

## **BOARD OF MANAGEMENT**

### **Meeting of Audit Committee**

Meeting to be held  
on Tuesday, 23 February, 2016  
at 1.30pm

- A.16.1.01** Resignations and Appointments
- A.16.1.02** Apologies for absence
- A.16.1.03** Any additional Declarations of Interest including specific Items on Agenda
- A.16.1.04** Minutes of Joint Meeting of Audit and Finance and General Purposes Committees held on 24 November 2015 \*
- A.16.1.05** Matters Arising/Action Sheet from Joint Meeting of Audit and Finance and General Purposes Committees held on 24 November 2015
- A.16.1.06** Internal Audit Progress Report: 2015/2016 \*
- A.16.1.07** Internal Audit Reports:
- Student Support \*
  - Partnership Working \*
  - Business Development \*
- A.16.1.08** Annual Report of the Audit Committee 2014/2015 \*

#### **Reserved Items:**

- A.16.1.09** Reserved minutes of Joint Meeting of Audit and Finance and General Purposes Committees held on 24 November 2015 \*
- A.16.1.10** Date of Next Meeting of Audit Committee: 24 May 2016

\* papers attached  
~ papers to follow

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**BOARD OF MANAGEMENT**

**JOINT AUDIT and FINANCE & GENERAL PURPOSES COMMITTEE**

**Minutes of Meeting  
held on  
Tuesday 24 November 2015  
at 2.00pm in the Board Room**

Present: Mr B Hope (Convener)  
Mr C Sanders  
Mrs A Templeton  
Mr A Major  
Mrs Palmer-Abbs  
Mr A Campbell  
Dr Hutt  
Mr J Bodman  
Prof P Maher  
Mr S Russell

In attendance: Mrs A Lindsay  
Mr S Inglis (Henderson Loggie)  
Ms A MacDonald (Audit Scotland)  
Mrs K Matthews (Minutes)

Mr Hope welcomed everyone to the meeting, especially members of the F & GP, Ms MacDonald and Mr Inglis.

Due to the joint nature of the meeting it was agreed to change the order of business.

		<b>ACTION</b>	<b>DATE</b>
<b>A.15.3.12</b>	<b>External Audit: Audit Scotland 2014/2015</b>		
12.1	This item is reserved and the minute is held in confidence.		
	<i>(Comfort Break 15.00 – 15.10 hrs)</i>		
<b>A.15.3.06</b>	<b>Internal Audit: Annual Report 2014/2015</b>		
6.1	Mr Inglis spoke to the Annual Report highlighting paragraphs as follows.		
6.2	1.10 – No significant issues identified, however some areas had been identified which would benefit from the formalisation of existing practices to fully comply with the New Code of Good Governance.		
6.3	1.11 - Following discussion it was agreed that the word 'over-claimed' would be amended to reflect the fact that this was within the financial year.	Mr Inglis	Immediate

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		<b>ACTION</b>	<b>DATE</b>
	In response to questioning, Mr Inglis confirmed that there had been no indication in the in-year information provided that would have fore-warned the auditors of the issue. It was confirmed that the provision of real time accounts to budget holders will ensure more accurate budget control.		
6.4	1.12 - <u>Business Development/Research</u> . A Commercialisation Strategy has been completed and a further review of this area is included in the internal audit programme for 2015/2016.		
6.5	1.13 – <u>Opinion</u> . Mr Inglis stated that, notwithstanding the paragraphs stated above, College has the “proper arrangements in place to promote and secure value for money.”		
6.6	<u>Corporate Governance</u> – At the time of audit College was reviewing and updating Standing Orders, the Constitution, Code of Conduct, Declarations etc to ensure compliance with the new Code of Good Governance for Scotland’s Colleges. The audit provided the Board and management a sound base to ensure full compliance to include this within the Statement of Corporate Governance and Internal Control.		
6.7	The Committee agreed that January would be the optimum time to undertake an annual evaluation of the effectiveness of Board.		
6.8	<u>Corporate Planning</u> - It had been agreed that a review of corporate planning arrangements should be delayed until after the appointment of the new Principal		
<b>A.15.3.07</b>	<b>Internal Audit : Annual Plan 2015/2016</b>		
7.1	Included in the programme for 2015/2016 are: <ul style="list-style-type: none"> <li>• Business Development/Research</li> <li>• Procurement (including credit purchasing, petty cash and Purchase Cards), and</li> <li>• Partnership working.</li> </ul>		
7.2	Mr Hope thanked Mr Inglis for his reports and the assurances given		
	<i>Dr Hutt, Mr Campbell, Mr Russell and Prof Maher left the meeting at 15.40 hrs</i>		
	<i>Mr Hope requested Mrs Lindsay to remain.</i>		
	<i>The meeting resumed at 15.50 hrs.</i>		
<b>A.15.3.1</b>	<b>Resignations and Appointments</b>		
1.1	The resignation of Mr Gerrard was noted, with Mr Hope especially appreciative of the support Mr Gerrard had provided over the years he had been a co-opted member of the Audit Committee. Mrs Croydon was requested to		

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		<b>ACTION</b>	<b>DATE</b>
	write to Mr Gerrard offering the Board's thanks for his service.	Mrs Croydon	Immediate
1.2	Mrs Lindsay advised that the Terms of Reference of the Audit Committee requires at least one member to have recent relevant financial or audit experience. The resignation of Mr Gerrard has left the Committee without such a member.		
1.3	<b>Mrs Croydon was requested to determine if any of the current Board applicants have any financial expertise and to inform Mr Major as soon as possible.</b>	Mrs Croydon	Immediate
<b>A.15.3.2</b>	<b>Apologies for Absence</b>		
2.1	There were no apologies for absence.		
<b>A.15.3.3</b>	<b>Any additional Declaration of Interest including specific items on the Agenda.</b>		
3.1	There were no additional declarations of interest.		
<b>A.15.3.4</b>	<b>Minutes of Meeting held on 26 May 2015</b>		
4.1	Mr Sanders proposed and Mr Hope seconded that the Minutes be accepted as a true record		
<b>A.15.3.5</b>	<b>Matters Arising/Action Sheet from Meeting held on 26 May 2015</b>		
5.1	There were no matters arising.		
<b>A.15.3.08</b>	<b>Internal Audit</b>		
8.1	(i) <u>SUMS Report and Action Plan 2014/2015:</u> Mr Inglis confirmed that the Henderson Loggie Audit Certificate had been submitted to the SFC on 8 October 2015 with reasonable assurance that the FES return contains no material mis-statement.		
8.2	(ii) <u>Student Support Funds Report 2014/2015:</u> Mr Inglis confirmed that Henderson Loggie were able to certify all fund statements for the year, and submit to appropriate bodies, without reservation.		
8.2.1	It was noted that a significant sum had been awarded to one student for taxi travel, however on investigation this was not considered unreasonable in the circumstances.		
8.2.2.	Mrs Palmer-Abbs suggested that Mrs Lindsay may be able to access addition travel funding from the Community Planning Partnership.	Mrs Lindsay	For Noting
8.3	(iii) <u>SFC Student Support Fund Return 2014/2015:</u> Return and Audit Certificate submitted.		
8.4	(iv) <u>EMA Return 2014/2015:</u> Return and Audit Certificate submitted		

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		<b>ACTION</b>	<b>DATE</b>
<b>A.15.3.09</b>	<b>Care Inspectorate College Nursery Audit Report (April 2015)</b>		
9.1	Mr Hope thanked Mrs Lindsay for including this report in the Audit papers, the contents of which were noted. It was overall an excellent report. Mr Sanders requested assurance that the HR matter had been resolved.		
<b>A.15.2.10</b>	<b>Long Term Agenda Planning</b>		
10.1	No additional agenda items.		
<b>A.15.2.11</b>	<b>Date of Next Meeting – 24 February 2016</b>		
	<i>The meeting closed at 16.25 hrs</i>		

**ACTION SHEET/MATTERS ARISING FROM AUDIT COMMITTEE MEETING HELD ON 24 NOVEMBER 2015**

		<b>ACTION</b>	<b>DATE</b>
<b>A.15.3.06</b>	<b>Internal Audit: Annual Report 2014/2015</b>		
6.3	1.11 - Following discussion it was agreed that the word 'over-claimed' would be amended to reflect the fact that this was within the financial year. In response to questioning, Mr Inglis confirmed that there had been no indication in the in-year information provided that would have fore-warned the auditors of the issue. It was confirmed that the provision of real time accounts to budget holders will ensure more accurate budget control.	Mr Inglis	Immediate
<b>A.15.3.1</b>	<b>Resignations and Appointments</b>		
1.1	The resignation of Mr Gerrard was noted, with Mr Hope especially appreciative of the support Mr Gerrard had provided over the years he had been a co-opted member of the Audit Committee. Mrs Croydon was requested to write to Mr Gerrard offering the Board's thanks for his service.	Mrs Croydon	Immediate
1.3	Mrs Croydon was requested to determine if any of the current Board applicants have any financial expertise and to inform Mr Major as soon as possible.	Mrs Croydon	Immediate
<b>A.15.3.08</b>	<b>Internal Audit</b>		
8.2.2.	Mrs Palmer-Abbs suggested that Mrs Lindsay may be able to access addition travel funding from the Community Planning Partnership.	Mrs Lindsay	For Noting



## **Moray College UHI**

### **Internal Audit Progress Report 2015/16 Annual Plan**

**23 February 2016**

Progress with the annual plan for 2015/16, finalised in November 2015, is shown below. Where appropriate follow-up of action plans will be undertaken and reported in future.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Annual Plan 2015/16	November 2015	Draft 12/11/15 2 <sup>nd</sup> Draft 17/11/15 Final 24/11/15	2016/01	N/A	24/11/15	
Student Support	February 2016	Draft 16/02/16 Final 16/02/16	2016/02	Satisfactory	23/02/16	
Budgetary Control	May 2016					
Procurement and Creditors / Purchasing	May 2016					
Business Development / Research	February 2016	Draft 17/02/16 Final 18/02/16	2016/03	Satisfactory	23/02/16	
Partnership Working	February 2016	Draft 15/02/16 Final 16/02/16	2016/04	Good	23/02/16	
Credits Audit	November 2016					
Student Support Funds Audit	November 2016					



Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
EMA Audit	November 2016					
Follow-Up Reviews	May 2016					



**Moray College UHI**

**Student Support**



**Internal Audit Report No: 2016/02**

**Draft Issued: 16 February 2016**

**Final Issued: 16 February 2016**

**LEVEL OF ASSURANCE**

**Satisfactory**



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### Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

<b>Good</b>	System meets control objectives.
<b>Satisfactory</b>	System meets control objectives with some weaknesses present.
<b>Requires improvement</b>	System has weaknesses that could prevent it achieving control objectives.
<b>Unacceptable</b>	System cannot meet control objectives.

