

BOARD OF MANAGEMENT

Meeting of Audit Committee

Meeting to be held
on Wednesday 15 March 2017
at 1.30 pm in S112

- A.17.1.01** Resignations and Appointments
- A.17.1.02** Apologies for absence
- A.17.1.03** Any additional Declarations of Interest including specific Items on Agenda
- A.17.1.04** Minutes of Joint Meeting of Audit and Finance and General Purposes Committees held on 29 November 2016 *
- A.17.1.05** Matters Arising/Action Sheet from Joint Meeting of Audit and Finance and General Purposes Committees held on 29 November 2016 *
- A.17.1.06** Audit Needs Assessment and Strategic Plan 2016 – 2019 *- Mr S Inglis
- A.17.1.07** Internal Audit Annual Plan 2016/2017 * - Mr S Inglis
- A.17.1.08** Internal Audit Progress Report * - Mr S Inglis
- A.17.1.09** Update on External Auditors * - Mrs M Maclean

Reserved Items:

- A.17.1.10** Reserved minutes of Joint Meeting of Audit and Finance and General Purposes Committees held on 29 November 2017 *
- A.17.1.11** Matters Arising/Action Sheet from Joint Meeting of Audit and Finance and General Purposes Committees held on 29 November 2016 *
- A.17.1.11** Date of Next Meeting of Audit Committee: 23 May 2017

* papers attached

~ papers to follow

BOARD OF MANAGEMENT
JOINT AUDIT and FINANCE & GENERAL PURPOSES COMMITTEE

Minutes of Meeting
held on
Tuesday 29 November 2016
at 1.30pm in the Board Room

Present: Mr P Graham (Convener)
 Mr D Patterson
 Mrs A Templeton
 Mr A Major
 Mrs D Newton
 Mr J Knowles
 Mr J Bodman
 Mr M Easton
 Mr S Russell

In attendance: Mrs A Lindsay
 Mrs M Maclean
 Mr S Inglis (Henderson Loggie)
 Ms A MacDonald (Audit Scotland)
 Mrs C Fair (Clerk)
 Mrs E Melton (Minutes)

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

		ACTION	DATE
A.16.4.01	Resignations and Appointments		
4.1	Mrs Fair informed the board that there had been resignations received from Mr Hope and Mrs Palmer-Abbs. New appointments of Mr Yorston, Mr Graham and Mr Patterson were noted.		
A.16.4.02	Apologies for Absence		
2.1	Apologies had been received from Mr Sanders, Mr Yorston and Mrs McLeman.		
A.16.4.03	Any additional Declarations of Interest including specific items on Agenda		
3.1	No additional declarations of interest were noted.		

A.16.4.04	Minutes of Meetings of Audit Committee:		
4.1	<ul style="list-style-type: none"> 24 May 2016 		
	Mr Major proposed and Mrs Newton seconded that the Minutes be accepted as a true record.		
4.2	<ul style="list-style-type: none"> Special meeting held 6 June 2016 		
	Mr Major proposed and Mrs Newton seconded that the Minutes be accepted as a true record.		
A.16.4.05	Matters Arising/Action Sheet from Meetings of Audit Committee:		
5.1	<ul style="list-style-type: none"> 24 May 2016 		
	5.1 On agenda to be discussed today		
	5.2 Mr Sanders is continuing to develop the self-evaluation, a copy has recently been issued to Board members to review.		
	8.4 Complete		
	9.1 Complete		
5.2	<ul style="list-style-type: none"> Special Meeting held 6 June 2016 		
	2.1 A copy of Mr Sanders Board Evaluation Process has recently been issued to all Board members.		
	3.1 Mrs Fair informed members that the matrix had been updated and presented to the board at the meeting on 24 June 2016. This was subsequently incorporated into an Audit Register and work continues to progress on the outstanding issues on Corporate Governance.		
A.16.4.06	Update on Internal Auditors		
6.1	<p>Mrs Lindsay supported the paper she provided by explaining the process undertaken to obtain internal audit services for the next 3 years and was pleased to confirm that Henderson Loggie will continue as our Internal Auditors until the end of session 2018/2019.</p> <p>A formal Internal Audit action plan will now be agreed with Mr Inglis suggesting this could be discussed at a separate meeting between members of Audit Committee and Management or be presented for agreement at the next meeting.</p> <p>Mr Easton questioned Mr Inglis as to whether Henderson Loggie have worked with any of the other UHI partners and wondered whether there was any opportunity to share good practice in relation to Audit. Mr Inglis confirmed that they did work with other academic partners and Mrs Lindsay explained that UHI has an Audit Chairs Committee which encourages networking in relation to audit matters.</p> <p>It was also noted that the 5 incorporated colleges in UHI would have the same external auditors by next year which would be Ernst & Young.</p>		
Action	To liaise with Henderson Loggie to organise a meeting to take forward the Audit Plan for 2016/2017	Mrs Lindsay	ASAP

	Mr Graham suggested and it was agreed that Mr Inglis present agenda items 7 and 8 together.		
A.16.4.07	Internal Audit: Annual Report to the Board of Management and Principal on the Provision of Audit Services for 2015/16		
A.16.4.08	Internal Audit Reports:		
	<ul style="list-style-type: none"> i. Student Activity Data Report 2015/16 ii. Student Support Funds Report 2015/16 iii. SFC Student Support Fund Return 2015/16 iv. EMA Return 2015/16 v. EMA Year-end Statement 2015/16 		
	<p>Mr Inglis provided a brief summary of the Internal Audit report provided highlighting that there had only been a couple of minor issues identified and these had been noted within the report. These recommendations had now been either completed or partially progressed. Mr Inglis concluded that the College had adequate and effective arrangements in place for Risk Management, Control and Governance and assured the Committee that overall the College is well controlled.</p> <p>The Internal Audit Reports provided under item 8 which had been signed off by Henderson Loggie were for noting.</p>		
A.16.4.09	External Audit: Audit Scotland's Draft Report on 2015/16 Audit		
9.1	<p>Ms Macdonald presented the Draft External Audit report drawing attention to some of the key messages including Audit of Financial statements, the Financial position, Governance and Accountability and Performance. The Financial Statement gave an unqualified opinion for the 2015/16 financial statements. However, in the case of the Remuneration Report, this was a qualified opinion due to the non-availability of information related to some staff pensions. Some discussion took place on this and Mr Patterson assured the Committee that this information would be forthcoming prior to the Statutory Accounts being signed off. Ms MacDonald confirmed that the College is considered a going concern. Some amendments are to be made to the report before final presentation the Full Board on 14 December 2016. Mr Graham queried who this report would be made available to and Ms MacDonald explained it goes to the SFC as well as the Government.</p> <p>Concern was raised by the committee as to some of the contents of the Audit report being made available on a public website and Ms MacDonald confirmed that this can be delayed until March 2017.</p>		

	Mr Patterson provided an additional paper outlining the arrangements Management had agreed be taken against the Action Plan. Mr Easton queried with Ms MacDonald how the Performance Report can be improved and Mrs MacDonald was asked to look at the wording of the Action Points. Any additional comments were to be sent to Mr Patterson by 2 December 2016.		
Action	Ms MacDonald to consider wording of Action Points contained within the report.	Ms MacDonald	ASAP
Action	Additional comments to be forwarded to Mr Patterson by 2 December 2016.	All	ASAP
A.16.4.10	Audit Committees Annual Report to the Board of Management		
10.1	Mr Patterson presented the Audit Committee's Annual Report to the Board provided by commenting on each of the sections included within. Subject to Mr Inglis reading and approving, the committee agreed to the report being submitted.		
	<u>RESERVED ITEMS</u>		
A.16.4.11	Reserved Minutes of Meeting of Audit Committee held 24 May 2016		
11.1	This item is reserved and the minute held in confidence.		
A.16.4.12	Statutory Accounts 2015/16		
12.1	This item is reserved and the minute held in confidence.		
A16.4.13	Date of Next Meeting of Audit Committee		
13.1	21 February 2016		
	<i>Meeting closed 2.50pm</i>		

Action Sheet/Matters Arising from Joint F&GP and Audit Committee Meeting Held on 29 November 2016

		ACTION	DATE
A.16.4.06	Update on Internal Auditors		
6.1	To liaise with Henderson Loggie to organise a meeting to take forward the Audit Plan for 2016/2017	Mrs Lindsay	
A.16.4.09	External Audit: Audit Scotland's Draft Report on 2015/16 Audit		
9.1	Ms MacDonald to consider wording of Action Points contained within the report.	Ms MacDonald	ASAP
9.2	Additional comments to be forwarded to Mr Patterson by 2 December 2016.	All	ASAP



Moray College UHI

**Audit Needs Assessment and
Strategic Plan 2016 to 2019**

February 2017

Internal Audit Report No: 2017/01

Draft Issued: 7 February 2017

2nd Draft Issued: 28 February 2017

Final Issued:

Contents

	Page
1. Introduction	1 - 2
2. Executive Summary	3 - 4
3. Audit Needs Assessment	5 - 47
4. Strategic Plan	48 - 56

Introduction

Introduction

We have been re-appointed as Internal Auditors of Moray College UHI ('the College') for the period from 1 August 2016 to 31 July 2019.

Internal audit primarily provides an independent and objective opinion to the Board of Management and to the Principal on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the College's agreed objectives. In addition, internal audit's findings and recommendations are beneficial to line management in the audited areas. Risk management, control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the College.

Internal audit also provides an independent and objective consultancy service specifically to help line management improve the College's risk management, control and governance.

Audit Needs Assessment

The Audit Needs Assessment (ANA) has been prepared following discussion with the Principal and other members of the Senior Management Team and from a review of previous internal and external audit reports and other College documents. The ANA has been prepared on the basis of the normal three-year internal audit cycle, covering the period 2016/17 to 2018/19.

