

### Meeting of Audit Committee

On Tuesday 21 May 2019

At 1.30 pm in the Board Room

### A G E N D A

Number	Item	Presented By	Action Required: Decision, Discussion, For Noting
<b>A.19.2.01</b>	(i) Resignations	Clerk	Noting
	(ii) Appointments		
<b>A.19.2.02</b>	Apologies for Absence	Clerk	Noting
<b>A.19.2.03</b>	Any Additional Declarations of Interest including specific items on this Agenda	Convenor	Noting
<b>A.19.2.04</b>	Draft Minutes of Audit Committee meeting held on 19 February 2019 *	Convenor	Decision
<b>A.19.2.05</b>	Draft Matters Arising/Action Sheet from Audit Committee meeting held on 19 February 2019 *	Clerk	Noting
<b>A.19.2.06</b>	Revised Terms of Reference of the Audit Committee *	Convenor	Discussion
<b>A.19.2.07</b>	Feedback from UHI Joint Audit Chairs' Meeting	Convenor	Noting
<b>A.19.2.08</b>	Audit Scotland Update *	Mr N Clinton	Noting
<b>A.19.2.09</b>	National Fraud Initiative update *	Mr N Clinton	Noting
<b>A.19.2.10</b>	Internal Audit	Henderson Loggie	Discussion
	(i) Payroll *		
	(ii) Quality *		
	(iii) Health and Safety *		
	(iv) Internal Audit Plan for 18/19 *		
	(v) Review of Audit Register		
<b>A.19.2.11</b>	External Audit	EY	Noting

	(i) Annual plan/scope for YE 31 July 2019 annual audit		
	(ii) Timeline for annual audit re YE 31 July 2019		
<b>A.19.2.12</b>	Risk and Risk Register *	Mr N Clinton	Discussion
	(i) Updated Risk Management Policy		
	(ii) Risk Register Update		
	(iii) Paper/presentation on Risk Register item Moray 17 (non-compliance with relevant statutory legislation)	Mr D Duncan Mr N Clinton	
<b>A.19.2.13</b>	College Policies Update		
	(i) Update/summary on status of review of policies	Mr D Duncan	Noting
	(ii) GDPR Update	Mr D Duncan	Noting
<b>A.19.2.14</b>	Emerging Issues	Convenor	Discussion
	(i) Update on recruitment to Audit Committee		
	(ii) Update from UHI AP Secretaries' Group	Clerk	Noting
<b>A.19.2.15</b>	Evaluation of Audit Committee *	Clerk	Noting
<b>RESERVED ITEMS</b>			
<b>A.19.2.16</b>	Draft Reserved Minutes from Audit Committee held on 19 February 2019 *	Convenor	Decision
<b>A.19.2.17</b>	Draft Reserved Matters arising from Audit Committee held on 19 February 2019 *	Clerk	Noting
<b>A.19.2.18</b>	Renewal of Internal Audit Services and options	Convenor Mr N Clinton	Discussion
	(i) Options for IA Services and approach		
	(ii) IA Plan for 19/20		
<b>A.19.2.19</b>	Partnership Agreements and matters arising, including VAT Group	Convenor	Discussion
<b>A.19.2.20</b>	Date of next meeting – 8 October 2019	Clerk	Noting

**BOARD OF MANAGEMENT**

**Audit Committee  
Draft Minutes of Meeting  
held on  
Tuesday 19 February 2019  
at 1.30 pm in the Boardroom**

Present: Dr J McLeman (Convener)  
Mrs D Newton  
Mrs Patricia Eddie

In attendance: Mr N Clinton  
Mr D Duncan  
Mr S Inglis (by VC) Henderson Loggie (HL)  
Mrs C Fair (Clerk)

		<b>ACTION</b>	<b>DATE</b>
<b>A.19.1.01</b>	<b>Resignations and Appointments</b>		
1.1	There were no resignation nor appointments since the last meeting		
<b>A.19.1.02</b>	<b>Apologies for Absence</b>		
2.1	Apologies for absence had been received from: Mr J Yorston Ms Manon Wells Jesus (HISA)		
<b>A.19.1.03</b>	<b>Any additional Declarations of Interest including specific items on Agenda</b>		
3.1	Mr S Inglis, Henderson Loggie declared an interest in Agenda Item; A.19.1.16 – Renewal of Contract for Internal Audit Services and would remove himself from the meeting for this item.		
<b>A.19.1.04</b>	<b>Draft Minutes of Meeting of the Joint Audit and F&amp;GP Committee on 27 November 2018</b>		
4.1	The minutes were accepted as a true and accurate record and approved by the Committee: Proposed: Mrs D Newton Seconded: Mrs P Eddie		
<b>A.19.1.05</b>	<b>Matters Arising/Action Sheet from meeting of Joint Audit and F&amp;GP Committee on 27-11-2018</b>		
	Mrs Fair confirmed the status of the actions arising the majority of which had been completed and closed or were on the Agenda for discussion. Only the following actions remain open/outstanding:		
5.1	<u>8.5.3</u> - Dr McLeman confirmed she had picked up with Mr Graham the issue of funding allocations across UHI,	Closed	

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		<b>ACTION</b>	<b>DATE</b>
	confirmed this is the currently the subject of discussions within a number of fora of the partnership, and therefore this could be closed as an action of the Audit Committee..		
5.2	<u>10.2.1</u> – Dr McLeman clarified that, as noted at the last meeting, the arrangements for communicating policies should be indicated within the Policy itself.	Remains open	
<b>A.19.1.06</b>	<b>Review of Terms of Reference of the Audit Committee</b>		
6.1	Dr McLeman explained that the Standing Orders are currently under review. Additionally following up from the action at the last Board to update skills of Board Members, measures to recruit a Co-opted member to join the Audit Committee are in hand. Therefore it seems an appropriate time to consider the current terms of reference of the committee to ensure these accurately reflect the current work of the Committee and wishes of the Board. Terms of reference of Inverness college had been circulated with the papers by way of comparison. It was noted that Inverness do not have staff nor student members on their Audit Committee. The Committee was of the opinion that they would prefer to recommend to retain staff and student members on the Committee, as these bring a wider perspective, but noted that the issue of handling potential conflicts of interest needed to be handled carefully. Specific training for Committee members on this and other Audit Committee matters should also be investigated.		
6.2	It was agreed that textual changes were needed to the current terms of reference to ensure closer alignment with all current guidelines. Other points to be reviewed included potential overlap with the TOR of the F&GP and attendance.		
Action	Dr McLeman will produce a first revision and circulate to the Committee for feedback prior to presentation to the May Audit meeting and the June Board.	<b>Dr McLeman Committee</b>	May Audit June Board
<b>A.19.1.07</b>	<b>Internal Audit</b>		
	<b>(i) Internal Audit Plan and scopes for 18/19</b>		
7.1	The Committee were asked to consider the proposed plan along with outline scopes and objectives for internal Audit for the remainder of the year 18-19 which included: <ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Quality Assurance and Improvement</li> <li>• Payroll</li> <li>• Procurement</li> <li>• Student Support Funds, EMA and FE Credit Activities – Compulsory Audits</li> </ul>		

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		<b>ACTION</b>	<b>DATE</b>
	The Committee agreed that no Audit on the Code of Good Governance was necessary at this time as this had been undertaken as part of the external Audit. All recommendations from the Externally facilitated Board Effectiveness Review had now been addressed. The Committee agreed the audit Payroll as this area represented a large spend and transaction levels, is a recognised area for periodic audit and it has been some time since the last such audit.		
	<b>(ii) Timeline and report on status of work against plan</b>		
7.2	Some discussion took place over the timeline and the Committee questioned whether the Audit on Procurement could be brought forward to allow the final report to go to the May Committee. Changing the timeline was not feasible, although the final report could be circulated by e-mail by 4 June 2019. Any issues raised within the report could be discussed by the Committee at a conference call if necessary and brought to the Board's attention at the June Board meeting.		
<b>Action</b>	Mr Clinton to circulate the Final Audit Report on Procurement to Committee members by 4 June.	<b>Mr Clinton</b>	4 June, June Board
	<b>(iii) Audit Register Review and Update</b>		
7.3	The Audit Register had been updated and Mr Clinton assured the Committee that all internal audit recommendations that are due have now been addressed and signed off by the internal auditors. SLT now review Audit recommendations on a monthly basis. Using the HL portal to upload responses to audit actions and evidence is working well with follow up phone calls where additional information is required. The Committee were pleased to note the comments on the process.		
<b>A.19.1.08</b>	<b>Policy Review Update</b>		
8.1	It had been agreed that a standing update on Policies be provided to each Audit Committee. Mr Duncan provided a short paper providing an update to the Committee on which policies were from the UHI Single Policy Environment along with a summary of the number of policies scheduled for each Committee for the remainder of this session. The Committee noted the paper and the current status but had also requested a similar approach to the Audit Register using a spreadsheet which was a 'live document', the purpose being to show the current status of all College policies and not a subset. Mr Duncan advised the Committee that the Policy schedule now includes a		

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		<b>ACTION</b>	<b>DATE</b>
	column indicating whether each policy is a Regional or College Policy.		
<b>Action</b>	To produce a spreadsheet showing a summary of all policies to next Committee.	<b>Mr Duncan</b>	May Audit
<b>A.19.1.09</b>	<b>Risk Register</b>		
	<b>(i) Risk Register Update</b>		
9.1	The risk register had been circulated to the Committee following discussions with SLT on 13 February. An example of a report using the UHI MIS Risk software had also been circulated to the Committee as an example of its capabilities. There was discussion about how best to present this to the Audit Committee in future, as the new report would replace the current Excel format. It was agreed that a new report would be generated for the Committee, it should be self-explanatory with possibly some notes, and form part of the formal papers to the Committee as now. There should therefore be no need for Committee members to have access to the software tool. The same information would be provided to the Committee as now.		
Action	A revised format of the Risk Register would be generated for use by the Audit Committee was requested by the Committee.	Mr Clinton	Each Audit Committee
Action	To seek advice on whether Risk Register should be published on the website.	Mr Clinton	ASAP
Action	In the meantime, to ensure Risk Register is removed from papers for publication on website, pending the outcome on the above action.	Mrs Fair	Immediate
	<b>(ii) Risk Management Process – actions arising from Audit recommendations</b>		
9.2	This item was discussed under reserved and the minute held in confidence.		
	<b>(iii) Review of risk item: Managing IT risk Technology not fit for purpose</b>		
9.3	Mr Duncan had been requested to brief the Committee on Managing the IT Risk item. He had circulated a paper and a short presentation highlighting some of the key challenges faced by the College and UHI. ICT is key to our business operations but there are significant limits in terms of funding to support modern IT. The Committee questioned whether learning and curriculum development is inhibited due to this risk, such that the Board’s strategic objectives cannot be met. Mr Duncan advised that failing IT can have a very negative impact on the student experience. However, he assured the Committee that a lot		

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		<b>ACTION</b>	<b>DATE</b>
	of work has gone and will continue to go into improving and supporting ICT in College, working also with the partnership, and in the short to medium term it is not envisaged there will be adverse impact on these, although the longer-term position is less clear and needs to be kept under review, hence the risk scorings. .		
<b>A.19.1.10</b>	<b>External Audit</b>		
	(i) Matters arising from Committee's response to EY letter on Governance		
10.1	<p>Matters arising from the Committee's response to the EY letter on Governance were discussed by the Committee. The Committee indicated in its response that it would be following up on a number of areas.</p> <p>Controls - In terms of risk areas and controls, it was unclear how some key matters were monitored.</p> <p>The whistle-blower process was one key area; it was thought use of that process was monitored at the Staff Governance Committee, and matters arising reported to the Board and thereby the Audit Committee. To confirm the position, Dr McLeman to write to Mr Dalziel to confirm the position in relation to the role of the SGC.</p> <p>Any uses of the Fraud process were required to be reported to the Convenor of the Audit Committee and to the Committee by the Finance Director.</p> <p>A risk area normally monitored was theft and the Committee queried whether reports are produced and monitored as a result of any incidents. Mr Clinton to check the current arrangements for reporting and monitoring theft.</p> <p>Communication of College policies - The issue of how policies are communicated to staff and where they are located was also considered.</p>		
<b>Action</b>	To confirm whether whistle-blower process monitored by Staff Governance Committee	<b>Dr McLeman Mr D Dalziel</b>	May Audit Committee
<b>Action</b>	To check on current arrangements for reporting and monitoring of theft.	<b>Mr Clinton</b>	May Audit Committee
<b>Action</b>	Mr Duncan was requested to provide the Committee with a paper outlining how policies are communicated as well as how the College is to be assured that staff have read and understood these policies.	<b>Mr Duncan</b>	May Audit Committee

