true and fair view of the activities of the College since the last audit and of its state of affairs as at the Balance Sheet date.
- 5.5 We confirm that the external auditors have been approved by the Auditor General in accordance with the Code of Audit Practice and the letter from the Auditor General dated 20 April 2000 for provision of external audit services for the financial period 2021-22.
- 5.6 The external audit of the financial statements for the period ended 31st July 2022 commenced in September 2022, and Azets will issue their report '2021-22 Annual Audit Report to the Board of Management and the Auditor General for Scotland' at the December Board meeting.

6 THE FINANCIAL STATEMENTS

- 6.1 The External Auditors, Azets, have issued their Draft 2021-22 Annual Audit Report.
- 6.2 Azets have set out their key messages in their 2021-22 Annual Audit report to the Board of Management and the Auditor General for Scotland. The overall conclusion in the report is as follows:
- An unqualified opinion on the financial statements.
 - An unqualified opinion on the regularity, and.
 - An unqualified opinion on other prescribed matters.
- 6.3 The annual work of the external auditor in respect of their wider scope audit responsibilities were restricted to:
- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the Governance Statement; and
 - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

Their conclusions and key observations were:

Following External review and the Internal Audit on Governance we are confident that while there are still further improvements to make the Board is working to ensure strong Governance and oversight.

- 6.4 A copy of the External Auditors' full report is detailed in Azets '2021-22 Annual Audit Report to the Board of Management and the Auditor General for Scotland'.

7 VALUE FOR MONEY PROGRAMME (VFM)

- 7.1 The Scottish Further and Higher Education Funding Council requires internal audit to provide an appraisal each year on the College's arrangements for value for money. The work done by RSM, the College's internal auditors, and their opinion on Value for Money is noted above. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

- 7.2 The Internal Audit reviews have resulted in a positive assurance opinion and management actions were raised to improve the control framework.

8 OTHER MATTERS

- 8.1 There are no matters arising from trusts, joint ventures, subsidiary, or associated companies.
- 8.2 There are no incidents of fraud.
- 8.3 There are no foreseeable events that will affect the work of the Audit Committee.

9 OPINION

- 9.1 The financial statements present an accurate view of the state of affairs of the College at 31 July 2022 and of the surplus and cash flows for the year then ended and have been properly prepared;

Funds from the Scottish Funding Council and others have been used for the purposes for which they were given;

The College has complied with the Board's Standing Orders and Financial Regulations and where appropriate, the Financial Memorandum dated December 2014 from the Scottish Funding Council;

The College has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the College's accounting and internal control systems throughout the period or as a result of remote working during the COVID-19 pandemic

We are satisfied that the Board continued to receive sufficient and appropriate information throughout the period to support the effective and timely scrutiny and challenge

- 9.2.1 The Audit Committee's view on the Board of Management's responsibilities, as described in the responsibilities of the Board of Management Statement, is that they have been satisfactorily discharged.
- 9.2.2 The Audit Committee believes that the Code of Audit Practice, and the Financial Memorandum, were fully complied with during 2021-22.

10 RECOMMENDATION

- 10.1 The Audit Committee members are asked to approve the Annual Report.

Gillian Brydson
Chair of Audit Committee
November 2022



DUMFRIES AND GALLOWAY COLLEGE

Annual internal audit report and opinion – Year ended 31 July 2022

FINAL

Presented at Audit Committee meeting of: 5 September 2022

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the College's risk management, control and governance processes. The opinion should contribute to the College's annual governance reporting.

The opinion

For the 12 months ended 31 July 2022, the Head of Internal Audit opinion for Dumfries and Galloway College is as follows:



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, our opinion is subject to inherent limitations, as detailed below:

- internal audit has not reviewed all risks and assurances relating to the College.
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the Board takes into account in making its annual governance statement (AGS).
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual(s).
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance.
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention.
- our internal audit work for 2021/22 has continued to be undertaken through the operational disruptions caused by the Covid-19 pandemic. In undertaking our audit work, we recognise that there has been some impact on both the operations of the College and its risk profile, and our annual opinion should be read in this context.