The ANA is based on the College's Risk Register and also on the risk prompt list for higher education institutions issued as a guide by the Higher Education Funding Council for England (HEFCE). The prompt list was compiled by HEFCE from information provided by several institutions that had carried out a full risk identification process. Risks were split into eight categories: reputation; student experience; staffing issues; estates and facilities; financial issues; commercial issues; organisational issues; and information and IT. These categories have been used in this ANA. The above has been supplemented by our own assessment of the risks faced by the College.

The assessment covers the main areas where the College is exposed to risk that can be managed through internal control, and which therefore should be considered for examination by internal audit. The assessment has taken no account of the resources available to carry out the work.

Following identification of the key controls and associated risks we have assessed the different areas of risk using the following criteria:

- **Risk Impact**
- **Risk Likelihood**
- **Present Controls**

Audit Needs Assessment (Continued)

From the combination of results of these three criteria, the work required and the resource recommended to test whether the controls are in place and operating has been assessed, together with a recommendation of the frequency of testing. Audit coverage in recent years has also been taken into consideration.

Strategic Plan

Following on from the ANA the Strategic Plan has been formulated to cover the normal three-year internal audit cycle. The Plan places the risk based planned coverage under three main strands: Governance, Financial and Performance. The planned coverage should be reviewed annually prior to the Annual Plan and detailed audit planning being finalised.

There is an expectation by external auditors that some element of review is included in the internal audit programme each year in relation to core financial systems; and budgetary processes and controls. This has been taken into consideration in formulating the Strategic Plan.

Value for Money

This ANA does not specifically address Value for Money projects. However, VFM is an integral part of all audit and therefore it has been mentioned at points within this ANA. VFM is always considered during any audit work that we are undertaking.

Business Improvement

We will draw on the experience within our team to provide input on the use of a wide range of business improvement tools, including the use of lean systems and methodologies, where this is appropriate and relevant to the specific audit assignment.

Executive Summary

There are a number of regulatory, operational and financial risks faced by any organisation. There are also risks that are specific to individual institutions, and which vary over time. All of these risks need to be managed effectively since they cannot be eliminated entirely.

The purpose of this ANA is to identify these risks, and assess the audit coverage required to give the Board of Management and Principal assurances that the control environments operated centrally and in academic and support areas are effective in reducing the risks to an acceptable level.

Information from ANA interviewees and various documents that we have reviewed identified the following issues as being the main strategic, operational and financial issues facing the College at this time:

- politically driven structural changes in the governance and funding of Higher and Further Education. Under the Post-16 Education (Scotland) Act 2013, the University of the Highlands and Islands (UHI) is the Regional Strategic Body for the Highlands and Islands. The Board of Management of Moray College was formally assigned to UHI from 1 August 2014. UHI has established a Further Education Committee of Court (the Further Educational Regional Board) to carry out its functions as a Regional Strategic Body. There is a Financial Memorandum in place between Assigned Colleges and UHI;
- the reclassification of incorporated colleges in Scotland as Central Government bodies from 1 April 2014 has had a number of implications for budgeting, reporting and accounting practices. Incorporated colleges and Regional Boards are required to comply with the requirements of the Scottish Public Finance Manual (SPFM), except where directed by SFC's Accountable Officer;
- the Central Government budget mechanisms mean that the ability to use college reserves and surpluses in future periods is restricted. The College transferred cash-backed reserves, and will transfer any future surpluses, to an Arms-Length foundation;
- implementation of the Recovery Plan to ensure the financial security and sustainability of the College in the light of funding cuts and increased costs, particularly staff costs from national pay bargaining, pensions and National Insurance changes;
- implementation of previous external and internal audit recommendations in relation to the provision of improved financial management information;
- pressure on fee income from public spending constraints and achievement of target student numbers;
- improvement of results in the academic quality review undertaken on behalf of SFC by Education Scotland. The November 2013 review highlighted weaknesses in arrangements for *progress and outcomes for learners*, and *quality culture*;
- ensuring that courses meet the demands of students and the local, regional and national economies. Identifying and developing new teaching programmes that will support the Recovery Plan of the College and enhance its reach and expertise;
- improvement in employer engagement;

Moray College UHI

DRAFT Audit Needs Assessment and Strategic Plan 2016 to 2019

- contribution by the College to the social, economic and cultural life of its local community;
- diversification and improvement of alternative College income streams to reduce reliance on Grant-in-aid including maximising commercial opportunities;
- increased partnership working including consideration of the potential for optimising efficiencies and achieving best practice across the UHI Partnership;
- the provision of induction and ongoing professional development opportunities for all staff;
- on-going development and maintenance of the campus and investment in ICT infrastructure. Phase 2 student residences project to be progressed. Reduction in capital funding available will impact future capital projects; and
- further developments in risk management and corporate governance good practice.

Where risks arising from these issues can be impacted by internal control and subjected to internal audit these have been identified in the ANA and prioritised in the Strategic Plan with reference to the combined risk factors identified in the ANA and the resources allocated by the College to internal audit. Prioritisation affects frequency of visits, the number of days allocated, and the position in the three-year cycle.

Risks associated with these, and other issues, do not exist in isolation but are inter-dependent. We will therefore ensure that audit projects are linked where necessary, and results from relevant previous projects will be taken into consideration at the detailed planning stage of each project.

Audit Needs Assessment

This assessment covers all main financial systems of the College, and other areas of risk where internal audit can provide assurances regarding control environments. Numbers in brackets below represent cross-referencing to the College’s Risk Register.

The assessment covers the following areas where risk arises (pages 5 to 8 provide a summary of risk assessment for each risk category, with pages 9 to 47 providing further detail on each category, including key controls and associated risk):

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Reputation				
<input type="checkbox"/> Loss of Reputation Resulting in Negative Perceptions – Loss of Business	Major Catastrophic	Unlikely Possible	Good Satisfactory	Medium High
<input type="checkbox"/> H&S Non-compliance: Risk to Students / Staff and Risk of Litigation (9)				
Student Experience				
<input type="checkbox"/> Ineffective Curriculum Planning (College and Region) (5)	Major	Unlikely	Good	Medium
<input type="checkbox"/> Ineffective Delivery of Essential Skills (14)	Major	Possible	Satisfactory	High
<input type="checkbox"/> Growth in Foundation Apprenticeships Not Achieving Target (16)	Significant	Unlikely	Good	Low
<input type="checkbox"/> Senior Phase Programme Offered / Delivered Does Not Meet Needs of Moray (17)	Significant	Unlikely	Good	Low
<input type="checkbox"/> Failure to Maintain Appropriate Quality Standards	Major	Possible	Satisfactory	High
<input type="checkbox"/> Attainment KPIs Not Achieved (3)	Major	Unlikely	Satisfactory	Medium
<input type="checkbox"/> Progression KPIs Not Achieved (4)	Major	Possible	Satisfactory	High
<input type="checkbox"/> Failure to Develop a Student Performance Management System (13)	Major	Unlikely	Good	Medium
<input type="checkbox"/> Lack of Effective Student Support	Significant	Possible	Good	Medium
<input type="checkbox"/> Management of Disciplinary / Appeals Procedures	Minor	Very Rare	Good	Low
<input type="checkbox"/> Risks Associated with Examination Marking	Minor	Very Rare	Good	Low

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Staffing Issues				
<input type="checkbox"/> Failure to Comply with Employment Legislation	Significant	Unlikely	Good	Low
<input type="checkbox"/> Contentious Staffing Policies	Significant	Unlikely	Good	Low
<input type="checkbox"/> Industrial Relations	Significant	Possible	Good	Medium
<input type="checkbox"/> Failure to Attract, Develop and Retain a Workforce Fit for the 21st Century in a Tertiary Teaching Context and Adapting to Necessary Change (19)	Major	Unlikely	Good	Medium
<input type="checkbox"/> Controls Over Payroll	Significant	Unlikely	Good	Medium
Estates and Facilities				
<input type="checkbox"/> Estate Infrastructure Not Fit for Purpose (7)	Catastrophic	Almost Certain	Require Improvement	High
<input type="checkbox"/> Reduced Estates Funding	Catastrophic	Almost Certain	Require Improvement	High
<input type="checkbox"/> Physical Security	Significant	Possible	Good	Medium
<input type="checkbox"/> Disruption to Operations Following Loss or Breakdown of Key Equipment	Significant	Possible	Good	Medium
<input type="checkbox"/> Fleet / Asset Management	Minor	Likely	Satisfactory	Medium
<input type="checkbox"/> Failure to Meet All Regulatory Requirements	Major	Possible	Good	Medium
<input type="checkbox"/> Selection and Management of Third Party Contractors	Major	Possible	Good	Medium
<input type="checkbox"/> Projects Over Time	Major	Possible	Good	Medium
<input type="checkbox"/> Capital Authorisation / Control Procedures	Major	Unlikely	Good	Medium
<input type="checkbox"/> Projects Over Budget	Major	Possible	Good	Medium
<input type="checkbox"/> Use of Space Within Estate	Significant	Possible	Satisfactory	Medium