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		<b>ACTION</b>	<b>DATE</b>
10.2	In relation to question 5 of the letter, – “How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with”, the Committee requested that all relevant areas of legislation are captured in a matrix in the first instance, noting that comments on assurance would be phased by area.		
<b>Action</b>	A presentation on requirements affecting governance was requested for the next meeting, a subject which would also align with the Risk Register item in relation to that matter.	<b>Mr Clinton Mr Duncan</b>	May Audit Committee
<b>A.19.1.11</b>	<b>OSCR matters, overview of governance requirements.</b>		
11.1	Mr Clinton had produced a paper identifying the reporting requirements along with accompanying Guide to the 2006 Regulations. The Committee noted that the Board should reflect on whether they are comfortable that aspirations in relation to commercial activities align with the requirements of being a Charity. Dr McLeman drew attention to a checklist for Charity trustees and Mrs Fair noted that this is issued to Board members during induction.		
Action	Mr Clinton to review the checklist and advise the Committee at its next meeting.	Mr Clinton	May Audit Committee
<b>Action</b>	To forward the checklist to Committee members	<b>Mrs Fair</b>	Immediate
<b>A.19.1.12</b>	<b>Emerging Issues</b>		
	(i) Recruitment of Committee member		
12.1	The Committee were informed that actions are in hand to recruit a new Co-opted member of the Audit Committee, following the standard process for public appointments. An advert will go out shortly to a variety of websites and organisations. The comments of Mrs Newton, who was previously co-opted to the Audit Committee prior to joining the full Board have been taken into account and the intention is that the new member will receive all Board papers and briefings on the work of the Board as appropriate to ensure they are kept well informed.		
	(ii) GDPR Update		
12.2	Mr Duncan had circulated an update on GDPR which indicated a spike in the number of data breaches most of which involved incidents of accidental data sharing by e-mail or staff responding to phishing e-mails. E-mails have been circulated by ITU to all staff alerting them to the possibility of these phishing e-mails. The College is considering the possibility of arranging awareness raising sessions about possible data breaches. Mr Duncan drew particular attention to an incident involving a number of		



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		<b>ACTION</b>	<b>DATE</b>
	<p>College computers demonstrating symptoms similar to a virus attack. The staff file server was immediately taken offline for investigation and the computers quarantined. The problem was traced to 2 separate faults within Windows Server and confirmed not to be virus related. However, the action taken by ITU staff was classed as excellent practice. The paper was noted.</p>		
	(iii) Update on Governance		
12.3	<p>Dr McLeman drew the Committee's attention to a communication which had been circulated to all Board members from Richard Lochhead, MSP, and Minister for Further Education, Higher Education and Science which outlined decisions following the Good College Governance Consultation. Fundamental changes included:</p> <ul style="list-style-type: none"> <li>• Introduction of 2 trade union nominees to Boards</li> <li>• Strengthen guidance on succession planning and multiple candidate appointments</li> <li>• Require all Board vacancies to be advertised on CDN website</li> <li>• CDN to embed teamwork within induction training</li> <li>• Developing guidance for the SFC and Colleges to follow in relating to specific reviews undertaken by SFC of Colleges</li> <li>• Introducing the ability for SFC to attend board meetings of assigned Colleges</li> <li>• Investigating the Auditor General for Scotland having the ability to conduct economy, efficiency and effectiveness reviews with the non-incorporated colleges</li> <li>• Ability of appointing bodies to suspend Board members</li> <li>• Remunerating the incorporated, assigned college chairs.</li> </ul>		
<b>A.19.1.13</b>	<b>Evaluation of Audit Committee</b>		
13.1	<p>Mrs Fair reminded the Committee that the process of the annual evaluation of Committees should start and would forward the appropriate evaluation document for this to Committee members asking that these be completed and returned by mid-March to allow reporting to the May Audit Committee.</p>		
<b>Action</b>	To forward Committee Evaluation document to Committee members requesting that these be completed and returned by mid-March.	<b>Mrs C Fair Committee</b>	Immediate Mid-March
<b>RESERVED ITEMS</b>			

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		<b>ACTION</b>	<b>DATE</b>
<b>A.19.1.09</b>	<b>Risk Register</b>		
	<b>(ii) Risk Management Process – actions arising from Audit recommendations</b>		
	This item is reserved and the minute held on confidence.		
<b>A.19.1.14</b>	<b>Draft Reserved Minutes from Joint Audit and F&amp;GP Committee held on 27 November 2018</b>		
14.1	This matter is reserved and the minute held in confidence.		
<b>A.19.1.15</b>	<b>Draft Reserved Matters Arising from Joint Audit and F&amp;GP Committee held on 27 November 2018</b>		
15.1	This matter is reserved and the minute held in confidence.		
<b>A.19.1.16</b>	<b>Renewal of Contract for Internal Audit Services, overview and status.</b>		
16.1	This matter is reserved and the minute held in confidence.		
<b>A.19.1.17</b>	<b>Date of next meeting – 21 May 2019</b>		
	<b><i>Meeting closed at 1740</i></b>		

Matters Arising from Audit Committee 19-2-2019  
 Agenda item: A.19.2.05

		<b>ACTION</b>	<b>DATE</b>	<b>Update</b>
<b>A.19.1.05</b>	<b>Matters Arising/Action Sheet from Joint meeting of F&amp;GP and Audit Committee 27 November 2018</b>			
5.1	<u>10.2.1</u> Dr McLeman clarified that, as noted at the last meeting, the arrangements for communicating policies should be indicated within the Policy itself.	<b>Mr Duncan</b>		To be discussed at meeting
<b>A.19.1.06</b>	<b>Review of Terms of Reference of the Audit Committee</b>			
6.2	Dr McLeman will produce a first revision and circulate to the Committee for feedback prior to presentation to the May Audit meeting and the June Board	<b>Dr McLeman Committee</b>	May Audit June Board	Completed and On Agenda
<b>A.19.1.07</b>	<b>Internal Audit</b>			
	<b>(ii) Timeline and Report on status of work against plan</b>			
7.2	Mr Clinton to circulate the Final Audit Report on Procurement to Committee members by 4 June 2019	<b>Mr Clinton</b>	4 June June Board	Nick will circulate to Audit by e-mail once available
<b>A.19.1.08</b>	<b>Policy Review Update</b>			
8.1	To produce a spreadsheet showing a summary of all policies to next Committee	<b>Mr Duncan</b>	May Audit	On Agenda – spreadsheet to be produced by Derek in same format as Audit Register
<b>A.19.1.09</b>	<b>Risk Register</b>			
	<b>(i) Risk Register Update</b>			
9.1.1	A revised format of the Risk Register for use by the Audit Committee was requested by the Committee	Mr Clinton	Each Audit Committee	Revise Risk register
9.1.2	To seek advice on whether Risk Register should be published on the website	Mr Clinton	ASAP	On agenda – Nick to advise
9.1.3	In the meantime, to ensure Risk Register is removed from papers for publication on website pending the outcome of the above action.	Mrs Fair	Immediate	Completed
<b>A.19.1.10</b>	<b>External Audit</b>			

Matters Arising from Audit Committee 19-2-2019

Agenda item: A.19.2.05

	<b>(i) Matters Arising from Committee's response to EY letter on Governance</b>			
10.1.1	To confirm whether whistle-blower process monitored by Staff Governance Committee	<b>Dr McLeman Mr D Dalziel</b>	May Audit	Jessie to update – David Dalziel - whistle-blower process will be a standing item on the agenda of the Staff Governance Committee. Nil returns will also thereby be noted. Audit Committee members will gain assurance this is being monitored through seeing the notes of the SGC which are presented to the following meeting of the board.
10.1.2	To check on current arrangements for reporting and monitoring of theft	<b>Mr Clinton</b>	May Audit	Nick to report to Committee
10.1.3	Mr Duncan was requested to provide the Committee with a paper outlining how policies are communicated as well as how the College is assured that staff have read and understood these policies	<b>Mr Duncan</b>	May Audit	Derek to report to Committee
10.2.1	A presentation on requirements affecting governance was requested for the next meeting, a subject which would also align with the Risk Register item in relation to that matter.	<b>Mr Clinton Mr Duncan</b>	May Audit	Presentation/paper to Committee

Matters Arising from Audit Committee 19-2-2019  
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<b>A.19.1.11</b>	<b>OSCR matters, overview of governance requirements</b>			
11.1	To forward OSCR checklist to Committee members	<b>Mrs Fair</b>	Immediate	Completed
<b>A.19.1.13</b>	<b>Evaluation of Audit Committee</b>			
13.1	To forward Committee Evaluation document to Committee members requesting that these be completed and returned by mid-March	<b>Mrs Fair Committee</b>	Immediate Mid-March	Completed

## **AUDIT COMMITTEE OF THE BOARD OF MANAGEMENT OF MORAY COLLEGE**

### **Terms of Reference**

#### **Authority and Responsibility**

- 1.1 The Audit Committee is accountable to the Board of Management of Moray College and is authorised to assess the adequacy and effectiveness of the College's management and control systems.
- 1.2 The responsibilities of the Audit Committee are to review and monitor the College's operations as set out below, and to advise and provide assurance to the Board appropriately:
  - 1.2.1 the governance and management of the College and the effectiveness of corporate governance, and internal management operations and control systems;
  - 1.2.2 the risk management arrangements, including the Committee's responsibilities as set out in the Risk Management Process as agreed by the Board;
  - 1.2.3. adequacy of the College's financial management arrangements and controls, including any matters raised as part of the annual external audit;;
  - 1.2.4. effectiveness of the arrangements for safeguarding the assets of the college, including the funds at its disposal;
  - 1.2.5. effectiveness of the arrangements for monitoring certain key control processes, such as disclosure arrangements;
  - 1.2.6. to review and advise on annual internal and external audit plans;
  - 1.27. to monitor and make recommendations arising from audits undertaken by College management, any UHI-wide audit or by the internal and external auditors, and monitor and advise on the timely implementation of any associated recommendations;
  - 1.28. to ensure the College systems operate in an efficient, effective and economical manner that promotes full compliance with guidance and regulations governing the Further and Higher Education Sectors;
  - 1.2.9. to ensure the College systems provide value for money in the provision of services and purchasing; and
  - 1.2.10. to review and advise on the provision of internal and external audit services.

## **2 Membership**

- 2.1 The Committee should comprise at least three independent non-executive members appointed by the Board. The experience of the members should preferably but not exclusively cover the areas of finance, accounting or auditing and risk management, but at least one member should have recent relevant financial or audit experience.
- 2.2 In order not to jeopardise, or to be perceived to jeopardise, the Audit Committee's objectivity or independence, members should not have executive responsibility for the management of the College or its finances, or be a member of the Finance & General Purposes Committee. The Chair of the Board should not be a member of the Audit Committee.
- 2.3 The Board may appoint to the Committee co-opted independent non-executive members who are not members of the Board, and who have particular relevant experience or expertise. Co-opted members may not be appointed to be Convener of the Committee or attend Board meetings but their status in other respects will be equivalent to full Board members, including the provision of information provided to Board members.
- 2.4 The Board will appoint the Convener of the Committee.

## **3 Proceedings**

- 3.1 The Committee will meet no less than three times a year and the timing and content should meet the requirements and schedule of the Board meetings.
- 3.2 The Committee will meet jointly with the Finance and General Purposes Committee to review the annual report of the external auditors and the associated financial statements of the College on which that report is based.
- 3.3 The Officer to the Committee will be the Finance Director of the College. The internal auditors will normally be invited to attend all meetings. The Committee Chair may invite members of the College executive/staff to attend any meeting to provide information about particular agenda items, with reference to the areas of responsibility under discussion.
3. The Committee may sit privately without any non-members present for all or part of a meeting if they so decide;
3. The external auditor should attend, as a minimum, any meetings where relevant matters are being considered such as planned audit coverage, the audit report on the financial statements and the audit management letter.
- 3.5 Both internal and external auditors have a right of access at any time to the Convener of the Committee, and also the right to ask the Convener to convene a meeting if either deems it necessary. They also have the right to ask for such meeting to be in closed session.

- 3.6 Internal and external auditors will meet with the Audit Committee once per year in private without any College executive in attendance.
- 3.7 The Clerk to the Board of Management will act as Secretary to the Committee. S/he will be responsible for establishing and maintaining effective mechanisms to inform the Committee of relevant reports and other publications that impact on the Committee's work.
- 3.8 At all meetings, the quorum shall be at least one third of the total number of its members, subject to a minimum of three where the substantive membership is five or more, or two where it is less than five.

#### **4 Annual Report**

- 4.1 The Committee will provide an annual report to the Board of Management, consistent with current relevant guidance and templates, as amended from time to time, for such reports made by Public Sector bodies.

**DATE; Draft to Audit Committee May 2019.**



# Joint meeting of UHI and AP Audit Chairs

03 May 2019, 13:30 to 15:30

EO1 Ness Walk - VC 79693@uhi.ac.uk

## Attendees

### Board members

Willie Printie (Chair UHI Audit Committee) , Jessie McLeman (Chair Moray College Audit Committee) , Robbie Rowantree (Chair NHC Audit Committee) , Jane Maciver (Chair LCC Audit Committee) , Crichton Lang (Deputy Principal - in part) , Fiona Larg (Chief Operating Officer & Secretary) , Jason Thurlbeck (Head of Internal Audit) , Roger Sendall (Head of Governance & Records Management) , Jim Crooks (Chair Perth College Audit Committee - participation prevented by VC Failure)

## Meeting minutes

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### 1. Welcome and Apologies

The UHI Audit Committee Chair opened the meeting and thanked members for their attendance.

