

Status: Approved

AUDIT COMMITTEE MEETING

MINUTE OF MEETING HELD ON 13 JUNE 2023 AT 16:00 VIA TEAMS

Present:		
Gillian Brydson (Chair)	William Dowson (WD)	Jamie Ross (JR) 16.45 hrs
Ann Hill (AH)	Sue Irving (SI)	
In attendance:		
Caroline Stuart (CS)	Joanna Campbell (JC)	David Eardley - RSM (DE)
Douglas Dickson (DD)	Karen Hunter (KH)	Michael Gibson – Azets (MG)
Lorraine Grierson (LG)	Alexandra Elkins (note taker)	
Apologies:		
Jill Galloway		

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.
- 1.2. Apologies were received as noted above.

FOR APPROVAL

2. Minutes of Previous Meetings and Matters Arising

2.1. Minute of the Last Meeting 29 November 2022 | Paper 2.2 | Approval | G. Brydson

- 2.1.1. The meeting scheduled for 9 March had been cancelled due to no quorum and therefore the minute of the last meeting, 29 November 2022, was approved by email in advance of the meeting.

2.2. Action Log | Paper 2.2 | Paper 2.3 | Approval | L. Grierson

- 2.2.1. The Committee noted that all actions were marked as closed.
- 2.2.2. The Committee approved the Action Log.

3. External Audit Plan and Scope of Work | Paper 3.1 | Approval | D. Eardley

KH Joined the meeting 16:02 hrs.

- 3.1. D. Eardley advised that Azets had been appointed by Audit Scotland as the external auditor for the period 2022/23 to 2026/27 and subject to new auditing standards which had

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been applied in 2023. As a result of changes to the Code of Audit Practice, the College would be subject to a wider audit with more detailed reporting at the year end and some variations in enquiry would be expected, as shown in appendix 2.

- 3.2. The Committee was briefed on the significant audit risks detailed on page 12 and noted two new areas; monitoring pay bargaining and pay awards. In addition, the wider scope audit work would consider the financial sustainability of the College.
- 3.3. For 2022/23 the Auditor General had requested that risks in relation to climate change and cyber security be applied at a local level.
- 3.4. DE invited comments and questions from attendees.
- 3.5. A question was raised regarding the valuation of commercial assets such as property. DE advised that most assets are valued using the depreciated replacement cost method but not universally applied across Scotland in relation to College Campuses. Items susceptible to market fluctuations would be closely monitored and auditors would work with the College to ensure assets are correctly concluded and included in the annual report.
- 3.6. A query relating to the scrutiny of cyber security was raised and the Committee noted that Audit Scotland had directed this across public sector bodies due to the scale of the risk.
- 3.7. The Committee requested additional information to clarify the increase in fees which was attributed to recent market testing and increased work due to the introduction of a wider code of practice.
- 3.8. Further clarification of the financial sustainability statement on page 29 was requested and the Committee was assured that Audit Scotland will take cognisance of financial reporting requirements set out by the SFC. Discussion followed regarding the impact of increased demand for information provided to both parliament and the public.
- 3.9. The Committee sought clarification on the statement on page 34; “more up-front questions” which was considered normal current practice. It was suggested that the wording was problematic. It was noted that revisions to ISA (UK) 315 would necessitate more in-depth explanations of the impact of systems to ensure accuracy of reporting. DE agreed to feedback comments about the wording.
- 3.10. Further detail was provided regarding the ‘trivial threshold’.
- 3.11. The Director of Finance commended the guidance provided by Azets and the Committee welcomed the plan in particular additional scrutiny around financial sustainability.
- 3.12. **The Committee Approved the External Audit Plan and Scope of work.**

4. Internal Audit Plan and Scope of Work | Paper 4.1 | Approval | M. Gibson

- 4.1. M. Gibson from RSM introduced the internal audit plan for 2023/24 which had been developed in conjunction with the Director of Finance. 7 areas for internal audit had been identified with financial planning and budget monitoring remaining a key focus.
- 4.2. M. Gibson invited comments and questions from attendees.

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- 4.3. A query was raised around the timeline of the audit plan which was concluded in consultation with the Director of Finance to ensure alignment with statutory reporting.
- 4.4. Discussion focussed on the conclusion of the final scope relating to the recent Human Resources audit which had been delayed due to staff absence and the final scope had yet to be finalised. RSM advised that this would need to be completed to fall in line with the timing of the audit opinion.
- 4.5. The Executive advised the Committee of the potential impact of any changes to the Internal Audit Plan and recommended the item be tabled for the next Audit Committee Meeting. The Committee were agreed that due to the operational nature of the item it would be discussed out with the meeting and a further update provided.
- 4.6. **The Executive and RSM will liaise to conclude the scope relating to HR Audit and feedback to the Committee.**
- 4.7. **The Committee Approved the plan for 23/24 with agreed actions.**

5. Strategic Risk Register | Paper 5.1 | Approval | L. Grierson

- 5.1 A review of the Risk Register had been concluded by the Executive Leadership Team. It was noted that a total of 7 risks remained at gross red, however after mitigations only *Risk 3 – 'Failure to achieve institutional sustainability remained'* red. There had been no change to the scoring for Risks 4 & 11, which sit with the Audit Committee.
- 5.2 **The Committee approved risk 4 and risk 11 without change.**
- 5.3 The Committee discussed *Risk 7 – 'Failure to achieve effective Industrial Relations'* and were advised of the status of an ongoing pay dispute and the impact of this on the College and sector. It was noted that the item had been discussed at the recent F&GP Committee meeting and agreement reached to increase the net likelihood rating from 4 to 5.
- 5.4 The Deputy Principal highlighted the impact of TU action on students, ..., and communications to both staff and students as well as mitigations to reduce the impact on progressing students had been applied. Several channels of communication between the Executive and Trade Unions were established and both formal and informal meetings took place regularly.
- 5.5 It was confirmed that all risks assigned to VP Finance and VP People were currently being monitored by two members of the Executive Team, with the Principal having ultimate responsibility. This was due to staff absence and the removal of the VP Finance post, but following the outcome of the Board of Management meeting on 16 June 2023, all risks would be updated with delegated owners. The Committee acknowledged the additional risk of the Executive's capacity to monitor all risks.
- 5.6 Following further discussion, it was agreed to approve the Risk Register with no further changes.
- 5.7 **All Risks sitting under the VP Finance and VP People to be assigned relevant owners after the Board Meeting.**

5.8 **The Committee approved the risk register.**

6. Risk Appetite Review | Paper 5.2 | Approval | J. Campbell

6.1. The Principal introduced the paper explaining that an annual review had been conducted by the Executive Leadership Team and the Committee were asked to discuss, review and approve the risk appetite of the organisation.

6.2. Confidential to members only ...

6.7 **The Committee approved the risk appetite paper with agreed actions.**

FOR DISCUSSION

7. Internal Audit Progress Report | Paper 6.1 | Discussion | M. Gibson

7.1.1. A summary of progress toward the internal audit plan 2022/23 was provided.

7.1.2. It was stated that 44% of assignments had been complete, 44% were in progress and 12% were in draft.

7.1.3. One medium priority action and 2 low priority actions had been reported in relation to HR: Recruitment and the draft report for Cyber Security / Disaster Recovery had been issued and would be shared at the next Audit Committee meeting.

7.1.4. Section 2.2 was new, showing a summary of key findings as themes, this was welcome by the Committee.

7.1.5. **The Committee noted the Internal Audit Progress report.**

7.2. HR Recruitment Report | Paper 6.2 | Discussion | M. Gibson

7.2.1. The Committee discussed the findings of the HR Recruitment Report, which was given Substantial Assurance and concluded on 27 April 2023.

7.2.2. Following the sampling of 10 individuals, adequate systems and process were in place in relation to recruitment with one medium and two low priority management actions identified. It was noted that the College is currently in the process of developing the first draft of a new Recruitment Procedure as the existing version was out of date.

7.2.3. The Chair invited comments and questions from attendees.

7.2.4. ... RSM provided further detail of the findings of the review and noted that sample testing had not brought any significant issues to light.

7.2.5. The Principal recommended a deep dive of the item in the near future and the Chair added that deeper scrutiny may be provided when deciding the scope of the audit. The Committee noted a variety of protocols overseen by the Performance Team to track and monitor progress of Policies and Procedures as well as the process of review and approval by various Committees.

7.2.6. It was confirmed that all policies and procedures are available to view on internal platforms and are assessed for equality impact prior to approval. ...

7.2.7.

7.2.8. **The Committee noted the HR Recruitment Report with agreed actions.**

MG left the meeting at 16:59hrs.

7.3. **Internal Audit Tracker | Paper 6.3 | Discussion | L. Grierson**

7.3.1. The Committee noted a summary of outstanding actions derived from recent internal audit reviews and progress towards completion. All actions were noted as complete except for 1 medium action within the HR Recruitment audit, which was ongoing.

JR joined the meeting at 17:00hrs

8. **Business Continuity Plan Review | Paper 7.1 | Discussion | W. Currie**

8.1. **The Committee noted the Business Continuity Plan and noted the overarching plan will be brought back to the Committee at a later date.**

9. **Committee Self Evaluation | Paper 8.1 | Discussion | L. Grierson**

9.1 LG outlined the statutory requirement within the Code of Good Governance for Scotland's Colleges (section D.23) to self-evaluate annually its performance and effectiveness against its overall duties and responsibilities. LG advised members that the self-evaluation would reflect business over the academic year 2022-23. In previous years, the form was sent out to members to complete and return, however this year, LG asked members to trial completing the form jointly as part of the meeting. LG led members through each section of the form to complete the process, and members were also invited to send any further comments via email if they wished.

FOR INFORMATION ONLY

10. **AOCB**

10.1. There was no other business and the meeting was adjourned at 19.30 hours

11. **Date of the Next Meeting**

11.1. The date of the next meeting is scheduled for Tuesday 19th September 2023 at 1600hrs.



Dumfries & Galloway College

External Audit Annual Plan 2022/23

June 2023



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Introduction

Azets have been appointed by Audit Scotland as the external auditor to Dumfries & Galloway College (“the College”) for the period 2022/23 to 2026/27.

This document summarises the work plan for our 2022/23 external audit. The core elements of our work include:

- an audit of the 2022/23 annual report and accounts.
- consideration of the wider scope areas of public audit work.
- consideration of the College’s participation in the National Fraud Initiative (NFI)
- any other work requested by Audit Scotland.

Our audit will have a similar underlying approach to that of our previous audits, although there are some changes to the Code of Audit Practice and auditing standards that come into effect for the first time in 2022/23, which are reflected in this document.

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We will add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team.

Openness and transparency

This report will be published on Audit Scotland’s website www.audit-scotland.gov.uk.

Audit scope and general approach

Responsibilities of the auditor and the College

The [Code of Audit Practice](#) outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

Auditor responsibilities are derived from statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, the Code of Audit Practice and guidance from Audit Scotland.

The College has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing a set of annual report and accounts that are in accordance with proper accounting practices. The College is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

[Appendix 1](#) provides further detail of both our responsibilities and those of the College.