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Financial Issues				
<input type="checkbox"/> Changes in SFC / Government Policy	Major	Likely	Satisfactory	High
<input type="checkbox"/> Reduced HE Recurrent Funding	Major	Almost Certain	Satisfactory	High
<input type="checkbox"/> Reduced FE Recurrent Funding	Catastrophic	Almost Certain	Satisfactory	High
<input type="checkbox"/> Funded (FFR) HE activity level target not achieved (1)	Significant	Possible	Satisfactory	High
<input type="checkbox"/> Funded (FFR) FE activity level target not achieved (2)	Significant	Unlikely	Good	Medium
<input type="checkbox"/> Salary Pressures Outstrip Ability to Pay	Catastrophic	Almost Certain	Satisfactory	High
<input type="checkbox"/> Failure to Maintain a Balanced Budget In-year (12)	Major	Likely	Require Improvement	High
<input type="checkbox"/> Loss of Financial Stability (6)	Catastrophic	Unlikely	Satisfactory	High
<input type="checkbox"/> Student Fee Income is Not Raised or Recorded	Significant	Possible	Good	Medium
<input type="checkbox"/> Financial Fraud, Abuse	Significant	Possible	Good	Medium
<input type="checkbox"/> Performance of Pension Funds	Major	Likely	Satisfactory	High
<input type="checkbox"/> Main Financial Systems				
• General Ledger	Significant	Unlikely	Good	Medium
• Procurement and Creditors / Purchasing	Significant	Likely	Require Improvement	High
• Debtors / Income	Significant	Possible	Good	Medium
• Cash and Bank / Treasury Management	Significant	Possible	Good	Medium
Commercial Issues				
<input type="checkbox"/> Prevention and Response to External Claims Against the College for Breach of Contract	Significant	Possible	Satisfactory	Medium
<input type="checkbox"/> Failure to Meet Income Generation Targets (20)	Significant	Unlikely	Satisfactory	Medium
<input type="checkbox"/> Not Achieving AGBC Income / Utilisation Targets (8)	Significant	Possible	Satisfactory	High
<input type="checkbox"/> Growth in Modern Apprenticeships Not Achieving Target (15)	Significant	Possible	Good	Medium
<input type="checkbox"/> Ineffective and Lack of Employer Engagement (11)	Major	Unlikely	Good	Medium
<input type="checkbox"/> Financial Control Over Other Income Generating Activities	Minor	Possible	Require Improvement	Medium
<input type="checkbox"/> Intellectual Property Risks	Minor	Possible	Satisfactory	Medium

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Organisational Issues				
<input type="checkbox"/> Ineffective Business Continuity Planning (10)	Catastrophic	Very Rare	Satisfactory	Medium
<input type="checkbox"/> Corporate Governance Failure	Major	Unlikely	Satisfactory	Medium
<input type="checkbox"/> Ineffective Corporate Planning	Major	Unlikely	Satisfactory	Medium
<input type="checkbox"/> Ineffective Risk Management	Major	Possible	Satisfactory	High
<input type="checkbox"/> Shared Services / Partnership Working – UHI and Other	Major	Possible	Good	Medium
Information and IT				
<input type="checkbox"/> Loss of Data or IT Hardware	Major	Unlikely	Good	Medium
<input type="checkbox"/> Breach of IT Network Security	Major	Possible	Good	Medium
<input type="checkbox"/> Non-Compliance with Data Protection Legislation	Significant	Possible	Good	Medium
<input type="checkbox"/> Non-Compliance with Freedom of Information Legislation	Significant	Very Rare	Good	Low
<input type="checkbox"/> Non-Compliance with User Licence Requirements	Significant	Unlikely	Good	Low
<input type="checkbox"/> Management of Systems Implementation	Significant	Possible	Good	Medium
<input type="checkbox"/> Technology Not Fit for Purpose (18)	Major	Almost Certain	Require Improvement	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
REPUTATION						
LOSS OF REPUTATION RESULTING IN NEGATIVE PERCEPTIONS – LOSS OF BUSINESS	<p>Dedicated public relations staff.</p> <p>Policy for responding to press comment.</p> <p>Regular review of press.</p>	<p>Failure to actively manage positive and negative publicity.</p> <p>Lost opportunities / students due to tarnished reputation.</p> <p>Fail to maximise benefits from positive publicity.</p>	Major	Unlikely	Good	Medium
H&S NON-COMPLIANCE: RISK TO STUDENTS / STAFF AND RISK OF LITIGATION (9)	<p>Internal policies, procedures and guidelines.</p> <p>Staff training.</p> <p>Availability of expertise – Health and Safety Officer.</p> <p>Health and Safety Committee.</p> <p>Compliance with appropriate health and safety standards.</p> <p>Good reporting to management and the Board.</p>	<p>Failure to effectively manage health and safety, with consequent risk or damage to staff and students.</p> <p>Damage to the College’s good standing.</p>	Catastrophic	Possible	Satisfactory	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STUDENT EXPERIENCE						
INEFFECTIVE CURRICULUM PLANNING (COLLEGE + REGION) (5)	<p>Analysis of key market information.</p> <p>Curriculum review.</p> <p>Integration of College / Regional / UHI planning.</p> <p>UHI academic planning.</p> <p>Overview of Curriculum by College Academic Council and Learning, Teaching & Quality Committee.</p> <p>Employer engagement.</p> <p>Dialogue with school sector.</p> <p>Performance indicators.</p> <p>Virtual Learning Environment.</p> <p>Marketing.</p> <p>Strong student support function to reduce withdrawals.</p>	<p>Failure to provide the range and structure of courses that meet the expectations of students / poor product offering.</p> <p>Low student numbers / progression / attainment / student satisfaction.</p> <p>Reduction in income, and so need to find funding from other sources.</p> <p>Increased reputational risk.</p>	Major	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STUDENT EXPERIENCE (CONT'D)						
INEFFECTIVE DELIVERY OF ESSENTIAL SKILLS (14)	<p>Review of best practice in delivery / support of essential skills across the college sector.</p> <p>Scrutiny of attainment and sector comparisons.</p> <p>Analysis and by Course teams, AMG.</p> <p>Curriculum area operational plan.</p>	<p>Low student attainment.</p> <p>Low student progression.</p> <p>Failure to achieve adequate levels of student achievement and satisfaction.</p>	Major	Possible	Satisfactory	High
GROWTH IN FOUNDATION APPRENTICESHIPS NOT ACHIEVING TARGET (16)	<p>Insight Values and UCAS Tarrif information now available and will be used to develop marketing strategy moving forward.</p>	<p>Impact on financial recovery</p> <p>Not meeting stakeholder needs: region, employers, students, parents.</p>	Significant	Unlikely	Good	Low
SENIOR PHASE PROGRAMME OFFERED / DELIVERED DOES NOT MEET NEEDS OF MORAY (17)	<p>Skills Framework is being finalised through DYW Moray and Employability Moray Boards taking into account LMI and school based curriculum intelligence.</p>	<p>Moray Skills Framework</p> <p>Curriculum plan</p>	Significant	Unlikely	Good	Low

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STUDENT EXPERIENCE (CONT'D)						
FAILURE TO MAINTAIN APPROPRIATE QUALITY STANDARDS	Quality policy, procedures and standards overseen by College Academic Council and Learning, Teaching & Quality Committee.	Failure to meet teaching quality expectations of the students.	Major	Possible	Satisfactory	High
ATTAINMENT KPIs NOT ACHIEVED (3)	Overview of Curriculum by Student Affairs Committee.	Drop in student numbers in future years (or not maximised).	Major	Unlikely	Satisfactory	Medium
PROGRESSION KPIs NOT ACHIEVED (4)	Role of Assistant Principal, Directors of Curriculum & Quality and Quality Officer. Focused recruitment process. Systematic analysis and target setting. Effective use of performance indicators. RAG reviews and Rainbow reviews. Ongoing dialogue with College HMI. Scrutinising of KPIs by Course teams, AMG, PPG and Board of Management. Academic / Curriculum area operational plans.	Fail to attract sufficient high quality students. Poor KPI Reports. Increased reputational risk. Poor Education Scotland outcomes.	Major	Possible	Satisfactory	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>STUDENT EXPERIENCE (CONT'D)</p> <p>FAILURE TO DEVELOP A STUDENT PERFORMANCE MANAGEMENT SYSTEM (13)</p>	<p>Ensure more staff are trained to run existing MIS student data reports and format them into the College's structure.</p> <p>Continued participation and contribution to the Student Data Reporting Group, ensuring College reporting requirements are fully incorporated into the new standard reporting system for FE.</p>	<p>Lack of effective planning, monitoring and control of applications, enrolments, and quality performance indicators.</p>	<p>Major</p>	<p>Unlikely</p>	<p>Good</p>	<p>Medium</p>

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>STUDENT EXPERIENCE (CONT'D)</p> <p>LACK OF EFFECTIVE STUDENT SUPPORT</p>	<p>Relevant policies, regularly reviewed – Recruitment; Access and Inclusion; Guidance and Counselling; and Student Support.</p> <p>Well developed induction processes.</p> <p>Linkages with external bodies ensure that early intervention and tailored advice is provided.</p> <p>Close liaison between the Student Services Team and the Learner Support Team.</p> <p>Personal Learning Support Plans.</p> <p>Student satisfaction surveys.</p> <p>Estates Strategy.</p>	<p>Lower student recruitment and retention.</p> <p>Reduction in income, and so need to find funding from other sources.</p> <p>Poor recruitment mechanisms impact on student numbers.</p>	Significant	Possible	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STUDENT EXPERIENCE (CONT'D)						
MANAGEMENT OF DISCIPLINARY / APPEALS PROCEDURES	<p>Policies and procedures manual.</p> <p>Appeals committee.</p>	Inaccurate assessment of student academic performance and / or unfair appeals and disciplinary process.	Minor	Very Rare	Good	Low
RISKS ASSOCIATED WITH EXAMINATION MARKING	<p>Training for staff involved in assessment process.</p> <p>Use of markers with a proven track record and if using markers for the first time check made on qualifications and thorough vetting carried out.</p> <p>Exam scripts are held securely and properly handled to ensure robust marking and result recording.</p> <p>Review procedures, including external examiners reports.</p> <p>Student support processes.</p> <p>Open complaints and appeals process.</p>	Potential litigation, resulting in poor publicity.	Minor	Very Rare	Good	Low

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STAFFING ISSUES						
FAILURE TO COMPLY WITH EMPLOYMENT LEGISLATION	Staff committees.	Failure to adhere to employment legislation and standards of good practice.	Significant	Unlikely	Good	Low
CONTENTIOUS STAFFING POLICIES	HR policies and procedures are regularly reviewed.	Industrial action / employment tribunals / damage to reputation.	Significant	Unlikely	Good	Low
	Staff Review scheme.					
	Equal opportunities monitoring information.	Potential litigation including punitive damages.				
	Board of Management Staffing Committee.					
INDUSTRIAL RELATIONS	Communication with unions.	Impact on reputation and finances of continual industrial action.	Significant	Possible	Good	Medium
	Joint Negotiating committee.					
	Regular review of terms and conditions of employment, and remuneration.					
	Staff involvement with reviews of policies and procedures.					