The following apologies were noted:

- John Taylor
- Christine Mackay
- Hazel Allen
- Paul Brennan

 Draft Audit Chairs agenda May 2019.pdf

#### 1.1. Declarations of Interest

None.


#### 1.2. Review of Any Delegated Decisions

None.

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## 2. Minutes of Meeting held on 14th November 2018

The minutes of the above meeting were reviewed and approved.

 Paper 1 2019-03-11\_12-13-09-MeetingMinutes.pdf

### 2.1. Matters Arising

#### 2.1.1. Annual Audit Scotland Report

The Chief Operating Officer & Secretary advised that the forthcoming Audit Scotland report was expected to highlight that colleges did not currently have financial sustainability plans in place.

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### 3. Governance Update – Partnership Assembly

The Deputy Principal provided a progress report in connection with the Partnership Assembly event held on 26th April and associated workstreams that were progressing through the Programme Board and sub-groups.

The following points were noted:

- Four working groups had been established to consider issues in relation to staffing/resources, financial sustainability, governance/accountability and the student experience. The groups were due to provide a long list of recommendations for consideration by the University Court and Academic Partner Boards of Management in June 2019.
- A primary focus for the working groups was to identify and evaluate options for organisational improvement and to present robust recommendations in accordance with clear evidence.
- It was important to note that many of the activities that were being considered by the programme board are also being discussed and addressed through existing initiatives and workstreams particularly in relation to developing the University brand and seeking to improve efficiency/financial sustainability.
- The Deputy Principal highlighted that success was dependant on delivering cultural change across the partnership including developing a collective commitment to genuine partnership working for the benefit of all partners. Accordingly, the programme board considered that a consistent phased approach was more likely to succeed than sudden structural/organisational change. However, it was also accepted that the current financial climate meant that the status quo was not an option for very long and that most stakeholders now considered that changes were necessary albeit that some partners remained resistant to change.
- Audit Chairs were frustrated to hear that the working groups had not been able to obtain comparable financial modelling data from all partners. Such information was regarded as essential for developing informed decisions.
- Chairs agreed that implementation of TRAC(t) would be desirable as this would assist the University to make appropriate comparisons and judgements in relation to value for money.

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### 4. Items from Audit Chairs

#### 4.1. Financial instability/Partnership risks

Chairs noted that financial challenges within individual partners had the potential to impact upon other partners within the University. It was agreed that there was a need to develop better systems to ensure that robust early warning mechanisms and communication channels were in place and working effectively so that partners could work collectively to address challenges in good time.

#### 4.2. Update on Student Numbers Audit/single certificates

It was noted that a number of finance directors were reluctant to pursue the proposal to implement single audit certificates on the basis of concerns that delays in one academic partner may impact others. However, the audit chairs considered that there was clear merit in pursuing this idea further on the basis that it would provide better value for money for the partnership and because it would aid development of consistent/simplified processes and a common partnership culture.

It was noted that the University's Chief Operating Officer and Secretary would discuss the issue with SFC to see if they were supportive of a move to single regional audit certificates.

#### 4.3. Procurement of audit services

The Chair of Moray College Audit Committee advised that the college would shortly need to procure a new internal audit contract and wondered if there would be any interest or merit in pursuing a joint contract.

It was noted that the University currently operated its own internal audit services via a co-sourced model whereby the Head of Internal Audit was employed by the University supported by resource that was bought in from Henderson Loggie. This arrangement was considered to be very cost effective and provided good value for money. It was noted that potential may exist to expand this service and to provide internal audit functions to partners and it was agreed to consider this further and to develop a proposal for consideration by AP audit committees.

Fiona Larg

Jason Thurlbeck

#### **4.4. New academic partnership agreements**

The Chair reported that the University audit committee was concerned that the current partnership agreements were out of date and advised that the committee had recommended that Court should seek to progress new agreements as a priority. Progression of new agreements had been an out-standing audit action for a number of years and the target completion date had been deferred on numerous occasions for a variety of reasons, including awaiting a ruling from HMRC about whether or not the incorporated colleges could join a VAT group, however, this issue had now been resolved.

It was noted that academic partner principals were reluctant to progress new agreements at the current time because of the Partnership Assembly process which may require a rapid revision. Court considered that a pragmatic approach was necessary and had encouraged the Partnership Council to seek to develop new agreements quickly mindful of the risk that existing agreements were not fit for purpose and that the partnership was vulnerable without appropriate agreements in place.

It was noted that partner audit chairs were unsighted on this issue and that they were concerned to learn that the existing partnership agreements were out of date.

---

### **5. Best Practice Sharing**

#### **5.1. Cyber essentials**

Members considered the attached paper provided by the Head of Internal Audit and were pleased to note the hard work and resilient IT framework provided by achievement of cyber essentials plus by the university and academic partner staff. It was noted that the framework would be a useful document for internal auditors.

 Paper 2 - ITEM 5-1v1.pdf

#### **5.2. Business Continuity Test Exercise**

The Chief Operating Officer & Secretary advised that a live exercise to test the updated business continuity plan had been deferred until June 2019.

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### **6. Year-end reporting requirements and deadlines**

Fiona Larg

Members considered the attached paper provided by the Head of Internal Audit. It was noted that HE and FE financial reporting deadlines were currently not coordinated by SFC and this caused some difficulty in terms of compliance. Members suggested that SFC be asked to provide a derogation for the University in relation to submitting year end reports in order to ensure that there was adequate time for assigned colleges to submit year end reports to the University as the RSB in advance of the University's own reporting deadline.

 Paper 3 ITEM 6 Year.pdf

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### **7. Any other business**



Cover Paper – Audit Scotland Update  
Agenda Item A.19.2.08



<b>Committee:</b>	Audit Committee			
<b>Subject/Issue:</b>	Audit Scotland – Colleges Overview			
<b>Brief summary of the paper:</b>	Update on the current position in respect of the annual report from Audit Scotland			
<b>Action requested/decision required:</b>	For noting			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>		<b>Non-reserved:</b>	X
<b>Date paper prepared:</b>	13 May 2019			
<b>Date of committee meeting:</b>	21 May 2019			
<b>Author:</b>	Director of Finance			
<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 (e.g. new opportunity) – please provide further information.	<p>Enclosed is the most recent update from Audit Scotland in respect of their annual report on Colleges across Scotland.</p> <p>From the enclosed it is anticipated that this report shall be available in June 2019.</p>			
<b>Equality and diversity implications:</b>	N/A			
<b>Resource implications:</b> <i>(If yes, please provide detail)</i>	N/A			
<b>Risk implications:</b> <i>(If yes, please provide detail)</i>	N/A			

## Audit scope

# Colleges overview



AUDITOR GENERAL 

Prepared by Audit Scotland  
December 2018

Scotland's colleges contribute to sustainable economic growth by helping to develop a highly educated and skilled workforce. Scotland's colleges operate across 13 regions, delivering a wide range of further and higher education courses to over 230,000 students. These courses provide people with a variety of skills and experience to take forward into the workplace or on to further training or education.

The Scottish Government provides Scotland's colleges with over £570 million a year to deliver agreed levels of further and higher education. In [Scotland's colleges 2018](#)  we reported that the

financial health of the sector had improved, but that colleges face financial pressures from the additional costs of national bargaining, estate maintenance costs and the potential loss of EU funding. Last year colleges were forecasting that their annual expenditure will increase faster than income, potentially leading to a growing financial deficit across the sector over the next six years.

The financial health of the college sector along with student participation in college courses and student outcomes will continue to be central to our audit work this year.

## What is the scope of the audit?

The 2019 audit will build on last year's report published in June 2018. In this year's overview, we will:

- review the financial position of the sector and assess how well colleges manage their finances
- assess how colleges performed over the past year
- consider how colleges are positioned to meet their future challenges.

## How will we carry out this audit?

We will draw information from colleges' annual accounts and audit reports. We will also use information held by organisations including individual colleges, the Scottish Funding Council and the Scottish Government. We will engage with relevant stakeholders across the sector, including college and student representative bodies.

## What impact will the audit have?

Our report will provide an update on the financial position of Scotland's colleges, and on trends in student participation (including student attainment and retention). These two areas have been of significant public interest.


The 2019 overview will give a comprehensive picture of performance against the Scottish Government's national target for learning activity.

We will also highlight any future challenges the sector faces. Based on this, we will make recommendations for colleges, the Scottish Funding Council and the Scottish Government, to support the ongoing performance and financial sustainability of the sector.

## Audit timetable

We aim to publish our report in early summer 2019. Following publication, the Auditor General for Scotland will present the findings to the Scottish Parliament's Public Audit and Post-Legislative Scrutiny Committee. This is one of a range of reports Audit Scotland plans to publish in 2019. Our full rolling work programme can be accessed at [www.audit-scotland.gov.uk/our-work/future-work/our-work-programme](http://www.audit-scotland.gov.uk/our-work/future-work/our-work-programme) .

## Contact

If you have any questions about this audit, please get in touch with Mark McCabe, Audit Manager, on 0131 625 1806 or by email at [mmccabe@audit-scotland.gov.uk](mailto:mmccabe@audit-scotland.gov.uk) .



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[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

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Cover Paper – National Fraud Initiative Update  
Agenda Item A.19.2.09



<b>Committee:</b>	Audit Committee			
<b>Subject/Issue:</b>	National Fraud Initiative Update			
<b>Brief summary of the paper:</b>	Update on National Fraud Initiative			
<b>Action requested/decision required:</b>	For awareness of the Audit Committee			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>		<b>Non-reserved:</b>	X
<b>Date paper prepared:</b>	15 May 2019			
<b>Date of committee meeting:</b>	21 May 2019			
<b>Author:</b>	Director of Finance			
<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 (e.g. new opportunity) – please provide further information.	<p>Following recent discussions with the College’s external auditors, Ernst &amp; Young LLP (“EY”), it was recommended that the Audit Committee be made aware of this process – as it is the first time Colleges have been included within the NFI exercise.</p> <p><b><u>Update</u></b></p> <p>The National Fraud Initiative (“NFI”) in Scotland is a counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.</p> <p>Although NFI is new to the College sector, it is a well-established process, with the 2018/19 exercise being the seventh iteration of NFI.</p> <p>The College has submitted all requested information as part of the NFI process, which was done via the NFI secure on-line portal. To date no issues have been raised as a result of the College’s participation in this process.</p> <p><b><u>Checklist</u></b></p> <p>Part A of the checklist provided by Audit Scotland is the relevant section for the Audit Committee to be aware of.</p> <p>The College is currently in the process of completing this, which once finalised shall then be passed to EY.</p>			



Cover Paper – National Fraud Initiative Update  
Agenda Item A.19.2.09

	<p><b><u>External Auditors</u></b></p> <p>EY have advised that they are required by Audit Scotland to submit a report covering the College's NFI governance arrangements and initial progress in reviewing matches, by 30 June 2019.</p> <p>As part of the above the College has been requested to complete the enclosed NFI Self-Appraisal Checklist and provide evidence to support all answers.</p>
<b>Equality and diversity implications:</b>	N/A
<b>Resource implications:</b> <i>(If yes, please provide detail)</i>	N/A
<b>Risk implications:</b> <i>(If yes, please provide detail)</i>	Non-compliance with NFI process.

# National Fraud Initiative

Self-appraisal checklist



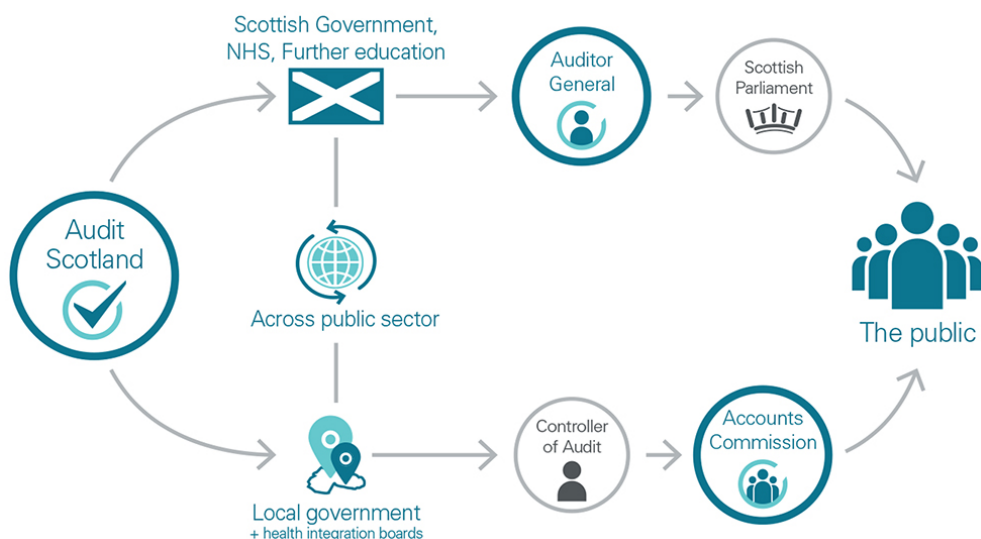
 AUDIT SCOTLAND

March 2018

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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## Background

- 1.** The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.
- 2.** It means that public bodies can take action if any fraud or error has taken place, and it allows auditors to assess fraud prevention arrangements which those bodies have.