Risk-based audit approach

We follow a risk-based approach to the audit that reflects our overall assessment of the relevant risks that apply to the College. This ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:



Planning is a continuous process and our audit plans are updated during the course of our audit to take account of developments as they arise.

Communication with those charged with governance

Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be through the Audit Committee.

Professional standards and guidance

We perform our audit of the financial statements in accordance with International Standards on Auditing UK (ISAs (UK)), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting College (FRC).

Partnership working

We coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

Audit Scotland

Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps identify common priorities and risks, treat issues consistently across the sector, and improve audit quality and efficiency. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Audit Scotland undertakes national performance audits on issues affecting the public sector. We may review the College's arrangements for taking action on any issues reported in the national performance reports which have a local impact. We also consider the extent to which the College uses the national performance reports as a means to help improve performance at the local level.

During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

Internal Audit

As part of our audit, we consider the scope and nature of internal audit work and look to minimise duplication of effort, to ensure the total audit resource to the College is used as efficiently and effectively as possible.

Delivering the audit – post pandemic

Hybrid audit approach

We intend to adopt a hybrid approach to our audit which combines on-site visits (as required) with remote working; learning from the better practices developed during the pandemic.

All of our people have the equipment, technology and systems to allow them to work remotely or on-site, including secure access to all necessary data and information.

All of our staff are fully contactable by email, phone call and video-conferencing.

Meetings can be held over Skype, Microsoft Teams or by telephone.

We employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

Secure sharing of information

We use a cloud-based file sharing service that enables users to easily and securely exchange documents and provides a single repository for audit evidence.

Regular contact

During the 'fieldwork' phases of our audit, we will arrange regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

Signing annual accounts

Audit Scotland recommends the electronic signing of annual accounts and uses a system called DocuSign.

Electronic signatures simplify the process of signing the accounts and are acceptable for laying in Parliament. Accounts can be signed using any device from any location. There is no longer a need for duplicate copies to be signed, thus reducing the risk of missing a signature and all signatories have immediate access to a high-quality PDF version of the accounts.

Approach to audit of the annual accounts

Our objective when performing an audit of the annual accounts is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our general approach, we will:

- perform risk assessment procedures including updating our understanding of the entity and its environment, the financial reporting framework and system of internal control;
- review the design and implementation of key internal controls;
- identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances or disclosures;
- design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these

financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

Key audit developments in 2022/23

Revised auditing standards¹, which come into effect from the current year, will have a significant impact on the way we perform our audit, particularly how we assess the risk of material misstatement, our approach to the audit of fraud, and the ways we ensure our audits are performed in line with regulatory requirements and to a high standard. The in-depth nature of these additional procedures, as well as updated tools and techniques that may come into scope, will also offer additional opportunity to provide insights and constructive feedback on the way the College manages risks.

[Appendix 2](#) provides further details on the implications of these new requirements.

Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

The basis for our assessment of materiality is set out in [Appendix 3](#).

¹ Revisions to ISA (UK) 315 on auditors' responsibility to identify and assess the risks of material misstatement in the financial statements and ISA (UK) 240 on material misstatements caused by fraud came into effect for audits of financial statements with periods commencing on or after 15 December 2021.

Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work is not for the purpose of expressing an opinion on the effectiveness of internal controls.

We will report to the College, significant deficiencies in internal controls that we identify during the audit. The scope of our work is not designed to be an extensive review of all internal controls.

Specialised skill or knowledge required to complete the audit procedures

Our intended audit approach is to consult internally with our Technology Risk team for them to support the audit team in assessing the information technology general controls (ITGC).

Going concern

In most public sector entities, the financial reporting framework envisages that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For many public sector entities, the financial sustainability of the entity is more likely to be of significant public interest than the application of the going concern basis. Our wider scope audit work considers the financial sustainability of the College.

Prevention and detection of fraud or error

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular we require to be notified of all frauds which:

- Involve the misappropriation of theft of assets or cash which are facilitated by weaknesses in internal control
- Are over £5,000.

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

National Fraud Initiative

The National Fraud Initiative (NFI) in Scotland is a biennial counter fraud exercise led by Audit Scotland working together with a range of Scottish public bodies, external auditors and overseen by the Cabinet Office for the UK as a whole. The most recent NFI exercise commenced in 2022, with matches to be received for investigation from January 2023. As part of our 2022/23 audit, we will monitor the College's participation and progress in the NFI.

Anti-money laundering

We require the College to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

Wider audit scope work

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. [Appendix 1](#) provides detail of the wider scope areas of public sector audit work. Our initial risk assessment and scope of work planned for 2022/23 is outlined in the '[Wider Scope](#)' section of this plan.

National risk assessment

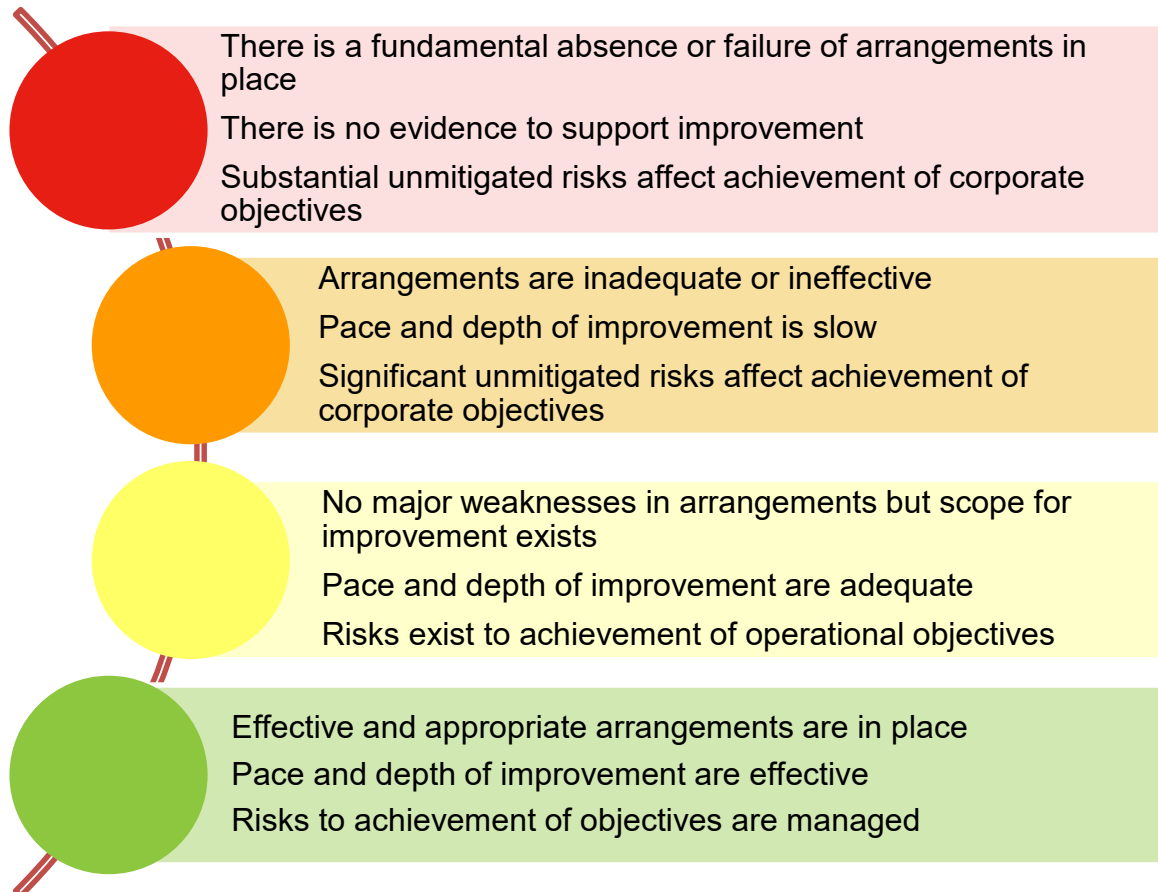
Where particular areas of national or sectoral risk have been identified by the Auditor General, they will request auditors to consider and report on those risks as they apply at a local level. For 2022/23 the following areas have been identified:

- Climate Change
- Cyber Security

[Appendix 4](#) provides further detail as to the scope of this work.

Reporting our findings

We will provide judgements on the pace and depth of improvement in reporting our findings on wider scope areas. We will use the following grading to provide an overall assessment of the arrangements in place.



Significant and other risks of material misstatement

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- are required to be treated as significant risks by auditing standards, for example in relation to management override of internal controls.

Significant risks at the financial statement level

The table below summarises the significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Identified risk of material misstatement	Audit approach
<p>Management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals. • Testing high risk and / or unusual journals posted during the year and after the unaudited annual

Identified risk of material misstatement	Audit approach
Risk of material misstatement: Very High	<p>accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the College's journals policy.</p> <ul style="list-style-type: none"> Gaining an understanding of the accounting estimates and critical judgements made by management. We will challenge assumptions and consider the reasonableness and indicators of bias which could result in material misstatement due to fraud. Evaluating the rationale for any changes in accounting policies estimate or significant unusual transactions.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The table below summarises the significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Identified risk of material misstatement	Audit approach
<p>Fraud in revenue recognition</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements).</p> <p>The presumption is that the College could adopt accounting policies or recognise income in such a way as to lead to a</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> Evaluation the significant income streams and review the controls in place over accounting for revenue. Consideration of the College's key areas of income and obtaining evidence that income is recorded in line with appropriate

Identified risk of material misstatement	Audit approach
<p>material misstatement in the reported financial position.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.</p> <p>In respect of College's income for Scottish Funding Council (SFC) grant funding, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams. The risk of fraud in relation to revenue recognition is however present in all other revenue streams.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Revenue (occurrence / completeness): High 	<p>accounting policies and the policies have been applied consistently across the year.</p>
<p>Fraud in non-pay expenditure</p> <p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Non-pay expenditure (occurrence / completeness): High • Accruals (existence / completeness): High 	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating the significant non-pay expenditure streams and reviewing the controls in place over accounting for expenditure. • Consideration of the College's key areas of expenditure and obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Review of accruals around the year end to consider if there is any indication of understatement

Identified risk of material misstatement	Audit approach
	of balances held through consideration of accounting estimates.
<p>Valuation of land and buildings (key accounting estimate)</p> <p>The College held land and buildings with a net book value of £37.154 million at 31 July 2022, with external valuations last undertaken as at 31 July 2020.</p> <p>There is a significant degree of subjectivity in the measurement and valuation of land and buildings. This subjectivity and the material nature of the College's asset base represents an increased risk of misstatement in the financial statements.</p> <p>Inherent risk of material misstatement:</p> <p>Land & Buildings (valuation): Very High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to the valuation experts and the scope of their work. • Evaluating the competence, capabilities, and objectivity of the valuation expert. • Considering the basis on which the valuation is carried out and the challenge in the key assumptions applied. • Testing the information used by the valuer to ensure it is complete and consistent with our understanding. If there have been any specific changes to the assets in the year, we will ensure these have been communicated to the valuer. • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct. • Evaluating the assumptions made by management for any assets not revalued during the year and how management are

Identified risk of material misstatement	Audit approach
	satisfied that these are not materially different to the current value.
<p>Pension asset / liability (key accounting estimate)</p> <p>An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under FRS 102 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities.</p> <p>A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation, and mortality rates) can have a material impact on the pension asset/liability.</p> <p>There is a risk that the assumptions used are not appropriate.</p> <p>Inherent risk of material misstatement:</p> <p>Pensions (valuation): High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Review of the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate. • Reviewing the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. • Agreeing the disclosures in the financial statements to information provided by the actuary. • Considering the competence, capability, and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.