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>STAFFING ISSUES (CONT'D)</p> <p>FAILURE TO ATTRACT, DEVELOP AND RETAIN A WORKFORCE FIT FOR THE 21ST CENTURY IN A TERTIARY TEACHING CONTEXT AND ADAPTING TO NECESSARY CHANGE (19)</p>	<p>Ongoing review of curriculum, workforce planning and CPD based on curriculum developments.</p> <p>Staff planning integral to all College Operational Plans.</p> <p>IIP accredited with regular review visits.</p> <p>Staff planning at Directorate and team level implemented as part of Staff Review scheme.</p> <p>Regular feedback re effectiveness, timing, content etc. of staff development.</p> <p>HR system has CPD self-service for all staff.</p> <p>Staff training integral to all operational planning. Annual budget / FFR must recognise training needs and cost.</p>	<p>Failure to attract, develop and retain academic staff of sufficient calibre and standing.</p> <p>Inability to attract and retain specialist non-academic staff.</p> <p>Loss of capacity, key skills and experience.</p> <p>Disruption to operations / services.</p> <p>Fail to attract sufficient high quality students.</p>	Major	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>STAFFING ISSUES (CONT'D)</p> <p>CONTROLS OVER PAYROLL</p>	<p>HR World Service software suite has 'self-service' functionality allowing secure, mainly read-only access for all employees to their payroll file.</p> <p>Appropriate segregation of duties in place between HR and Finance.</p> <p>All recruitment must be approved by the Principal by means of an Authority to Recruit (ATR) form, signed by the relevant line manager.</p> <p>All payroll variances (sick leave, timesheets, t&s etc.) authorised by relevant head of department. Hours monitored against budget.</p> <p>BACS payment signed off by the Director of Finance or Assistant Accountant.</p> <p>Exception reports and Payroll Audit Sheets generated as part of monthly payroll run and these are checked and signed-off.</p>	<p>Employees are paid incorrect amounts.</p> <p>Payments are made for non-existent employees or for work not actually performed.</p>	Significant	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES ESTATE INFRASTRUCTURE NOT FIT FOR PURPOSE (7) REDUCED ESTATES FUNDING	Regular property condition surveys.	Failure to identify, prioritise and fund maintenance needs.	Catastrophic	Almost Certain	Require Improvement	High
	Estates Strategy Action Plan and priority list of essential works developed. Board of Management Building Committee. Continue to work with region and SFC to keep pressure on decision-making around campus redevelopment plans.	Deterioration of property. Significant costs incurred not included in financial plans. Disruption to teaching.	Catastrophic	Almost Certain	Require Improvement	High
PHYSICAL SECURITY	Regular review of security arrangements, including consulting with police. Regular property condition surveys. Board of Management Building and Staffing committees. Health and Safety Officer, and Health and Safety Committee.	Poor physical security of buildings, leading to theft or damage to equipment / IT hardware and compromising safety of staff and students.	Significant	Possible	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES (CONT'D)						
DISRUPTION TO OPERATIONS FOLLOWING LOSS OR BREAKDOWN OF KEY EQUIPMENT	Appropriate security system / staff.	Loss of movable assets.	Significant	Possible	Good	Medium
	Regular review of security arrangements, including consulting with police.	Inability of the College to function properly.				
FLEET / ASSET MANAGEMENT	Insurance arrangements.	Fail to provide services to students.	Minor	Likely	Satisfactory	Medium
Items > £1,000 in value are capitalised in the accounts.	Maintenance of inventory of assets and regular physical inspection.	Inappropriate use may be made of College assets.				
	Adequate control over the use of assets for College business, especially portable, desirable items (e.g. computer equipment).	Unauthorised expenditure may be made on assets.				
	Proper authorisation for asset acquisition.	Old / valuable assets may not be maintained adequately resulting in financial loss.				
	Proper processing and recording of expenditure on acquisitions and income from disposals.	Non-compliance with Health and Safety regulations.				
	Proper maintenance of assets and testing of electrical items					
	Business Continuity Plans.					

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES (CONT'D)						
FAILURE TO MEET ALL REGULATORY REQUIREMENTS	Regular review of legislation requirements. Staff Review scheme. Health and Safety Officer, and Health and Safety Committee. Regular inspection by authorities.	Failure to comply with statutory requirements leads to prosecution or close down of some buildings. Disruption to teaching. Damage to reputation.	Major	Possible	Good	Medium
SELECTION AND MANAGEMENT OF THIRD PARTY CONTRACTORS	Policies and procedures manual. Responsibility for planning and implementation of projects assigned to Project Manager.	Contractor under performance. Fail to complete new projects / maintenance on schedule.	Major	Possible	Good	Medium
PROJECTS OVER TIME	Regular reporting to management and review by Building Committee. Checks on contractor insurance cover.	Disruption to teaching. Deterioration of property stock.	Major	Possible	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES (CONT'D)						
CAPITAL AUTHORISATION / CONTROL PROCEDURES	Policies and procedures manual.	Poor investment decisions leading to overspend on capital projects and stretching financial resources on an ongoing basis.	Major	Unlikely	Good	Medium
PROJECTS OVER BUDGET	Approval of major capital projects by the Senior Management Team; Board of Management and relevant committees. Good quality information presented to Board of Management and committees. Regular monitoring of expenditure on capital projects against budget, and reporting to management. Review by Board of Management Building Committee. Advice from external consultants.	Failure to identify and take action against overspends on capital projects.	Major	Possible	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES (CONT'D)						
USE OF SPACE WITHIN ESTATE	Space utilisation surveys. Estates Strategy. Strategic and operational plans.	Efficient estates' planning is an integral part of the College's strategic plans. Poor use of existing space restricts the ability to develop teaching activities, and leads to higher than necessary costs. Fail to expand and offer suitable courses. Fail to attract sufficient students.	Significant	Possible	Satisfactory	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES						
CHANGES IN SFC / GOVERNMENT POLICY	Diversify sources of funding to decrease reliance on any one source.	Adverse effect on the College's funding settlement and autonomy to generate non-core income.	Major	Likely	Satisfactory	High
REDUCED HE RECURRENT FUNDING	Monitoring of Government / SFC attitude through senior management review of SFC Circulars etc.	Fail to meet financial liabilities.	Major	Almost Certain	Satisfactory	High
REDUCED FE RECURRENT FUNDING	Regular meetings with MSPs, Scottish Government, SFC and UHI. Political lobbying and relationship building with potential collaborative partners. Strategy reviews. Further efficiency savings. Cost base to be reduced to balance budget. Full curriculum management – evaluate courses including quality / contribution.	Adverse effect on the College's future viability. Worst case, recovery plan or forced into merger.	Catastrophic	Almost Certain	Satisfactory	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D)						
FUNDED (FFR) HE TARGET ACTIVITY LEVEL NOT ACHIEVED (1)	College membership of and the work of UHI Student Numbers Taskforce.	Unable to balance budget and meet financial recovery targets.	Significant	Possible	Satisfactory	High
FUNDED (FFR) FE TARGET ACTIVITY LEVEL NOT ACHIEVED (2)	Semester 2 SFC funded learning opportunities programme identified and promoted. Monitoring of applications / recruitment by academic areas, AMG and PPG. AMG and PPG monitoring of credit position and retention. Curriculum area and Marketing operational plans.		Significant	Unlikely	Good	Medium
SALARY PRESSURES OUTSTRIP ABILITY TO PAY	Secure non-SFC sources of funding to reduce impact of increases. Regular review of staff resource requirements. Impact of financial strategy. Staff negotiation outcomes.	Staff costs rise ahead of funding inflation. Fail to meet other liabilities. Staff cuts result in inadequate teaching and other resource.	Catastrophic	Almost Certain	Satisfactory	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D)						
FAILURE TO MAINTAIN A BALANCED BUDGET IN-YEAR (12)	Discussions with EO as Regional Body to agree a recovery plan. Consistently improved cost planning.	Failure of Academic Sectors and Support Services to exercise budgetary control, leading to overstretching expenditure commitments.	Major	Likely	Require Improvement	High
LOSS OF FINANCIAL SUSTAINABILITY (6)	Further cost reductions, medium term plans to increase HE income. HE growth through 3 new planned degrees. Ensure operational cash support and request partial restoration of in-year FE funding (not agreed). FEEB work to remodel regional FE allocations. UHI changes post-SWG to agree partnership budgets. Improved commercialisation of College resources. Quarterly management accounts, including analytical review are prepared and issued to the Principal. In addition, they are presented to the Finance and General Purposes Committee.	Steps are not taken to manage unexpected increases in costs or decreases in income to minimise the impact on the final out-turn, and achievement of strategic aims. Loss making College. Inability to meet liabilities as they fall due. Adverse impact on College operations and growth. Inability to fund future capital expenditure. Damage to reputation.	Catastrophic	Unlikely	Satisfactory	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>FINANCIAL ISSUES (CONT'D)</p> <p>FAILURE TO MAINTAIN A BALANCED BUDGET IN-YEAR (12) (CONT'D)</p> <p>LOSS OF FINANCIAL SUSTAINABILITY (6) (CONT'D)</p>	<p>All budget holders are responsible for the control of expenditure within their areas of operation.</p> <p>More structured budget holder meetings to improve planning, control, forecasting.</p> <p>Continue to stress front-end commitment control.</p> <p>Maximum use of finance system read-only access / commitment reporting. PECOS e-procurement.</p> <p>P-Card limits greatly reduced.</p>	<p>As above.</p>				