### Action Grades

<b>Priority 1</b>	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.
<b>Priority 2</b>	Issue subjecting the College to significant risk and which should be addressed by management.
<b>Priority 3</b>	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

## 1. Overall Level of Assurance

**Satisfactory**

System meets control objectives with some weaknesses present.

## 2. Risk Assessment

This review focused on the controls in place to mitigate the following risks on the College's Risk Register:

- Higher Education activity level not achieved (risk rating: high);
- Further Education activity level not achieved (risk rating: medium);
- Attainment Key Performance Indicators (KPIs) not achieved (risk rating: medium); and
- Progression KPIs not achieved (risk rating: medium).

## 3. Background

As part of the Internal Audit programme at Moray College UHI ('the College') for 2015/16 we carried out a review of support services available to students. The Audit Needs Assessment, completed in November 2011, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Enrolment and student funding support is provided by staff in the Administration Centre with academic and guidance support provided by Student Services staff located within the Student Services Centre. Student Services and Learning Support staff are involved in induction and providing learning assistance. Members of Student Services and Student Finance staff are involved with providing advice about funding options for students.

For students on mainstream courses identified with additional learning support needs Learning Support staff members assess their needs and ensure that appropriate support is provided. Assistance for students with more pronounced support needs is provided through a range of specialist courses to meet their needs.

Essential skills training, which includes the core skills of communication, numeracy, information technology, problem solving and working with others, is delivered through discrete units or embedded within courses. Students can also attend drop in sessions at the study bar to improve these skills.

### 3. Background (Continued)

Further and Higher Education Funding Council (SFC) in November 2013, and the report arising from this was published in February 2014. The main point for action was the improvement of attainment rates for full-time further education learners. For the 2014/15 academic year the College achieved attainment levels of 64%, in line with national performance levels. The College put in place an action plan to improve attainment including a number of student support related actions, which were noted as having been completed at the Learning, Teaching and Quality Committee on 10 June 2015.

### 4. Scope, Objectives and Overall Findings

This audit reviewed the support services available to students, concentrating on the role of Administration Centre, Student Services Centre and Learning Support staff.

The overall objective of our audit was to obtain reasonable assurance that there is appropriate provision of adequate advice and support to new students, students experiencing financial or other hardship and students with disabilities or special needs and, from the work done, we obtained reasonable assurance that this objective is being met. The table below notes each separate objective for this review and records the results:

Objective	Findings				
		1	2	3	Other Action Planned
<b>The specific objectives of this audit were to obtain reasonable assurance that there are processes and controls in place to be reasonably assured that students are:</b>		<b>No. of Agreed Actions</b>			
1. Orientated appropriately at the beginning of the year.	<b>Good</b>	0	0	0	
2. Identified and provided with support if struggling financially.	<b>Good</b>	0	0	0	
3. Identified and provided with support if struggling academically.	<b>Satisfactory</b>	0	0	0	√
4. Given adequate support if they have a disability.	<b>Good</b>	0	0	0	
5. Made to feel part of the College community.	<b>Satisfactory</b>	0	0	1	√
<b>Overall Level of Assurance</b>	<b>Satisfactory</b>	<b>0</b>	<b>0</b>	<b>1</b>	
System meets control objectives with some weaknesses present.					

## 5. Audit Approach

We assessed whether the above objectives had been met through discussion with the Acting Principal, Administration Centre, Student Services Centre and Learning Support staff, discussion with the Highlands and Islands Students' Association (HISA) Depute Presidents, and review of relevant documentation.

We also established progress against actions arising from the February 2014 Education Scotland review report relevant to this area.

## 6. Summary of Main Findings

### **Strengths**

- The orientation process at the start of the year provides the required basic information for students, with additional support available should students require it.
- Students who are struggling financially are identified and provided with support where the student support funds system allows.
- The College provides a good level of support to students of all levels who are struggling academically, however Management Information System data could be better used to assist academic staff monitor student performance. It is our understanding that this area is being considered by the University of the Highlands and Islands Student Data Reporting Group.
- The College identifies and provides appropriate support to any students with disabilities.

### **Weaknesses**

- The role of HISA within the College needs to be developed so that it is more able to support students and provide a basis for enhancing the College community. The College has an important role in this development by continuing to support the work of the HISA Depute Presidents at the College.
- During our review it was brought to our attention that there had been instances whereby student Board members had been excluded from parts of Board meetings i.e. Reserved Items, where no clear conflict of interest existed. In December 2014 the Code of Good Governance for Scotland's Colleges was published, which states that staff and student Board members must not be excluded from Board business unless there is a clear conflict of interest, in common with all Board members. The Acting Principal has discussed this matter with the Chair of the Board and the exclusion of Board members in future will be considered based on the specific agenda items.

## 7. Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during the course of our audit visit.

## 8. Action Plan

### **Objective 1: Students are orientated appropriately at the beginning of the year.**

The College has a Recruitment, Selection and Admissions Policy, which was most recently reviewed in November 2015. All new applicants are required to attend a pre-start event. This includes a group presentation and interview with a relevant member of teaching staff. Included in the group presentation is information on key services and facilities offered by the College, a generic subject area overview as well as further course information such as course structure and assessment arrangements. Following the pre-start day an appropriate offer will be made to the student.

In the period between the offer and induction, contact is maintained with the student. The Student Services team sends all students a postcard with details of the services they provide to encourage them to get in touch if required. Financial support information is also sent to students at this time including how to apply, and log-in details for online application.

Induction information is sent to students, generally in July or August. This includes an induction timetable. All further education students are invited into the College during the induction week held in August, with a range of information provided by staff and student groups on a number of issues. The College has a Student Induction Policy, most recently reviewed in November 2015. This details the information to be provided to students by Student Services and teaching staff at induction, including further information on student finance and student services, course timetables and handbooks, and details of the College's key policies. Classes will then begin after induction week.

The Highlands and Islands Students' Association (HISA) is represented at the College by two Depute Presidents who were elected from the student body in October 2015. As the Depute Presidents were elected after the main induction period HISA did not provide input into the College's induction arrangements for 2015/16 however there will be further development of the role of the Students' Association going forward.

The College also runs a Student Development Day in October. This initiative was started as it was felt students may want to ask further questions having had time to settle in at the College and information may be missed at induction due to the large volume of information provided.

The College conducts an early student experience survey to gather information on their experience from first contact to shortly after induction. We reviewed the results of this and noted that the majority of responses were positive and that no major issues were raised. An action plan has been put in place following the survey, although the actions have been identified to ensure the College orientation process is continually improving rather than addressing any serious failings.

**Objective 2: Students are identified and provided with support if struggling financially**

As noted under Objective 1, students are informed and assisted in the process of applying for student support funds throughout the orientation process. Identification of students requiring support is largely dependent on students completing the application process. By making Student Services staff readily available and appointing a Student Advisor who has regular contact with students, the College tries to identify students who have not already applied for funds.

Attendance monitoring through CELCAT is carried out by Student Services. Where classes are missed the College sends students a text message to remind them of the impact on funding. A further text message may be sent inviting the student to a guidance meeting if attendance falls to a certain level or a pattern of non-attendance is identified. At these meetings the College will try to establish reasons for non-attendance and address these. There may be some instances where absences are caused by financial difficulties.

If Student Services staff become aware of students who are struggling financially they try to address the situation through the use of student support funds. Not all students can be assisted by these funds however due to eligibility criteria and limits to the College's allocations.

From review of the early student experience survey it was noted that there were some negative responses relating to student funding. In particular the process was deemed by some to be overly confusing and complicated while others were unhappy with the speed at which applications were processed. Some of these responses were from higher education students dealing with the Student Awards Agency for Scotland and so the College was not at fault. The negative responses were discussed with the Administration Officer. It was felt that in a large group of applicants with mixed abilities there will always be some students who find the process difficult. Student Services staff are able to help students with the application process and this is one of the key messages they provide to students at pre-start events, induction and any other contact with the student. The Student Finance team also met processing time targets, and delays were generally down to students failing to provide adequate back-up information on a timely basis. Although the Administration Officer is satisfied with the support offered by the Student Finance team the systems in place are still reviewed each year to evaluate whether further improvements can be made.



**Objective 3: Students are identified and provided with support if struggling academically.**

A key principle of the Recruitment, Selection and Admissions Policy is that there should be a reasonable expectation that any applicants admitted to a course should be able to pass. The process of pre-start meetings and interviews is therefore set up to ensure that all students are placed on a course that is suitable for them.

The College has a number of learning support initiatives available, beginning before induction and carrying on throughout the academic year. The *Kickstart* programme is on offer to students to assist with the transition to further or higher education. Students who wish to attend will be invited to the course, which takes place prior to induction, and focusses on study skills. The February 2014 Education Scotland review report highlighted the College *Study Bar* as an area of excellent practice. This is a drop-in service designed to provide support to all students, not just those who have a disclosed disability. This is actively promoted to students at induction and throughout the year.

Learning support staff are also happy to provide basic IT assistance to students. Two afternoons a week a member of the College's IT team is present in the learning support area to provide further IT assistance, such as enabling students to get the most from Bring Your Own Device.

The College has a Student Advice, Personal Development Planning and Guidance Policy, last reviewed in October 2014. This states that all students are to be allocated a Student Advisor. The duties of the Student Advisors include providing a range of information to students during induction, meeting students at least once per semester, reviewing students' academic progress, attending progression meetings, monitoring the effectiveness of extended learning support provision and encouraging students to make use of the specialist services the College offers to help deal with difficulties.

Students who are struggling academically should be referred to the Early Intervention Team within Student Services by teaching staff if they are unsure of the student's issues or alternatively to the Learning Support team if the tutor has identified a support need. If the student is struggling due to a previously unrecognised support need or needs help with some basic study skills then Learning Support may provide the student with the required assistance. If the academic problems are the result of an underlying personal issue the Student Services team can provide assistance including a counselling service and will work with the student to help resolve these issues.

Progression Boards are held in February and at the end of the year. Although the primary objective is making a decision on whether students will progress onto the next level of a course they also offer an opportunity for academic staff to meet and discuss student specific issues and put in place plans to support them through their course.