Wider scope

Introduction

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of audit areas:

- Financial sustainability
- Financial management
- Vision, leadership and governance
- Use of resources to improve outcomes.

Our planned audit work against these four areas is risk based and proportionate. Our initial assessment builds upon our understanding of the College's key priorities and risks along with discussions with management and review of Board and key Committee minutes and key strategy documents.

We have identified one significant risk in relation to financial sustainability as set out in the table below. At this stage, we have not identified any significant risks in relation to the other wider scope areas.

Audit planning however is a continuous process and we will report all identified significant risks, as they relate to the four wider scope areas, in our annual audit report. This section summarises our audit work in respect of each wider scope area.

Wider scope significant risk

Financial sustainability

The College continues to face significant challenges, with ongoing effort and activity to reach a long term sustainable position. The 2022/23 Financial Forecast Return shows an adjusted operating deficit in 2023/24 and 2024/25. However, these projections are highly dependent on the phasing of the College's return from lockdown restrictions and the recovery of non-SFC income which has been significantly impacted throughout the pandemic.

Staff costs continue to be a significant pressure are for the College, although work is underway through the Transformation Plan to address this and generate savings. The Transformation Plan has been reviewed in light of the COVID-19 pandemic. Whilst it was deemed that the drivers for change and overall objectives remained valid, the impact of COVID-19 highlighted the need to accelerate the pace of change in some areas.

Work is ongoing to prepare the 2023/24 budget and update medium term financial plans, reflecting on the continued impact the COVID-19 pandemic has on service delivery and financial forecasts.

Our audit response:

During our audit we will review whether the College has appropriate arrangements in place to manage its future financial position. Our work will include an assessment of progress made in developing financially sustainable plans which reflect the medium and longer term impact of cost pressures and that continue to support the delivery of the College's statutory functions and strategic objectives.

Our audit approach to the wider scope audit areas



Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Consideration

In 2021/22 we concluded that the College has adequate arrangements in place for financial planning and monitoring in the short and medium term but recognised that the College continues to face significant challenges and uncertainty over the medium term, operating within tight financial parameters.

The Financial Forecast Return prepared in September 2022 reported an adjusted operating surplus of £22k for the year ending 31 July 2023. An operating deficit position is expected from 2023/24 to 2026/27.

Staff costs continue to be a key pressure which the College is continuing to reflect on through operational planning. There is a significant degree of uncertainty across the sector however, particularly regarding the demand for commercial and international training and management recognise an increasing reliance on SFC income as a result. Small changes in assumptions, such as pay increases, could have a significant impact on the underlying operating position.

Our audit approach

We will review and conclude on:

- The ongoing development of financial planning and modelling to identify and address risks to financial sustainability;
- The appropriateness and effectiveness of arrangements in place to address any identified funding gaps; and
- Alignment of operational and financial planning over the medium-term, including key areas such as workforce planning and estates management.



Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Consideration

The College initially estimated an operating deficit of £617,000 for the year ended 31 July 2023, with an adjusted operating profit of £22,000. This estimate took into account the following:

- a) A return to increasing full time and part time HE student numbers and related utilisation of catering and other income generating facilities.
- b) Continuing partnership with UWS
- c) An increase of 2% on pay levels in line with Public Sector Pay Policy (we note this has more recently been subject to national pay bargaining discussions)
- d) A reduction in staffing costs of £511k

The current forecast as at June 2023 shows an adjusted operating profit of £8,000. The main reason for the variance between the September 22 forecasts relates to staff costs, partly due to an assumed 5% pay award.

The College also participates in the National Fraud Initiative (NFI) which is a counter fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and overseen by the Cabinet Office for the UK as a whole to identify fraud and error. The most recent NFI exercise commenced in January 2023, with matches to be investigated by 30 September 2023.

Our audit approach

We will review and conclude on:

- The achievement of financial targets and effectiveness of financial performance reporting during 2022/23;
- Whether the College can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;
- Whether the College has arrangements in place to ensure systems of internal control are operating effectively;
- Whether the College has established appropriate and effective arrangements for the prevention and detection of fraud and corruption; and
- The College's participation and progress in the National Fraud Initiative.



Vision, Leadership and Governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Consideration

In 2021/22 we reported that the Board had continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge. Our assessment was informed by a review of the corporate governance arrangements in place, information provided to the Board of Management and Committees, as well as the risk management arrangements in place.

We were satisfied that the Governance Statement for the year to 31 July 2022 was consistent with the financial statements and information gathered during the course of our audit work. We confirmed that the disclosures made were in line with the Government Financial Reporting Manual and the SFC Accounts Direction.

Our audit approach

We will review and conclude on:

- The clarity of the vision and strategy and if these are supported by a set of priorities and links to services and local communities;
- Whether the College can demonstrate that the governance arrangements in place are appropriate and operating effectively;
- Whether inductions and ongoing training arrangements for new Board members support effective scrutiny and challenge;
- The transparency of decision-making, financial reporting and performance data;
- Reasonableness and consistency of the governance statement in relation to other information gathered during our audit.



Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Consideration	Our audit approach
<p>The College's Ambition 2025 is underpinned by five supporting strategies;</p> <ul style="list-style-type: none"> • Student Experience • People & Culture • Growth & Innovation • Finance & Performance • Systems & Infrastructure <p>Delivery of these plans will be monitored throughout the year until 2025. Operational performance is monitored at a Committee and Executive level. The Board receives an annual outturn reporting on performance, outlining performance against target.</p>	<p>We will review and conclude on:</p> <ul style="list-style-type: none"> • The robustness of the College's performance management framework and the appropriateness of key performance indicators in supporting effective scrutiny and decision making; • Whether the College can evidence a clear link between prioritised spending and improvement against outcomes; and • The arrangements in place relating to the best value theme of fairness and equality.

Your Azets audit management team

David Eardley: Engagement Lead

david.eardley@azets.co.uk

David has nearly two decades of experience and specialises in external and internal audit of public sector clients. David's primary area of focus and expertise is in the health and education sectors.

David works with public sector clients ranging from £1.5 billion health boards to specialist government entities. David has a wealth of technical accounting expertise, coupled with strong interpersonal skills and client relationship skills.



Elaine Adie: Engagement Manager

elaine.adie@azets.co.uk

Elaine will manage the delivery of the fieldwork and work alongside David to deliver the audit engagement.

Elaine specialises in external audit and works with a wide range of public sector, commercial and charity clients.



Audit timetable

The submission date for audited annual accounts in further education is with the submission date set by the Scottish Funding Council.

We have set out below target months which align to the schedule of College meetings. We aim to meet these scheduled meetings however this will be monitored during the audit process and may require to be revised to reflect emerging issues.

Audit work/output	Description	Target month/s	Audit Committee	Deadline
Audit plan	Planning meetings, understanding the entity, risk assessment. Audit plan setting out the scope of our audit, including key audit risks, presented to the Audit Committee.	May/June 2023	June 2023	30 June 2023
Final audit	Accounts presented for audit and final audit visit begins	September – October 2023	N/A	N/A
Independent Auditor's Report	This report will contain our opinions on the financial statements, the audited part of the remuneration and staff report, annual governance statement and performance report.	November/December 2023	November/December 2023	31 December 2023

Audit work/ output	Description	Target month/s	Audit Committee	Deadline
Annual Report to the College and the Auditor General for Scotland	At the conclusion of each year's audit we issue an annual report summarising our work and all opinions, conclusions, significant issues and recommendations. This report pulls together all of our work under the Code of Audit Practice.	December 2023	December 2023	31 December 2023

Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.

The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

Audit fee

For 2022/23, the new auditor appointment process provided Audit Scotland with a fair representation of the current audit market and highlighted the increasing requirements, expectations and scrutiny of the audit profession.

High quality audit work is essential to successfully deliver a fully ISA and Code of Audit Practice-compliant audit. These factors have led to above inflation increases in the cost of audit. Whilst these increases are significant, they are consistent with evidence obtained from the profession and other UK audit agencies. On setting fees, Audit Scotland has ensured that efficiencies have been fully utilised to mitigate the impact.

In the further education sector, the average fee increase from prior year is 57.5%.

Audit Scotland sets an “expected” audit fee that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors’ experience, new requirements, or significant changes to the audited body.

The expected fee level notified to the Board for 2022/23 is £26,360, which is £8,030 higher than the fee agreed in the previous year and is lower than the sectoral increase of 57.5%. As well as reflecting the factors noted above, this year and going forward Dumfries & Galloway College will be subject to the full wider scope audit regime (having previously been subject to more restricted wider scope audit).

As auditors, we negotiate a fee with the College that reflects our assessment of the work required to address the risks identified during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.

Under revised guidance from Audit Scotland, a full wider scope assessment is required for the 2022/23 audit year onwards. We will also incur notable additional costs associated with increased focus on IT general controls, and high levels of significant audit risks within the FE sector. We will look to complete the audit in line with the revised expected fees, but we will discuss with management over the course of the audit the costs associated with this work to use this first year as an indicator of the actual costs of delivering against all these extended requirements and expectations.

Our audit fee for the current year (with prior year comparatives, as set under the previous tender/appointment round of six years ago) is as follows:

	2022/23	2021/22
Auditor remuneration	£40,830	£16,730
Pooled Costs	(£5,910)	£840
Audit Support Costs	£1,040	£760
Sectoral Cap Adjustment	(£9,100)	-
Total fee	£26,860	£18,330

We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge a fee for additional audit work. An additional fee will also be required in relation to any other significant exercises not within our planned audit activity.

The above includes fees to cover attendance at the December Board meeting.

Audit independence and objectivity

We are required to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we comply with FRC's Ethical Standard. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets and the College, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.

FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. We have detailed in the table below the non-audit services provided to the College, the threats to our independence and the safeguards we have put in place to mitigate those threats.

Non-audit service	Fee	Type of threat	Safeguard
VAT and PSA advisory services	£4,000*	Self-review Management decisions	VAT and PSA advisory services are provided by a separate team.

**The VAT advisory work was covered by the £4,000 yearly retainer.*

Appendix 1: Responsibilities of the Auditor and the College

The Auditor General and Audit Scotland

The Auditor General for Scotland is a Crown appointment and independent of the Scottish Government and Parliament. The Auditor General is responsible for appointing independent auditors to audit the accounts of the Scottish Government and most Scottish public bodies, including NHS bodies, and reporting on their financial health and performance.

Audit Scotland is an independent statutory body that co-ordinates and supports the delivery of high-quality public sector audit in Scotland. Audit Scotland oversees the appointment and performance of auditors, provides technical support, delivers performance audit and Best Value work programmes and undertakes financial audits of public bodies.