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D) STUDENT FEE INCOME IS NOT RAISED OR RECORDED	Systems should ensure that: <ul style="list-style-type: none"> <input type="checkbox"/> Enrolment procedures are sufficient to ensure accuracy of student records information. <input type="checkbox"/> All fees are fully and correctly invoiced and processed. <input type="checkbox"/> All fee income is received. <input type="checkbox"/> Receipts are properly processed and recorded. <input type="checkbox"/> Adequate debt management and recovery procedures are in place. Electronic fee collection system in place using SITS-SAM, which interfaces with the Symmetry finance system.	The risk here is that all fee income will not be raised, or that receipts will not be properly recorded and banked.	Significant	Possible	Good	Medium
FINANCIAL FRAUD, ABUSE	Clearly defined Fraud Policy and Response Plan. Gift, Hospitality and Entertainment Policy. Segregation of duties. Internal audit visits throughout College.	Fraud and theft. Loss of assets, financial loss to the College. Adverse publicity.	Significant	Possible	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D)						
PERFORMANCE OF PENSION FUNDS	Performance of pension funds is kept under review.	Poor performance of pension funds leading to possible deficits.	Major	Likely	Satisfactory	High
MAIN FINANCIAL SYSTEMS:						
General Ledger	<p>Quarterly management accounts prepared for senior management and the Board.</p> <p>Ledger structure such that it allows data to be extracted per cost centre and give meaningful figures to the budget holders.</p> <p>Annual accounts prepared in accordance with statutory requirements.</p> <p>Bank reconciliations are prepared monthly and other reconciliations quarterly.</p> <p>Journal entries reviewed.</p>	<p>Financial management information is not available to inform management decisions.</p> <p>Annual accounts preparation is unnecessarily time consuming, or proper accounts cannot be produced.</p> <p>Financial returns are time consuming to produce or deadlines are missed.</p>	Significant	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>FINANCIAL ISSUES (CONT'D)</p> <p>MAIN FINANCIAL SYSTEMS (CONT'D):</p> <p>Procurement and creditors / purchasing</p>	<p>Process for ordering, receipt of goods / services and authorisation of invoice for payment set out in detailed Financial Procedures.</p> <p>Financial Procedures specify tendering / purchasing procedures and authorisation limits, which should be adhered to.</p> <p>Procurement Strategy.</p> <p>Online purchase order requisitioning and goods receipting system, PECOS, in place.</p> <p>Approval required to add new suppliers.</p> <p>APUC and other consortium contracts used where these provide 'best value'.</p> <p>Quotes and tenders obtained where required.</p> <p>Ongoing reconciliation of accounts balances and supplier statements.</p>	<p>Costs of goods and services may be higher than necessary.</p> <p>Payment may be made for goods and services not received or authorised by the College.</p>	Significant	Likely	Require Improvement	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>FINANCIAL ISSUES (CONT'D)</p> <p>MAIN FINANCIAL SYSTEMS (CONT'D):</p> <p>Debtors / Income</p>	<p>Process for raising sales invoices and income handling set out in detailed Financial Procedures.</p> <p>A request to raise a sales invoice must be submitted in writing to the Finance department, with the originator providing full details as back-up.</p> <p>The Assistant Finance Officer (AFO) Debt Management is responsible for monitoring all overdue accounts (except Bursary debtors, which is the responsibility of Student Finance).</p> <p>If debt not cleared after two reminder letters, a 7 day final demand is issued. A debt collection agency is used where appropriate.</p> <p>The Director of Finance or Assistant Accountant and the Principal authorise bad debt write-offs.</p>	<p>All income due may not be received.</p> <p>Receipts may not be properly processed and banked.</p>	Significant	Possible	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>FINANCIAL ISSUES (CONT'D)</p> <p>MAIN FINANCIAL SYSTEMS (CONT'D):</p> <p>Cash and Bank / Treasury Management</p>	<p>Process for receipt of cash set out in detailed Financial Procedures.</p> <p>Process for authorising, controlling and recording: cheques; BACS payments; and petty cash expenditure set out in detailed Financial Procedures.</p> <p>For the main sources of cash income takings are reconciled to the 'Z' till transaction reports daily.</p> <p>The AFO Cash is responsible for receiving, banking, and issuing receipts. Monies received are input into the Cash Office system by the AFO Cash and reconciled daily. The Accounting Technician checks and authorises this reconciliation, posts to the general ledger within Symmetry.</p>	<p>All receipts and payments may not be properly recorded.</p> <p>All income may not be banked or properly accounted for.</p> <p>Treasury management may not be as efficient as possible.</p>	Significant	Possible	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>FINANCIAL ISSUES (CONT'D)</p> <p>MAIN FINANCIAL SYSTEMS (CONT'D):</p> <p>Cash and Bank / Treasury Management (Cont'd)</p>	<p>A Site Assistant accompanies Finance staff for all cash collections around the College and in runs to the bank, in accordance with agreed routines.</p> <p>Two signatures are required on all cheques and other financial instruments.</p> <p>All bank accounts are subject to monthly reconciliation and these are reviewed and signed by the Assistant Accountant as evidence that the reconciliations are correct.</p> <p>All bank accounts are checked daily by the AFO Cash or the Accounting Technician by means of Internet banking.</p>	<p>As above.</p>				

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
COMMERCIAL ISSUES						
PREVENTION AND RESPONSE TO EXTERNAL CLAIMS AGAINST THE COLLEGE FOR BREACH OF CONTRACT	<p>Goods / services provided to external bodies are the subject of a binding and clearly worded legally contractual agreement.</p> <p>Review by legal advisers prior to signing.</p> <p>Regular monitoring of progress.</p> <p>Regular liaison with funders.</p>	<p>Breach of commercial contracts.</p> <p>Potential litigation, possible punitive damages.</p> <p>Damage to reputation, jeopardising future income.</p>	Significant	Possible	Satisfactory	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>COMMERCIAL ISSUES (CONT'D)</p> <p>FAILURE TO MEET INCOME GENERATION TARGETS (20)</p>	<p>Advice from Marketing and Business Development and Finance staff.</p> <p>Effective working with employers and awareness of industry requirements.</p> <p>Target marketing including CPD provision to employers.</p> <p>Be aware of opportunities through effective partnership working.</p> <p>Robust evaluation processes in place for contract delivery to ensure targets met.</p> <p>Set realistic and achievable targets. Know area of expertise and focus on these.</p> <p>High priority in Strategic Plan.</p> <p>Regular review of activities by Board of Management and relevant committees.</p>	<p>Impact on financial recovery.</p> <p>Reduced opportunity for income generation.</p> <p>Poor reputation amongst employers and stakeholders.</p> <p>Loss of contracts.</p>	Significant	Unlikely	Satisfactory	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>COMMERCIAL ISSUES (CONT'D)</p> <p>NOT ACHIEVING AGBC INCOME / UTILISATION TARGETS (8)</p>	<p>Seek clarity on the market for life science business growth and start up.</p> <p>Target potential companies in partnership with HIE.</p> <p>Approach Scottish Government with a view to looking at change of use for the Research rooms.</p> <p>Increase the Marketing effort for the conference facilities and provide a more professional events service.</p>	<p>Annual deficit reported.</p> <p>Impact on finance recovery plan.</p>	Significant	Possible	Satisfactory	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>COMMERCIAL ISSUES (CONT'D)</p> <p>GROWTH IN MODERN APPRENTICESHIPS NOT ACHIEVING TARGET (15)</p>	<p>Improve employer engagement.</p> <p>Direct marketing to employers in sectors.</p> <p>Operation of MA programme in line with sector requirements.</p> <p>Robust evaluation system in place.</p> <p>Flexible and proactive support to employer and apprentice to reduce drop-out rates.</p> <p>Act on opportunities to extend employer engagement.</p> <p>Contribute / lead on apprenticeship awareness raising events.</p>	<p>Impact on financial recovery.</p> <p>Poor reputation.</p> <p>Clawback of funds due to audit failure.</p> <p>Reduce employer engagements.</p> <p>Curriculum not meeting the needs of the industry.</p>	Significant	Possible	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>COMMERCIAL ISSUES (CONT'D)</p> <p>INEFFECTIVE AND LACK OF EMPLOYER ENGAGEMENT (11)</p>	<p>An effective structure in place to monitor employer engagement [i.e. heat map].</p> <p>Each area has a dedicated resource to work with the Business Development department to increase the level of employer engagement.</p> <p>Act on all appropriate opportunities timeously as they emerge.</p> <p>Support course areas to increase their employer engagement.</p> <p>Ensure effective partnership working.</p>	<p>Poor curriculum planning not reflecting the needs of local industry.</p> <p>Not meeting employer demand.</p> <p>Constraint on income generation.</p>	Major	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>COMMERCIAL ISSUES (CONT'D)</p> <p>FINANCIAL CONTROL OVER OTHER INCOME GENERATING ACTIVITIES</p>	<p>Costing to be agreed by member of SMT before commitments made.</p> <p>Direct and indirect costs to be charged, in particular for the recovery of overheads.</p> <p>Quarterly management accounts prepared for senior management and the Board.</p> <p>Quarterly and ad hoc budget monitoring meetings held with Finance.</p> <p>Financial procedures for raising invoices and debt management.</p>	<p>Research and other contracts may over-spend irrecoverably.</p> <p>Cash flow may be adversely affected through slow collection of income after expenditure has been incurred.</p> <p>All income of the College is not recorded and banked.</p> <p>Income raising activities may not cover their costs.</p> <p>Balances are incorrectly carried forward resulting in either overspend or recognition of profits in the wrong period.</p>	Minor	Possible	Require Improvement	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>COMMERCIAL ISSUES (CONT'D)</p> <p>INTELLECTUAL PROPERTY RISKS</p>	<p>College staff should consider whether their work represents intellectual property to the College with commercial potential and if so should not seek to publish work without the agreement of the Principal.</p> <p>In such cases the Principal informs the Board of Management of the potential of the work in order to gain their approval to seek the most effective protection of those rights.</p> <p>Confidentiality Agreements and Non-Disclosure Agreements.</p> <p>Review of security arrangements, both IT and physical.</p>	<p>Intellectual property disclosed / compromised before protected.</p> <p>Fail to maximise a potential source of income.</p> <p>Significant costs involved in fighting through legal system.</p>	Minor	Possible	Satisfactory	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>ORGANISATIONAL ISSUES</p> <p>INEFFECTIVE BUSINESS CONTINUITY PLANNING (10)</p>	<p>IT Disaster Recovery Plan in place.</p> <p>Overarching College Disaster Recovery Plan to be updated and extended to include wider business continuity planning.</p> <p>Testing of plans.</p> <p>Insurance on buildings and equipment.</p>	<p>Major disaster.</p> <p>Unable to operate.</p> <p>Disruption to teaching and / or support services.</p>	Catastrophic	Very Rare	Satisfactory	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>ORGANISATIONAL ISSUES (CONT'D)</p> <p>CORPORATE GOVERNANCE FAILURE</p>	<p>Standing Orders; Code of Conduct for Board members; Constitution & Proceedings; and Scheme of Delegation in place.</p> <p>Financial Regulations.</p> <p>College Fraud Policy and Response Plan.</p> <p>Compliance with Financial Memorandum with Regional Strategic Body and FE Good Governance Code.</p> <p>Strong recruitment and induction practices for Board of Management members (via Regional Strategic Body) and Senior Management Team.</p> <p>Self and external evaluation.</p> <p>Succession planning for senior managers and Board of Management.</p>	<p>Inadequate corporate governance, resulting in poor management and possible financial loss.</p> <p>Press criticism arising from perceived corporate governance weakness or non-compliance.</p> <p>Fall in public perception of the College.</p>	Major	Unlikely	Satisfactory	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>ORGANISATIONAL ISSUES (CONT'D)</p> <p>INEFFECTIVE CORPORATE PLANNING</p>	<p>Comprehensive strategic and operational planning process involving all College staff and Board of Management.</p> <p>For each of the strategic objectives a list of key actions have been identified.</p> <p>Supporting strategies have been produced to support and inform the achievement of the College's overall strategic aims.</p> <p>Directorates and Support Area have developed Operational Plans, in support of the overall Strategic Plan.</p> <p>The Board and its committees receive quarterly reports on the College's performance in implementing its Operational Plan.</p>	<p>Fail to determine and communicate an appropriate and focused strategy.</p> <p>Unable to react positively and timeously to sector changes or influences.</p> <p>Fail to attract sufficiently high quality student intake.</p> <p>Fail to attract and retain high quality staff.</p> <p>Fail to secure investment.</p>	Major	Unlikely	Satisfactory	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ORGANISATIONAL ISSUES (CONT'D)						
INEFFECTIVE RISK MANAGEMENT	Risk Management Strategy and Policy. Financial Regulations outlining high-level procedures for risk management. College-wide Risk Register and sub-registers in each Directorate. Risk Management Group. Monitoring and review by the Audit Committee and Board of Management.	If risk has not been adequately assessed, unexpected and unplanned situations could develop, for which no adequate insurance or contingency plan is in place.	Major	Possible	Satisfactory	High
SHARED SERVICES / PARTNERSHIP WORKING – UHI AND OTHER	Fully support UHI shared services initiatives. Fully explore other partnerships e.g. Moray Council re Outreach provision, work with APUC.	Public / Government / Regulatory / Funding Council policy change may have an adverse impact on relationships and funding levels.	Major	Possible	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
INFORMATION AND IT						
LOSS OF DATA OR IT HARDWARE	<p>Archives and back-up are responsibility of UHI. Resilience has been tested and found to be strong.</p> <p>Logical files backed-up on a daily basis for all servers.</p> <p>UHI back-up data on academic related systems.</p> <p>The network is regularly monitored in respect of capacity and loading.</p> <p>IT Disaster Recovery Plan in place</p>	<p>Major IT disaster – loss of information or use of central hardware.</p> <p>Disruption to teaching and / or support services.</p>	Major	Unlikely	Good	Medium
BREACH OF IT NETWORK SECURITY	<p>Network monitoring software is in place to detect viruses or malicious software.</p> <p>System of log-ins, passwords and firewalls with regular review of physical and logical security.</p> <p>Acceptable Use Policy for staff and students</p> <p>Regular review of system capacity against current and future needs.</p>	<p>Network security breached with consequent damage to mission-critical operations and theft of IPR.</p> <p>Disruption to access to network.</p>	Major	Possible	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
INFORMATION AND IT (CONT'D)						
NON-COMPLIANCE WITH DATA PROTECTION LEGISLATION	Staff training. Awareness sessions held.	Non-compliance with Data Protection Act and Fol (Scotland) Act.	Significant	Possible	Good	Medium
NON-COMPLIANCE WITH FREEDOM OF INFORMATION LEGISLATION	Policies and procedures manuals. Data Protection and Fol Officers appointed. Publication Scheme. Records Management Policy.	Shadow information held at department level. Damage to reputation. Potential litigation.	Significant	Very Rare	Good	Low
NON-COMPLIANCE WITH USER LICENCE REQUIREMENTS	Central register of software and licence agreements held by IT. Software installed to automatically monitor software installed on each PC.	Non-compliance with user licence requirements, leading to possible financial penalties.	Significant	Unlikely	Good	Low