**Objective 3: Students are identified and provided with support if struggling academically (continued).**

From discussion with the Student Advice Manager we noted that Student Services staff are largely reliant on referrals from teaching staff to identify students who are struggling academically. At present the only Management Information System (MIS) data available to Student Services to identify students who may be struggling academically is attendance information from CELCAT. No other MIS data is available to teaching staff to help them evaluate academic progress of students. This gives rise to a potential risk that students who are struggling academically may not be identified timeously by the College leading to a failure to provide adequate support. Further discussion with senior management identified that regular review meetings are included in the schedules of teaching staff to ensure that the academic progress of students is given adequate consideration. Small class sizes at the College make it easier for staff to keep track of students. Although no MIS data is used in these reviews the Acting Principal was not aware that any staff felt that there was a need for additional data in order to monitor student progress. It was accepted however that this data could be of assistance to staff if provided. This is something that the University of the Highlands and Islands-wide Student Data Reporting Group, of which the Acting Principal is the Chair, intends to look at although it is not one of the top priorities so this will not be done immediately.

**Objective 4: Students are given adequate support if they have a disability**

The College tries to identify in advance any disabilities or additional support needs that a student may have prior to starting College. The application form is designed so that students can disclose their requirements. Discussions at pre-start days and liaison with schools helps the College to better understand the requirements of any new students and identify any disabilities or additional support needs not disclosed on applications. The College makes a judgement on whether it is more appropriate to support the student through a mainstream course or if the demands of a mainstream course are too much for the student then identify a suitable course designed specifically for students with additional support needs.

When the College identifies a support need it creates a Personal Learning Support Plan (PLSP) together with the student. This documents the specific support requirements of the student and also identifies any learning goals and objectives the student has for the year. The PLSP is monitored and reviewed throughout the year.

The *Kickstart* programme is available to students, while more extensive transition weeks may be offered to students with severe learning difficulties or mental health issues prior to induction to give these students a period to adapt to the College environment.

Learning Support staff work with students who require assistance throughout the year. The College has a range of assistive equipment for students, for example Dictaphones and literacy support tools. The College is also accessible for disabled students. Students can also make use of additional student support funds which are available to disabled students if they meet eligibility criteria.

**Objective 5: Students are made to feel part of the College community.**

The College and the Student Services team provide support to student initiatives. A number of recent successes were noted by the Student Advice Manager where the College and students have worked together to establish clubs or societies. Overall however it was felt that there is little in the way of student engagement in the College community. To encourage students to voice their opinions and develop the College community further, the College operates a class representative system and has elected representatives to the recently formed HISA. In addition a number of student focus groups are held throughout the year. These are set up by each subject area to look at specific aspects of the curriculum but can also look at wider College issues. These are attended by students but facilitated by staff. In 2015 HISA was formed, and has a presence throughout University of the Highlands and Islands Academic Partners. The College has two elected Depute Presidents who are also members of the Board of Management. As part of their role the Depute Presidents should promote the interest of students and provide support to students.

College staff, particularly Student Services, perform a similar role to HISA which has led to some confusion. One example is the class representative system whose meetings are currently chaired by the Student Advice Manager meaning that the Depute Presidents miss out on the information that passes both ways during these meetings. During discussions we noted that there is no formal framework in place between HISA and the College detailing the respective roles and responsibilities of each, or the channels of communication between them. HISA has yet to establish a strong presence within the College and students may not yet be fully aware of its role. It currently has no permanent accommodation within the College. The Depute Presidents reported that overall levels of student engagement are low. From discussion with College management it was noted that HISA is in its early stages and as such is still developing in order to provide the most effective support possible to the students. The responsibility for much of the development will lie with the Students' Association. For its part the College is supporting the development of HISA as much as possible, providing financial support and holding regular meetings with the Depute Presidents. There is a Memorandum and Articles of Association between HISA and University of the Highlands and Islands Academic Partners. Going forward the College will continue to offer support while HISA looks to develop and clarify its roles and responsibilities.

Moray College UHI – Student Support

Objective 5: Students are made to feel part of the College community (continued).					
Observation	Risk	Recommendation	Management Response		
<p>The HISA Depute Presidents are also student members of the College Board of Management. During our discussions with the Depute Presidents we were advised that the Chair of the Board requested that both student Board members leave during the October 2015 Board meeting, to allow the remaining Board members to discuss other Reserved matters. The Code of Good Governance for Scotland's Colleges, which was published in December 2014, states that: 'staff and student Board members are full Board members and bring essential and unique, skills, knowledge and experience to the Board. Staff and student Board members must not be excluded from Board business unless there is a clear conflict of interest, in common with all Board members'. It is our understanding that in the past the Chair of the Board has always requested that student members are excluded from Board meetings whilst Reserved matters are discussed. The Acting Principal has since discussed this approach with the Chair of the Board and, in future, any need to exclude Board members will be based on specific agenda items that may give rise to potential conflicts of interest.</p>	<p>Non-compliance with the Financial Memorandum, which requires colleges to comply with the principles set out in the Code of Good Governance for Scotland's Colleges.</p>	<p><b>R1</b> Ensure that, in accordance with the Code of Good Governance for Scotland's Colleges, student Board members are not excluded from Board business unless there is a clear conflict of interest. Reasons for student members being excluded from any Board meetings should be documented within the minutes.</p>	<p><b>To be actioned by:</b> Chair of the Board of Management</p> <p><b>No later than:</b> 12 April 2016</p>		
			<table border="1"> <tr> <td><b>Grade</b></td> <td><b>3</b></td> </tr> </table>	<b>Grade</b>	<b>3</b>
<b>Grade</b>	<b>3</b>				



**Moray College UHI**

**Partnership Working**



**Internal Audit Report No: 2016/04**

**Draft Issued: 15 February 2016**

**Final Issued: 16 February 2016**

**LEVEL OF ASSURANCE**

**Good**



## Content

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### Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

<b>Good</b>	System meets control objectives.
<b>Satisfactory</b>	System meets control objectives with some weaknesses present.
<b>Requires improvement</b>	System has weaknesses that could prevent it achieving control objectives.
<b>Unacceptable</b>	System cannot meet control objectives.

### Action Grades

<b>Priority 1</b>	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.
<b>Priority 2</b>	Issue subjecting the College to significant risk and which should be addressed by management.
<b>Priority 3</b>	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

## 1. Overall Level of Assurance

<b>Good</b>	System meets control objectives with some weaknesses present.
-------------	---------------------------------------------------------------

## 2. Risk Assessment

This review focused on the controls in place to mitigate the following risks on the College's Risk Register:

- Loss of influence within UHI (risk rating: medium);
- Impaired stakeholder / partnership working (risk rating: low); and
- Loss of local 'community' identity (risk rating: medium)

## 3. Background

As part of the Internal Audit programme at Moray College UHI ('the College') for 2015/16 we carried out a review of the College's arrangements for partnership working. Our Audit Needs Assessment, completed in November 2011, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College has a number of partnerships with bodies across the region, including specific partnership arrangements with the University of the Highlands and Islands (UHI). Increased use of partnerships can assist with better communication and lead to more timely and efficient provision of services.

In 2014 Audit Scotland conducted a review the Moray Community Planning Partnership (MCCP) as part of a wider review of five Community Planning Partnerships across Scotland. The report noted that the College was part of the core membership of the MCCP and identified the key role that the College had to play in achieving the outcomes of the partnership.

Education Scotland undertook a review of the quality of provision in the College on behalf of the Scottish Further and Higher Education Funding Council (SFC) in November 2013, and the report arising from this was published in February 2014. The report noted that the College has strong and effective partnerships with its local authority and community and engages employers well in delivering and evaluating its programmes.



## 4. Scope, Objectives and Overall Findings

The scope of this audit was to carry out a high-level review of the effectiveness of the College’s partnership working arrangements (including shared services), with UHI Executive Office, other UHI Academic Partners and other parties.

The overall objective of the review was to establish the extent to which the College’s arrangements for partnership working are designed to achieve, and are actually delivering, Best Value and, from the work done, we obtained reasonable assurance that this objective is being met. The table below notes secondary objectives for this review and records the results:

Objective	Findings			
<b>The objectives of the audit were to ensure that:</b>				
		<b>No. of Agreed Actions</b>		
1. Senior management and Board members are committed to partnership working.	<b>Good</b>	0	0	0
2. Effective governance arrangements are in place for partnership working – specifically scrutiny and accountability arrangements.	<b>Good</b>	0	0	0
3. The College has agreed a set of measures and targets to track progress and demonstrate impact of partnership working, and there are good arrangements with partners for managing and reporting performance.	<b>Good</b>	0	0	0
4. The College’s partnership outcomes and actions are evidence-based (on shared contextual analysis and information) and reflect well the needs of the area / communities / service users.	<b>Good</b>	0	0	0
5. The College has along with its partners set and agreed priorities and is committed to delivering them.	<b>Good</b>	0	0	0
6. The College understands the resources needed to deliver its partnership priorities and works well with partners to align its funding, assets and staffing in a sustainable framework.	<b>Good</b>	0	0	0
<b>Overall Level of Assurance</b>	<b>Good</b>	<b>0</b>	<b>0</b>	<b>0</b>
		System meets control objectives		

## 5. Audit Approach

We applied, where applicable, Audit Scotland's Best Value toolkit for Effective Partnership Working through discussion with the Acting Principal, other members of the Senior Management Team, and review of supporting information, and formed conclusions based on the evidence obtained on the effectiveness of the College's partnership working arrangements.

## 6. Summary of Main Findings

### **Strengths**

- The College has developed mature partnerships with a number of key organisations, particularly in the Moray region. College management and staff have developed good relationships with the local authority and its departments, NHS Grampian and local employers.
- The College works closely with its key strategic partners and the College ensures that it is involved in the early stages of community planning processes.

### **Weaknesses**

- None noted.

## 7. Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during the course of our audit visit.

## 8. Action Plan

### **Objective 1: Senior management and Board members are committed to partnership working.**

The College has developed mature partnerships with a number of key organisations in the Moray region. College management and staff have developed good relationships with the local authority and its departments, NHS Grampian and local employers. There is a clear commitment to effective partnership working within the College. Board members and the Senior Management Team actively support staff to engage in partnership arrangements with key stakeholders. The College is committed to supporting the Moray region, its economy and delivering courses that meet the needs of Moray businesses, employees and residents and this is set out in its Strategic Plan. The commitment is mirrored in the objectives of many of its key partners, such as The Moray Council and NHS Grampian, which are encapsulated within the Moray Community Planning Partnership (MCP) Single Outcome Agreement (SOA) and the regional strategies such as Moray 2023.

The College is a statutory partner in delivering the Moray SOA which is led by The Moray Council. Outcomes within the agreement include: ambitious and confident children and young people; a growing and diverse economy; and employability and employment skills.

The College is also a partner in delivering the Highlands and Islands Regional Outcome Agreement (ROA) for 2015/16 which includes nine teaching colleges from the University of the Highlands and Islands (UHI) partnership. Aims within the agreement include developing close and effective stakeholder relationships within all areas of the region to ensure that the curriculum is fully informed by, and reflective of, local requirements and expectations, and improving engagement with employers.