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The [2021 Code](#) came into effect from 2022/23.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the College and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management



Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance



Audited bodies must have a clear vision and strategy, and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes



Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>

College Board responsibilities

The College Board has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include the following:

Area	College responsibilities
Corporate governance	<p>The College is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements and related reports	<p>The College has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of its financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements. Management commentaries should be fair, balanced and understandable. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>The College is responsible for developing and implementing effective systems of internal control as well as financial, operational</p>

Area	College responsibilities
	<p>and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The College is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
Standards of conduct for prevention and detection of fraud and error	<p>The College is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
Financial position	<p>The College is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.

Appendix 2: Impact of revised auditing standards

Revised auditing standards, which come into effect from the current year, will have a significant impact on the way we perform our audit, particularly how we assess the risk of material misstatement, our approach to the audit of fraud, and the ways we ensure our audits are performed in line with regulatory requirements and to a high standard. The table below provides further detail on the implications of these new requirements.

Key change	Potential impact on the College & our approach
Enhanced risk identification and assessment, promoting more focused auditor responses to identified risks	<p>Management and those charged with governance may receive more up-front questions as we plan the audit and identify and assess risks of material misstatement.</p> <p>We may conduct planning and risk assessment procedures at a different time to ensure that our understanding is comprehensive, and that information is leveraged effectively and efficiently.</p> <p>To facilitate a more robust risk-assessment, we may request additional information to enhance our understanding of systems, processes and controls. For example, we may request:</p> <ul style="list-style-type: none"> • a better understanding of the College's structure and operations and how it integrates information technology (IT) • more information about the College's processes for assessing risk and monitoring its system of internal control • more detailed narratives about how transactions are initiated, recorded, processed and reported • policies and procedure manuals, flowcharts and other supporting documentation to validate our understanding of the information systems relevant to the preparation of the financial statements • more information to support our inherent risk assessment. <p>This information not only informs our risk assessment but also assists us in determining an appropriate response to risks</p>

Key change	Potential impact on the College & our approach
	<p>identified, including any new significant risks which require a different response.</p>
<p>Understanding and acting on risks associated with IT</p>	<p>We will be asking tailored questions and making information requests to understand the IT environment, including:</p> <ul style="list-style-type: none"> • IT applications • supporting IT infrastructure • IT processes • personnel involved in the IT processes. <p>Combined with the controls that may be needed to address the identified and assessed risks of material misstatement, this understanding may also identify existing and new risks arising from the use of IT. Therefore, we will be asking more focused questions and requesting additional information to understand the general IT controls that address such risks. For example, we may have questions in relation to general IT controls over journal entries (e.g., segregation of duties related to preparing and posting entries) to address risks arising from the use of IT.</p> <p>Depending on our assessment of the complexity of systems and associated risks, we may also involve additional team members, such as IT specialists.</p>
<p>Enhanced procedures in connection with fraud</p>	<p>We will be asking targeted questions as part of an enhanced approach to fraud, including discussing with the College:</p> <ul style="list-style-type: none"> • any allegations of fraud raised by employees or related parties • the risks of material fraud, including those specific to the local government sector. <p>Combined with other information, and any inconsistencies in responses from those charged with governance and management, we determine implications for further audit procedures. Work in connection with fraud may also now include the use of audit data analytics, or the inclusion of specialists in our engagement team to ensure we obtain sufficient appropriate audit evidence to conclude whether the</p>

Key change	Potential impact on the College & our approach
	<p>financial statements are materially misstated as a result of fraud.</p> <p>In addition to existing communication and reporting requirements relating to irregularities and fraud, there may be further matters we report in connection with management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.</p> <p>These enhanced requirements may assist in the prevention and detection of material fraud, though do not provide absolute assurance that all fraud is detected or alter the fact that the primary responsibility for preventing and detecting fraud rests with the College and management.</p>
Enhanced requirements for exercising professional scepticism	<p>Challenge, scepticism and the application of appropriate professional judgement are key components of our audit approach. You may receive additional inquiries if information is found that contradicts what our team has already learned in the audit or in instances where records or documents seen in the course of the audit appear to have been tampered with, or to not be authentic.</p>
Using the right resources, in the right way, at the right time	<p>One of our new strategic quality objectives sets out that we will strive to use the right resource, in the right way, at the right time. This may mean increasing the use of specialists (for example in relation to general IT controls) or changing the shape of the audit engagement team to ensure that we are able to provide appropriate challenge and feedback in specialist areas.</p> <p>This will include appropriate use of technology, including data analytics.</p>

Appendix 3: Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the College and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

£	
Overall materiality for the financial statements	279,000
Performance materiality	209,000
Trivial threshold	13,950
Materiality	<p>Our assessment is made with reference to the College's gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing financial performance.</p> <p>Our assessment of materiality equates to approximately 1.7% of the College's gross expenditure as disclosed in the 2021/22 audited annual report and accounts.</p> <p>In performing our audit, we apply a lower level of materiality to the audit of the Remuneration and Staff Report. Our materiality is set at £5,000.</p>
Performance materiality	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p>

**Trivial
misstatements**

Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.

Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In accordance with Audit Scotland's planning guidance this should not exceed £250,000.

Appendix 4: National risk areas under scope of audit in 2022/23

Climate change

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045, and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

There are specific legal responsibilities placed on public bodies to contribute to reducing greenhouse gas emissions, to adapt to climate change, to act sustainably and to report on progress. A number of public bodies have declared a climate emergency and set their own net zero targets, some of which are earlier than Scotland's national targets. All public bodies will need to reduce their direct and indirect emissions, and should have plans to do so. Many bodies will also have a role in reducing emissions in wider society, and in supporting activity to adapt to the current and potential future impact of climate change. For example, working with the private sector and communities to help drive forward the required changes in almost all aspects of public and private life, from transport and housing to business support.

Public audit has an important and clear role to play in:

- helping drive change and improvement in this uncertain and evolving area of work
- supporting public accountability and scrutinising performance
- helping identify and share good practice.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

For 2022/23 audits, auditors are required to provide answers to the questions set out in the following table which are intended to gather basic information on the arrangements for responding to climate change in each body:

Key questions

What targets has the body set for reducing emissions in its own organisation or in its local area?

Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?

How does the body monitor and report progress towards meeting its emission targets internally and publicly?

Has the body considered the impact of climate change on its financial statements?

What are the areas of the financial statements where climate change has, or is expected to have, a material impact?

Does the body include climate change in its narrative reporting which accompanies the financial statements and is it consistent with those financial statements?

Cyber security

There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place.

A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

For 2022/23 audits, auditors are advised to consider risks related to cyber security at audited bodies. However, the revised ISA (UK) 315 includes enhanced requirements for auditors to understand a body's use of IT in its business, the related risks and the system of internal control addressing such risks. The Auditor General and Accounts Commission consider that meeting these additional requirements is likely to be sufficient consideration of cyber security in 2022/23.

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DUMFRIES AND GALLOWAY COLLEGE

Internal Audit Strategy 2023/24 - 2025/26 (including the 2023/24 Internal Audit Plan)

Presented at the Audit Committee meeting of: 13 June 2023

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.

EXECUTIVE SUMMARY

Our internal audit plan for 2023 / 2024 is presented for consideration by the Audit Committee. During the year, we will continue to work with management and hold regular meetings to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs.

The key points to note from our plan are:



2023 / 2024 internal audit priorities: internal audit activity for 2023 / 2024 is based on analysing your risk profile and assurance framework as well as other factors affecting you in the year ahead, including changes within the sector. Our detailed plan for 2023/24 is included at section two.



Level of resource: the level of resource required to deliver the plan is detailed in section two and in line with our tender proposal.



Core assurance: the key priorities and changes within the College during the period have been reflected within the proposed audit coverage for 2023 / 2024 and beyond.



'Agile' approach: our approach to working with you has always been one where we will respond to your changing assurance needs. By employing 'agile' or a 'flexible' approach to our service delivery, we are able to change the focus of audits / audit delivery; keeping you informed of these changes in our progress papers to the Audit Committee during the year.

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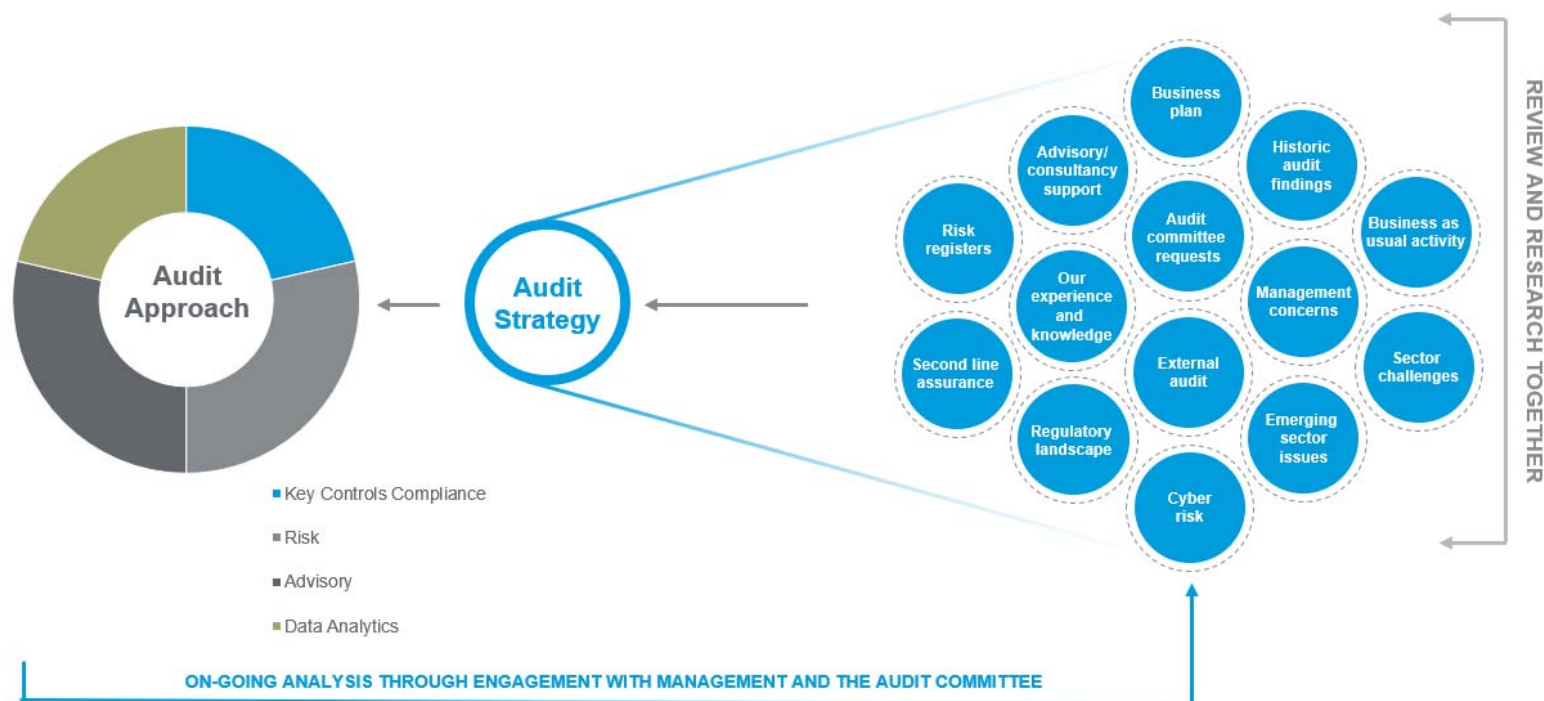
1. YOUR INTERNAL AUDIT PLAN

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.

Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers 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 senior management and the Audit Committee.

Figure A: Audit considerations – sources considered when developing the internal audit strategy.



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

2. INTERNAL AUDIT PLAN 2023 / 2024

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2023 / 2024. The table details the strategic risks 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. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes time for tracking the implementation of actions and an audit management allocation.

Objective of the review (Strategic risk)	Fee	Proposed timing	Proposed Audit Committee
Strategic risk			
<i>Risk 2:1: Failure to achieve institutional sustainability</i>	£3,582	W/c 4 December 2023	February 2024
<u>Financial Planning / Budget Monitoring</u>			
Given the uncertain financial climate and high rates of inflation, robust financial management is critical to good governance, decision-making and future success.			
<i>Risk 9: Failure to adhere to academic compliance arrangements.</i>	£4,776	W/c 11 March 2024	June 2024
<u>Awarding Body Activity</u>			
Our review will focus on how the College ensures its courses meet the requirements of the awarding bodies specifications.			
<i>Risk 10: Failure to achieve an effective student experience.</i>	£4,179	W/c 13 May 2024	September 2024
<u>Student Onboarding</u>			
This review will consider the College's onboarding process for learners. We will consider the learner journey from the point of application to enrolment and induction and consider how the College ensures learners remain engaged to increase retention rates.			
Core assurance			
<u>FES Return</u>	£4,776*	W/c 11 September 2023	November 2023
An annual review of the College's FES Return which has been prepared by the College under the 'Credits' Guidance.			
Our review will be undertaken in accordance with guidance issued by the Scottish Funding Council (SFC) and sample testing undertaken against the high-risk areas highlighted by the SFC.			
<u>Student Support Fund</u>	£4,776*	W/c 4 September 2023	November 2023

Objective of the review (Strategic risk)	Fee	Proposed timing	Proposed Audit Committee
Payments to students are genuine claims for hardship, bursary or EMA, and have been processed and awarded in accordance with College procedures and SFC funding guidance.			
<u>Risk Management</u> We will consider the arrangements in place to identify, assess and monitor risks to the delivery of the College's objectives to ensure that decisions are made at the appropriate level and on a timely basis regarding mitigating actions.	£3,582	W/c 23 October 2023	November 2023
<u>GDPR</u> Our review will consider whether the College has in place adequate and effective policies and processes to enable it to comply with the requirements of the General Data Protection Regulation (GDPR). We will also consider: <ul style="list-style-type: none"> • Allocation of responsibilities. • Training and awareness. • Records of data processing activities and impact assessments. • Processes in place to respond to requests from data subjects. 	£4,179	W/c 10 June 2024	September 2024
Other Internal Audit Activity			
<u>Follow Up of Previous Internal Audit Management Actions</u> To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	£2,985	W/c 15 July 2024	September 2024
<u>Management</u> This will include: <ul style="list-style-type: none"> • Annual planning. • Preparation for, and attendance at, the Audit Committee. • Regular liaison and progress updates. • Liaison with external audit and other assurance providers. • Preparation of the annual opinion. 	£3,582	As and when required throughout the year	
Total	£36,417		

A detailed planning process will be completed for each review, and the final scope will be documented in an assignment planning sheet. This will be issued to the key stakeholders for each review.

**To note, the fees for the FES Return and Student Support Funds reviews are subject to change depending on the level of requirements outlined within the Scottish Funding Guidance annual update.*

2.1 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.

APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM UK Risk Assurance Services LLP. The team will be led by Rob Barnett as your Head of Internal Audit, supported by Michael Gibson as your Client Manager and Hollie Adams as your Assistant Manager.

Core team

The delivery of the 2023 / 2024 audit plan will be based around a core team.

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.

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.

APPENDIX B: INTERNAL AUDIT STRATEGY 2022 / 2026

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above, as well as our own view of the risks facing the sector as a whole.

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

Internal Audit – Third Line of Assurance

(Independent review / assurance)

2020/21 2021/22 2022/23 2023/24 2024/25 2025/26

Audit Area

Strategic risk:

Risk 3: Failure to achieve institutional sustainability	✓ (Financial Reporting / Planning / Forecasting)	✓ (Financial Planning / Budget Monitoring)			
Risk 5: Business continuity incident – fire, systems, emergency procedures, health	✓ (Business Continuity – Recovery Plan)	✓ (Business Continuity Planning)		✓	
Risk 9: Failure to adhere to academic compliance arrangements			✓ (Awarding body activity)		✓
Risk 10: Failure to achieve an effective student experience			✓		

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

Internal Audit – Third Line of Assurance

(Independent review / assurance)

2020/21 2021/22 2022/23 2023/24 2024/25 2025/26

Audit Area

(Student onboarding)

Risk 11: Failure to achieve and maintain systems and operatable and secure ICT

✓

(Cyber Security)

✓

(Cyber Security / Disaster Recovery)

✓

Risk 12: Health and safety

✓

(Health and Safety)

✓

(Health and Safety)

✓

Core assurance:

Complete training solutions

✓

(Income Generation – CTS)

✓

FES Return

✓

✓

✓

✓

✓

✓

Student Support Funds

✓

✓

✓

✓

✓

✓

Governance

✓

(Code of Good Governance)

✓

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

Internal Audit – Third Line of Assurance

(Independent review / assurance)

2020/21 2021/22 2022/23 2023/24 2024/25 2025/26

Audit Area

Key Financial Controls	✓ (Asset management)					✓
Human Resources Management		✓ (HR: Reporting / Payroll - iTrent)	✓ (HR Recruitment)		✓	
			✓ (HR processing activities)			
Risk Management				✓		
Student Applications		✓				✓
Curriculum – Timetabling / Efficiency of Lecturing Staff		✓			✓	
Equality, Diversity, and Inclusion (EDI)			✓			
GDPR				✓		
Other internal audit activity:						
Follow Up of Previous Internal Audit Management Actions	✓	✓	✓	✓	✓	✓

APPENDIX C: 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 International Standards for the Professional Practice of Internal Auditing and approval of the charter is the responsibility of the Audit Committee.

The internal audit service is provided by RSM UK Risk Assurance Services LLP (“RSM”).

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. The internal audit function is required to comply with the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

Mission of internal audit

As set out in the IPPF, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to Rob Barnett (acting as your Head of Internal Audit). The independence of RSM is assured by the internal audit service reporting to the Chief Executive, with further reporting lines to the Director of Finance and Planning.

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 Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit 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.
- 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.
- Report regularly to the Audit Committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- **Internal audit:** a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- **Senior management:** who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.

- **Board of Management:** the highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "board" may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an audit committee).

Client care standards

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:

- 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 six weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 15 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- 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.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Huddle.
- Management responses to the draft report should be submitted to RSM.
- Within three working 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.

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.

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 College 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 College'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 College 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 College'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.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Audit Committee.

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 be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

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

FOR FURTHER INFORMATION CONTACT

Rob Barnett, Head of Internal Audit

RSM
1 St. James' Gate
Newcastle upon Tyne
NE1 4AD

M: 07809 560103

Robert.Barnett@rsmuk.com

rsmuk.com

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.

MEETING	AUDIT COMMITTEE
AGENDA ITEM:	5
PAPER NO:	AUD0623-5.1

Date	13 June 2023
Location	MS Teams On-line
Title of Paper	Strategic Risk Register
Presented By	L Grierson
Recommendation	Approval
Appendix Attached	No
Disclosable Under FOISA	YES

Read Time: 10 mins

1. RECOMMENDATION

- 1.1 The Audit Committee are asked to consider, and if so minded, approve the Strategic Risks 4 and 11 and consider any changes to Risks presented from Committees.

2. EXECUTIVE SUMMARY

- 2.1 The purpose of this paper is to provide the Committee with the opportunity to review the College's Strategic Risks assigned to Audit Committee, note changes to risks assigned to other Committees and oversee the full register.

3. CONTEXT

- 3.1 The Principal and Executive Leadership Team routinely review the Strategic Risk Register to reflect the key risks to the College and the mitigations that are applied to each risk.

Currently Audit Committee has 2 risks assigned to it for review and any amendment made to these is noted below:

Risk 4 – Financial Fraud – **no change**

Risk 11 – Failure to achieve and maintain systems and operable and secure ICT – **no change**

3.2 L&T Committee – Risk 9: Failure to adhere to academic compliance - **Gross rating reduced to 12 and net rating reduced to 4.**

3.3 Currently there are 7 risks at gross red, however after mitigations have been applied, only Risk 3 - Failure to achieve institutional sustainability remains red, in line with the current financial climate.

4. STRATEGIC IMPLICATIONS

4.1 The risks associated with Audit Committee link into the following strategic priorities: Priority 1 – Student Experience, Priority 4 – Growth and Financial Sustainability; Priority 5 – Systems and Infrastructure

5. RISK

RISK	MITIGATIONS
Risks 4, 11	Paperwork attached for reference.

6. IMPLICATIONS

Financial	Yes	Financial loss and reputational damage and impact to financial sustainability.
Legal	Yes	Compliance with UK GDPR and the Data Protection Act 2018 (DPA 2018) and the Privacy and Electronic Communications Regulation 2003 (PECR 2003).ICO implications.
Learning and Teaching	Yes	Serious impact to the college's ability to operate and deliver education to students.
Equalities	No	

L Grierson

Secretary to the Board

12 May 2023

DUMFRIES AND GALLOWAY COLLEGE

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		Moderate	=
2	Legal actions; serious accident; incident or civil/criminal breach (BoM)										
		5	3	15		3	2	6		Moderate	=
Responsible Person - VP Finance, Strategy and Sustainability											
3	Failure to achieve institutional sustainability (FGP)										
		4	5	20		4	5	20		Averse	=
4	Financial Fraud (AUD)										
		4	3	12		3	2	6		Open	=
5	Business Continuity Incident – Fire, Systems, Emergency Procedures, Health (BoM)										
		4	4	16		4	3	12		Avoid	=
6	Failure to meet regulatory obligations (BoM)										
		3	5	15		5	1	5		Moderate	=
12	Health and Safety (BoM)										
		4	5	20		3	4	12		Avoid	=
Responsible Person – Vice Principal People and Transformation											
7	Failure to achieve effective Industrial Relations (FGP)										
		5	4	20		4	3	12		Moderate	=
11	Failure to achieve and maintain systems and operable and secure ICT (AUD)										
		4	5	20		3	4	12		Avoid	=

Responsible Person - VP Learning, Skills and Student Experience										
8	Failure to achieve highest academic performance levels (LT)									
	4	4	16		3	4	12		Cautious	=
9	Failure to adhere to academic compliance arrangements (LT)									
	4	3	12		2	2	4		Cautious	v
10	Failure to achieve an effective student experience (LT)									
	3	4	12		2	4	8		Cautious	=