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

Based on the work we have undertaken on the systems of governance, risk management and internal control across the College, our opinion on governance, risk management and control have been informed by the following:

Governance

We did not perform a specific governance review at the College in 2021/22, however we have covered elements of the governance framework in place for the following reviews and have used this work to support our governance opinion:

- Curriculum Planning / Efficiency of Lecturing Staff
- Student Applications
- Income Generation: External Development

Each of the above reviews resulted in a positive assurance opinion being provided to the Board. We concluded that the governance arrangements in place, for the College, were adequate and effective.

Risk

We did not perform a specific risk management review at the College in 2021/22; however, our risk management opinion was informed by the assessment of the risk mitigation controls and compliance with those controls in our risk-based reviews in the following areas:

- Health and Safety (*Risk 3.3: Failure to meet regulatory obligations, e.g. H&S, Prevent*)
- Financial Planning (*Risk 2.1: Failure to achieve institutional sustainability*)

The specific reviews (above) resulted in a reasonable and a substantial assurance opinion (positive) which the Board take assurance on in these areas.

We have also attended all Audit Committee meetings throughout the year and confirmed the College's risk management arrangements were reported to and scrutinised by committee members.

Control

We have undertaken seven audits (including the two risk driven reviews mentioned above) of the control environment that resulted in formal assurance opinions. These five reviews concluded that the Board could take four reasonable assurance (positive) and three substantial assurance (positive) opinions.

Furthermore, the implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinions on control. We have performed a Follow Up review during the year which concluded in reasonable (positive) progress being made towards the implementation of those actions agreed.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Value for Money

The Scottish Further and Higher Education Funding Council requires internal audit to provide an appraisal each year on the College's arrangements for value for money.

We have not performed a specific value for money review but have considered the arrangements in place as part of each individual assignment. The College is currently reviewing all processes with a view to automation wherever possible.

We concluded the College is aware of arrangements in place to promote and secure value for money and taking steps to improve processes through the acquisition or utilisation of relevant software.

THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2021/22.

Implementation of internal audit management actions

We have performed one follow up review to determine the College's implementation of internal audit findings and we have reported that reasonable progress had been made in implementing the agreed actions.

Follow Up of Previous Internal Audit Management Actions

We followed up 19 management actions as part of this review. We were supplied with satisfactory evidence for 11 out of the 19 actions of the actions declared as complete or superseded by the respective action owner. Of the remaining actions, we concluded six (five medium and 1 low) had been partially but not fully completed with two further actions had not been completed (one medium and one low).

Working with other assurance providers

In forming our opinion, we have not placed any direct reliance on other assurance providers.

OUR PERFORMANCE

Conflicts of interest

RSM has not undertaken any work or activity during 2021/22 that would lead us to declare any conflict of interest.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the International Standards for the Professional Practice of Internal Auditing, the wider International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA.

Under the Standards, internal audit services are required to have an external quality assessment (EQA) every five years. The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements.

The external review concluded that RSM 'generally conforms*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

Quality assurance and continual improvement

To ensure that RSM remains compliant with the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

Resulting from the programme in 2021/22, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

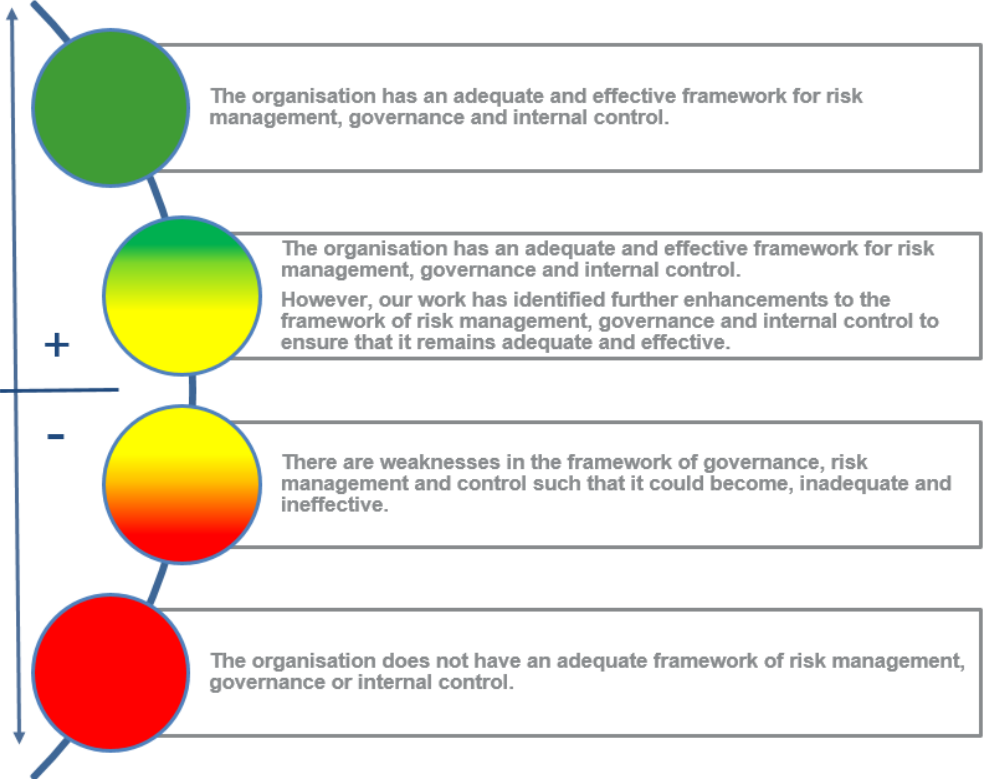
In addition to this, any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments is also taken into consideration to continually improve the service we provide and inform any training requirements.