## Self-appraisal checklist

- 3.** Appendix 1 includes a two-part checklist that we encourage all participating bodies to use to self-appraise their involvement in the NFI prior to and during the NFI exercises.
- 4.** Part A is designed to assist audit committee members when reviewing, seeking assurance over or challenging the effectiveness of their body's participation in the NFI.
- 5.** Part B is for officers involved in planning and managing the NFI exercise.

## How to work more efficiently

- 6.** Audit Scotland continues to encourage organisations to review and investigate NFI matches efficiently and effectively. This enables them to make better use of their limited resources. Some suggestions for improving efficiency and effectiveness are included at appendix 2.

## Appendix 1 – self appraisal checklist

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
<b>Leadership, commitment and communication</b>			
1. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?			
2. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?			
3. Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?			
4. Are the NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?			
5. Where we have not submitted data or used the matches returned to us, eg council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?			
6. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?			

<b>Part A: For those charged with governance</b>	<b>Yes/No/Partly</b>	<b>Is action required?</b>	<b>Who by and when?</b>
7. Do we review how frauds and errors arose and use this information to improve our internal controls?			
8. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?			

<b>Part B: for the NFI key contacts and users</b>	<b>Yes/No/Partly</b>	<b>Is action required?</b>	<b>Who by and when?</b>
<b>Planning and preparation</b>			
1. Are we investing sufficient resources in the NFI exercise?			
2. Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available? This includes considering the quality of data.			
3. Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?			
4. Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?			
5. Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?			
6. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?			
7. Do we plan to provide all NFI data on time using the secure data file upload facility properly?			

Part B: for the NFI key contacts and users	Yes/No/Partly	Is action required?	Who by and when?
8. Do we adequately consider the submission of any 'risk-based' data-sets in conjunction with our auditors?			
9. Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?			
<b>Effective follow up of matches</b>			
10. Do all departments involved in NFI start the follow-up of matches promptly after they become available?			
11. Do we give priority to following up recommended matches, high-quality matches, those that become quickly out of date and those that could cause reputational damage if a fraud is not stopped quickly?			
12. Do we recognise that NFI is no longer predominantly about preventing and detecting benefit fraud? Have we recognised the wider scope of NFI and are we ensuring that all types of matches are followed up?			
13. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?			
14. (In health bodies) are we drawing appropriately on the help and expertise available from NHS Scotland Counter Fraud Services?			
15. Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Procurator Fiscal)? Are we recovering funds effectively?			



<b>Part B: for the NFI key contacts and users</b>	<b>Yes/No/Partly</b>	<b>Is action required?</b>	<b>Who by and when?</b>
16. Do we avoid deploying excessive resources on match reports where early work (eg, on recommended matches) has not found any fraud or error?			
17. Where the number of recommended matches is very low, are we adequately considering the related 'all matches' report before we cease our follow-up work?			
18. Overall, are we deploying appropriate resources on managing the NFI exercise?			
<b>Recording and reporting</b>			
19. Are we recording outcomes properly in the secure website and keeping it up to date?			
20. Do staff use the online training modules and guidance on the secure website and do they consult the NFI team if they are unsure about how to record outcomes (to be encouraged)?			
21. If, out of preference, we record some or all outcomes outside the secure website have we made arrangements to inform the NFI team about these outcomes?			

## Appendix 2 – How to work more efficiently

Concerns	How to work more efficiently
Many participants are not using the latest time-saving enhancements to the NFI software.	Ensure staff within the organisations that take part in the NFI keep up to date with new features of the web application and good practice by reading the guidance notes and watching the online training modules before they begin work on the matches.
Matches that are time critical and could identify an overpayment are not acted on first.	Key contacts should schedule staff resources so that time-critical matches, such as housing benefit to students and payroll to immigration, can be dealt with as soon as they are received.
Investigations across internal departments are not coordinated resulting in duplication of effort or delays in identifying overpayments.	Key contacts should coordinate investigations across internal departments and, for example, organise joint investigation of single person discount matches involving housing benefit, to ensure all relevant issues are actioned.
Disproportionate time is spent looking into every match in every report.	Use the tools within the web application, such as the filter and sort options or data analysis software, to help prioritise matches that are the highest risk. This will save time and free up staff for the most important investigations.
Enquiries from other organisations that take part in the NFI are not always responded to promptly.	Prioritise responses to enquiries from other organisations so investigations can be progressed.
Data quality issues that are highlighted within the web application are not addressed before the next NFI exercise.	Review the quality of the data supplied before the next exercise as external providers normally have to phase in changes to extraction processes. Better data quality will improve the quality of resulting matches.

Source: Cabinet Office NFI team

# The National Fraud Initiative

## Self-appraisal checklist

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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T: 0131 625 1500 E:

Cover Paper – Internal Audit  
Agenda Item A.19.2.10 (i)



<b>Committee:</b>	Audit Committee			
<b>Subject/Issue:</b>	Internal Audit Report - Payroll			
<b>Brief summary of the paper:</b>	Final report for the review/feedback from the Audit Committee			
<b>Action requested/decision required:</b>	As above			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>		<b>Non-reserved:</b>	X
<b>Date paper prepared:</b>	13 May 2019			
<b>Date of committee meeting:</b>	21 May 2019			
<b>Author:</b>	Director of Finance			
<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 (e.g. new opportunity) – please provide further information.	Enclosed is the Final internal audit report on Payroll, which has been enclosed for the Committee's reference and comment/feedback.			
<b>Equality and diversity implications:</b>	N/A			
<b>Resource implications:</b> <i>(If yes, please provide detail)</i>	N/A			
<b>Risk implications:</b> <i>(If yes, please provide detail)</i>	Risk of non-compliance with the finding of current internal audit reviews/actions.			

**Moray College UHI**

**Payroll**

**Internal Audit Report No: 2019/02**

**Draft Issued: 11 March 2019**

**Final Issued: 30 April 2019**

**LEVEL OF ASSURANCE**

**Good**

## Content

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<b>Section 6</b>	<b>Summary of Main Findings</b>	<b>3</b>
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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.
-------------	----------------------------------

## 2. Risk Assessment

The systems and controls reviewed are not part of the mitigating actions identified for any specific risks noted on the College's Risk Register; however, this work was included to give assurance to senior management and the Boards that the College's payroll controls are appropriate and are being adequately applied.

## 3. Background

Payroll is the single largest expense for the College with staff costs of approximately £10 million per annum and consequently carries significant risk to the College if the systems do not operate effectively and efficiently.

The calculation of net pay is carried out in-house by the College, using the HR World Service integrated Human Resources (HR) and payroll system. All data relating to new employees, amendments and leavers is entered by HR staff on to the system, with monthly timesheets, overtime claims entered by payroll staff based within the Finance department. Travel and subsistence expenses are processed through the Finance system. BACS payments to employees for payroll and travel & subsistence are authorised and processed by Finance.

## 4. Scope, Objectives and Overall Findings

This audit considered the key internal controls in place over the College's spend on staff costs of approximately £10 million per annum. Our audit covered the procedures in place within both the Human Resources and Finance functions.

## 4. Scope, Objectives and Overall Findings (Continued)

The table below notes each separate objective for this review and records our results:

Objective		Findings			
		1	2	3	
		No. of Agreed Actions			
<b>The objective of the payroll aspect of the audit was to obtain reasonable assurance that systems are sufficient to ensure:</b>					
1.	Correct calculation of gross pay and deductions.	Good	0	0	0
2.	Correct calculation of employer national insurance and superannuation contributions.	Good	0	0	0
3.	Part-time lecturers, overtime and travel & subsistence payments are properly authorised.	Good	0	0	0
4.	Approval and checking of changes to employee standing data.	Good	0	0	0
5.	Starters and leavers are properly treated and enter and leave the system at the correct dates.	Good	0	0	0
6.	Proper authorisation, processing and recording of payments.	Good	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

From discussion with Human Resources and Finance staff, and review of procedures documentation, we identified the key internal controls in place within the College's Human Resources / Payroll systems and compared these with expected controls. Compliance testing was then carried out to ensure that the controls in place are operating effectively, concentrating on starters, leavers and variations to pay.



## 6. Summary of Main Findings

### **Strengths**

For a sample of employees and reports tested we confirmed that:

- Gross pay had been correctly calculated, and rates agreed to details held in the HR system and deductions had also been correctly calculated.
- Employer national insurance and employer superannuation contributions had been correctly calculated.
- All part-time lecturers, overtime and travel payments tested had been correctly input into the payroll system and were authorised by an appropriate member of staff.
- All changes to employee standing data had been appropriately made to the HR / Payroll system and were checked and verified.
- Starters and leavers had entered and left the payroll system at the correct date with all details entered correctly.
- Payments are properly authorised by the Director of Finance and one other member of the Senior Management Team.

### **Weaknesses**

- No significant weaknesses were identified during our review.

## 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: Correct calculation of gross pay and deductions**

We reviewed the systems and procedures in place for ensuring that staff on the payroll are paid the correct amounts, including controls over increases in pay grades, and that deductions are made at the correct rates, and confirmed that these were appropriate.

A sample of 15 employees was selected at random from the College payroll (including both academic and support staff) and the calculation of statutory deductions (PAYE and national insurance) were re-performed and checked for accuracy. As part of our audit testing gross pay was verified to individual personnel files and supporting paperwork for the same sample of employees, including claim forms and contracts where appropriate. The results of our testing in this area proved satisfactory.

### **Objective 2: Correct calculation of employer national insurance and superannuation contributions**

Employees are now automatically opted in to the Local Government Pension Scheme (LGPS) or the Scottish Teachers Superannuation Scheme (STSS) and only contact HR if they want to opt out. For the 15 employees with pension deductions within our sample we agreed that the LGPS or STSS employee contributions had been correctly calculated in line with the agreed contribution rates and noted no exceptions.

**Objective 3: Part-time lecturers, overtime and travel and subsistence payments are properly authorised**

Staff with variable contracted hours and staff working hours additional to those stated in their contract of employment are required to submit timesheets. The College procedures require that appropriate documentation, such as timesheets, are completed and signed by the employee and authorised by their line manager. Authorised documents are then passed for processing to the Assistant Finance Officer – Payroll.

Travel and subsistence claims must also be signed by the employee and authorised by their line manager but are processed through the Finance system. Based on our review of the systems in place these controls are considered to be robust.

We selected 15 employees receiving additional payments and agreed the amounts claimed to the appropriate supporting documentation. We also obtained the support and teaching grades and spinal point annual salaries for 2018/19 and for the sample of 15 employees tested, we agreed these to the payroll system with no issues noted.

We selected an additional sample of 15 employees with travel and subsistence claims and agreed the amounts claimed to appropriate supporting documentation. The results of our testing again proved satisfactory.

**Objective 4: Approval and checking of changes to employee standing data**

Although staff have self-service access to the combined HR and Payroll system, staff do not have permissions to change key standing data which impacts the payroll aspect of the system, such as their bank accounts. Any changes to critical employee standing data such as this are notified to the HR advisors who then input the change into the HR / Payroll system. Changes made to employee data in the system are checked in several ways. Firstly, the HR input including approval is double checked by another HR team member with appropriate segregation of duties. Also, as part of the monthly payroll process HR provide details of changes made to the HR / Payroll system that month. These are then checked by Payroll staff to ensure that any changes made to the system are accurate. Secondly, the Payroll team run four separate audit reports showing: starters in the period; leavers in the period; contract amendments; and changes to bank accounts. The payroll audit reports are then passed to the HR Manager who is tasked with agreeing items included on the reports to supporting documentation.

We selected a sample of seven changes to employee standing data, including contract amendments, and confirmed that all were appropriately authorised and applied correctly to the Payroll. The results of our testing in this area noted no issues.

**Objective 5: Starters and leavers are properly treated and enter and leave the system at the correct dates**

A sample of five new starts was selected at random from a new starts report generated from the HR World Service (HRWS) system. The starters selected were successfully traced to their personnel file and contract of employment. We found that each new start had been entered on to the Payroll system at the appropriate date and in line with the contract start date.

A sample of five leavers was selected at random from a leavers report generated from the HRWS system and each was successfully traced to their notice of termination. It was found that the leavers had been appropriately removed from the Payroll system in line with the last day of employment.