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

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					

Strategic Objective: Risk No: 1 Failure to meet Region/National Priorities

Reference to Departmental Risk Registers:	Strategic
Owner:	Principal
Description of the Risk:	Failure of College strategy to meet the needs of Dumfries and Galloway Region and/or national priorities
What are the possible consequences if the risk was to emerge?	Loss of credibility, unable to meet economic and societal needs of region, curriculum not fit for purpose, College will not meet funding targets and will not remain financially sustainable

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) 4/5	What is the total risk score? (A x B)	16/25
The GROSS risk is therefore: (MIN/SIG/MAJ/FUN)	Major Risk				

3 LINES OF DEFENCE	MITIGATIONS	MONITORING
FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> Workplans and oversight in line with ROA and Financial targets 	<ul style="list-style-type: none"> Clear performance metrics for all strategic outcomes and linked to individual performance targets reviewed on regular basis
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> Robust strategic planning Effective environmental scanning Strong and effective partnerships Clear links between strategy and practice Concerted demands for increased activity levels 	<ul style="list-style-type: none"> Membership of key strategic groups SLT Systems of Control and Reporting Amendment of strategic direction/plans to government policy and regional economic strategy Robust monitoring of activity targets via ROA

		and reported quarterly to SFC
INDEPENDENT ASSURANCE Internal Audit / external bodies		<ul style="list-style-type: none"> • Ongoing engagement and reporting to SFC • Ongoing engagement and reporting to SDS • External Audit • BoM oversight

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) 3/5	What is the total risk score? (A x B)	9/25
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Risk Status	Meeting 1 SIG	Meeting 2 SIG	Meeting 3 SIG	Meeting 4 SIG
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MEETING	AMENDMENTS TO RECORD
Q1	No Change
Q2	Risk updated to show the 3 lines of defence.
Q3	No change
Q4	No change

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
1	Failure of College strategy to meet the needs of Dumfries and Galloway Region and/or national priorities						
4	Financial Fraud						
6	Failure to meet regulatory obligations						

Reference to Departmental Risk Registers:	Strategic
Owner:	Principal
Description of the Risk:	Legal actions; serious accident; incident or civil/criminal breach
What are the possible consequences if the risk was to emerge?	Financial loss to the college, impact on reputation and potential criminal / civil legal proceedings

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

What is the predicted LIKELIHOOD of the risk occurring?	(A) 5/5	What is the predicted IMPACT of the risk?	(B) 3/5	What is the total risk score? (A x B)	15/25
The GROSS risk is therefore: MIN/SIG/MAJ/FUND	Significant Risk				

3 LINES OF DEFENCE	MITIGATIONS	MONITORING
FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> Mandatory staff training on regulatory compliance areas Continuous professional development 	<ul style="list-style-type: none"> Records of staff training and completion Line Manager oversight
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> Adherence to legislative and good practice requirements Positive Union relations and staff communication Ongoing management development programmes Whistleblowing Policy 	<ul style="list-style-type: none"> Monitoring and reporting in key areas – e.g., H&S, equalities, employee engagement, post-Covid arrangements Internal audit actions Staff surveys
INDEPENDENT ASSURANCE Internal Audit / external bodies	<ul style="list-style-type: none"> External legal advice contract in place and used where appropriate 	<ul style="list-style-type: none"> Internal and External Audit BoM oversight

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

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 MIN	Meeting 4 MIN
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MEETING	AMENDMENTS TO RECORD
Q1	No change.
Q2	Risk updated to show the 3 lines of defence.
Q3	No Change
Q4	No change

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
2	Legal actions; serious accident; incident or civil/criminal breach						

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:	Major Risk				

MIN/SIG/MAJ/FUND	
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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 • VP and Principals Groups
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)

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
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Risk Status	Meeting 1 SIG	Meeting 2 MAJ	Meeting 3 MAJ	Meeting 4 MAJ
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MEETING	AMENDMENTS TO RECORD
Q1	No changes. FGP recommendation to increase Net scoring from 3/5 to 4/5 to reflect deficit forecast.
Q2	Updated to reflect 3 lines of defence
Q3	No Change
Q4	No change

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

Strategic Objective:	Risk No: 4 Financial Fraud
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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	<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

and Regulatory / Financial controls / Management controls / Project assurance		
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 Audit Committee/BoM oversight

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 MIN	Meeting 4 MIN
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MEETING	AMENDMENTS TO RECORD
Q1	Mitigation deleted: Adherence to procurement processes and internal approval processes Monitoring deleted: Regular review of costs and budgets / Transactional data sample testing / Monthly review of payroll
Q2	Risk updated to show the 3 lines of defence.
Q3	No change
Q4	No change

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

Strategic Objective: Risk No: 5 Business Continuity

Reference to Departmental Risk Registers:	Organisational
Owner:	VP Finance, Strategy and Sustainability
Description of the Risk:	Business Continuity Incident – Fire, Systems, Emergency Procedures, Health threats

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, safeguarding of staff and students, impact to financial sustainability of college, loss of reputation
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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) 4/5	What is the total risk score? (A x B)	16/25
The GROSS risk is therefore: MIN/SIG/MAJ/FUN	Major Risk				

3 LINES OF DEFENCE	MITIGATIONS	MONITORING
FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> Documented disaster recovery procedures regularly reviewed Separate COVID -19 – Risk Register /BCT Plan in place Sound systems of administration Staff CPD on business continuity themes Monitoring Public Health Advice Increased awareness of climate emergency issues Planning, careful phasing of changes to processes, systems, and equipment Effective management of / Asset Register in place Effective management of systems and GDPR 	<ul style="list-style-type: none"> Adherence to local and national Public Health Guidance SA Climate awareness activities Regular review/reporting on milestones, systems effectiveness etc. Business Continuity Plan including scenario testing Active data protection monitoring and auditing
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> Rolling programme of routine updates to systems and equipment 	<ul style="list-style-type: none"> Liaison with SFC and Colleges Scotland – COVID-19 response groups Climate Emergency College Group (includes Student Representatives)
INDEPENDENT ASSURANCE Internal Audit / external bodies	<ul style="list-style-type: none"> Communication to stakeholders 	<ul style="list-style-type: none"> Internal Audit on process and statutory compliance BoM oversight

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) 3/5	What is the total risk score? (A x B)	12/25
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Risk Status	Meeting 1 SIG	Meeting 2 SIG	Meeting 3 SIG	Meeting 4 SIG
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MEETING AMENDMENTS TO RECORD

Q1	No changes.
Q2	Risk updated to show the 3 lines of defence.
Q3	Additional wording for Front Line mitigation – ‘Documented disaster recovery procedures, regularly reviewed’
Q4	No change

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
5	Business Continuity Incident, e.g., Fire, MIS Failure, Failure of Emergency Procedures, Threats to Health						

Strategic Objective: Risk No: 6 Failure to meet Regulatory Obligations

Reference to Departmental Risk Registers:	Organisational
Owner:	VP Finance, Strategy and Sustainability
Description of the Risk:	Failure to meet regulatory obligations
What are the possible consequences if the risk was to emerge?	Loss of reputation, impact to financial sustainability, Government bodies intervention

Numerical Scoring of Gross Risk (i.e., without controls in place)					
What is the predicted LIKELIHOOD of the risk occurring?	(A) 3/5	What is the predicted IMPACT of the risk?	(B) 5/5	What is the total risk score? (A x B)	15/25
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"> Prevent, Health and Safety and Safeguarding training Staff awareness and contingency planning Engagement/practice sharing with local agencies 	<ul style="list-style-type: none"> Business Continuity Plan including scenario testing Information sharing with local agencies HR monitors staff numbers trained
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> Engagement/practice sharing with local agencies Board approval of SFC submissions 	<ul style="list-style-type: none"> Information sharing with local agencies SFC obligations
INDEPENDENT ASSURANCE Internal Audit / external bodies		<ul style="list-style-type: none"> Internal Audit across all areas Annual external Audit BoM oversight

Numerical Scoring of NET Risk (i.e., with controls in place) (2 cont.)					
What is the predicted LIKELIHOOD of the risk occurring?	(A) 5/5	What is the predicted IMPACT of the risk?	(B) 1/5	What is the total risk score? (A x B)	5/25

Risk Status	Meeting 1 MIN	Meeting 2 MIN	Meeting 3 MIN	Meeting 4 MIN
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MEETING	AMENDMENTS TO RECORD
Q1	No changes
Q2	Risk updated to show the 3 lines of defence
Q3	No changes
Q4	No changes

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
6	Failure to meet regulatory obligations						

Strategic Objective: Risk No: 7 Failure to Achieve Effective Industrial Relations	
Reference to Departmental Risk Registers:	Organisational
Owner:	Vice Principal People and Transformation.
Description of the Risk:	Failure to achieve effective Industrial Relations
What are the possible consequences if the risk was to emerge?	Financial loss, impact to ability to effectively teach, industrial action, loss of reputation.

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

3 LINES OF DEFENCE	MITIGATIONS	MONITORING
FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> Constructive formal and informal communication channels Regular meetings Staff awareness and contingency planning 	<ul style="list-style-type: none"> LJNC College Employers Scotland advice and updates Regular union/management dialogue

OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> • LJNC (Local Joint Negotiation Committee) • Representation at Employers Assoc'n • NRPA (National Recognition and Procedures Agreement) • Engagement/practice sharing with local agencies • Attendance at Strategic HR Network 	<ul style="list-style-type: none"> • ELT/SLT/Board • Regular employee engagement monitoring • Regular union/management dialogue
INDEPENDENT ASSURANCE Internal Audit / external bodies	<ul style="list-style-type: none"> • College Employers Scotland 	<ul style="list-style-type: none"> • SFC/Scottish Government • FGP/BoM oversight

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) 3/5	What is the total risk score? (A x B)	12/25
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Risk Status	Meeting 1 MIN	Meeting 2 SIG	Meeting 3 SIG	Meeting 4 SIG
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MEETING	AMENDMENTS TO RECORD
Q1	Net likelihood reduced to 4 (net of 5 suggests controls having no impact and are therefore not appropriate) - impact increased to 2. Gross and Net impact increased following 010922 meeting
Q2	Updated information to reflect the 3 lines of defence.
Q3	Addition of mitigation 'Attendance at Strategic HR Network'
Q4	No changes

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
7	Failure to achieve effective Industrial Relations						

Strategic Objective: Risk No: 8 Failure to achieve highest academic performance

Reference to Departmental Risk Registers:	Organisational
Owner:	VP Learning Skills and Student Experience
Description of the Risk:	Failure to achieve highest academic performance levels
What are the possible consequences if the risk was to emerge?	<p>Loss of reputation in the region, financial sustainability, ability to attract future students and educational partners</p> <p>Note – College performance has been a long term issue that predates COVID</p>

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) 4/5	What is the total risk score? (A x B)	16/25
The GROSS risk is therefore: MIN/SIG/MAJ/FUN	Major Risk				

3 LINES OF DEFENCE	MITIGATIONS	MONITORING
FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> Online reports with curriculum areas performance Action planning at curriculum area level Regular curriculum team meetings 	<ul style="list-style-type: none"> Managers and Directors monitor course PIs Self-evaluation reporting monitored by Performance
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> College wide enhancement plan developed from self-evaluation Action planning from portfolio reviews 	<ul style="list-style-type: none"> College wide enhancement plan monitored annually Annual portfolio review to examine improvement actions Regular reportage on performance to SLT Reportage to L&T Committee on College wide self-evaluation and portfolio reviews
INDEPENDENT ASSURANCE Internal Audit / external bodies	<ul style="list-style-type: none"> Annual scrutiny by Education Scotland annually by HMI and STMs Self-evaluation reportage to Scottish Funding Council 	<ul style="list-style-type: none"> Reportage by Education Scotland presented to the BoM SFC Outcome Team monitor returns and provide feedback as required

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
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Risk Status	Meeting 1 SIG	Meeting 2 SIG	Meeting 3 SIG	Meeting 4 SIG
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MEETING	AMENDMENTS TO RECORD
Q1	No Change
Q2	Risk updated to show the 3 lines of defence.
Q3	No changes
Q4	No changes

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
8	Failure to achieve highest academic performance levels						

Strategic Objective: Risk No: 9 Failure to adhere to academic compliance	
Reference to Departmental Risk Registers:	Organisational
Owner:	VP Learning Skills and Student Experience
Description of the Risk:	Failure to adhere to academic compliance arrangements, eg awarding bodies, Education Scotland
What are the possible consequences if the risk was to emerge:	Loss of reputation, financial loss, loss of ability to deliver and develop new courses, loss of ability to issue international visas and impact on student certification.