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
INFORMATION AND IT (CONT'D) MANAGEMENT OF SYSTEMS IMPLEMENTATION	Proper procedures for development and implementation of new systems. In the main, UHI involved in systems development. Regular review of current and future requirements.	Failure to properly address all steps in the systems development life cycle can have serious consequences on the effectiveness of the system performance, and can be costly in financial and time allocation terms. Failure to provide accurate and complete operational / student management information. Loss of efficiency and effectiveness. Lessons learned from project not recognised to impact future projects.	Significant	Possible	Good	Medium
TECHNOLOGY NOT FIT FOR PURPOSE (18)	5-year IT Procurement Strategy in place supported by annual update of capital / maintenance requirements. Significant work undertaken to extend life of IT equipment and strategic plans being progressed to reduce infrastructure costs going forward.	Fail to expand and offer suitable courses. Equipment not adequate. Fail to attract sufficient students.	Major	Almost Certain	Require Improvement	High

Strategic Plan

The Strategic Plan covers the normal three-year internal audit cycle. Audit days have been allocated to the categories identified in the ANA to give a rolling programme of work. Where relevant, these have been further split into sub-categories. Frequency of visits, the number of days allocated, and the position in the three-year cycle has been determined with reference to the combined risk factors identified in the ANA, and previous internal and external audit coverage.

To clarify the linkage between the ANA and Strategic Plan we have included at pages 49 to 54 a listing of all risk categories, grouped by 'Priority'. On these schedules we have indicated the timing of our audit work, if any, in the three-year cycle, the number of days allocated and the project title as it appears on the Strategic Plan at pages 55 and 56.

Audit Methodology

Prior to commencement of the work each year the Strategic Plan will be reviewed in advance of the production of the Annual Plan. The Annual Plan will give more detail of the risks to be covered and the work to be carried out in each area. The process will include discussion with management, the College's external auditors and the Audit Committee as appropriate.

Once the Annual Plan has been agreed an audit timetable will be set and detailed planning will be carried out for each area.

The mainstream audit work falls into three categories:

- Governance;
- Financial; and
- Performance.

In all cases the audit work involves:

- Identification of the expected controls.
- Review of systems to identify actual controls.
- Consideration of established Best Practice in the area.
- Testing of controls to ensure they are operating effectively.
- Consideration of VFM issues where appropriate on all audit assignments and conducting specific VFM reviews as agreed with College management and the Audit Committee.
- Consideration of the relevance of business improvement tools, including lean systems and methodologies, to individual audit assignments.
- Discussion of findings and our likely recommendations with the relevant managers and staff involved with the systems. Recommendations will be graded to help management prioritise their importance.
- Issue of a draft report to confirm factual accuracy and obtain official management responses for inclusion in the final report.
- Issue of a final report that summarises audit objectives, work carried out, the implications of the findings for internal control, and an action plan with areas for improvement. The action plan will allocate responsibility for the implementation and give a timeframe for completion.
- Follow-up of action plans in future years.

Moray College UHI – linkage between Strategic Plan and Audit Needs Assessment

High Priority

Risk Category	Coverage	Comment
Reputation		
H&S Non-compliance: Risk to Students / Staff and Risk of Litigation (9)	2018/19	Previously reviewed in 2014/15.
Student Experience		
Ineffective Delivery of Essential Skills (14)	2018/19	College curriculum previously reviewed in 2014/15.
Failure to Maintain Appropriate Quality Standards	2017/18	Education Scotland review November 2013. Proposed review of new Quality processes and KPIs in 2017/18.
Progression KPIs Not Achieved (4)	2017/18	As above.
Estates and Facilities		
Estate Infrastructure Not Fit for Purpose (7)		
Reduced Estates Funding		
Financial Issues		
Changes in SFC / Government Policy		Sector wide issue.
Reduced HE Recurrent Funding		As above.
Reduced FE Recurrent Funding		As above.
Funded (FFR) HE activity level target not achieved (1)		Student Recruitment previously reviewed in 2011/12. Curriculum planning previously reviewed in 2014/15.
Salary Pressures Outstrip Ability to Pay		Sector wide issue.
Failure to Maintain a Balanced Budget In-year (12)	2017/18	Previously reviewed in 2011/12, 2014/15 and 2015/16. Compliance with financial regulations and procedures. Review the linkage between budget setting and the corporate and operational planning process.
Loss of Financial Stability (6)	2017/18	As above.
Performance of Pension Funds		Sector wide issue.
Procurement and Creditors / Purchasing	2018/19	Previously reviewed in 2012/13 and 2015/16. Compliance with financial regulations and procedures. VFM review of procurement.