**Objective 6: Proper authorisation, processing and recording of payments**

Prior to processing monthly payroll payments, a number of reports are run by Payroll staff from the Payroll system which includes starters, leavers, contract changes, and bank account changes. These are provided to the HR Manager who checks all changes back to the relevant source documents. Any items identified for change are amended and the updated payroll report is reconciled to the initial payroll report by Payroll staff. Checks are then undertaken on all employees' payslips by the Payroll staff by comparing the current month pay against the previous month pay to ensure that all movements are reasonable, and a payroll exception report from the Payroll system is also reviewed. A sample of timesheets are then checked to payroll records by someone independent of input, which is normally the Finance Manager. Finally, the Director of Finance undertakes a review, prior to BACS payroll files being processed by the bank, and authorises the BACS reports. A payroll sign-off checklist is completed as evidence of these checks being completed.

We reviewed the August 2018 to February 2019 payroll runs and for each month confirmed we that there was evidence to show that the above checks had been completed.

We reviewed the monthly payroll BACS runs for the period August 2018 to February 2019 and noted that in all instances these had been appropriately authorised.

Cover Paper – Internal Audit  
Agenda Item A.19.2.10 (ii)



<b>Committee:</b>	Audit Committee			
<b>Subject/Issue:</b>	Internal Audit Report – Quality Assurance & Improvement			
<b>Brief summary of the paper:</b>	Final report for the review/feedback from the Audit Committee			
<b>Action requested/decision required:</b>	As above			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>		<b>Non-reserved:</b>	X
<b>Date paper prepared:</b>	13 May 2019			
<b>Date of committee meeting:</b>	21 May 2019			
<b>Author:</b>	Director of Finance			
<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 (e.g. new opportunity) – please provide further information.	Enclosed is the Final internal audit report on Quality Assurance & Improvement, which has been enclosed for the Committee’s reference and comment/feedback.			
<b>Equality and diversity implications:</b>	N/A			
<b>Resource implications:</b> <i>(If yes, please provide detail)</i>	N/A			
<b>Risk implications:</b> <i>(If yes, please provide detail)</i>	Risk of non-compliance with the finding of current internal audit reviews/actions.			

**Moray College UHI**

**Quality Assurance and Improvement**

**Internal Audit Report No: 2019/03**

**Draft Issued: 26 March 2019**

**Final Issued: 17 April 2019**

**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 Moray College UHI ('the College') Risk Register:

Moray/1: Ineffective curriculum planning (College + Region) (risk rating: medium);  
Moray/21: Academic quality is sub-standard (risk rating: medium); and  
Moray/22: Poor student experience (risk rating: medium).

## 3. Background

During 2017, new and significantly revised quality arrangements and an associated framework were introduced for colleges in Scotland. The framework, How Good Is Our College? (HGIOC?), builds on the existing effective internal quality arrangements within colleges and aligns with Education Scotland quality arrangements for other sectors. Using HGIOC? colleges and their stakeholders identify what is working well and what needs to improve. The framework is based on the four high level principles (which in turn are underpinned by challenge questions and quality indicators):

- Leadership and quality culture;
- Delivery of learning and services to support learning;
- Outcomes and impact; and
- Capacity for improvement.

In responding to these principles, each college produces an Evaluative Report and Enhancement Plan (EREP) which describe the methodology and approaches taken to evaluation. The EREP also sets out the context in which the evaluation was carried out. Evidence gathered is used to evaluate the accuracy and appropriateness of the college-devised Evaluative Report, Enhancement Plans and associated proposed grading outcomes. Submitted reports are subject to independent scrutiny and endorsement procedures. Individual college reports, and associated endorsement statements for 2017/18, were published on the Education Scotland website in February 2019.



## 4. Scope, Objectives and Overall Findings

The scope of this audit was to review compliance with the College’s new quality procedures and review the progress the College is making to implement the actions identified within its 2017/18 Enhancement Plan.

The table below notes each separate objective for this review and records our results:

Objective	Findings				
	1	2	3	Actions already in progress	
	No. of Agreed Actions				
<b>The objective of our audit was to obtain reasonable assurance that:</b>					
1. The College’s quality procedures are being adhered to in key areas.	Satisfactory	0	0	0	✓
2. Progress is being made with implementation of the actions identified on the College’s Enhancement Plan.	Good	0	0	0	✓
<b>Overall Level of Assurance</b>	Satisfactory	0	0	0	
		System meets control objectives with some weaknesses present			

## 5. Audit Approach

We assessed whether the above objectives have been met through discussion with the Director of Learning & Teaching, a sample of Heads and Deputy Heads of Curriculum, a sample of managers from support areas and a review of relevant documentation.

## 6. Summary of Main Findings

### **Strengths**

- A Quality Cycle is in place and is being followed for the 2018/19 session.
- The mechanisms described in the EREP 2017/18, such as surveys; focus groups; employer and industry liaison; and class representative meetings are being utilised.
- All curriculum and support teams produced a self-evaluation summary report as part of the process for developing the EREP 2017/18. We noted that the format of the reports covered the specific HGIOC? Quality Indicator prompts which are included in the guidance issued by the SFC.
- The Endorsement Board has assessed and signed off on all curriculum and support area self-evaluation and enhancement plans, including endorsing a grade for each area.
- We noted that there are appropriate procedures in place for development of the EREP which encourage departments to scrutinise course performance through self-evaluation and identify further areas for improvement. Procedures also allow for scrutiny and challenge of results at several stages, including within teams at a departmental level; review of departmental self-evaluation summaries by the Head and Deputy Heads of Curriculum or by relevant members of the Strategic Leadership Team (SLT) for support areas; and final review of departmental self-evaluations and plans by the Endorsement Board.
- The Endorsement Board contains an appropriate cross-section of curriculum and support staff, members of the SLT, representation from the student association (HISA) and members of the Board which reflects the ethos of HGIOC? in terms of improving student and stakeholder engagement in the evaluation process.
- The College is playing a key role in the development of a UHI regional approach to Further Education quality management and governance.
- Overall, staff interviewed during our review spoke positively of the changes made to the College's approach to quality procedures, recognising both the need for change and the desired outcomes.
- The College is making progress with all actions included in the EREP 2017/18.

### **Weaknesses**

- No significant issues were noted during our review. We noted that although the College is making better use of attendance and student achievement data (to identify early warning indicators of under-performance at a course level and for individual students) staff would benefit from having access to real-time information to enable teams to monitor the current position and to be more responsive to any identified issues. We noted that a new database reporting tool is currently in development that should provide a solution to this issue. We understand that the reporting tool is expected to be available for the start of the 2019/20 academic session.

### **Overall Grading**

The nature of this review was to assess the progress the College is making to implement the actions identified in the Enhancement Plan 2017/18. Although this report describes the position at the time of our review, we do have to take a forward view. Therefore, it is important to recognise that the Overall Grading of Satisfactory does not signify a gap in the College processes. Instead it is simply a reflection of the stage of completion of the actions, and the timeframe for completing them, outlined in the Enhancement Plan. The timing of our review was such that the College was mid-way through implementation of the Enhancement Plan 2017/18 and the success of the plan will not be fully evident until the end of the 2018/19 academic session.

## 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. Main Findings

### Objective 1: The College's quality procedures are being adhered to in key areas.

The SFC, along with Education Scotland, introduced new arrangements for assuring and improving the quality of provision and services delivered by Scotland's colleges from the start of session 2016/17. The arrangements are supported by a new quality framework, How Good Is Our College? (HGIOC?). This framework, which is closely aligned to other Education Scotland frameworks, is based on four high level principles:

- leadership and quality culture;
- delivery of learning and services to support learning;
- outcomes and impact; and
- capacity for improvement.

Colleges are expected to utilise this framework to produce an annual Evaluative Report and Enhancement Plan (EREP) for submission to both Education Scotland and the SFC for formal, independent endorsement. The new arrangements aim to:

- integrate the SFC requirements of colleges for the monitoring of outcome agreements with Education Scotland and to plan for improvement;
- establish evaluation and performance reporting which makes appropriate use of core national performance information and reflects a regional context;
- strengthen college ownership and responsibility for evaluation and planning for improvement;
- establish regional approaches which take account of governance arrangements;
- ensure that appropriate challenge is built into college evaluation arrangements through embedding independent, external stakeholder feedback within evaluation processes;
- enable the SFC, Education Scotland and other stakeholders to receive annual, validated assurance on the quality of provision and services and actions being taken to address areas for improvement.

During session 2017/18 the College updated its Academic Quality Policy to reflect changes to the structures and processes for ensuring compliance with the College's EREP 2017/18. The College is required to produce an EREP as part of the reporting requirements laid out in the Scottish Funding Council (SFC) publication Supplementary Guidance for College Evaluative Reports and Enhancement Plans for AY 2017-18. This guidance requires the College to evaluate progress against specific prompts across seven of the Quality Indicators in the HGIOC? framework.

**Objective 1: The College's quality procedures are being adhered to in key areas (continued).**

The EREP 2017/18 identifies some of the key processes which are in place to ensure compliance with the HGIOC framework, including:

- **Quality Cycle:** we noted that the development of a Quality Cycle, which identifies the key quality review stages and evidence gathering during the year, was first implemented in 17/18 in response to the areas for development as identified in the EREP 2016/17. We confirmed that a Quality Cycle is in place and is being followed for the 2018/19 session;
- **Using data to identify course performance issues and to inform self-evaluation:** we noted that the College is making better use of attendance and student achievement data which is captured in the College's systems. For example, there are weekly reviews and discussions of MORAGAA reports within curriculum teams (Moray, Red, Amber, Green, Attendance and Achievement) which are used to identify early warning indicators of under-performance at a course level and for individual students. These are formally discussed in three MORAGAA meetings per year with a member of SLT. The MORAGAA reports are generated weekly from the data held in the CELCAT attendance system and SITS student records system and we noted that staff would benefit from having access to real-time information to enable teams to monitor current position and to be more responsive to any identified issues. Discussions with management noted that the development of a new database reporting tool is being progressed as part of a wider UHI project and aspects of this will be available for the start of the 2019/20 session. The tool will give staff access to near real-time data on a range of performance data, covering attendance, retention and achievement;
- **Gathering feedback:** we noted that the mechanisms described in the EREP 2017/18, such as surveys, focus groups, Curriculum Committee Meetings, employer and industry liaison and class representative meetings are being used;
- **Evaluation of learning and teaching:** building on the previous self-evaluation exercise conducted by teaching staff, the College is currently involved in discussions with UHI Further Educational Regional Board and several UHI Academic Partners to design and implement a framework for learning and teaching evaluation which will involve a mix of voluntary in-class observation and self-evaluation. This initiative is being led by the College's Director of Learning & Teaching; and
- **Self-evaluation of curriculum and support areas:** in developing the EREP 2017/18 we noted that all curriculum and support teams produced a self-evaluation summary report which covered specific prompts across seven of the Quality Indicators in the HGIOC? Framework, including: a review of actions from the previous year; student feedback; key performance indicators (KPIs) and student outcomes; programme design; learning and teaching assessment; student engagement; student progress; actions and KPIs targets for the year ahead. We noted that the questions included in the self-evaluation summary reports were in line with the requirements set out by Education Scotland and the SFC. EREPs were then produced by the relevant teams and graded for each curriculum and support area and presented for discussion by the Endorsement Board. We obtained evidence that the Endorsement Board had assessed and signed off on all curriculum and support area enhancement plans, including endorsing a grade for each area.

**Objective 1: The College’s quality procedures are being adhered to in key areas (continued).**

We noted that there are appropriate procedures in place for development of the EREP which encourage departments to scrutinise course performance through self-evaluation and identify further areas for improvement. Procedures allow for scrutiny and challenge of results at several stages, including within teams at a departmental level; review of departmental self-evaluation summaries by the Head and Deputy Heads of Curriculum or by relevant members of the Strategic Leadership Team (SLT) for support areas; and final review of departmental self-evaluations and plans by the Endorsement Board. We confirmed that the Endorsement Board contains an appropriate cross-section of curriculum and support staff, members of the SLT, representation from the student association (HISA) and members of the Board which reflects the ethos of HGIOC in terms of improving student and stakeholder engagement in the evaluation process.

The College’s involvement in a UHI regional approach to Further Education quality management and governance arrangements was evidenced in several ways including:

- adoption and harmonisation of UHI policies and strategies, for example the Learning & Teaching Enhancement Strategy and the Regional Strategy for Enhancement of Further Education Attainment; and
- the College’s Director of Learning & Teaching leads the UHI Quality Forum’s workstream on the ‘Evaluation of Learning & Teaching’ which is being piloted by the College and three other UHI Academic Partners. The processes for the evaluation of learning and teaching have been documented in a Learning & Teaching Review Handbook, which will be issued as part of a regional approach to quality management;

Overall, staff interviewed during our review spoke positively of the changes made to the College’s approach to quality procedures, recognising both the need for change and the desired outcomes. Staff interviewed identified that the curriculum / support committee meeting approach, which adopts a model developed by sparqs (student partnerships in quality Scotland), as one which has been particularly well received by management, staff and students alike.