Performance indicators

Delivery			Quality		
	Target	Actual		Target	Actual
Draft reports issued within 10 days of debrief meeting	10 days	5 working days (average)	Conformance with PSIAS and IIA Standards	Yes	Yes
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	As and when required
Final report issued within 3 days of management response	3 days	1 working day (average)	Response time for all general enquiries for assistance	2 working days	2 working days (average)
			Response for emergencies and potential fraud	1 working day	-

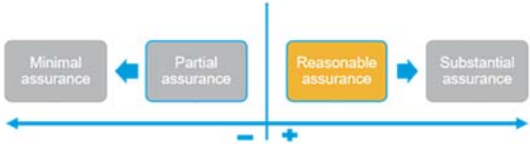


APPENDIX A: ANNUAL OPINIONS





The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p> <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p> <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p> <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> • inherent risk in the area being audited; • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework; • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED

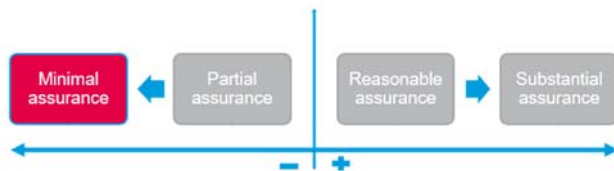
All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Assurance level	Actions agreed		
		L	M	H
Further Education Statistical (FES Return)		4	1	0
Student Support Funds	<p>Advisory</p> <p>Our review established the College has appropriate and adequate systems and controls in place, which operate effectively to support the College's SFC return in accordance with the 2020 / 2021 guidance issued by the SFC</p>	2	0	0
Student Applications		7	0	0
Income Generation: External Development		5	0	0

Assignment	Assurance level	Actions agreed		
		L	M	H
Financial Planning		3	1	0
Health and Safety		2	0	0
HR / Payroll		1	1	0
Curriculum Timetabling / Efficiency for Lecturing Staff		0	1	0
Follow Up of Previous Internal Audit Management Actions	Reasonable Progress	4	3	0

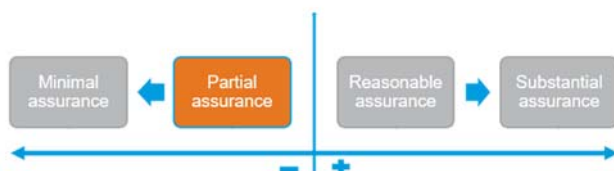
APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Board can take:



Taking account of the issues identified, the Board **cannot take assurance** that the controls upon which the College relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk.



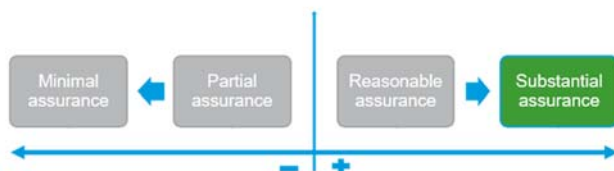
Taking account of the issues identified, the Board can take **partial assurance** that the controls upon which the College relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk.