Many of the members of the College Board of Management are involved in local organisations or businesses. A member of the Board represents the College on the Moray Community Planning Board. The Board Chair is an ex-officio member of the Further Education Regional Board and attends UHI strategic planning events.

Members of the College Senior Management Team are members of, or Chair, various partnership bodies and demonstrate a significant influence on the UHI partnership. The Acting Principal is a member of the MCP Officers Group, Children and Young Persons Group and Prevent Group; is a member of the Further Education Executive Board within UHI; and Chairs the UHI Student Data Reporting Group.

The Acting Deputy Principal (Learning & Teaching) liaises closely with the regional office for Skills Development Scotland; is a member of the Further Education Senior Management Team within UHI; and is a member of the Moray Economic Partnership.

## Moray College UHI – Partnership Working

**Objective 1: Senior management and Board members are committed to partnership working (continued).**

The Alexander Graham Bell Centre for Digital Health (formerly known as Moray Life Science Centre) was built in partnership between the College, NHS Grampian and Highlands and Islands Enterprise. The Acting Principal chairs the Alexander Graham Bell Centre Leadership Group, which involves all key partners and aims to raise awareness of the Centre and to identify opportunities for commerce and research through links in the digital health industry.

The 2014 Education Scotland report noted that ‘the College has a clear strategic commitment to partnership working with a range of local and regional key stakeholders. Partnership arrangements are extensive and effective for delivering positive outcomes for the Moray economy, local businesses and local residents. Partnership working with the local authority is particularly strong.’

## Moray College UHI – Partnership Working

**Objective 2: Effective governance arrangements are in place for partnership working – specifically scrutiny and accountability arrangements.**

The College is committed to supporting the development of the Moray region, its economy and delivering courses that meet the needs of Moray businesses, employees and residents and this is set out in its Strategic Plan. The Strategic Plan covers the period 2011-2015 and is now out-of-date. The delay in appointing a permanent Principal during 2015 has resulted in a delay in producing an updated Strategic Plan. A new Principal has now been appointed, who will take up post in February 2015, and it is expected that the Strategic Plan will be refreshed later in the year.

The Highland and Islands ROA 2015/16 contains details of key deliverables and actions, sets out how the ROA will be delivered, with targets and milestones set to measure achievement. Achievement of outcomes is regularly reported and discussed at regional meetings. A formal minute of agreement is in place covering the UHI Executive Office and Academic Partners. The vision, purpose and objectives in the UHI Strategic Plan have all been agreed by the Principal of each Academic Partner.

The Moray SOA contains a delivery plan which sets out the activity that will be undertaken to support the delivery of the outcomes. Action plans have been developed for each of the MCPP strategy groups in which the College is involved. Progress is discussed at each meeting of the strategy groups. The College's role and responsibilities in each of the partnerships that it is involved in are defined in agreed upon terms of reference and agreements to which the College has signed. A formal Partnership Agreement Framework for the UHI and Academic Partners is currently being drafted. This will define roles and responsibilities of all parties. A Financial Memorandum between the UHI, as Regional Strategic Body, and its assigned colleges has recently been agreed. The College is an active member of various partnership groups and staff attend regular meetings of these groups, providing opportunity for challenge and scrutiny. The Moray Community Planning Board scrutinises the performance of the MCPP in achieving its strategic objectives. It also reviews the performance of each partner in meeting its obligations in terms of helping to deliver the strategic objectives of the SOA. The SOA reached between The Moray Council, its partners and the Scottish Government is designed to focus efforts and resources on achieving the outcomes detailed in the agreement. The MCPP has identified priorities to meet the needs of the people of Moray. These priorities link to the outcomes of the agreement. Public Performance Reports provide a balanced summary of performance and achievements against the delivery of local outcomes in respect of Community Planning priorities.

The College's Operational Risk Register identifies poor joint working as a significant risk. The Risk Register states that these risks will be addressed through continued and improved communication with partners. The College has worked with UHI Executive Office and other UHI Academic Partners in recent years to ensure that College risks are also considered within the wider context of the UHI partnership. There is now greater visibility of partnership risks with a standard risk register format in use across the UHI and improved sharing of risk registers by partners. The College has developed with the other UHI Academic Partners a system for internal challenge and scrutiny of partnership decisions and performance. The UHI Finance Directors Practitioners Group is seen as a good platform for facilitating better communication throughout the partnership with regular meetings held throughout the year. By way of membership of the UHI and also being a public sector body, the College is bound by nationally defined governance and accountability frameworks, including the Code of Good Governance for Scotland's Colleges.

## Moray College UHI – Partnership Working

**Objective 3: The College has agreed a set of measures and targets to track progress and demonstrate impact of partnership working, and there are good arrangements with partners for managing and reporting performance.**

The College is able to demonstrate how, with partners, their commitment has resulted in positive changes to the way partnership working engages with communities. For example, the number of school leavers going on to positive destinations has increased in recent years as a result of the work done by the local authority and its key partners including the College. The impact of the cessation of Royal Air Force operations at Kinloss, in terms of unemployment in the region, was minimised in part through training and education programmes run by the College.

The College responds to the objectives and aims of recipients of its services. The College must ensure that its courses add value and positively impact those they work with. The College therefore plays an active role in regular meetings and engagement with partner organisations. These partnership meetings are used to discuss financial pressures, limited resources, areas of need and to review performance.

The Highland and Islands ROA 2015/16 contains baselines that have been established for all areas. The College and other Academic Partners regularly submit data to UHI Executive Office, which is monitored throughout the year.

A Performance Management Framework is in place within the College. Based on Scottish Government's system of performance management, the framework is designed to focus on improving quality of life in the community. Monitoring takes the form of regular reports to the MCPP on how the College has delivered the local and national priorities set out in the SOA. The College has built the key outcomes from the ROA into its operational plans for 2015/16. Progress against the plans is reported to the Senior Management Team, the Board, UHI and the Further Education Regional Board.

The local authority Public Performance Reports provide a balanced summary of performance and achievements against the delivery of local outcomes in respect of the SOA and Community Planning priorities.

The Alexander Graham Bell Centre for Digital Health has resulted in the creation of jobs and it is expected that further jobs will be created as the College and its partners seek to establish the Centre as a base for research and development and higher education opportunities in the digital health industry. Income targets have not been set for the Alexander Graham Bell Centre however an action plan has been developed to support the development of the Centre and market the digital health sector in the Moray region, which is monitored by the Alexander Graham Bell Centre Leadership Group. The College's Commercialisation Strategy also includes developing revenue streams from the Centre through rental of accommodation for research, conferencing and catering facilities. The strategy does not identify income targets however actual income received is reported to the Finance & General Purposes Committee.

## Moray College UHI – Partnership Working

**Objective 4: The College's partnership outcomes and actions are evidence-based (on shared contextual analysis and information) and reflect well the needs of the area / communities / service users.**

The College liaises well with its partners in the community, particularly in schools and local employers, to support a wide range of learners. Working collaboratively with partners and key stakeholders, the College is effective in delivering programmes that meet their needs well.

In recent years, through the Moray Community Planning Board, the College participated in a pilot study which analysed the needs of a town in the Moray region based on demographics and performance information. The Moray Community Planning Board then met members of the community to discuss their actual needs, which highlighted a number of priorities that have been considered by the Moray Community Planning Board in developing future strategies for the region.

The College is engaged in planning activities around the region's economic development through membership of the Moray Economic Partnership. The proposals outlined in the Moray Economic Strategy contribute to the SOA and the stated priorities of the College's plan in relation to the economy, employment and tourism. The initiatives will help to achieve the Strategic Plan aim to play a leading role in the plans to diversify the Moray economy. The MCPP has produced the Moray 2023 plan which sets out the five key priorities for the region until the year 2023. The evidence used to prepare the plan includes previous communication and consultation feedback from a wide range of communities and individuals. There will be ongoing engagement with communities to develop the plan and the outcomes from this will be reflected in updated versions of the plan to be produced annually.

At a UHI level, Academic Partners have clearly defined responsibilities in terms of ensuring student performance data is accurate, valid, reliable, timely and complete. Although there are differences across the partnership in terms of how data is monitored and reported, the College's Acting Principal Chairs the UHI Student Data Reporting Group that is looking at ways in which the use and reporting of student data can be standardised and maximised across the partnership.

## Moray College UHI – Partnership Working

**Objective 5: The College has along with its partners set and agreed priorities and is committed to delivering them.**

Members of the Senior Management Team and other senior managers of the College have worked with partner organisations to agree a number of strategic priorities based on community views and shared information. Added value has been provided to the College's own work by translating partnership priorities into its key strategies and operational action plans.

There are clear links between the College's key strategies, the Highlands and Islands ROA, the Moray SOA and the Highlands and Islands Regional Skills Investment Plan, reflecting key priorities and actions for the region. The College Strategic Plan objectives and operational plans are aligned with the Highlands and Islands Regional outcomes and also the Moray SOA.

There is a coordinated and consistent approach to implementing agreed actions across the College's key partnerships, including the UHI, The Moray Council, NHS Grampian and Highlands and Islands Enterprise. Responsibility for delivery is clear and shared across partners.

The College works with employers and public sector organisations in the region to identify skills requirements which are used to inform curriculum design and to provide training opportunities.



## Moray College UHI – Partnership Working

**Objective 6: The College understands the resources needed to deliver its partnership priorities and works well with partners to align its funding, assets and staffing in a sustainable framework.**

There is a commitment by the College to the provision of resources required to deliver shared services objectives and partnership priorities. The College is involved in initiatives such as the UHI-wide Procurement shared service and the Business Systems Convergence project. The College contributes staff and financial resources to raise the awareness of the Alexander Graham Bell Centre with the development work and research in the digital health sector identified as being a part of the College's contribution to the economic strategy for the region.

Partners involved in the SOA and ROA have agreed partnership plans, which outline key aims and objectives. These objectives are aligned to the strategic plans of individual partners. The College also takes account of the Highlands and Islands Regional Skills Investment Plan in setting priorities, in curriculum planning etc.

The UHI Further and Higher Education priorities are outlined in the ROA and the College has designed its curriculum and developed budgets and staff work plans to ensure that these priorities are met.

The College is proactive in pursuing initiatives that complement the sustainability policies of the partnership. Sustainability is identified in a number of national and local priorities contained in the Moray SOA, which also contains details of a number of initiatives on sustainable development and these complement the sustainability policies of the College, The Moray Council, NHS Grampian and other partner organisations. The College Strategic Plan identifies that in order to play a leading role in the plans to diversify the Moray economy the College will ensure that engagement with all of the key sectors represented in the Moray economy is placed on a systematic and sustained footing.