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
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FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> Assessor marks in line with national standards utilising awarding body resources. Action planning at curriculum area level Regular curriculum team meetings 	<ul style="list-style-type: none"> Internal verifier appointed for each unit and a cycle of verification is followed. Self-evaluation reporting monitored by Performance
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> Management scrutiny of the cycle of verification and appointment of internal verifiers. Issues from internal verification are identified and action planned to ensure conformity with national standards. College wide enhancement plan developed from self-evaluation 	<ul style="list-style-type: none"> Scrutiny of internal verification reports by managers. SLT scrutiny of annual verification activity. College wide enhancement plan monitored annually Reportage to L&T Committee on College wide self -evaluation and portfolio reviews
INDEPENDENT ASSURANCE Internal Audit / external bodies	<ul style="list-style-type: none"> External verification by awarding body according to an annual cycle and risk Annual scrutiny by Education Scotland annually by HMI and STMs Self-evaluation reportage to Scottish Funding Council 	<ul style="list-style-type: none"> External verifier presents report of visit to curriculum and performance team. Performance directorate monitor external verification and report to SLT and the L&T Committee. Reportage by Education Scotland presented to the BoM SFC Outcome Team monitor returns and provide feedback as required

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

What is the predicted LIKELIHOOD of the risk occurring?	(A) 2/5	What is the predicted IMPACT of the risk?	(B) 2/5	What is the total risk score? (A x B)	4/25
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Risk Status	Meeting 1 MIN	Meeting 2 MIN	Meeting 3 MIN	Meeting 4 MIN
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MEETING	AMENDMENTS TO RECORD
Q1	No Change
Q2	Risk updated to show the 3 lines of defence.
Q3	No changes
Q4	Gross reduced to 12 and Net reduced to 4

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
9	Failure to adhere to academic compliance arrangements						

Strategic Objective: Risk No: 10 Failure to achieve an effective student experience

Reference to Departmental Risk Registers:	Organisational
Owner:	VP Learning, Skills and Student Experience <i>(Inc Infrastructure/Marketing/ICT)</i>
Description of the Risk:	Failure to achieve an effective student experience
What are the possible consequences if the risk was to emerge?	Loss of reputation in the region, financial sustainability, ability to attract future students, ability to retain students and potential to limit student progression.

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

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
The GROSS risk is therefore: MIN/SIG/MAJ/FUND	Significant Risk				

3 LINES OF DEFENCE	MITIGATIONS	MONITORING
FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> Clear arrangements for applications, onboarding and retention Student block surveys and Student Satisfaction and Engagement Survey (SSES) Student engagement prior to course start and on course Continuous self- evaluation and action planning by support and teaching areas Action planning at curriculum area level 	<ul style="list-style-type: none"> Review of early student experience Performance return survey and SSES results to CMs Performance enhancement measure support areas to improve the student experience Self-evaluation reporting monitored by Performance and Directors

	<ul style="list-style-type: none"> Regular curriculum team meetings Students' association officers' meetings with students Student focus groups Student class representatives input to course teams 	
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> College wide enhancement plan developed from self-evaluation Action planning from portfolio reviews 	<ul style="list-style-type: none"> Monitoring of College wide enhancement plan Portfolio review to examine improvement actions Regular reportage on performance and student satisfaction to SLT Reportage to L&T Committee on College wide self-evaluation, enhancement plan and portfolio reviews
INDEPENDENT ASSURANCE Internal Audit / external bodies	<ul style="list-style-type: none"> Annual scrutiny by Education Scotland annually by HMI and STMs Self-evaluation reportage to Scottish Funding Council 	<ul style="list-style-type: none"> Reportage by Education Scotland presented to the BoM SFC Outcome Team monitor returns and provide feedback as required

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

What is the predicted LIKELIHOOD of the risk occurring?	(A) 2/5	What is the predicted IMPACT of the risk?	(B) 4/5	What is the total risk score? (A x B)	8/25
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Risk Status	Meeting 1 MIN	Meeting 2 MIN	Meeting 3 MIN	Meeting 4 MIN
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MEETING	AMENDMENTS TO RECORD
Q1	No Change
Q2	Risk updated to show the 3 lines of defence.
Q3	No Change
Q4	No change

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
10	Failure to achieve an effective						

student experience							
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Strategic Objective: Risk No: 11 Failure to maintain systems and operable and secure ICT

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				

3 LINES OF DEFENCE	MITIGATIONS	MONITORING
FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> Documented disaster recovery procedures Cyber Incident disaster recovery plan and training Staff CPD on business continuity areas including Cyber security Firewalls and antivirus software in place 	<ul style="list-style-type: none"> Cyber exercises Regular planned security monitoring. Desktop DRP exercises carried out and reviewed regularly. Network traffic regularly monitored.
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> Regular internal review of security measures and action around areas of concern; Regular cyber/phishing exercises; 	<ul style="list-style-type: none"> Feedback via SLT/ELT on monitoring statistics; Regular Board reporting around cyber position;

INDEPENDENT ASSURANCE Internal Audit / external bodies	<ul style="list-style-type: none"> CISO (Chief Information Security Officer) service in place through HEFESTIS. 	<ul style="list-style-type: none"> Regular reporting and risk assessment. Audit Committee/BoM oversight
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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 SIG	Meeting 4 SIG
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MEETING	AMENDMENTS
Q1	No change to scoring – additional monitoring in place
Q2	Risk updated to show the 3 lines of defence.
Q3	Amended Front Line mitigation 'Cyber Incident disaster recovery plan and training'
Q4	No change

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

Strategic Objective: Risk No: 12 Health & Safety Compliance	
Reference to Departmental Risk Registers:	Organisational
Owner:	VP Finance, Strategy and Sustainability
Description of the Risk:	Failure to meet regulatory health & safety obligations
What are the possible consequences if the risk was to emerge?	Loss of reputation, financial penalties, criminal liability (corporate and individual)

Numerical Scoring of Gross Risk (i.e., without controls in place)					
What is the predicted	(A) 4/5	What is the predicted	(B) 5/5	What is the total risk score?	20/25

LIKELIHOOD of the risk occurring?		IMPACT of the risk?		(A x B)	
The GROSS risk is therefore: (MIN/SIG/MAJ/FUN)	Major Risk				

3 LINES OF DEFENCE	MITIGATIONS	MONITORING
FRONT LINE (Management Assurance) Operational Delivery /Systems /Quality Assurance /Supervision	<ul style="list-style-type: none"> Reporting and review procedure including "near miss" Health and Safety IOSH training for staff Regular communication on responsibilities Specific communication at time of increased risk e.g.Covid, building works, adverse weather 	<ul style="list-style-type: none"> Regular, formal Health & Safety Committee
OVERSIGHT OF MANAGEMENT ACTIVITY Internal Compliance and quality checks / Legal and Regulatory / Financial controls / Management controls / Project assurance	<ul style="list-style-type: none"> Clear channels of communication regarding issues and preventative actions 	<ul style="list-style-type: none"> Regular, formal Health & Safety Committee Reporting to Audit Committee / BoM
INDEPENDENT ASSURANCE Internal Audit / external bodies		<ul style="list-style-type: none"> Internal Audit Public Health Environmental Health

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
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Risk Status	Meeting 1 SIG	Meeting 2 SIG	Meeting 3 SIG	Meeting 4 SIG
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MEETING	AMENDMENTS TO RECORD
Q1	New Risk
Q2	Risk updated to show the 3 lines of defence.
Q3	Addition of mitigation for 'Oversight of Management Activity' Additional Independent Assurance monitoring 'Public Health' and 'Environmental Health'
Q4	No change

No.	Risk and Risk Appetite	Avoid	Averse	Cautious	Moderate	Open	Hungry
12	Health & Safety compliance						



Dumfries and Galloway College

Internal Audit Progress Report

13 June 2023

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.

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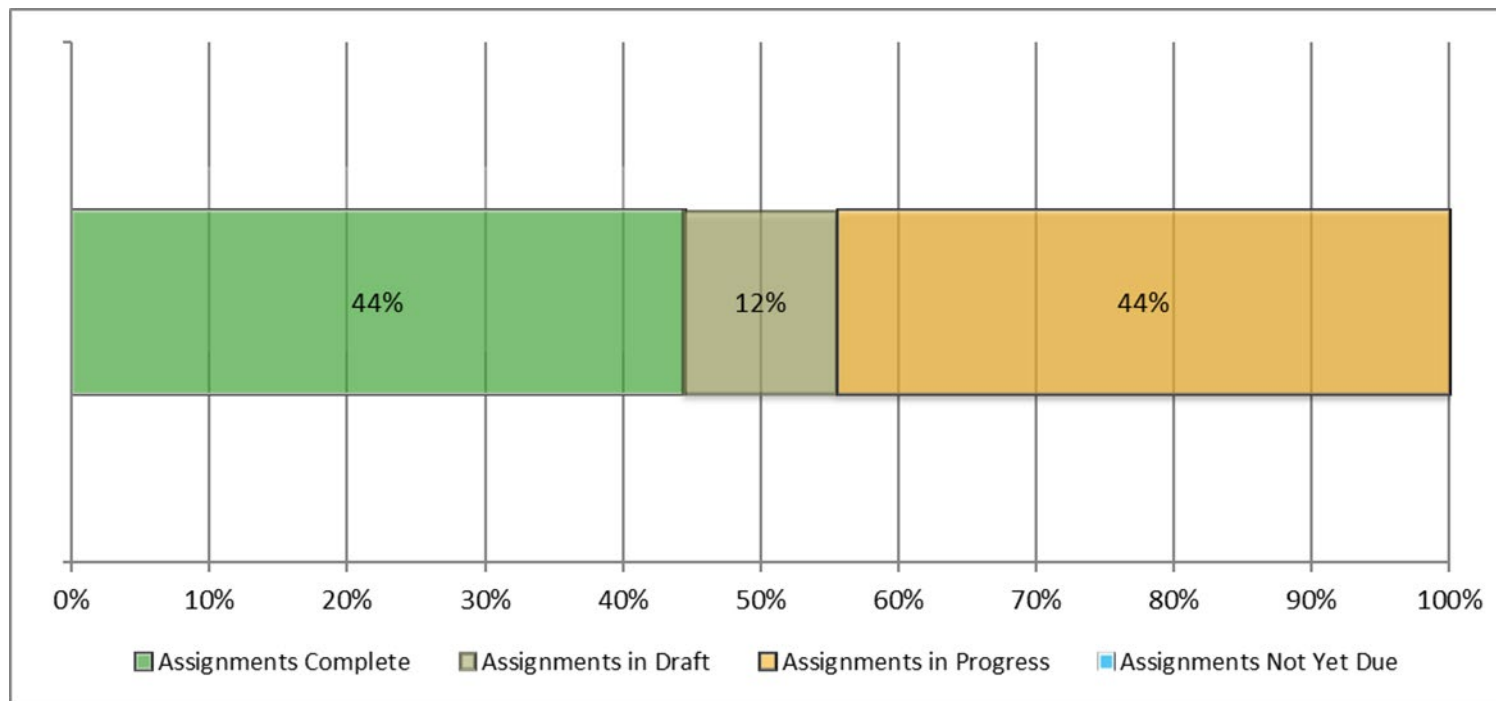
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1 Key messages