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

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



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

YOUR INTERNAL AUDIT TEAM

Rob Barnett, Head of Internal Audit

M: 07809 560103

Robert.Barnett@rsmuk.com

Philip Church, Senior Manager

M: 07528 970082

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Mike Gibson, Client Manager

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Michael.Gibson@rsmuk.com

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. 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.

Our report is prepared solely for the confidential use of **Dumfries and Galloway College**, and solely for the purposes set out herein. 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 UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK 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 you 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 UK 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.



Dumfries and Galloway College

Internal Audit Progress Report

29 November 2022

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.



Contents

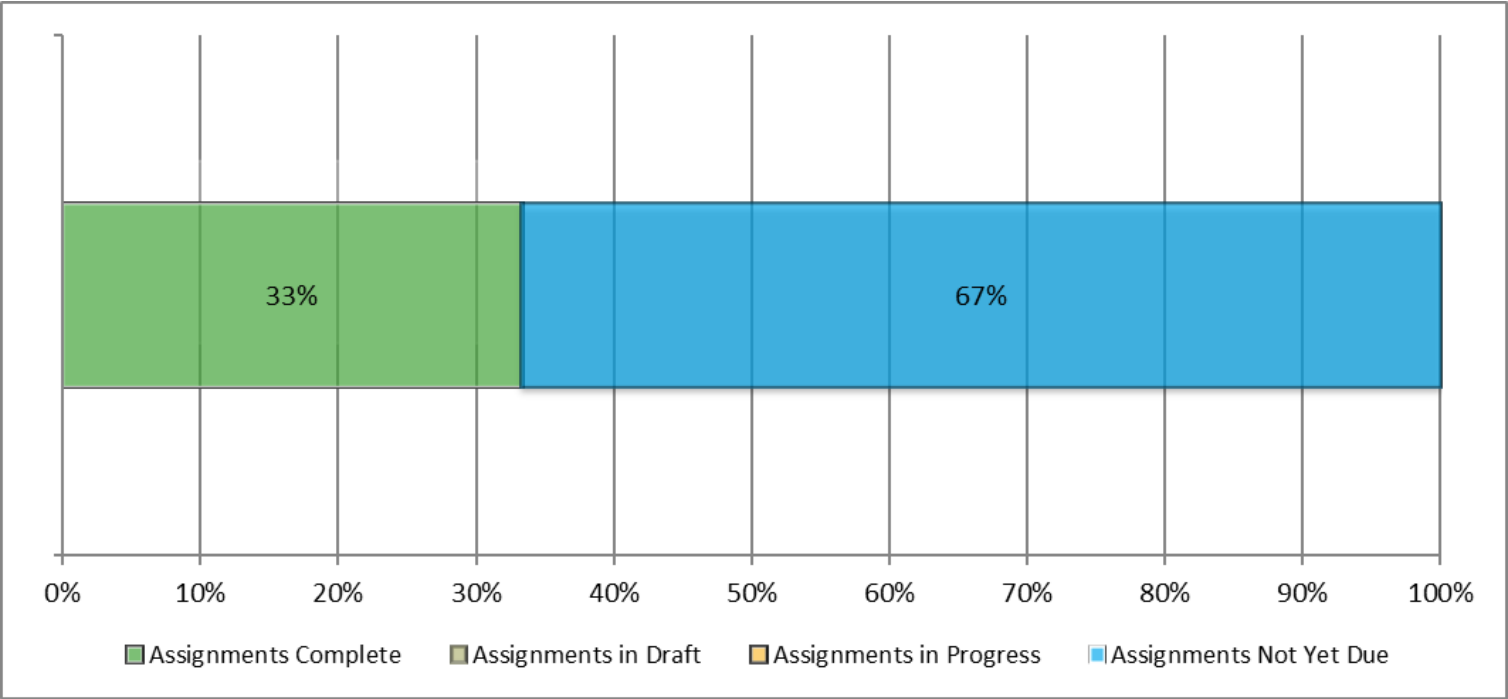
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1 Introduction

The internal audit plan for 2022/23 was approved by the Audit Committee on 15 June 2022.

The graphic below provides a summary update on progress against the 2022/23 plan.



2 Reports

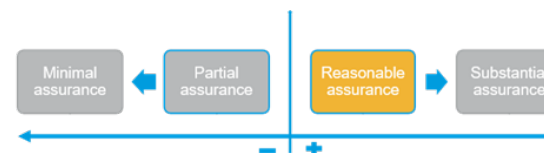
2.1 Summary of final reports being presented to this committee

This section summarises the reports that have been finalised since the last meeting.