High Priority

Risk Category	Coverage	Comment
Commercial Issues Not Achieving AGBC Income / Utilisation Targets (8)		Previously reviewed in 2014/15 and 2015/16.
Organisational Issues Ineffective Risk Management	2017/18	Previously reviewed in 2013/14.
Information and IT Technology Not Fit for Purpose (18)		

Medium Priority

Risk Category	Coverage	Comment
Reputation Loss of Reputation Resulting in Negative Perceptions – Loss of Business		Previously reviewed in 2013/14.
Student Experience Ineffective Curriculum Planning (College and Region) (5)	2018/19	Previously reviewed in 2014/15. Proposed review of delivery of Essential Skills in 2018/19.
Attainment KPIs Not Achieved (3)	2017/18	Education Scotland review November 2013. Proposed review of new Quality processes and KPIs in 2017/18.
Failure to Develop a Student Performance Management System (13)		
Lack of Effective Student Support		Previously reviewed in 2015/16. Education Scotland review November 2013.
Staffing Issues Industrial Relations		
Failure to Attract, Develop and Retain a Workforce Fit for the 21st Century in a Tertiary Teaching Context and Adapting to Necessary Change (19)	2016/17 2017/18	Previously reviewed in 2011/12. Proposed review of Voluntary Severance payments and the impact on College services and key controls in 2016/17 and Workforce Planning in 2017/18.
Controls Over Payroll		Previously reviewed in 2013/14.
Estates and Facilities Physical Security		
Disruption to Operations Following Loss or Breakdown of Key Equipment	2017/18	Previously reviewed in 2013/14. Review of business continuity arrangements.
Fleet / Asset Management		
Failure to Meet All Regulatory Requirements		Considered where applicable on all audits.
Selection and Management of Third Party Contractors		Post-project review of AGBC project carried out in 2014/15. Review of control over major capital projects.
Projects Over Time		As above.
Capital Authorisation / Control Procedures		As above.

Medium Priority

Risk Category	Coverage	Comment
Projects Over Budget		As above.
Use of Space Within Estate		
Financial Issues		
Funded (FFR) FE activity level target not achieved (2)		Student Recruitment previously reviewed in 2011/12. Curriculum planning previously reviewed in 2014/15.
Student Fee Income is Not Raised or Recorded		Previously reviewed in 2013/14.
Financial Fraud, Abuse		Considered where applicable on all audits.
General Ledger	2017/18	Previously reviewed in 2011/12 and 2014/15. Review of controls following implementation of new finance system. Compliance with financial regulations and procedures.
Debtors / Income		Previously reviewed in 2012/13.
Cash and Bank / Treasury Management		Previously reviewed in 2012/13. Cash-flow reporting also reviewed in 2015/16.
Commercial Issues		
Prevention and Response to External Claims Against the College for Breach of Contract		Previously reviewed in 2012/13 and 2015/16.
Failure to Meet Income Generation Targets (20)	2016/17	As above. Proposed review of Oil & Gas and Care Centre in 2016/17.
Growth in Modern Apprenticeships Not Achieving Target (15)	2016/17	As above.
Ineffective and Lack of Employer Engagement (11)	2016/17	As above.
Financial Control Over Other Income Generating Activities	2016/17	As above.
Intellectual Property Risks		Previously reviewed in 2012/13 and 2015/16.
Organisational Issues		
Ineffective Business Continuity Planning (10)	2017/18	Previously reviewed in 2013/14.
Corporate Governance Failure	2018/19	Previously reviewed in 2014/15. External Effectiveness Review 2016/17.

Medium Priority

Risk Category	Coverage	Comment
Ineffective Corporate Planning	2016/17	Consider whether the College's planning process is working effectively, particularly in relation to the development of the Strategic Plan and the linkage between the Strategic Plan, the Regional Outcome Agreement, and the detailed operational plans.
Shared Services / Partnership Working – UHI and Other		Previously reviewed in 2012/13 and 2015/16. Review of partnership working arrangements against best practice.
Information and IT		
Loss of Data or IT Hardware	2017/18	Disaster recovery previously reviewed in 2013/14.
Breach of IT Network Security		
Non-Compliance with Data Protection Legislation	2018/19	
Management of Systems Implementation		

Low Priority

Risk Category	Coverage	Comment
Student Experience		
Growth in Foundation Apprenticeships Not Achieving Target (16)		
Senior Phase Programme Offered / Delivered Does Not Meet Needs of Moray (17)		
Management of Disciplinary / Appeals Procedures		Unlikely involvement by internal audit.
Risks Associated with Examination Marking		Unlikely involvement by internal audit.
Staffing Issues		
Failure to Comply with Employment Legislation		Previously reviewed in 2011/12.
Contentious Staffing Policies		As above.
Information and IT		
Non-Compliance with Freedom of Information Legislation	2018/19	
Non-Compliance with User Licence Requirements		Previously reviewed in 2011/12.

Strategic Plan

Moray College UHI Strategic Plan 2016/17 to 2018/19

Proposed Allocation of Audit Days

	Category	Priority	Planned 16/17 Days	Planned 17/18 Days	Planned 18/19 Days
Reputation					
Communications and Marketing	Gov	M			
Health and Safety	Gov	H			4
Student Experience					
Curriculum – Essential Skills	Perf	H/M			3
Quality assurance and improvement	Perf	H/M		5	
Student recruitment & retention	Perf	H			
Student support	Perf	M			
Staffing Issues					
Staff recruitment and retention	Perf	M/L			
Staff development	Perf	M			
Voluntary severance	Perf/Fin	H	7		
Workforce planning	Perf	M		4	
Payroll	Fin	M			
Estates and Facilities					
Building maintenance	Fin/Perf	H/M			
Capital projects	Fin/Perf	H/M			
Sustainability	Gov/Perf	M			
Space management	Perf	M			
Asset / Fleet management	Perf	M			
Financial Issues					
Budgetary control)	Fin	H		5	
General ledger)	Fin	M			
Student fees and contracts / registry	Fin	M			
Procurement and Creditors / Purchasing	Fin	H			4
Debtors/ Income	Fin	M			
Cash & Bank / Treasury management	Fin	M			
Commercial Issues					
Business Development / Research	Fin/Perf	H/M	4		
Organisational Issues					
Risk Management / Business Continuity	Perf	H/M		4	
Corporate Governance	Gov	M			3
Corporate Planning	Perf	M	4		
Partnership working	Gov/ Perf	M			

Moray College UHI Strategic Plan 2016/17 to 2018/19

Proposed Allocation of Audit Days (Continued)

	Category	Priority	Planned 16/17 Days	Planned 17/18 Days	Planned 18/19 Days
Information and IT					
<i>IT network arrangements / security</i>	Perf	M			
<i>Data protection / FOI</i>	Gov	M/L			4
<i>Systems development / implementation</i>	Perf	M			
<i>IT strategy</i>	Perf	H/M			
Other Audit Activities					
Credits Audit		Required	5	5	5
Bursary and Hardship Funds Audit		Required	3	3	3
EMA Audit		Required	1	1	1
Management and Planning)			4	4	4
External audit / SFC)					
Attendance at audit committees)					
Follow-up reviews		Various	2	2	2
ANA			3		
			33	33	33
Total			33	33	33

Key

Category: Gov – Governance; Perf – Performance; Fin – Financial

Priority: H – High; M – Medium; L – Low



Moray College UHI

Internal Audit Annual Plan 2016/17

Internal Audit Report No: 2017/02

Draft Issued: 1 March 2017

Final Issued:



Content

	Page No.
1. Introduction	1
2. Strategic Plan 2016 to 2019	2
3. Outline Scope and Objectives	4
• Voluntary Severance	4
•	5
• Corporate Planning	6
• Credits Audit	7
• Student Support Funds Audit	8
• EMA Audit	9
• Follow-Up Reviews	10

1. Introduction

- 1.1 The purpose of this document is to present for consideration by the Audit Committee the annual operating plan for the year ended 31 July 2017. The plan is based on the proposed allocation of audit days for 2016/17 set out in the draft Audit Needs Assessment and Strategic Plan 2016 to 2019 (Report 2017/01, issued 28 February 2017), which will be presented to the Audit Committee, for approval, at its meeting on 15 March 2017.
- 1.2 A copy of the draft Strategic Plan is included at Section 2 of this report.
- 1.3 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment to be undertaken during 2016/17, together with the audit approach. These have been arrived at following discussion with the Principal and other members of the Senior Management Team. The outline scopes will be finalised after discussion with responsible managers in each audit area.
- 1.4 Separate reports will be issued for each assignment with recommendations graded to reflect the significance of the issues raised.

2. Strategic Plan 2016 to 2019

Proposed Allocation of Audit Days

	Category	Priority	Planned 16/17 Days	Planned 17/18 Days	Planned 18/19 Days
Reputation					
Communications and Marketing	Gov	M			
Health and Safety	Gov	H			4
Student Experience					
Curriculum – Essential Skills	Perf	H/M			3
Quality assurance and improvement	Perf	H/M		5	
Student recruitment & retention	Perf	H			
Student support	Perf	M			
Staffing Issues					
Staff recruitment and retention	Perf	M/L			
Staff development	Perf	M			
Voluntary severance	Perf/Fin	H	7		
Workforce planning	Perf	M		4	
Payroll	Fin	M			
Estates and Facilities					
Building maintenance	Fin/Perf	H/M			
Capital projects	Fin/Perf	H/M			
Sustainability	Gov/Perf	M			
Space management	Perf	M			
Asset / Fleet management	Perf	M			
Financial Issues					
Budgetary control)	Fin	H		5	
General ledger)	Fin	M			
Student fees and contracts / registry	Fin	M			
Procurement and Creditors / Purchasing	Fin	H			4
Debtors/ Income	Fin	M			
Cash & Bank / Treasury management	Fin	M			
Commercial Issues					
Business Development / Research	Fin/Perf	H/M	4		
Organisational Issues					
Risk Management / Business Continuity	Perf	H/M		4	
Corporate Governance	Gov	M			3
Corporate Planning	Perf	M	4		
Partnership working	Gov/ Perf	M			

Proposed Allocation of Audit Days (Continued)

	Category	Priority	Planned 16/17 Days	Planned 17/18 Days	Planned 18/19 Days
Information and IT					
<i>IT network arrangements / security</i>	Perf	M			
<i>Data protection / FOI</i>	Gov	M/L			4
<i>Systems development / implementation</i>	Perf	M			
<i>IT strategy</i>	Perf	H/M			
Other Audit Activities					
Credits Audit		Required	5	5	5
Bursary and Hardship Funds Audit		Required	3	3	3
EMA Audit		Required	1	1	1
Management and Planning)			4	4	4
External audit / SFC)					
Attendance at audit committees)					
Follow-up reviews		Various	2	2	2
ANA			3		
			33	33	33
Total			33	33	33

Key

Category: Gov – Governance; Perf – Performance; Fin – Financial

Priority: H – High; M – Medium; L – Low

3. Outline Scope and Objectives

Audit Assignment:	Voluntary Severance
Priority:	High
Audit Committee Meeting:	23 May 2017
Days:	7

Scope

The audit will cover the risks relating to the College's voluntary severance scheme (VSS) including: the risk of non-compliance with SFC guidance; and the impact on the service provision and control environment in departments affected by a reduction in staffing.