**Objective 2: Progress is being made with implementation of the actions identified on the College’s Enhancement Plan.**

The eight actions included in the EREP 2017/18 have been incorporated within the College Operational Plan for 2018/19 and these are monitored and reported to the SLT on a monthly basis. In addition, we noted that there is regular informal discussion of the Operational Plan between the SLT and other senior managers. Progress made in delivering the EREP 2017/18 actions was discussed with the staff interviewed and the records of progress made in delivering the Operational Plan was reviewed. A summary of the progress made with the actions included in the EREP 2017/18 at the time of our audit visit is included at Appendix I. Overall, we noted that the College was making progress in delivering all actions.

## Appendix I – Enhancement Plan 2017/18 Progress

Action	Timeline	Progress Reported to Senior Leadership Team in February 2019
<b>Outcomes and Impact</b>		
Implement attainment and progress monitoring activity through the Quality Cycle and Regional Attainment Strategy to include all programmes, with a particular focus on at risk courses and those with significant attainment gaps.	<p>Immediate, with initial phase to be completed by June 2019.</p> <p>Secondary phase to be delivered in 19/20.</p>	Regular MORAGAA meetings being undertaken, which has included a predicted achievement exercise. Course Reviews being undertaken which focus on courses with <60% attainment in academic session 2017/18. Data is indicating that there will be a predicted average outcome improvement of 25% for these courses. Regional Attainment Strategy work also being undertaken in the three identified areas: Care, Computing, Hospitality. Meetings this month.
<b>Delivery of Learning and Services to Support Learning</b>		
Develop a curriculum map and undertake a gap analysis to ensure Moray College has a flexible curriculum portfolio that meets and is responsive to local needs in accordance with the Moray Skills Investment Plan (SIP).	Immediate, initial phase to be completed by June 2019.	Curriculum Map is being progressed but proving slower to populate than anticipated. The capture of employer engagement data has been diverted to populate the new UHI Customer Relationship Management (CRM) system. Data Hub school destination information not sufficiently accurate to extract until end of April. Labour Market Intelligence (LMI) is proving difficult to get for local opportunities – but the College is engaging with SDS and HIE access and share data. Gap analysis will go ahead in June.

Action	Timeline	Progress Reported to Senior Leadership Team in February 2019
<p>Develop an audit tool and Heads of Curriculum carry out a gap analysis to begin the implementation of the FE Course Design Principles identified in the Curriculum Strategy. Initial task will be to implement the curriculum design principles for 'Skills for Learning, Life and Work'.</p>	<p>Immediate, initial phase to be completed by June 2019. Secondary phase 2019-20, followed by final completion 2020-21.</p>	<p>Audit Tool developed and course areas tasked with completing by end of March. Gap analysis will then be carried out.</p>
<p>Oversee the delivery of Learning and Teaching CPD opportunities for staff, to include monthly workshops, Development Day activity and a Learning and Teaching Conference.</p> <p>Development of Learning &amp; Teaching 'scholarship' culture in line with the RIKE Strategy Action Plan.</p>	<p>Immediate, initial phase to be completed by June 2019.</p> <p>Secondary phase of implementation in 2019-20 with further review and development of the process in 2020-21.</p> <p>To be completed as per the RIKE Strategy Action Plan (up to 2022).</p>	<p>Workshops being undertaken that are open to all staff and specific to teams by request. Brightspace (the new VLE) is the focus of all lecturer CPD for remainder of academic year. Learning &amp; Teaching conference planned for June, with opportunity for sharing of good practice as an output from the Learning &amp; Teaching Review (LTR).</p>
<p>Undertake work within a regional context as part of Quality Forum Quality Harmonization core group to employ a systematic supportive process of evaluation of provision, in particular Learning and Teaching.</p>	<p>Completion as per the timeline set out regionally. Immediate, initial phase to be completed by June 2019.</p> <p>Secondary phase of implementation in 2019-20 with further review and development of the process in 2020-21.</p>	<p>LTR approved by UHI Quality Forum and UHI Senior Managers Curriculum Team (SMCT), endorsed by Partnership Council and Argyll College UHI. Pilot underway (also at Argyll), with LTR team recruited and trained. Staff allocated to reviewers and invitations to engage with review to be issued after Easter break.</p>



Action	Timeline	Progress Reported to Senior Leadership Team in February 2019
<b>Leadership and Quality Culture</b>		
<p>Implement attainment and progress monitoring activity, with specific reference to targeted outcomes through the Quality Cycle and Regional Attainment Strategy.</p> <p>Implement course review with explicit reference to expected outcomes above average.</p>	<p>Immediate, complete by June 2019.</p> <p>Engage with further regional activity as per regional strategy timeline, to 2021.</p>	<p>Regular MORAGAA meetings being undertake, which has included a predicted achievement exercise. Course Reviews being undertaken which focus on courses with &lt;60% attainment in academic session 2017/18. Data is indicating that there will be a predicted average outcome improvement of 25% for these courses. Regional Attainment Strategy work also being undertaken in the three identified areas: Care, Computing, Hospitality. Meetings this month.</p>
<p>Develop a set of behaviours which underpin the College CORE Values and roll these out to all staff, particularly in relation to communication.</p> <p>Implement and review management restructure, to ascertain impact.</p>	<p>Initial phase to be completed by Easter 2019.</p> <p>Further values work to be undertaken in 2019-20 in response to the staff survey in 2019.</p>	<p>Underway with updates provided to the Staff Governance Committee.</p>
<p>Identify requirements for data sharing and ensure relevant data is accessible by course teams to supplement attainment and progress monitoring activity through the Quality Cycle and Regional Attainment Strategy.</p>	<p>Immediate, initial phase to be completed by January 2019.</p> <p>Wider review and impact assessment in 2019-20 and 2020-21.</p>	<p>Data Procedures Group nearing completion. The UHI Student Data Reporting Group (SDRG) focusing on new course code/titles standards.</p>

Cover Paper – Internal Audit  
Agenda Item A.19.2.10 (iii)



<b>Committee:</b>	Audit Committee			
<b>Subject/Issue:</b>	Internal Audit Report – Health & Safety			
<b>Brief summary of the paper:</b>	Final report for the review/feedback from the Audit Committee			
<b>Action requested/decision required:</b>	As above			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>		<b>Non-reserved:</b>	X
<b>Date paper prepared:</b>	13 May 2019			
<b>Date of committee meeting:</b>	21 May 2019			
<b>Author:</b>	Director of Finance			
<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 (e.g. new opportunity) – please provide further information.	Enclosed is the Final internal audit report on Health & Safety, which has been enclosed for the Committee’s reference and comment/feedback.			
<b>Equality and diversity implications:</b>	N/A			
<b>Resource implications:</b> <i>(If yes, please provide detail)</i>	N/A			
<b>Risk implications:</b> <i>(If yes, please provide detail)</i>	Risk of non-compliance with the finding of current internal audit reviews/actions.			



**Moray College UHI**

**Health & Safety**



**Internal Audit Report No: 2019/04**

**Draft Issued: 4 April 2019**

**2<sup>nd</sup> Draft Issued: 10 May 2019**

**Final Issued: 13 May 2019**

**LEVEL OF ASSURANCE**

**Requires Improvement**



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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:

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<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

### Requires Improvement

System has weaknesses that could prevent it achieving control objectives.

## 2. Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Moray College UHI ('the College') Risk Register:

- Moray 3 – H&S non-compliance: risk to students/staff and risk of litigation (risk rating: medium)

## 3. Background

As part of the Internal Audit programme at the College for 2018/19 we carried out a review of the College's Health & Safety (H&S) arrangements. The Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Within the College sector it is important to demonstrate full implementation and embedding of H&S legislation. It is important that H&S is considered by all staff, management and Board members at the College in order to reduce the risks related to accidents and occupational health. Furthermore, all staff should understand that H&S is their responsibility, and not only that of management and the Board.

A H&S Policy Statement has been prepared setting out the College's H&S objectives. Management carry out formal risk assessments of activities and work sites as a key part of managing the organisation's risks.

The College has a H&S Committee which monitors H&S and includes members of the Strategic Leadership Team (SLT); and members of staff, both teaching and non-teaching. This is supported by an external H&S consultant who provides College staff with best practice advice and is currently undertaking a comprehensive review of the College's H&S management systems (whilst also being responsible for ensuring day-to-day H&S requirements are being met). The H&S consultant was appointed in June 2018 and has identified several areas for improvement with new systems and procedures being introduced to address the issues highlighted.

## 4. Scope, Objectives and Overall Findings

The table below notes the objectives for this review and records the results:

Objective	Findings				
		1	2	3	Actions already in progress
<b>The specific objectives of this audit were to obtain reasonable assurance that the College has:</b>					
1. A H&S policy and documented procedures which are communicated to all staff.	Satisfactory	0	0	0	✓
2. A H&S training programme which includes induction training, refresher training and training for new equipment or legislation.	Requires Improvement	0	1	0	✓
3. Regular monitoring of H&S systems to ensure that they are functioning effectively including H&S audits, carried out either internally or by external agencies such as the Health and Safety Executive.	Requires Improvement	0	1	0	✓
4. An incident and accident recording system with follow-up and implementation of new controls where required.	Good	0	0	0	
5. Regular reporting of H&S to senior management and to the Board of Management.	Satisfactory	0	0	1	✓
<b>Overall Level of Assurance</b>	<b>Requires Improvement</b>	<b>0</b>	<b>2</b>	<b>1</b>	
System has weaknesses that could prevent it achieving control objectives.					

## 5. Audit Approach

From discussion with H&S staff, and review of procedural documentation, we identified the internal controls in place and compared these with expected controls. A walkthrough of key systems was then undertaken to confirm our understanding, and this was followed up with compliance testing where considered necessary. We have reported on any areas where expected controls are found to be absent or where controls could be further strengthened.

## 6. Summary of Main Findings

### **Strengths**

- Our review of the H&S gap analysis and proposal prepared by the external H&S consultant in 2018 noted that, at the time of our audit, the College was on track to implement key actions within the timescales identified in the proposal. Progress on implementing the actions is reported monthly to the Director of Finance, who in turn updates the SLT. Updates are then provided to the H&S Committee prior to passing onto the Staff Governance Committee and ultimately the Board.
- There is also regular reporting of progress being made in addressing H&S weaknesses to the H&S Committee, consisting of members of the SLT and managers and staff from throughout the College, which meets quarterly to consider H&S issues.
- The College has a H&S Policy and detailed procedures for key H&S activities. The external H&S consultant is continuing to review these across the College to ensure that they fully reflect current best practice.
- The College has a formal risk identification and assessment process. From our testing it is our view that risk assessments were being adequately completed and reviewed at appropriate intervals.
- Students receive appropriate training where this is required as part of their course.
- There is a system for the reporting of incidents, accidents and near misses which includes the identification of action points and follow-up where required.

### **Weaknesses**

- The College ensures all new staff receive a H&S induction and the staff review process allows opportunities for managers to monitor the training requirements for staff on an ongoing basis. However, the College does not have a training matrix that identifies the minimum training requirements for each job role, which can then be used to identify gaps in staff H&S training needs and assist in developing job specifications for staff recruitment. At the time of our review we noted that an outline template for a training matrix had been completed but further work was still required to ensure that this matrix was fully populated and that all training needs had been identified.
- Good practice adopted across the sector includes a system of annual curriculum and support department H&S workplace inspections carried out in conjunction with trade union H&S reps. There is currently no such system of inspections in place at the College.
- There is scope for improving reporting of H&S matters to the Board of Management in order to provide assurance or highlight work ongoing to address any gaps in existing H&S arrangements. This could be achieved by preparing a detailed annual H&S report which summarises the H&S training, accidents, incidents and other H&S developments conducted during the year.

### **Overall Grading**

Our review has taken cognisance of the work undertaken to date by the College in implementing the actions identified in the gap analysis and proposal produced by the external H&S consultant in 2018. This report describes the position at the time of our review, and it is important to recognise that the 'Overall Grading' of 'Requires Improvement' reflects that although significant improvements have been made to date in implementing and updating H&S related policies and procedures there is still further work to be progressed in this area. This grading reflects the stage of completion of the actions, and the timeframe for completing them, outlined in the initial gap analysis.

## 7. Acknowledgements

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



## 8. Main Findings and Action Plan

### **Objective 1: A H&S policy and documented procedures which are communicated to all staff**

A H&S Policy Statement has been prepared setting out the College's H&S objectives, which was signed by the Principal and the Chair of the Board in January 2019. This is supported by a H&S Procedures Manual (HSPM) which outlines the responsibilities and arrangement for the management of H&S within the College. The Chair of the Board has ultimate responsibility for H&S within the College. The College Principal, as the H&S Director, has delegated responsibility, reporting to the Board, for ensuring that the College fulfils its legal responsibilities in relation to H&S. The H&S Officer is responsible for managing H&S on a day-to-day basis, however this role is currently being fulfilled by the external H&S consultant.

The Policy, procedures and documentation referred to within the HSPM are made available to staff on a dedicated H&S section of the College internal IT network. At the time of our review the HSPM was being updated by the external H&S consultant to ensure that it adequately reflects good practice. Copies of the H&S Policy Statement are displayed prominently throughout the College where staff, students and visitors can easily read it.