The College contributed land at the Elgin campus for the construction of the Alexander Graham Bell Centre as part of the partnership formed to achieve the goal of building this facility. In doing so the College is contributing to achieving its strategic aim of playing a leading role in the plans to diversify the Moray economy which is aligned with the Moray SOA.

The Elgin City for the Future project was commissioned by the MCPP in order to spearhead an economic regeneration strategy for the city of Elgin. The College is involved on the project steering group. A strategy has been developed which contains an action plan and delivery framework that sets out the projects, the partners, the finance and other resources required. The College has a significant role to play in this strategy most notably in relation to developing its established strengths in: arts education in the north of Scotland; hospitality and leisure; and encouraging the ongoing development of effective links between local businesses and the skills and expertise available within the College.



**Moray College UHI**

**Business Development / Research**



**Internal Audit Report No: 2016/03**

**Draft Issued: 17 February 2016**

**Final Issued: 18 February 2016**

**LEVEL OF ASSURANCE**

**Satisfactory**



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### Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

<b>Good</b>	System meets control objectives.
<b>Satisfactory</b>	System meets control objectives with some weaknesses present.
<b>Requires Improvement</b>	System has weaknesses that could prevent it achieving control objectives.
<b>Unacceptable</b>	System cannot meet control objectives.

### Action Grades

<b>Priority 1</b>	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.
<b>Priority 2</b>	Issue subjecting the College to significant risk and which should be addressed by management.
<b>Priority 3</b>	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

## 1. Overall Level of Assurance

**Satisfactory**

System meets control objectives with some weaknesses present.

## 2. Risk Assessment

This review focused on the controls in place to mitigate the following risks on the College's Risk Register:

- Loss of financial sustainability (risk rating: low); and
- Alexander Graham Bell Centre targets not met (risk rating: medium);

## 3. Background

As part of the Internal Audit programme at Moray College UHI ('the College') for 2015/16 we carried out a review of business development and research activities. The Audit Needs Assessment, completed in November 2011, identified these as areas where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College undertakes a wide range of commercial work, defined as any activity generating non-Scottish Funding Council (SFC) income. This includes leisure and short courses, Scottish Vocational Qualifications (SVQs), projects (EU and non-EU funded), education contracts with industry training bodies, contracts to provide training for Skills Development Scotland (SDS), catering (Refectory, Aye Pod Café, and the Beechtree Restaurant), hiring out rooms, personal care salons (hairdressing, beauty therapy and complementary therapies), short term lets and conferencing facilities in the Alexander Graham Bell Centre for Digital Health and other miscellaneous income.

Income generation is generally managed by the area where the income generating activities are undertaken. Projects and SDS contracts are centrally managed under the Head of Marketing and External Relations.

The College is looking to grow its research activities, particularly through its alliance with NHS Grampian and Highlands and Islands Enterprise (HIE) in the Alexander Graham Bell Centre.

We previously reviewed this area in May 2013 (Internal Audit Report No 2013/07 – Business Development / Research), when we were unable to conclude that the income generation and margins from commercial activities were being maximised, and noted that the College had limited involvement in research activities. A number of recommendations were made for improvement and these have been followed-up as part of our annual Follow-Up Reviews. The last Follow-Up Review was carried out in February 2015 and a further update on the recommendations that remained outstanding at that time has been included at Appendix I of this report.

## 4. Scope, Objectives and Overall Findings

This audit considered the key risks in relation to the College's commercial and research activities. The primary objective of the audit was to establish whether procedures in place within the College are sufficient to maximise income generation and margin from commercial (non-SFC) and research activities. We found that the College has made significant progress since the time of our previous review and the procedures in place now go some way towards maximising income generation and margin from commercial (non-SFC) and research activities although this is a challenging area that needs to be closely monitored. Further improvements can be made particularly in relation to identifying the full cost of activities, including overhead costs, and preparing formal business cases. The table below notes secondary objectives for this review and records the results:

Objective		Findings		
		1	2	3
<b>The objectives of the audit were to ensure that:</b>		<b>No. of Agreed Actions</b>		
1. An effective strategic and operational planning process has been established.	<b>Good</b>	0	0	0
2. An appropriate management and support structure has been put in place to identify and promote commercial and research opportunities.	<b>Satisfactory</b>	0	1	0
3. There is effective pricing in the market place and, wherever possible, overhead recovery from research grants and commercial contracts is maximised.	<b>Requires Improvement</b>	0	3	1
4. Management information is adequate and easily accessible to all relevant staff.	<b>Good</b>	0	0	0
5. There is regular review of activities by the Board of Management and its committees.	<b>Good</b>	0	0	0
6. Feedback is sought from customers and acted upon.	<b>Good</b>	0	0	0
7. Appropriate systems and procedures are in place to manage intellectual property risks covering areas such as: ownership; identification; application approval; and maintenance.	<b>Satisfactory</b>	0	0	0
8. Adequate arrangements have been put in place to prevent and respond to external claims against the College for breach of contract.	<b>Satisfactory</b>	0	0	0
<b>Recommendations still outstanding from internal audit report 2013/07 (Appendix I)</b>		0	2	1
<b>Overall Level of Assurance</b>	<b>Satisfactory</b>	<b>0</b>	<b>6</b>	<b>2</b>
		System meets control objectives with some weaknesses present		

## 5. Audit Approach

From discussion with the Acting Deputy Principal, Head of Marketing and External Relations and a sample of Acting Associate Principals, Finance and other relevant staff, including Associate and Assistant Directors, we established the key controls in place within the above areas and considered their adequacy.

Where relevant, sample testing was carried out to establish whether key controls in place within the above areas are operating effectively in practice.

## 6. Summary of Main Findings

### **Strengths**

- Income generation activities are embedded within operational planning processes and linked to the College's strategic planning process;
- Senior managers across the College are commercially aware and growth of commercial income is included within departmental objectives;
- Senior staff are supported by the Senior Management Team and the Marketing Team in identifying and promoting commercial opportunities;
- Budget holders, senior management and Board members receive regular information on commercial and income generation activities, including a summary of financial performance; and
- There are formal mechanisms in place for obtaining and acting upon feedback received from customers, particularly employers.

### **Weaknesses**

- Business cases that analyse the strategic, economic, commercial and financial benefits are not produced for new commercial activities, including new courses / programmes;
- Analysis of competitor prices is not formally recorded;
- There has been no detailed analysis of the actual costs associated with the delivery of commercial activity which may result in ineffective pricing;
- Senior Finance staff are not involved in reviewing the financial case for new commercial activities, which may result in errors in assumptions and lead to ineffective pricing; and
- Research opportunities are limited at present, restricted in part by the slow interest shown by commercial organisations in letting accommodation within the Alexander Graham Bell Centre. However, the research opportunities available within the Centre are being actively promoted by the College and its strategic partners through the Alexander Graham Bell Centre Leadership Group.

## 7. Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during the course of our audit visit.

## 8. Action Plan

### **Objective 1: An effective strategic and operational planning process has been established.**

The College's Strategic Plan 2011-2015 acts as the overarching strategy for commercial and research activity in the College, which includes sourcing new opportunities for income generation and increasing research activity within the strategic aims. These are supported by a Commercialisation Strategy that sets out the key business development opportunities and how the College aims to increase revenue streams from commercial and research activities. The Commercialisation Strategy addresses three key aims which are supported by actions and operating plans where appropriate. The operating plans contain short-term, medium-term and long-term activities. Progress on the operational plans is reported to the Finance & General Purposes Committee with the latest review undertaken at the time of our audit fieldwork having taken place in October 2015. As at October 2015 we noted that good progress had been made, with 13 of the 16 actions either complete or part-complete.

The Commercialisation Strategy acts as a framework for growing commercial and research activity and as such does not contain specific targets for growth. However, the College Operational Plan 2015-16 contains an objective to increase non-funded activity by 5 per cent. Discussion with the Senior Management Team noted that the majority of this growth is to be achieved through commercial and research activity generated in the Alexander Graham Bell Centre for Digital Health. In order to achieve this target, work is being undertaken by the College and its strategic partners as part of the Alexander Graham Bell Centre Leadership Group to raise awareness in the digital health industry of the commercial and research opportunities available in the Centre.

From discussions with the Senior Management Team, Associate and Assistant Directors, and review of a sample of academic operational plans, we noted that departmental objectives have been identified that relate to growth of commercial activity such as training provision.

Appendix II shows the College's non SFC income as reported in the October 2015 management accounts, which were the latest available at the time of our audit. Although the annual forecast income to 31 July 2016 remained on budget at that time, year-to-date figures were below budget in a number of categories. The main adverse variances included non-fundable activity (full cost recovery) (£51,000 which was considered to be a budget profiling issue), Modern Apprenticeships (£22,000 which is due to not all the contracts bid for being awarded), Nursery (£9,000) and Hair, Beauty, Complimentary Therapy (£11,000 due to not opening until later in the first quarter). Miscellaneous income showed a positive variance due to the receipt of funds from the Arm's Length Foundation. The College will need to continue to monitor the adverse variances and consider any revision required to the year-end forecast as the year goes on (refer Objectives 4 and 5 below).

**Objective 2: An appropriate management and support structure has been put in place to identify and promote commercial and research opportunities.**

The Associate and Assistant Directors are responsible for identifying and managing commercial and research contracts within each of their areas across the College. Associate and Assistant Directors meet regularly with the Head of Marketing and External Relations who leads on the coordination of business development and research across the College, including publicising commercial activity, arranging employer engagement events and developing the College's Continuing Professional Development (CPD) catalogue, which was published in January 2016 to promote the College's training provision. During the year the Marketing Team has been heavily involved in producing a College prospectus for employers in the Food and Drink industry that highlighted relevant training programmes available at the College. Similar prospectuses are being planned for a range of other industries that the College has links with.

Management oversight of this activity is provided through proposals for new commercial programmes being discussed between Associate and Assistant Directors and the Associate Principals. Where proposals are deemed potentially viable these are then presented to a sub-group of the Academic Management Group, which is chaired by the Acting Deputy Principal. The sub-group meets monthly to review any new grant funded and full-cost recovery programmes. This includes looking at detailed costings and challenging assumptions. Proposals for research opportunities are discussed by the College's Research Committee.

Commercial and research activities are promoted through a range of methods, including the College prospectus, the College website, leaflets, short course booklets, inserts and adverts in local newspapers, social media, video screens, e-newsletters, employer engagement and other events organised for the Moray Business Improvement District held in the College. As noted above, a CPD catalogue and sector focused prospectuses have also recently been produced.