Objectives

The objectives of our audit will be to:

- obtain reasonable assurance that VSS payments are correctly calculated and approved, in line with SFC guidance; and
- identify risks arising from a reduction in staffing in College departments and consider alternative arrangements and controls that are being put in place, or could be put in place, to mitigate the risks and minimise the impact on service provision and the control environment.

Our audit approach will be:

The process used for assessing VSS applications will be determined from discussion with the Head of Human Resources and HR staff, review of the VSS details and a walkthrough of processes. This will be followed by detailed testing of a sample of VSS payments and key documentation and approvals, including any payments made to higher paid employees.

For departments affected by a reduction in staffing identify, through discussion with the Department Head and review of documentation, the roles and responsibilities of staff taking VSS. The impact of their loss on the current level of service provision and control environment will then be considered. We will establish whether alternative arrangements or controls are being put in place to mitigate the risks and consider whether any further action should be taken.

**Moray College UHI
Draft Internal Audit Annual Plan 2016/17**

Audit Assignment:	Business Development – Oil & Gas and Care Centre
Priority:	High / Medium
Audit Committee Meeting:	23 May 2017
Days:	4

Scope

This audit will consider the key risks in relation to the College's commercial activities within the Oil & Gas sector and the Care Centre.

Objectives

The primary objective of this audit will be to establish whether procedures in place within the College are sufficient to maximise income generation and margin from commercial (non-SFC) activities within the Oil & Gas sector and the Care Centre.

Secondary objectives will be to ensure that:

- an effective strategic and operational planning process has been established;
- an appropriate management and support structure has been put in place to identify and promote commercial opportunities;
- there is effective pricing in the market place and, wherever possible, overhead recovery from commercial contracts is maximised;
- management information is adequate and easily accessible to all relevant staff; and
- there is regular review of activities by the Board of Management and its committees.

Our audit approach will be:

From discussion with the Head of Marketing and External Relations, Assistant Principals, Curriculum Heads and Finance staff we will establish the key controls in place within the above areas and consider their adequacy.

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

**Moray College UHI
Draft Internal Audit Annual Plan 2016/17**

Audit Assignment:	Corporate Planning
Priority:	Medium
Audit Committee Meeting:	15 March 2017
Days:	4

Scope

The scope of this audit will be to consider whether the College's planning process is working effectively, particularly in relation to the development of the Strategic Plan and the linkage between the Strategic Plan, the Regional Outcome Agreement, and the detailed operational plans.

Objectives

The overall objective of the audit will be to obtain reasonable assurance that the College's planning process accords with good practice.

Specific objectives will be to obtain reasonable assurance that:

- the corporate planning process was adequately planned and challenged for robustness;
- linkages between the Strategic Plan, the Regional Outcome Agreement and operational plans are clearly defined and communicated;
- Operational plans are robust and include detailed prioritised action plans;
- the Strategic Plan, Regional Outcome Agreement and operational plans are being appropriately monitored and controlled, including through the use of key performance indicators; and
- there is effective linkage between planning and budgeting at all levels.

Our audit approach will be:

Through discussions with key staff we will document the planning process adopted by the College covering the setting of aims and objectives; operational planning; budgeting; implementation; monitoring and control.

A sample of the operational plans will be obtained and reviewed to ensure there are clear linkages to the Regional Outcome Agreement, the Strategic Plan and the key strategies that relate to the core activities of the College.

**Moray College UHI
Draft Internal Audit Annual Plan 2016/17**

Audit Assignment:	Credits Audit
Priority:	Required audit
Audit Committee Meeting:	November 2017
Days:	5

Scope

Credits Audit Guidance issued by SFC requests that colleges obtain from their auditors assurances as to the reasonableness of procedures used in the compilation of the Credits related element of the FES return.

Objectives

To obtain reasonable assurance that:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- the FES return contains no material mis-statements.

Our audit approach will be:

Through discussion with College staff, and review of relevant documents, we will record the systems and procedures used by the College in compiling the returns and assess and test their adequacy. We will carry out further detailed testing, as necessary, to enable us to conclude that the systems and procedures are working satisfactorily as described to us.

Detailed analytical review will be carried out obtaining explanations for significant variations from previous year.

Our testing will be designed to cover the major requirements for recording and reporting fundable activity and any general areas of risk identified in the Credits Audit Guidance.

We will also review the final error report from the FES on-line checks.

**Moray College UHI
Draft Internal Audit Annual Plan 2016/17**

Audit Assignment:	Student Support Funds Audit
Priority:	Required audit
Audit Committee Meeting:	November 2017
Days:	3

Scope

We will carry out an audit on the College's student support funds for the year ended 31 July 2017 and provide an audit certificate.

Objectives

The audit objectives will be to obtain reasonable assurance that:

- the College complies with the terms, conditions and guidance notes issued by SFC;
- payments to students are genuine claims for hardship or bursary, and have been processed and awarded in accordance with College procedures; and
- the information disclosed in each of the returns for the year ended 31 July 2017 is in agreement with underlying records.

Our audit approach will be:

- Reviewing new guidance from SFC and identifying internal procedures through discussion with College staff, and review of relevant documents;
- Agreeing income to letters of award;
- Reconciling expenditure through the financial ledger to returns, investigating reconciling items;
- Reviewing for large or unusual items, obtaining explanations where necessary; and
- Carrying out detailed audit testing, on a sample basis, on expenditure from the funds.

Audit guidance issued by SFC will be utilised. This includes 'Areas of risk and audit considerations' for bursaries; and the Further Education Discretionary Fund and Childcare Funds.

**Moray College UHI
Draft Internal Audit Annual Plan 2016/17**

Audit Assignment:	EMA Audit
Priority:	Required audit
Audit Committee Meeting:	November 2017
Days:	1

Scope

Guidance on the audit requirements for Education Maintenance Allowances (EMAs), issued by SFC, includes the requirement to have a separate audit of EMAs on an academic year (August to July) basis.

Objectives

To obtain reasonable assurance that:

- the information set out in the EMA returns is in agreement with the underlying records;
- the College used the funds in accordance with SFC's conditions and the principles of the EMA programme; and
- the systems and controls for the administration and disbursement of the funds are adequate.

Our audit approach will be:

Through discussion with Student Finance staff, and review of relevant documents, we will record the systems and procedures used by the College in compiling the EMA returns and assess and test their adequacy. We will carry out further detailed testing, as necessary, to enable us to conclude that the systems and procedures are working satisfactorily as described to us.

We will use the checklist included in Audit Scotland Grant Note Education maintenance allowances grant as the basis for our testing.

**Moray College UHI
Draft Internal Audit Annual Plan 2016/17**

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Audit Committee Meeting:	23 May 2017
Days:	2

Scope

This review will cover the following reports from the 2015/16 internal audit programme and reports from earlier years where previous follow-up identified recommendations outstanding:

- Internal Audit Report 2016/02 – Student Support
- Internal Audit Report 2016/03 – Business Development / Research;
- Internal Audit Report 2016/05 – Budgetary Control;
- Internal Audit Report 2016/06 – Procurement and Creditors / Purchasing;
- Internal Audit Report 2016/07 – Follow-Up Reviews; and
- Internal Audit Report 2016/08 – 2015/16 Student Activity Data.

Objective

To establish the status of implementation of recommendations made in previous internal audit reports.

Our audit approach will be:

- for any recommendations made in each of the reports listed above ascertain by enquiry or sample testing, as appropriate, whether they have been completed or what stage they have reached in terms of completion and whether the due date needs to be revised; and
- prepare a summary of the current status of the recommendations for the Audit Committee.



Moray College UHI

Internal Audit Progress Report 2016/17 Annual Plan

15 March 2017

Progress with the annual plan for 2016/17, issued in March 2017, is shown below.

Audit Area	Planned reporting date	Report status	Report Number	Overall Conclusion	Audit Committee	Comments
Audit Needs Assessment and Strategic Plan 2016 to 2019	March 2017	Draft 07/02/17 2 nd Draft 28/02/17 Final	2017/01	N/A	15/03/17	
Annual Plan 2016/17	March 2017	Draft 01/03/17 Final	2017/02	N/A	15/03/17	
Voluntary Severance	May 2017					
Business Development – Oil & Gas and Care Centre	May 2017					
Corporate Planning	March 2017	Draft 03/03/17 Final	2017/03			Fieldwork has been completed and draft report issued for discussion with management
Credits Audit	November 2017					
Student Support Funds Audit	November 2017					
EMA Audit	November 2017					
Follow-Up Reviews	May 2017					

Ernst & Young

Ernst & Young (E&Y) were appointed our new external auditors by Audit Scotland. They were appointed as auditor for the incorporated colleges in UHI as well as being the UHI auditors.

I met with Keith Macpherson (Head of Government & Public Sector Audit) and Stephen Reid (Partner) from E&Y in early February. This was an initial meeting to meet them as well as to start discussion of the plan for this year.

They requested a number of documents from us for them to gather background on where we are at as well as asking questions on the financial position just now. They are happy to keep the audit timeline similar to previous years which is having draft accounts to them by the end of September, then the audit two weeks beginning start of October, with adjustments after that and the final accounts being signed off at the December committee.

My understanding of their next steps is to have a meeting with David and/or the new Finance Director in regards to more details and contact going forward.

They did say they may come to the college and do some of the initial audit work earlier to save taking away from the key audit work when they are here in October but all arrangements are yet to be made.