The internal audit plan for 2022/23 was approved by the Audit Committee at the 15 June 2022 meeting. This report provides an update on progress against that plan and summarises the results of our work to date.



The graphic below provides a summary update on progress against the 2022/23 plan. [\[To note\]](#)

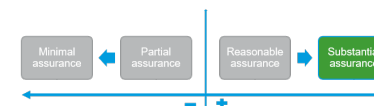


2 Reports

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	Opinion issued	Actions agreed		
		L	M	H
<u>HR: Recruitment (4.22.23)</u>	Substantial Assurance	2	1	0
<u>Objective:</u> The College has appropriate systems and processes in place to manage recruitment, including compliance with safer recruitment policies, and what measures are in place to monitor and support staff retention.				
 The medium priority management action was as follows:				
<ul style="list-style-type: none">Through discussions with the HR Officer, we noted that the current Recruitment Procedure is largely out of date and does not reflect current practices. The College is in the process of developing the first draft of an updated Recruitment Procedure in line with the current practices. We understand that the College is aiming to have the first draft available, approved and implemented by September 2023. In addition, the College's PVG Policy has not been updated since 2017, which is also currently being updated and is in draft.				


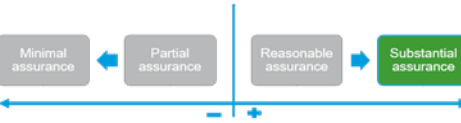


2.2 Themes arising from control observations


	Low	Medium	High
Planning	0	0	0
Policies and / or procedures	0	1	0
Non-compliance with policies / procedures	2	0	0
Design of the control framework	0	0	0
Training / awareness for staff	0	0	0
Management or performance information	0	1	0
Lack of segregation of duties	0	0	0
Poor record keeping	1	0	1
Governance weaknesses	0	0	0
Information technology	0	0	0

We do not have any concerns in respect of themes arising to raise with the Audit Committee at this stage.

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

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit Committee (as per IA plan)	Actual Audit Committee
		L	M	H		
FES Return	Final report ref. 1.22.23 issued 14 November 2022	1	0	1	February 2023	November 2022
Director of Finance and Planning						
Student Support Funds	Final report ref. 2.22.23 issued 9 November 2022	0	1	0	February 2023	November 2022
Director of Finance and Planning	No assurance opinion provided					
Health and Safety	Final report ref. 3.22.23 issued 2 November 2022	0	0	0	February 2023	November 2022
Director of Estates and Sustainability						



Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit Committee (as per IA plan)	Actual Audit Committee
		L	M	H		
HR: Recruitment Vice Principal	Final report ref. 4.22.23 issued 27 April 2023 	2	1	0	February 2023	June 2023
Cyber Security / Disaster Recovery Vice Principal People and Transformation	Fieldwork complete Draft report issued 2 June 2023.				September 2023	September 2023
Business Continuity Planning Director of Estates and Sustainability	Planning document issued Fieldwork scheduled to start week commencing 3 July 2023				September 2023	September 2023
Equality, Diversity and Inclusion (EDI) Vice Principal People and Transformation	Planning document issued Fieldwork scheduled to start week commencing 14 August 2023				September 2023	September 2023
HR: Processing Activities Vice Principal People and Transformation	Planning document issued Fieldwork scheduled to start week commencing 21 August 2023				September 2023	September 2023



Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit Committee (as per IA plan)	Actual Audit Committee
		L	M	H		
Follow-Up of Previous Internal Audit Management Actions	Planning document issued Fieldwork scheduled to start week commencing 10 July 2023				September 2023	September 2023
Director of Finance and Planning						

Appendix B – Other matters

Changes to the audit plan

Our approach to working with you has always been to respond to your changing assurance needs. By employing an 'agile' or a 'flexible' approach to our service delivery, we are able to change the focus of audits / audit delivery. Detailed below are the changes to the audit plan:

Note	Auditable area	Reason for change
Changes since the last meeting:		
1	Equality, Diversity and Inclusion (EDI)	Subsequent to the change noted below, we have been requested by management to push this audit back to accommodate client staff availability and this audit is now scheduled to be performed in week commencing 14 August 2023.
2	HR: Processing Activities	Subsequent to the change noted below, we have been requested by management to push this audit back to accommodate client staff availability and this audit is now scheduled to be performed in week commencing 21 August 2023.
3	Follow-Up of Previous Internal Audit Management Actions	To accommodate the other changes noted, this audit has been pushed back one week and is now scheduled to be performed in week commencing 10 July 2023.
Changes previously advised:		
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.



Note	Auditable area	Reason for change
3	Business Continuity Planning	This review was originally scheduled to take place in week commencing 24 April 2023 but we have been requested by management to move it back, and the audit will now be performed in week commencing 3 July 2023.



Quality assurance and continual improvement

To ensure that RSM remains compliant with the IIA standards 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 being used to inform the training needs of our audit teams.

The Quality Assurance Team is made up of; the Head of the Quality Assurance Department (FCA qualified) and an Associate Director (FCCA qualified), with support from other team members across the department.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

Appendix C - Key performance indicators (KPIs)

Delivery				Quality			
	Target	Actual	Notes (ref)		Target	Actual	Notes (ref)
Audits commenced in line with original timescales	Yes	Yes	*	Conformance with PSIAS and IIA Standards	Yes	Yes	
Draft reports issued within 10 days of debrief meeting	10 days	5 days		Liaison with external audit to, where appropriate and required, allow the external auditor to place reliance on the work of internal audit.	Yes	<i>As and when required</i>	
Management responses received within 10 days of draft report	10 days	13 days		Response time for all general enquiries for assistance	2 working days	100%	
Final report issued within 3 days of management response	3 days	1 day		Response for emergencies and potential fraud	1 working day	N/A	

Notes

* This takes into account changes agreed by management and Audit Committee during the year. Through employing an 'agile' or a 'flexible' approach to our service delivery we are able to respond to your assurance needs.



For more information contact

Rob Barnett, Head of Internal Audit

M: 07809 560103

Robert.Barnett@rsmuk.com

Michael Gibson, Client Manager

M: 07800 617281

Michael.Gibson@rsmuk.com

rsmuk.com

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.

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MEETING	AUDIT COMMITTEE
AGENDA ITEM:	8
PAPER NO:	AUD0623-8.1

Date	13 June 2023
Location	MS Teams On-line
Title of Paper	Committee Self Evaluation
Presented By	Lorraine Grierson
Recommendation	Discussion
Appendix Attached	NO
Disclosable Under FOISA	YES

Read Time: 3 minutes

1. Recommendation

- 1.1.** The Audit Committee is asked to **discuss** and jointly complete the self-evaluation form.

2. Executive Summary

- 2.1 The Board of Management is required under the Code of Good Governance for Scotland's Colleges (section D.23) to self-evaluate annually its performance and effectiveness against its overall duties and responsibilities. Compliance with the Code is a condition of grant awarded by SFC. The implementation of robust self-evaluation processes will ensure that governance arrangements are compliant with the Code of Good Governance.

3. Context

- 3.1 Due to a review of the agenda cycle and terms of reference, the Annual Self-Evaluation process will now be conducted in May of each year, and as part of the process, 1-1 reviews with board members, the Chair and Board Secretary have taken place in May 2023.
- 3.2 The Committee is asked to consider and complete the Committee Self-Evaluation form jointly at the end of the Committee meeting, to reflect business over the last academic year 2022-23. Members can submit any further points to the Board Secretary via email if they prefer.
- 3.3 The Board development plan will be populated with actions taken from the self-evaluation documentation and 1-1 meetings.

4. Strategic Implications

- 4.1 Board effectiveness impacts on all priorities within Ambition 2025.

5. Risk

No risks associated with this paper.

6. Implications

Financial	NO	
Legal	NO	
Learning and Teaching	NO	
Equalities	NO	

Lorraine Grierson

Secretary to the Board

18 May 2023

AUDIT COMMITTEE SELF-EVALUATION

(to be completed by Committee Members collectively)

Date:

Section	Yes	No	N/A	Comments/Action
Composition, Establishment and Duties of the Committee				
Does the Committee meet regularly in accordance with the Board Standing Orders?				
Does the Committee consistently have a quorum?				
Do all Committee members attend meetings regularly?				
Does the Committee have enough members?				
Does at least one of the Committee members have a background relevant to the remit of the Committee?				
Have new Committee members received all necessary training?				
Does the Committee report regularly to the Board?				

Section	Yes	No	N/A	Comments/Action
Terms of reference				
Does the Committee have written terms of reference?				
Do the terms of reference include all aspects of the Committee's role?				
Does the membership of the Committee need to be changed?				
Are the terms of reference adopted by the full Board and reviewed annually?				

Section	Yes	No	NA	Comments/Action
Compliance with the Law and Regulations				
Does the Committee have a mechanism to keep it aware of topical legal and regulatory issues?				

Section	Yes	No	NA	Comments/Action
Internal Control				
Does the Committee monitor to ensure that risk is controlled?				
Does the Committee regularly review relevant strategic plans?				
Does the Committee consider the level of detail and information it receives appropriate?				
Are appropriate internal performance measures monitored by the Committee?				
Is the Committee addressing all matters delegated to it by the Board and under its terms of reference?				

Section	Yes	No	NA	Comments/Action
Administrative arrangements				
Does the Committee have an independent secretary?				
Are Committee papers distributed in sufficient time for members to give them due consideration?				
Are Committee meetings scheduled prior to important decisions on specific matters being made?				
Is the timing of Committee meetings discussed with all involved?				