**Objective 2: An appropriate management and support structure has been put in place to identify and promote commercial and research opportunities (continued).**

The Alexander Graham Bell Centre Leadership Group, which is chaired by the Acting Principal, comprises representatives of key partners such as Highlands and Islands Enterprise (HIE), NHS Grampian, the Scottish Government and the University of the Highlands and Islands. The aim of the Group is to co-ordinate, highlight, develop and progress academic, commercial and health and care opportunities related to Digital Health. The key outcomes and objectives of the Group have been identified and an action plan put in place to help achieve these. Our review of the action plan noted that progress in achieving the 22 objectives is slow, with eight actions having been completed since 2014. A further 13 actions are in progress, seven of which are now past the target timescales, with one action noted as being at risk of not being achieved. Action plan progress was discussed with both the Acting Principal and the Head of Marketing and External Relations and it was noted that interest in the Alexander Graham Bell Centre has increased over the last six months as a result of the efforts of the Leadership Group. One challenge faced by the Alexander Graham Bell Centre is that HIE also has a digital health research facility located on the new Inverness Campus. HIE are also actively promoting the opportunities available at the Inverness facility. Companies may also view the Inverness facility as more favourable due to its location, economy and infrastructure.

Observation	Risk	Recommendation	Management Response		
<p>The terms of reference for the Alexander Graham Bell Centre Leadership Group do not clearly state which organisation or group will be responsible for maintaining the action plan, e.g. the Leadership Group, Moray College or another group related to the other member organisations such as NHS Grampian or HIE. However, updates on the work of the Alexander Graham Bell Centre Leadership Group are reported by the Acting Principal to the Senior Management Team and the Board, although the full action plan is not.</p>	<p>Responsibility for maintaining the Alexander Graham Bell Centre Leadership Group action plan is not clearly defined resulting in progress on actions not being monitored and challenged.</p>	<p><b>R1</b> Consider formally reporting progress made on the Alexander Graham Bell Centre Leadership Group action plan to the College Board of Management or one of its committees.</p>	<p>Leadership Group Action Plan is an operational plan internal to the Group. The Board is provided with routine updates both through the Acting Principal at full Board meetings and the Finance and General Purposes Committee.</p> <p>Will update Leadership Group Terms of Reference to provide clarity on maintenance of Action Plan.</p> <p><b>To be actioned by:</b> Acting Principal</p> <p><b>No later than:</b> March 2016</p> <table border="1" data-bbox="1480 1292 2114 1361"> <tr> <td data-bbox="1480 1292 1800 1361">Grade</td> <td data-bbox="1800 1292 2114 1361">2</td> </tr> </table>	Grade	2
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**Objective 3: There is effective pricing in the market place and, wherever possible, overhead recovery from research grants and commercial contracts is maximised.**

All commercial and research activity costing and pricing is performed by staff in their relevant areas. A standard costing and pricing form is used which was created by the Director of Finance and contains staffing costs (based on current actual costs with estimates made for staff time) and materials (based on estimates) to calculate the cost of a proposed activity. A standard overhead recovery rate is used which is provided by Finance: 30 per cent if the course is delivered in the College, otherwise it is 20 per cent. The price for full cost recovery programmes is determined by the total estimated costs plus a mark-up which is dependent on market forces. For a sample of costing and pricing forms reviewed we noted that the mark-up varied between 18 and 45 per cent with no explanation provided in each case.

Observation	Risk	Recommendation	Management Response		
<p>In internal audit report 2013/07 Business Development / Research, issued in May 2013, we recommended that ‘all externally funded projects should have a business case prepared setting out how the project fits in with the College’s strategy, what the proposed outcomes and critical success factors are, and set out how this is planned to be resourced. This should be reviewed and approved by a member of the Senior Management Team.’ This recommendation was accepted and incorporated into College procedures.</p> <p>Our current review identified that although a financial costing and pricing is prepared for commercial activity, including new programmes or courses, formal business cases have not been prepared in recent years.</p>	<p>Programmes are approved which are not linked to the College’s strategic objectives and key deliverables and outcomes are not identified.</p>	<p><b>R2</b> Ensure that business cases are prepared for all new commercial courses and programmes. A standard business case template should be prepared which includes as appropriate:</p> <ul style="list-style-type: none"> <li>• the Strategic case;</li> <li>• the Economic case (e.g. non-monetary benefits and costs, value for money, risks);</li> <li>• the Commercial case (e.g. procurement, risks, contracts);</li> <li>• the Financial case (pricing and costings);</li> <li>• the Management case (e.g. delivery); and</li> <li>• Approval.</li> </ul>	<p>A business case template is in place but not routinely used by all relevant staff. This will be rolled out with staff training to support the process.</p> <p><b>To be actioned by:</b> Head of Marketing and External Relations</p> <p><b>No later than:</b> May 2016</p> <table border="1" data-bbox="1666 1297 2114 1383"> <tr> <td data-bbox="1666 1297 1883 1383"><b>Grade</b></td> <td data-bbox="1883 1297 2114 1383"><b>2</b></td> </tr> </table>	<b>Grade</b>	<b>2</b>
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**Objective 3: There is effective pricing in the market place and, wherever possible, overhead recovery from research grants and commercial contracts is maximised (continued).**

In internal audit report 2013/07 we recommended that the costing and pricing form be amended to ensure that details of competitors prices were recorded (see **R7** in Appendix I). This recommendation was accepted at that time however we noted during the current review that for a sample of costing and pricing forms reviewed competitors' prices were not recorded. Discussion with a sample of Associate and Assistant Directors noted that research on market prices is undertaken and discussed informally between the Associate Principals and the Academic Management Group sub-group chaired by the Acting Deputy Principal. An analysis of market demand and pricing would be best recorded within a business case, however as noted earlier in this report, we found that business cases are not prepared (see **R1**).

**Objective 3: There is effective pricing in the market place and, wherever possible, overhead recovery from research grants and commercial contracts is maximised (continued).**

Observation	Risk	Recommendation	Management Response		
<p>Review of the pricing and costing template noted that it focuses on staff costs, materials and travel and subsistence and does not clearly identify all costs associated with running the course / programme, including the use of machinery or other equipment. It was also noted that there are no workings available to support the standard overhead recovery rates used (30 per cent if the course is delivered in the College, otherwise 20 per cent).</p> <p>From discussion with College staff, the main commercial growth areas are Modern Apprenticeships programmes and professional certification programmes (e.g. oil and gas maintenance). With regards Modern Apprenticeships the College is required to submit a tender / bid to Skills Development Scotland (SDS) stating how many places it proposes to offer. SDS then determines the number of places and funding if the bid is accepted. From our discussions with staff we noted that a formal costing is not prepared for these or similar bids and therefore the College is not fully aware of the costs associated with running these programmes.</p>	<p>The full-cost of a commercial activity is not known and therefore not available for decision making purposes.</p> <p>There may be ineffective pricing of commercial activities due to a lack of understanding of the full costs and the activity may not be sustainable.</p>	<p><b>R3</b> Ensure that as part of the development of a business case a robust analysis of activity and associated costs is undertaken in order to fully understand all costs borne by the College and those that can be recovered through competitive pricing.</p>	<p>Costing template is currently under review due to the transition from WSUMS to credits. A comprehensive review will be undertaken to ensure that all appropriate costing and pricing information is incorporated. Staff training will also be undertaken.</p> <p><b>To be actioned by:</b> Director of Finance</p> <p><b>No later than:</b> June 2016</p>		
		<p><b>R4</b> As part of the costing exercise, greater consideration should be given to determining a relevant overhead recovery rate. Calculation of the rate should be based on suitable cost drivers and should consider teaching time, class size, premises, equipment and materials and method of course delivery.</p>	<p>As <b>R3</b>.</p> <p><b>To be actioned by:</b> Director of Finance</p> <p><b>No later than:</b> June 2016</p>		
			<table border="1"> <tr> <td><b>Grade</b></td> <td><b>2</b></td> </tr> </table>	<b>Grade</b>	<b>2</b>
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**Objective 3: There is effective pricing in the market place and, wherever possible, overhead recovery from research grants and commercial contracts is maximised (continued).**

Observation	Risk	Recommendation	Management Response		
<p>From our discussions with the Assistant Accountant we noted that no costings had been reviewed by Finance since she was appointed in August 2015. Discussions with other staff interviewed during this review noted that several costings for new programmes / courses had been prepared since that time however we found no evidence that a review by Finance had been undertaken.</p>	<p>A lack of independent review by suitable qualified staff may result in ineffective scrutiny of costings and pricings.</p>	<p><b>R5</b> For future proposals for commercial activity ensure that a senior member of the Finance team undertakes a review of pricings and costings and provides input into the development of business cases, where applicable.</p>	<p>The Assistant Accountant will now join the Directors and Acting Deputy Principal who currently consider these proposals.</p> <p><b>To be actioned by:</b> Acting Deputy Principal</p> <p><b>No later than:</b> May 2016</p> <table border="1" data-bbox="1664 855 2114 925"> <tr> <td data-bbox="1664 855 1899 925"><b>Grade</b></td> <td data-bbox="1899 855 2114 925"><b>3</b></td> </tr> </table>	<b>Grade</b>	<b>3</b>
<b>Grade</b>	<b>3</b>				

**Objective 4: Management information is adequate and easily accessible to all relevant staff.**

Management accounts, which include an analysis of commercial activity, are prepared each quarter (refer extract of non-SFC income at Appendix II). Budget holders are asked to consider income generation targets throughout the year to ensure that forecasts are achievable and to present to the Academic Management Group where corrective action may be required. A quarterly review of budgets across all areas, including commercial activity, is undertaken by budget holders and Associate Principals. Budget holders are given read only access to the Symmetry finance system which provides real-time information on non-pay costs only. Information on income is available on request from Finance however we understand that the Finance Manager is currently looking at how income information can be better reported to budget holders in Symmetry.

In addition to the financial performance reported in the management accounts a further detailed review of commercial income performance against budget is undertaken in November each year, with a second review undertaken in February.

An annual review of commercial courses, programmes and contracts is performed by the Academic Management Group sub-group to ensure that courses remain viable and relevant.

Both income and expenditure are reviewed by the Principal's Planning Group at its monthly meetings.

**Objective 5: There is regular review of activities by the Board of Management and its committees.**

A summary of commercial and research activity undertaken in the period, including full cost recovery programmes and the Alexander Graham Bell Centre, is reported to the Finance and General Purposes Committee Board each quarter.

Members of the Board receive copies of the quarterly management accounts pack.

In September 2015 a report on Income Generation was produced by the Senior Management Team and presented to the Board which outlined the College's commercial activities and the plans to generate income. However, the report did not identify any financial targets or report on financial performance. Proposals for future income growth outlined in the paper were approved by the Board.

**Objective 6: Feedback is sought from customers and acted upon.**

Formal processes are in place for obtaining feedback on commercial activity, including:

- Salons and Restaurant: customer feedback forms given out at end of each session and these are also visible in each location;
- feedback obtained from employers at focus groups and on work placements is recorded by staff and used to inform future programmes;
- feedback obtained during employer engagement events is recorded during the evaluation process, with programme evaluation forms issued during and after events; and
- the College's formal complaints procedure.