Following initial appointment in June 2018, the external H&S consultant identified that the College's H&S procedures did not fully reflect current H&S standards or good practice. The external H&S consultant was then invited by management to undertake a gap analysis and produce a proposal setting out a work plan of the key tasks that required to be undertaken to allow the College to address H&S weaknesses. Our review of the H&S proposal noted that, at the time of our audit, the College was on track to implement key actions within the timescales identified in the proposal. Progress on implementing the actions is reported each month to the Director of Finance, who in turn updates the SLT. Updates are then provided to the H&S Committee prior to passing onto the Staff Governance Committee and ultimately the Board.

**Objective 2: A H&S training programme which includes induction training, refresher training and training for new equipment or legislation.**

The induction programme for newly appointed staff includes a requirement that a H&S induction is provided for all new staff and that further specific H&S training is provided by the line manager where there is an identified need. The scope of the induction includes notifying the staff member of key H&S information and further training may be delivered, such as COSHH, if required for the specific role. The annual staff review process also provides an opportunity for line managers and staff to identify any further H&S training needs, such as operating equipment or handling hazardous material safely. Training needs are then reported to Human Resources (HR) who oversee the management of staff training. Discussions take place with the line manager to confirm any additional training to be delivered and whether this is to be carried out by the H&S team or by the relevant department.

As part of the corporate element of the induction process, all staff are required to complete an online induction including H&S guidance and reference to the H&S procedures. Thereafter all staff are required to undertake H&S modules within the College's suite of compliance modules. Completion of induction training is monitored by HR and the completion of the online modules is monitored by reports and confirmed through staff review with their line manager. During our review we noted that HR were unable to generate meaningful reports from the VLE that accurately highlight those staff who have completed the training modules as staff reviews were underway (and not yet completed) and therefore HR were unable to clarify the current position. It was advised that the College is considering replacing the online training modules, on a collaborative basis across UHI, with modules on a new VLE. It is expected that this would improve processes in relation to registration on to modules and enhance reporting facilities.

Student H&S information is delivered as part of teaching where required on a course to ensure student safety e.g. safe use of equipment.

**Objective 2: A H&S training programme which includes induction training, refresher training and training for new equipment or legislation (continued).**

Observation	Risk	Recommendation	Management Response	
<p>The College does not currently have a training matrix that identifies the minimum training requirements for each job role, which can then be used to identify gaps in staff H&amp;S training needs and assist in developing job specifications for staff recruitment.</p> <p>The external H&amp;S consultant identified this weakness specifically for H&amp;S training and the H&amp;S proposal included an action to create a staff training matrix on H&amp;S topics. At the time of our review we noted that an outline template for a matrix had been completed but further work was still required to ensure that all training needs had been identified. This will require input from both HR and departmental line managers who are more familiar with job descriptions and staff day to day tasks.</p> <p>Although a record of H&amp;S training is recorded within the HR system, the system does not currently flag when H&amp;S refresher training is due.</p>	<p>Staff may not be fully aware of H&amp;S risks and how to manage these, or their responsibilities in relation to H&amp;S.</p>	<p><b>R1</b> Ensure that the H&amp;S training matrix is further developed, with assistance from HR and departmental managers, to accurately identify staff H&amp;S training requirements. The matrix should highlight both mandatory and voluntary H&amp;S training to be carried out for each job role and a system of referencing implemented which will flag any training that is due to be refreshed. With assistance from HR and departmental line managers, H&amp;S staff should ensure that all necessary H&amp;S training is delivered.</p>	<p>A draft training matrix has been developed / prepared by the H&amp;S Consultant, which is currently being reviewed by HR Director prior to finalising.</p> <p><b>To be actioned by:</b> HR Director</p> <p><b>No later than:</b> 31 August 2019</p>	
			<p><b>Grade</b></p>	<p><b>2</b></p>

**Objective 3: Regular monitoring of H&S systems to ensure that they are functioning effectively including H&S audits, carried out either internally or by external agencies such as the Health and Safety Executive.**

Observation	Risks	Recommendation	Management Response		
<p>Good practice adopted across the sector includes a system of annual curriculum and support department H&amp;S workplace inspections carried out in conjunction with trade union H&amp;S reps. There is no such system in place at the College. It is recognised that, given the current resources available, it would not be practical to cover each area of the College on an annual basis and therefore if adopted, reviewing a sample of different areas annually on a rotational basis within an appropriate timeframe based on the assessed risk of the area would be reasonable.</p> <p>If action points are identified during the workplace inspections then these should be followed-up through a meeting with the department head, the H&amp;S coordinator for the area and the H&amp;S Officer.</p> <p>There have been no recent H&amp;S checks carried out by external agencies.</p>	<p>H&amp;S procedures are not always be being followed by staff and students.</p> <p>No action is taken to rectify issues identified by the H&amp;S team which could result in an accident occurring.</p>	<p><b>R2</b> Consideration should be given to implementing a programme of annual workplace inspections covering all curriculum and support areas on a rotational basis taking account of the assessed risk of each area.</p>	<p>Ongoing discussions with H&amp;S Committee on this matter, and the subject of H&amp;S co-ordinators / reps – impacted by National Bargaining.</p> <p>Once agreed (i.e. roles / duties) of H&amp;S co-ordinators / reps the College (with assistance from H&amp;S Consultant) would seek to agree / embed a culture of carrying out annual workplace H&amp;S inspections.</p> <p><b>To be actioned by:</b> Principal</p> <p><b>No later than:</b> 30 September 2019</p> <table border="1" data-bbox="1650 1061 2094 1176"> <tr> <td data-bbox="1650 1061 1870 1176"><b>Grade</b></td> <td data-bbox="1870 1061 2094 1176"><b>2</b></td> </tr> </table>	<b>Grade</b>	<b>2</b>
<b>Grade</b>	<b>2</b>				

**Objective 4: An incident and accident recording system with follow-up and implementation of new controls where required.**

A standard form is in place for reporting of an incident, accident or near miss. This has recently been updated as part of the work undertaken by the external H&S consultant. Incident and accident report forms are available on the internal IT network and are completed manually and electronically.

Completed forms are passed to a member of the administration support team who uploads the form and records the details in the SHE online H&S reporting system. The external H&S consultant then reviews the accident reports, carries out further investigation where required and identifies any required action points and discusses these with the responsible staff member.

**Objective 5: Regular reporting of H&S to senior management and to the Board of Management.**

Updates on progress with implementing actions highlighted in the external H&S consultant’s gap analysis and proposal are reported monthly to the Director of Finance who in turn updates the SLT. Updates are then provided to the H&S Committee prior to passing onto the Staff Governance Committee and ultimately the Board. The H&S Committee reconvened for the first time in November 2018 after a gap of over a year. A H&S update report was considered at the November 2018 meeting and the committee is scheduled to meet quarterly going forward.

UHI Academic Partners are required to demonstrate compliance with legislation to UHI. In October 2018 the College submitted a H&S Checklist to UHI for the period August 2017 to July 2018 which confirmed that that high-level H&S controls were in place, including governance arrangements, risk assessments, occupational health, training and summarised the number of accidents during the period. The checklist was submitted to UHI in October 2018 and reported to the College Board and H&S Committee.

Observation	Risks	Recommendation	Management Response		
A detailed annual H&S report to the Board, containing a summary of H&S training, accidents, including a short summary of all reportable incidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) and information on near-miss incidents, and other H&S developments in the year was not prepared for 2018.	Board members and the H&S Committee will not be provided with an accurate picture of the accidents and incidents occurring within the College and will therefore not have ready access to the assurance they require that H&S risks are being identified and managed appropriately.	<p><b>R3</b> Ensure that a detailed annual H&amp;S report is prepared for the Board which includes a summary of:</p> <ul style="list-style-type: none"> <li>• H&amp;S training;</li> <li>• Accidents;</li> <li>• Incidents, including RIDDOR and near misses;</li> <li>• Trend analysis of training, accidents and incidents; and</li> <li>• Other relevant H&amp;S developments.</li> </ul>	<p>Detailed annual report to be prepared for review / comment by H&amp;S Committee, which shall then be formally issued to the Staff Governance Committee (‘SGC’) – November meeting. Following which the report will form part of the papers issued for the December Board meeting.</p> <p><b>To be actioned by:</b> Principal</p> <p><b>No later than:</b> 30 November 2019</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>				

Cover Paper – Review of Audit Register  
Agenda Item A.19.2.10 (v)



<b>Committee:</b>	Audit Committee			
<b>Subject/Issue:</b>	Review of Audit Register			
<b>Brief summary of the paper:</b>	Update on current position of the Audit Register			
<b>Action requested/decision required:</b>	Feedback from Audit Committee on current position of the Audit Register & recent Internal Audit reports.			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>		<b>Non-reserved:</b>	X
<b>Date paper prepared:</b>	13 May 2019			
<b>Date of committee meeting:</b>	21 May 2019			
<b>Author:</b>	Director of Finance			
<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 (e.g. new opportunity) – please provide further information.	<p><b><u>INTRODUCTION</u></b></p> <p>The Audit Register (“AR”) has been updated to reflect the current position as at 30 April 2019.</p> <p><b><u>UPDATE</u></b></p> <p><u>Internal Audit Recommendations</u></p> <p>The following internal audit recommendations fell due following the February 2019 Audit Committee meeting, for which evidence to support their completion has been passed to Henderson Loggie (“HL”):</p> <ul style="list-style-type: none"> <li>• Staff Development – R2 (Mar 19)</li> <li>• Risk Management – R1 &amp; R3 (Mar 19)</li> </ul> <p>HL have formally confirmed that the evidence provided in respect of Risk Management (R1 &amp; R3) has addressed these recommendations.</p> <p>Some further evidence has been requested in respect of Staff Development R2, which has been passed to the HR Director to liaise with HL so that this recommendation may be formally closed off.</p>			

Cover Paper – Review of Audit Register  
Agenda Item A.19.2.10 (v)

	<p><u>Recent Internal Audit Reviews</u></p> <p>In line with the internal audit plan for AY18/19 the following reviews have been carried out (copies of which have been provided under separate cover for the Committee’s attention):</p> <ul style="list-style-type: none"> <li>• Payroll;</li> <li>• Quality Assurance &amp; Improvement; and</li> <li>• Health &amp; Safety.</li> </ul> <p>The College Audit Register has been updated to reflect the recommendations from the above reviews.</p> <p><b><u>CONCLUSIONS</u></b></p> <p>With the exception of the additional evidence requested in respect of Staff Development (Recommendation 2), all other recommendations have been addressed, and formally signed off by the internal auditors, in-line with the due dates noted in the AR.</p> <p>The good practice seen to date re-affirms the commitment of the SLT to undertaking appropriate steps/actions to meet the internal audit recommendations in a timely manner.</p>
<p><b>Equality and diversity implications:</b></p>	<p>N/A</p>
<p><b>Resource implications:</b> <i>(If yes, please provide detail)</i></p>	<p>N/A</p>
<p><b>Risk implications:</b> <i>(If yes, please provide detail)</i></p>	<p>Risk of non-compliance with the finding of current (and future) internal audit reviews/actions.</p>



Cover Paper – External Audit  
Agenda Item A.19.2.11 (i) & (ii)



<b>Committee:</b>	Audit Committee			
<b>Subject/Issue:</b>	External Audit – Annual Plan & Timeline (YE 31 July 2019)			
<b>Brief summary of the paper:</b>	Annual plan from external auditors in respect of the year ended 31 July 2019, and timeline for completion of the annual audit.			
<b>Action requested/decision required:</b>	For the attention of (and feedback from) the Audit Committee.			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>		<b>Non-reserved:</b>	X
<b>Date paper prepared:</b>	13 May 2019			
<b>Date of committee meeting:</b>	21 May 2019			
<b>Author:</b>	Director of Finance			
<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 (e.g. new opportunity) – please provide further information.	Enclosed is the annual audit plan from the College’s external auditors (Ernst & Young LLP), together the proposed timeline for carrying out the statutory annual audit of the College’s financial statements.			
<b>Equality and diversity implications:</b>	N/A			
<b>Resource implications:</b> <i>(If yes, please provide detail)</i>	N/A			
<b>Risk implications:</b> <i>(If yes, please provide detail)</i>	Risk of statutory accounts not being completed in-line with the expectations of the Board.			

# **Moray College**

## **Annual Audit Plan Year ending 31 July 2019**

Audit Committee – 21 May 2019

# Contents

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## **About this report**

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Auditor General for Scotland has appointed us as external auditor of Moray College (the College) for financial years 2016/17 to 2020/21.

This report is for the benefit of the College and is made available to the Auditor General for Scotland and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

## **Complaints**

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## Purpose of this report

The Auditor General for Scotland has appointed us as auditor of the College under the Public Finance and Accountability (Scotland) Act 2000 (“the Act”). The period of appointment is 2016-17 to 2020-21 inclusive.