Assignment	Actions agreed		
	L	M	H
<u>FES Return</u> <u>Objective:</u> <p>The College has appropriate systems and controls in place to support its underlying data that supports its further educational statistical return and supporting systems.</p>			
<u>Conclusion:</u> <p>Taking account of the issues identified, the College can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area.</p> <p>Our review established that the College have appropriate and adequate systems and controls in place, which operate effectively to support the College's FES return in accordance with the 2021 / 2022 guidance issued by the SFC. We have reported one area where our testing identified credit count variances in relation to open and distance learning, the discrepancies of which have been summarised below. The second finding relating to infill students has not indicated any variation to the credit count. As a result of our review, we have agreed <i>one high</i> and one low priority management action.</p> <p>The high priority management action was as follows:</p> <ul style="list-style-type: none"> We sample tested 12 students who were recorded as completing open and distance learning with the College to evidence that the learning programme participation had been monitored, and if this wasn't in place, the student had been withdrawn, where required. From our sample of 12, we identified two instances where credits had 			

Reasonable Assurance

1 0 1





Assignment

Actions agreed

L M H

been claimed on the FES return, but no record of communication from the students were in place, impacting a total of 6.80 credits from a total of 30 credits based on our sample of 12 student records. This provides a risk that the College are potentially claiming credits for open and distance learning students, where no contact has been made, thus resulting in an ineligible claim. It should also be noted that this was raised as a medium priority management action as part of the 2020 / 2021 audit, and the process appeared largely the same during our current audit.

Context:

Colleges are required to obtain from their internal auditors an independent opinion on the accuracy of the Further Education Statutory (FES) return to the Scottish Funding Council (SFC). In order to do this, internal auditors must assess the adequacy of the College's systems, procedures and controls that underpin the completion of the FES return.

Our review of the FES return was conducted in accordance with the SFC's FES Return and Audit Guidance 2021 / 2022 for colleges. It included a detailed review of the processes and controls in place, relevant to the collection and recording of data and testing of those controls in order to assess the accuracy of the data.

At the time of the audit, the College were under their projected credit target for the academic year 2021 / 2022 with the current credit total standing at 31,540 (as of 23 September 2022) against the College's overall credit target of 33,220. As agreed with the Scottish Funding Council (SFC), colleges have been able to defer students and associated credit claims from previous academic years due to the implications of the Covid-19 pandemic, meaning in some instances, students may have higher credit counts than is standard. We have considered deferred credits, where applicable, throughout this review.

Student Support Funds

No overall assurance rating provided.

0 1 0

Objective:

The College has appropriate systems and procedures in place to record the receipt of funds from the Scottish Funding Council (SFC), assessment of student eligibility for payments, disbursement of funds to students and compilation of their annual return to the SFC.



Assignment

Actions agreed

L M H

Conclusion:

Our review has established that the College has appropriate and adequate systems and controls in place to manage student support funds received from the SFC, and we concluded that those systems and controls in place are operating effectively and in accordance with the SFC guidance for 2021 / 2022.

We agreed **one medium priority** management action, as we were unable to test the completeness of the FES audit return for 2021 / 2022, as the return was still being compiled at the time of our audit, which exceeded the SFC deadline.

The medium priority management action was as follows:

- We were unable to undertake testing on the College's audited return for 2021 / 2022, as the College had experienced a delay in compiling the return. We were therefore unable to provide assurance on this area. The Director of Finance and Planning advised, subsequent to completion of our fieldwork, that the College submitted its return on 18 October 2022, and has provided evidence of the SFC's acceptance of the return, as well as the return itself.

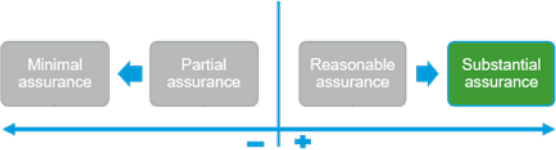
Context:

Our review was carried out in accordance with the Student Support Fund Audit Guidance 2021 / 2022. Our audit included detailed testing of the processes and systems covering the application process, attendance monitoring, and payments.