Based on employer feedback, in January 2016 the College produced the prospectus for the Food and Drink industry, which we understand has been well received by employers. The College aims to roll out similar prospectuses for different sectors in 2016.

**Objective 7: Appropriate systems and procedures are in place to manage intellectual property risks covering areas such as: ownership; identification; application approval; and maintenance.**

Research activity at the College has been limited mainly as a result of the slow interest shown by commercial organisations in renting accommodation within the Alexander Graham Bell Centre. As a result management are of the opinion that not a great deal of intellectual property has been generated. The research opportunities available within the Centre are being actively promoted by the College and its strategic partners through the Alexander Graham Bell Centre Leadership Group.

Collaboration Agreements are in place for joint research activity with other Academic Partners e.g. Glasgow School of Art. These Collaboration Agreements include Intellectual Property Rights.

**Objective 8: Adequate arrangements have been put in place to prevent and respond to external claims against the College for breach of contract.**

Discussions with College staff highlighted that contracts are in place for larger commercial activities such as vocational training through SDS. These contracts are normally reviewed by the Director of Finance and signed by another member of the Senior Management Team before being approved.

In internal audit report 2013/07 we reported that arrangements had not been put in place to ensure that all bespoke commercial work was covered by a contract. We recommended that the College considered introducing a standard contract for commercial work where bespoke contracts are not already being used (see **R14** in Appendix I). During the current review we noted that little or no progress has been made in developing standard contracts. We understand that any external claims against the College for breach of contract would continue to be dealt with on a case by case basis with legal advice sought where considered necessary.



## Appendix I - Updated 2014/15 Follow-up Action Plan

Para Ref.	Recommendation	Grade	Original Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress Previously Reported	Progress at January 2016
<i>2013/07 – Business Development / Research</i>								
3.4	<p><b>Management and Support Structure</b></p> <p><b>R2</b> Consider how the Head of Marketing &amp; External Relations can work with individual managers and staff undertaking commercial activities to try and set targets for commercial income and / or margins.</p>	B	This will be detailed as a sub action of the wider Strategy.	Yes	Jacqui Taylor	August 2013	<p><b>May 2014</b> Discussions with managers and staff are now underway. There was a slight delay in commencing this work due to the development of the Commercialisation Strategy. Now that the Strategy is complete this will be progressed.</p> <p><b>Partially implemented</b></p> <p><b>January 2015</b> Further consideration to be given as to how this action can be progressed in relation to the academic areas.</p> <p><b>Partially implemented</b></p>	<p>Discussions with Associate Directors and a review of operational plans noted that growth targets for commercial activity such as training provision have been identified. A CPD catalogue has now been produced to try and raise awareness of commercial training courses provided by the College, which it is hoped will help grow income.</p> <p><b>Fully Implemented</b></p>

Para Ref.	Recommendation	Grade	Original Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress Previously Reported	Progress at January 2016
3.10	<b>R6</b> Review construction short course procedures and amend these to take into account matters raised in this audit report.	C		Yes	Gordon MacKinnon		<p><b>May 2014</b> This work is currently being progressed.</p> <p><b>Partially implemented</b></p> <p><b>January 2015</b> This recommendation has been implemented for all Construction short courses and is currently being progressed for the Oil and Gas short courses.</p> <p><b>Partially implemented</b></p>	<p>This was completed for the start of the 2015/16 session.</p> <p><b>Fully Implemented</b></p>

Para Ref.	Recommendation	Grade	Original Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress Previously Reported	Progress at January 2016
4.2	<p><b>Costing and Pricing</b></p> <p><b>R7</b> Amend the costing and pricing form to add a section to record which competitors' prices have been reviewed, what these were, the date of review, source of information and justification of prices if these are significantly different from competitors' rates. Also consider what sign-off is required on costing and pricing forms and amend the form to reflect this.</p>	C		Yes	Fraser Hutcheon	August / September 2013	<p><b>May 2014</b> Still to be completed. Very few applications made for running full cost recovery programmes in the year.</p> <p><b>Little or no progress made</b></p> <p><b>January 2015</b> The costing template will be updated to incorporate both this recommendation and those highlighted within the Student Experience – Curriculum audit.</p> <p><b>Little or no progress made</b></p>	<p>The format of the costings template being used has still to be updated. See comments within the main body of this report under Objective 3.</p> <p>Alternatively, the College should consider including this information within business cases under the Commercial heading.</p> <p><b>Little or no progress made</b></p>

Para Ref.	Recommendation	Grade	Original Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress Previously Reported	Progress at January 2016
6.2	<p><b>Accessibility and Adequacy of Information</b></p> <p><b>R11</b> Consider what key financial and non-financial performance indicators should be used to monitor commercial activities across the College and put in place processes to capture and report this information (for example, profit / loss by course or students enrolled on each course as a percentage of maximum possible numbers). Once indicators have been set, ensure that these are scrutinised on a regular basis.</p>	B	This will form part of the actions related to the Commercial Strategy and included in the procedures (3.6).	Yes	Jacqui Taylor	August 2013	<p><b>May 2014</b> This work is in progress and has been tied into the work already undertaken in producing the Commercialisation Strategy.</p> <p><b>Partially implemented</b></p> <p><b>January 2015</b> An action to identify suitable indicators for commercial activities is included in the Commercialisation Strategy action plan.</p> <p><b>Partially implemented</b></p>	<p>Suitable KPIs still to be identified.</p> <p>Management advised that the Head of Marketing and External Relations will work with the Director of Finance to develop performance indicators.</p> <p>Performance Indicators will then be routinely reviewed by the Principal's Planning Group.</p> <p><b>Partially implemented</b></p>

Para Ref.	Recommendation	Grade	Original Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress Previously Reported	Progress at January 2016
6.3	<b>R12</b> Consider what systems and databases should be used to record details of customers in order to inform future proactive marketing calls. Consideration should also be given to whether approval has been given to use this information for marketing as required by the Data Protection (Scotland) Act and in future the enrolment form or contracts should include a section securing permission for using contact details for marketing purposes.	B	This is being progressed as a joint initiative across the UHI region.	Yes	Jacqui Taylor	September 2013	<p><b>May 2014</b> UHI database still being developed. Executive Office has been working more closely with Academic Partners to improve local employer engagement.</p> <p><b>Partially implemented</b></p> <p><b>January 2015</b> UHI Executive Office is currently working on implementing the Microsoft Dynamics cloud based application in early 2015. Once embedded the application will be rolled out across the UHI partnership later in 2015. The use of Microsoft Dynamics is guided by the brief for the CRM system as noted in the UHI for Work &amp; Enterprise strategy document.</p> <p><b>Partially implemented</b></p>	<p>Microsoft Dynamics now in place. This allows sharing of contacts and customers across the partnership.</p> <p><b>Fully implemented</b></p>

Para Ref.	Recommendation	Grade	Original Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress Previously Reported	Progress at January 2016
8.3	<p><b>Potential for Breach of Contract and Intellectual Property Protection</b></p> <p><b>R14</b> Consider introducing a standard contract for commercial work where bespoke contracts are not already being used. For short courses this could be in the form of terms and conditions being posted on the College website and the signed statement on enrolment forms changed to include the individual's agreement to these terms and conditions. For bespoke work an e-mail could be sent setting out what services were to be provided, the cost for these, and a statement that the College's terms and conditions on the College website (or attached to the e-mail) would cover the work, with the recipient asked to confirm their agreement with these by e-mail.</p>	B	This would form part of the procedures (3.6).	Yes	Jacqui Taylor	September 2013	<p><b>May 2014</b> In progress – delay due to development of the Commercialisation Strategy.</p> <p><b>Partially implemented</b></p> <p><b>January 2015</b> Not progressed – still outstanding.</p> <p><b>Little or no progress made</b></p>	<p>Not progressed – still outstanding.</p> <p>Management advised that a standardised contract template will be developed and implemented. Staff training will be provided.</p> <p>The Head of Marketing and External Relations is to work with the Director of Finance to develop performance indicators.</p> <p><b>Little or no progress made</b></p>

## Appendix II – College Non-SFC Income Analysis 2015/16

Income type	3 months to 31 October 2015 Actual	3 months to 31 October 2015 FFR	12 months to 31 July 2016 Forecast	12 months to 31 July 2016 FFR
	£'000	£'000	£'000	£'000
Non-fundable activity	42	93	369	369
Modern Apprenticeships	5	11	45	45
Employability Fund	26	41	165	165
Projects	0	32	128	128
Refectory	62	63	250	250
European Funding	2	5	20	20
Other grants	54	43	174	174
Nursery	60	69	275	275
Beechtree	24	24	95	95
Hair, Beauty, Complimentary Therapy	6	17	70	70
Misc. income – including ALF, AGBC rent etc.	274	101	395	395
<b>Total</b>	<b>555</b>	<b>499</b>	<b>1,986</b>	<b>1,986</b>

Source: October 2015 management accounts

<b>Committee:</b>	Audit Committee		
<b>Subject/Issue:</b>	Audit Committee Annual Report to Board of Management		
<b>Brief summary of the paper:</b>	<p>The Financial Memorandum (FM) is now in place between the UHI as Regional Strategic Body and the College as an assigned college. This FM requires that we annually submit to UHI our Internal and External Audit Reports and an Annual Report from this Audit Committee. The aim of the Annual Report is to summarise the governance monitoring activity the Audit Committee has undertaken on behalf of the Board and the Audit Committee's opinion to the Board on the effectiveness of the control regime in operation at the college on the basis of that activity. The Report is based on a summary of both the Annual Internal and External Audit reports. Going forwards this draft report will be submitted to the Audit Committee at its November meeting for consideration prior to being submitted to the full Board of Management meeting in December.</p>		
<b>Action requested/decision required:</b>	Members are invited to discuss the Annual Report		
<b>Status:</b> <i>(please tick✓)</i>	<b>Reserved:</b>		<b>Non-reserved:</b> ✓
<b>Date paper prepared:</b>	10 February 2016		
<b>Date of committee meeting:</b>	23 February 2016		
<b>Author:</b>	Anne Lindsay		
<b>Link with strategy:</b> Please highlight how the paper links to, or assists with: compliance partnership services risk management strategic plan/enabler other activity (eg new opportunity) – please provide further information.			



<b>Equality and diversity implications:</b>	
<b>Resource implications:</b> <i>(If yes, please provide detail)</i>	
<b>Risk implications:</b> <i>(If yes, please provide detail)</i>	

## **BOARD OF MANAGEMENT**

### **ANNUAL REPORT OF THE AUDIT COMMITTEE 2014-15**

#### **SECTION A - Administrative Matters**

This report covers the period from 1 August 2014 to 31 July 2015. During that time the membership of the Audit Committee was as follows: Mr. Bill Hope, Convener; Mr. Ash Major; Ms. Megan Palmer-Abbs; Mr. Colin Sanders; and Mr. John Gerrard, a co-opted member.

The Principal, Mr. Frank Hughes; Director of Finance, Mr. Fraser Hutcheon; and Acting Principal, Mrs. Anne Lindsay attended meetings of the Audit Committee by invitation.

#### **SECTION B - Internal Audit Provision**

Henderson Loggie are appointed by the Audit Committee as Internal Auditors and submitted reports for consideration on Budgetary Control/General Ledger, Student Experience/Curriculum, Health and Safety, Governance and Management and Follow-Up Reports.

Audit Reports were also received on the EMA funds, SFC Student Support funds and SUMS Report.

In addition both an Internal Audit and two audits on the Moray Life Sciences Centre capital project were undertaken.

We are satisfied that sufficient internal audit work has been carried out to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the College internal control processes.

On the basis of the work carried out for the year ended 31 July 2015 the Internal Auditors were satisfied that the College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives.

## **SECTION C - External Audit**

The College's External Auditors, Audit Scotland, received all Audit Committee papers and attended two of the three meetings.

The main External Audit took place in October 2015 to undertake the underpinning work to finalise the Annual Accounts by December 2015.

The joint meeting of the Audit and Finance & General Purposes Committee on 24 November 2015 considered draft Audited Accounts and the draft of the External Auditors' Management Letter. There was minimum amendment after that date and the full Board of Management met to approve the Annual Accounts and consider the Audit Report on 15 December 2015.

## **SECTION D – Value for Money**

During the year to 31 July 2015 the College has continued to develop its joint procurement arrangements with APUC and UHI to achieve additional savings on College supplies and are participating in the UHI Finance System Convergence Project. The College had also signed up to the UHI ICT Shared Service.

## **SECTION E - Other Matters**

The Audit Committee also scrutinised and provided feedback on the College's Strategic Risk Register. Expertise in VAT related issues continues to be provided by VAT Liaison.

## **SECTION F – Opinion**

### **1 Adequacy and Effectiveness of College's Internal Financial and Management Systems**

The Committee is satisfied that the internal audit reports received during the year indicate the auditors' conclusion that the College has a sound framework of controls, which is sufficient to provide reasonable assurance regarding the effective and efficient achievement of its objectives.

The quality of the Internal Audit work undertaken by Henderson Loggie has provided significant reassurance to the Committee and the Board in relation to the level of scrutiny being exercised on College activities.

The Audit Committee is aware of its responsibility to oversee implementation of the recommendations and to ensure that Management is conscious of its responsibility to maintain internal control on an on-going basis.

The Committee has ownership of the College's Risk Management arrangements and is satisfied that risk is being effectively managed.

**2 Adequacy and Effectiveness of Arrangements for securing economy, efficiency and effectiveness**

There has been significant focus this session on budget setting, monitoring and control in order to maximise economy, efficiency and effectiveness in all College activities.

**3 View of the Audit Committee as to the Board of Management's discharge of its responsibilities**

The Audit Committee is satisfied that the Board of Management has carried out its responsibilities in relation to the preparation of the Annual Accounts in a satisfactory manner, ensuring compliance with the terms of the Financial Memorandum between Moray College and the Scottish Funding Council, and that the financial statements have been prepared on the basis of appropriate and accurate accounting records, giving a true and fair view of the financial affairs of the College at the relevant dates.

The Committee is also satisfied that these records have been prepared on the going concern basis and that they show that the funds allocated by SFC and income for specific purposes and from other restricted funds administered by the College have been applied only for the purpose for which they were received.

The Audit Committee also confirms that the Board of Management has applied the principles contained in the Code of Good Governance for Scotland's Colleges.

**4 View of the Audit Committee on whether the SFC Code of Audit Practice has been complied with**

The Audit Committee is aware of the requirements of the SFC Code of Audit Practice and is satisfied that in all material aspects the Board of Management has complied with the Code.

Mr. Bill Hope  
Convener of the Audit Committee  
10 February 2016

## 5. Audit Approach

We assessed whether the above objectives had been met through discussion with the Acting Principal, Administration Centre, Student Services Centre and Learning Support staff, discussion with the Highlands and Islands Students' Association (HISA) Depute Presidents, and review of relevant documentation.

We also established progress against actions arising from the February 2014 Education Scotland review report relevant to this area.

## 6. Summary of Main Findings

### **Strengths**

- The orientation process at the start of the year provides the required basic information for students, with additional support available should students require it.
- Students who are struggling financially are identified and provided with support where the student support funds system allows.
- The College provides a good level of support to students of all levels who are struggling academically, however Management Information System data could be better used to assist academic staff monitor student performance. It is our understanding that this area is being considered by the University of the Highlands and Islands Student Data Reporting Group.
- The College identifies and provides appropriate support to any students with disabilities.

### **Weaknesses**

- The role of HISA within the College needs to be developed so that it is more able to support students and provide a basis for enhancing the College community. The College has an important role in this development by continuing to support the work of the HISA Depute Presidents at the College.
- During our review it was brought to our attention that there had been instances whereby student Board members had been excluded from parts of Board meetings i.e. Reserved Items, where no clear conflict of interest existed. In December 2014 the Code of Good Governance for Scotland's Colleges was published, which states that staff and student Board members must not be excluded from Board business unless there is a clear conflict of interest, in common with all Board members. The Acting Principal has discussed this matter with the Chair of the Board and the exclusion of Board members in future will be considered based on the specific agenda items.

## 7. Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during the course of our audit visit.

## 8. Action Plan

### **Objective 1: Students are orientated appropriately at the beginning of the year.**

The College has a Recruitment, Selection and Admissions Policy, which was most recently reviewed in November 2015. All new applicants are required to attend a pre-start event. This includes a group presentation and interview with a relevant member of teaching staff. Included in the group presentation is information on key services and facilities offered by the College, a generic subject area overview as well as further course information such as course structure and assessment arrangements. Following the pre-start day an appropriate offer will be made to the student.

In the period between the offer and induction, contact is maintained with the student. The Student Services team sends all students a postcard with details of the services they provide to encourage them to get in touch if required. Financial support information is also sent to students at this time including how to apply, and log-in details for online application.

Induction information is sent to students, generally in July or August. This includes an induction timetable. All further education students are invited into the College during the induction week held in August, with a range of information provided by staff and student groups on a number of issues. The College has a Student Induction Policy, most recently reviewed in November 2015. This details the information to be provided to students by Student Services and teaching staff at induction, including further information on student finance and student services, course timetables and handbooks, and details of the College's key policies. Classes will then begin after induction week.

The Highlands and Islands Students' Association (HISA) is represented at the College by two Depute Presidents who were elected from the student body in October 2015. As the Depute Presidents were elected after the main induction period HISA did not provide input into the College's induction arrangements for 2015/16 however there will be further development of the role of the Students' Association going forward.

The College also runs a Student Development Day in October. This initiative was started as it was felt students may want to ask further questions having had time to settle in at the College and information may be missed at induction due to the large volume of information provided.

The College conducts an early student experience survey to gather information on their experience from first contact to shortly after induction. We reviewed the results of this and noted that the majority of responses were positive and that no major issues were raised. An action plan has been put in place following the survey, although the actions have been identified to ensure the College orientation process is continually improving rather than addressing any serious failings.

**Objective 5: Students are made to feel part of the College community.**

The College and the Student Services team provide support to student initiatives. A number of recent successes were noted by the Student Advice Manager where the College and students have worked together to establish clubs or societies. Overall however it was felt that there is little in the way of student engagement in the College community. To encourage students to voice their opinions and develop the College community further, the College operates a class representative system and has elected representatives to the recently formed HISA. In addition a number of student focus groups are held throughout the year. These are set up by each subject area to look at specific aspects of the curriculum but can also look at wider College issues. These are attended by students but facilitated by staff. In 2015 HISA was formed, and has a presence throughout University of the Highlands and Islands Academic Partners. The College has two elected Depute Presidents who are also members of the Board of Management. As part of their role the Depute Presidents should promote the interest of students and provide support to students.

College staff, particularly Student Services, perform a similar role to HISA which has led to some confusion. One example is the class representative system whose meetings are currently chaired by the Student Advice Manager meaning that the Depute Presidents miss out on the information that passes both ways during these meetings. During discussions we noted that there is no formal framework in place between HISA and the College detailing the respective roles and responsibilities of each, or the channels of communication between them. HISA has yet to establish a strong presence within the College and students may not yet be fully aware of its role. It currently has no permanent accommodation within the College. The Depute Presidents reported that overall levels of student engagement are low. From discussion with College management it was noted that HISA is in its early stages and as such is still developing in order to provide the most effective support possible to the students. The responsibility for much of the development will lie with the Students' Association. For its part the College is supporting the development of HISA as much as possible, providing financial support and holding regular meetings with the Depute Presidents. There is a Memorandum and Articles of Association between HISA and University of the Highlands and Islands Academic Partners. Going forward the College will continue to offer support while HISA looks to develop and clarify its roles and responsibilities.

Moray College UHI – Student Support

Objective 5: Students are made to feel part of the College community (continued).					
Observation	Risk	Recommendation	Management Response		
<p>The HISA Depute Presidents are also student members of the College Board of Management. During our discussions with the Depute Presidents we were advised that the Chair of the Board requested that both student Board members leave during the October 2015 Board meeting, to allow the remaining Board members to discuss other Reserved matters. The Code of Good Governance for Scotland's Colleges, which was published in December 2014, states that: 'staff and student Board members are full Board members and bring essential and unique, skills, knowledge and experience to the Board. Staff and student Board members must not be excluded from Board business unless there is a clear conflict of interest, in common with all Board members'. It is our understanding that in the past the Chair of the Board has always requested that student members are excluded from Board meetings whilst Reserved matters are discussed. The Acting Principal has since discussed this approach with the Chair of the Board and, in future, any need to exclude Board members will be based on specific agenda items that may give rise to potential conflicts of interest.</p>	<p>Non-compliance with the Financial Memorandum, which requires colleges to comply with the principles set out in the Code of Good Governance for Scotland's Colleges.</p>	<p><b>R1</b> Ensure that, in accordance with the Code of Good Governance for Scotland's Colleges, student Board members are not excluded from Board business unless there is a clear conflict of interest. Reasons for student members being excluded from any Board meetings should be documented within the minutes.</p>	<p><b>To be actioned by:</b> Chair of the Board of Management</p> <p><b>No later than:</b> 12 April 2016</p>		
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