In 2021 / 2022, the College received £2,693,993 of funding for student support from the SFC, with an additional £75,000 of funding granted in 2021 / 2022, which gives a total of £2,768,993. The Director of Finance and Planning and the Student Funding Officer outlined that in 2021 / 2022, the SFC provided the funds and the budget was allocated into two periods: August 2021 to March 2022 and April 2022 to June 2022. The College receives the grant in monthly instalments, depending on overall spending and bank balances. The College balances were higher up to March 2022, so the College drawdown of bursary funds between August 2021 and February 2022 was relatively low. The SFC advised the College to draw the remainder of the August 2021 to March 2022 portion in March 2022, hence the increase in that month's amount. The College had drawn £1,702,604 up to March 2022, and the remaining £1,066,389 was drawn in from April to June 2022.



Assignment	Actions agreed		
	L	M	H
<u>Health and Safety</u>			
Substantial Assurance	0	0	0
<u>Objective:</u> To ensure the College has appropriate systems in place to mitigate risks relating to health and safety.			
<u>Risk:</u> Risk 3:3: Failure to meet regulatory obligations, e.g. H&S, Prevent.			
<u>Conclusion:</u> Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the College relies to manage this risk are suitably designed, consistently applied and effective. As a result of sample testing, review of documentation and interviews with the Director of Estates and Sustainability, we have not detected any weaknesses and therefore have raised no management actions.			
<u>Context:</u> The College has an Estates Team which is responsible for all Health and safety-related matters for the Dumfries and Stranraer campuses. The Estates Team reviews and monitors all policies and procedures published on the AdminNet staff intranet. The team is also responsible for monitoring incidents, risk assessments, statutory Health and safety responsibilities, and ensuring that the College complies with its Health and Safety policy. A number of processes are in place to comply with statutory responsibilities, which are set out in a Health and Safety Policy which is available on the College's internal AdminNet and its website. The College provides health and safety information, instructions, training and supervision for all individuals, as well as maintaining suitable reporting lines and implementing corrective measures where appropriate. The Director of Estates and Sustainability manages all health and safety arrangements directly, with two assisting members of the Estates Team. The Director of Estates and Sustainability is required to provide an update on all health and safety arrangements on a quarterly basis to the Health and Safety Committee, as well as reporting performance updates quarterly to the Senior Leadership Team and Board.			



Appendix A – Progress against the 2022/23 internal audit plan

Assignment	Status	Audit and Risk Committee reporting per approved internal audit plan	Actual reporting to the Audit and Risk Committee
Business Continuity Planning	Fieldwork scheduled to start week commencing 24 April 2023	September 2023	September 2023
HR: Recruitment	Fieldwork scheduled to start week commencing 24 April 2023	September 2023	September 2023
Cyber Security / Disaster Recovery	Fieldwork scheduled to start week commencing 8 May 2023	September 2023	September 2023
Equality, Diversity and Inclusion (EDI)	Fieldwork scheduled to start week commencing 5 June 2023	September 2023	September 2023
HR: Processing Activities	Fieldwork scheduled to start week commencing 12 June 2023	September 2023	September 2023
Follow-Up of Previous Internal Audit Management Actions	Fieldwork scheduled to start week commencing 3 July 2023	September 2023	September 2023

Appendix B – Key performance indicators (KPIs)

Delivery			Quality		
	Target	Actual		Target	Actual
Draft reports issued within 10 days of debrief meeting	10 days	4 days (average)	Conformance with PSIAS and IIA Standards	Yes	Yes
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	As and when required
Final report issued within 3 days of management response	3 days	1 day (average)	Response time for all general enquiries for assistance	2 working days	2 working days (average)
			Response for emergencies and potential fraud	1 working day	-

Appendix C – Other matters

Changes to the audit plan

Detailed below are the changes to the audit plan and other matters to note:

Note	Auditable area	Reason for change
1	HR: Processing Activities	As part of the internal audit plan this review was scheduled to take place in week commencing 5 December 2022, but it has been agreed with management to conduct this review in week commencing 12 June 2023.
2	Equality, Diversity and Inclusion (EDI)	As part of the internal audit plan this review was scheduled to take place in week commencing 5 June 2023, but it has been agreed with management to conduct this review in week commencing 12 June 2023.



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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. 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.

Our report is prepared solely for the confidential use of **Dumfries and Galloway College**, and solely for the purposes set out herein. 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 UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK 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.

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