This Annual Audit Plan, prepared for the benefit of Moray College management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 July 2019, the third year of our appointment. In preparing this plan, we have updated our understanding of the College through planning discussions with management, review of relevant documentation and Board and committee reports, and our general understanding of the environment in which the College is currently operating.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the College employs best practice and where processes can be improved. We use these insights to form our audit recommendations to support the College in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. After consideration by the College, the plan is provided to Audit Scotland and published on their website.

## Scope and responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; relevant Auditing Standards and applicable Practice Notes issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

### Financial statement audit

We are responsible for conducting an audit of the financial statements of the College. We will provide an opinion on the financial statements as to whether:

- They give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the College’s affairs as at 31 July 2019 and its surplus or deficit for the year then ended.
- They have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Ireland.
- They have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

We also review and report on the consistency of the other information prepared and published by the College along with its financial statements.

### Wider scope audit

The wider scope audit, as set out in the Code, plays a key role in the public sector audit framework in Scotland. In accordance with Audit Scotland planning guidance, for 2018/19 we have assessed it is appropriate to classify the College as a smaller body for the purposes of our wider scope audit consideration. We undertake certain audit procedures which impact on the wider scope audit dimensions as a consequence of our financial statements audit. We will report our findings on completion of our audit.

## Materiality

<b>Planning materiality £260,000</b>	Materiality has been set at £260,000 (2017/18 - £195,000), which represents approximately 2% of the gross expenditure for the year.
<b>Tolerable Error £145,000</b>	Tolerable error has been set at £195,000 (2017/18 - £145,000), which represents 75% of materiality.
<b>Summary of uncorrected differences £13,000</b>	We will report all uncorrected misstatements relating to the primary financial statements greater than £13,000 (2017/18 - £9,000). Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report, providing an overview of our initial risk assessment and any change in risk profile in the year.

## Financial statements audit

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk / Significant risk	No change	In accordance with ISA (UK) 240, we consider the presumed fraud risk in respect of improper income recognition. Due to the nature of SFC funding to the College, we have rebutted the risk of fraud around this specific income stream. We extend our work to consider the recognition of expenditure, in accordance with Practice Note 10, issued by the Financial Reporting Council, as applicable to public sector audit.
Management override	Fraud risk	No change	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Valuation of property, plant and equipment and capital funding	Inherent Risk	No change	The College will commission a full revaluation of all of its estate during 2018/19. Given the value of the estate and the fact that a number of assumptions are made in the valuation, we assign a higher inherent risk to property, plant and equipment.
Pension liabilities	Inherent Risk	No change	We have identified an inherent risk in relation to the valuation of the pension liabilities. The College are an admitted body of the North East Scotland Pension Scheme. There is judgement involved in determining the appropriate actuarial assumptions to calculate the College's net pension liabilities arising from its participation in the scheme.

## Independence

We confirm that we have undertaken client and engagement continuance procedures, included in which is our continuing assessment of our independence to act as your external auditor.

## Key contacts

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sreid2@uk.ey.com

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Steven Caldwell, Assistant Manager  
steven.caldwell@uk.ey.com

Ernst & Young LLP, 144 Morrison Street, Atria One, Edinburgh EH3 8EX

# 1. Financial statements and accounting

The annual financial statements enables the College to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice and applicable law.

## Audit opinion

We provide an opinion on the financial statements as to whether they give a true and fair view of the financial position of the College, and whether they have been properly prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended). We also review and report on the consistency of the other information prepared and published by the College along with its financial statements.

We undertake our financial statements audit work in accordance with the four phases of EY's Global Audit Methodology: Planning; Identification and assessment of risk; Design and execution of our response to those risks; and Conclude and communicate.

## Audit approach

We determine which accounts, disclosures and relevant assertions could contain risks of material misstatement. Our audit involves:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the College to express an opinion on the financial statements.
- Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, that the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.
- Substantive tests of detail of transactions and amounts. For 2018/19 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated. Our audit approach includes the use of our bespoke data analysers to allow us to analyse 100% of the College's transactions around key income and expenditure accounts rather than rely on random sampling.

## Materiality

For the purposes of determining whether the financial statements are free from material error, in accordance with ISA (UK) 320 we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

## Gross expenditure on provision of College Services = £13 million

<b>Planning materiality £260,000</b>	<b>Planning materiality (PM)</b> – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For planning purposes, materiality for 2018/19 has been set at £260,000 (2017/18 – £195,000). This represents approximately 2% of the College’s reported expenditure in the prior year.
<b>Tolerable Error £195,000</b>	<b>Tolerable error (TE)</b> – materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set it at £195,000 (2017/18 – £145,000) which represents 75% of planning materiality.
<b>Summary of Audit Differences £13,000</b>	<b>Summary of Audit Differences (SAD) Nominal amount</b> – the amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. The Code requires that auditors report at no more than £0.25 million. We have set it at £13,000 (2017/18 – £9,000), which represents 5% of planning materiality.

The amount we consider material at the end of the audit may differ from our initial determination. At the end of the audit we will form, and report to you, our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider both the quantitative and qualitative factors that could drive materiality for the users of the financial statements. Accordingly we determine it is appropriate to use lower levels of materiality for some areas of the financial statements, including:

- Remuneration report - given the sensitivity around the disclosure of senior staff remuneration we apply a materiality of £1,000 to our audit consideration around the remuneration report and related disclosures.
- Related party transactions – related party transactions are considered material when they are material either party in the transaction. As such, we do not apply a specific materiality to related party audit work but consider each transaction individually.



We have set out the significant risks (including fraud risks) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Significant risk – risk of fraud in income and expenditure recognition

What is the risk?	Our identified response to the risk
<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Given the nature of Scottish Funding Council (SFC) funding to the College through The University of the Highlands and Islands (UHI), we rebut the presumed revenue recognition risk for this income stream. However we recognise a revenue recognition risk for tuition income and other material income in respect of possible manipulation of cut-off around the financial year end.</p> <p>We also recognise the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10.</p>	<p>Our response will include:</p> <ul style="list-style-type: none"> <li>• review and test all relevant income and expenditure policies against the relevant accounting standards and SORP</li> <li>• review, test and discuss with management any accounting estimates on income and expenditure recognition for evidence of bias</li> <li>• develop a testing strategy to test material income and expenditure streams</li> <li>• review management's assessment of deferred income balances, including evidence of the performance of conditions</li> <li>• review and perform focused testing on income and expenditure around the year end to ensure correct recognition around cut-off between financial periods.</li> </ul>

## Fraud risk – misstatement due to fraud or error

What is the risk?	Our identified response to the risk
<p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.</p> <p>The risk of management override is pervasive to the audit and impacts the testing of all areas. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk. This takes account of the fact that management are in a unique position to override controls which otherwise appear to be operating effectively.</p> <p>Beyond the noted risk around recognition of income and expenditure, we have not identified a specific account where the risk of management override is higher.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> <li>• identifying fraud risks during the planning stages</li> <li>• inquiry of management about risks of fraud and the controls put in place to address those risks</li> <li>• consideration of the effectiveness of management's controls designed to address the risk of fraud</li> <li>• determining an appropriate strategy to address those identified risks of fraud</li> <li>• performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements</li> <li>• specific focus on the accounting for any identified key areas of judgement and estimates in the financial statements and significant and unusual transactions. This will include consideration of any provisions.</li> </ul>

➤ **Significant risks identified in the audit relate to the risk of fraud in income and expenditure recognition. We also perform general procedures in all audits to respond to the risk of misstatement due to fraud or error caused by management override of controls. We will report our findings in these areas to you within our 2018/19 Annual Audit Report.**

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

## Inherent Risk – Valuation of Property, Plant and Equipment

### What is the risk?

The College's property portfolio totals £24.9 million as at 31 July 2018. Land and buildings are valued on a depreciated replacement cost basis with a full revaluation taking place at least every five years. The College undertook an interim valuation in 2016/17, and is due to undertake a full valuation of its property portfolio in 2018/19. This valuation has not been commissioned yet, but will occur prior to the July year end.

Given the size of this balance and the fact that a number of assumptions are made in the valuation, we assign a higher inherent risk to property, plant and equipment.

We do not, however, at the planning stage have any specific concerns over management's approach to property valuations.

### Our identified response to the risk

Our approach will focus on:

- analysis of the source data and inquiries around the procedures used by management's specialist to establish whether the source data is complete
- assessment of the reasonableness of the assumptions and methods used, including their compliance with the SORP
- consideration of the appropriateness of the timing of specialist work
- assessment of whether the substance of the specialist's findings are properly reflected in the financial statements

## Inherent Risk – Valuation of Pension Liabilities

### What is the risk?

The College participates in two pension schemes; the North East Scotland Pension Scheme (LGPS), and the Scottish Teachers Superannuation Scheme (STSS). While both are defined benefit pension schemes, the College is unable to identify its share of the underlying assets and liabilities of the STSS scheme on a consistent and reasonable basis and therefore, the scheme is accounted for as if it were a defined contribution scheme.

The North East Scotland Pension Scheme is accounted for as a defined benefit scheme. The net pension liabilities on the balance sheet arising from participation in the scheme at 31 July 2018 were £2.2 million. In addition the College recognises a provision for future early retirement liabilities - £2.6 million as of 31 July 2018.

In late 2018, a High Court ruling was made in relation to the equalisation of certain pension benefits payable to men and women, which could impact the measurement of the University's obligation in the Superannuation scheme going forward. The quantum of impact on the University's share of the scheme liabilities was unclear and deemed unquantifiable at the date of approval of last year's financial statements, with actuaries and pension schemes continuing to work through the impact of the ruling on individual member benefits.

### Our identified response to the risk

Our approach will include:

- obtaining an actuarial report at the year end date for the LGPS and considering the reasonableness and consistency of underpinning assumptions
- ensuring compliance with funding agreements
- assessing the work of the actuaries, including the assumptions they have used by engaging internal actuarial specialists to provide input on the consistency and appropriateness of assumptions underpinning the valuation of the pension schemes, and how the impact of the GMP ruling has been considered in the pension liability valuation
- substantive testing on the verification of the pension assets, by engaging with the auditors of the Pension Fund in line with the protocols laid out by Audit Scotland for IAS19 assurance
- we will also review the calculation of the College's valuation of future early retirement liabilities at 31 July.

➤ **The valuation of property, plant and equipment and accounting for net pension deficit are assessed as inherent risks. Management involves specialists in the preparation of these accounting valuations and estimates. We utilise our own specialists, as appropriate, to support the core audit team in the performance of audit procedures on these balances.**

We also plan and perform certain general audit procedures on every audit which may not be directly related to financial statement account assertions. Examples of such procedures compliance with applicable laws and regulations, litigation and claims and related parties.

## Other audit considerations

### ***Data analytics***

We will use our computer-based data analysers to enable us to capture whole populations of your financial data, in particular covering manual journal entries and payroll transactions. These analysers:

- Help identify specific exceptions and anomalies to direct substantive audit tests.
- Give greater likelihood of identifying errors than random sampling techniques.

### ***Use of specialists***

When auditing key judgements, such as the valuation of property, plant and equipment, or certain assets and liabilities, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the College's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable.
- Assess the reasonableness of the assumptions and methods used.
- Consider the appropriateness of the timing of when the specialist carried out the work.
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Management may use their own specialists in the preparation of the financial statements. This year we understand management will use specialists as part of its recurring valuation of the yearend pension scheme liabilities. Valuation specialists will also be engaged by management to perform a full valuation of the College estate.

### ***Internal audit***

We will review internal audit plans and the results of their work, including the discussion of audit findings at the Audit Committee and management's response to findings.

We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements or our wider responsibilities.

### ***Financial statements presentation and compliance with accounts direction***

We will review the College's financial statements to ensure that financial information agrees to supporting schedules, and that non-financial information is consistent the financial performance and position of the College. We will also review the financial statements against the disclosure requirements outlined under FRS 102, the further education SORP, and the 2018/19 SFC Accounts Direction.

### ***Anti-money laundering***

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 came into force on 26 June 2017 and replace The Money Laundering Regulations 2007. The regulations impose an obligation on the Auditor General to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. As appointed auditor we will consider the College's arrangements to identify and report on any instances of money laundering in line with Audit Scotland reporting arrangements.

## **2. Wider scope audit risks**

## 2. Wider Scope Audit Risks



Together the Accounts Commission and the Auditor General for Scotland agreed the dimensions set out in the Code which comprise the wider scope audit for public sector in Scotland. We will audit the College under the small body provisions of the Code and consider financial sustainability and appropriateness of governance disclosures in the financial statements.

### Application of Wider Scope

The wider scope audit, as set out in the Code, plays a key role in the public sector audit framework in Scotland.

In accordance with Audit Scotland planning guidance, for 2018/19 we have assessed it is appropriate to classify the College as a smaller body for the purposes of our wider scope audit consideration. This will focus our consideration of the College's arrangements around financial sustainability and governance and transparency matters. The judgement of applying the smaller body clause is revised annually to reflect that the risks to wider scope dimensions may change.

Under the smaller body provision we will consider the financial sustainability of the College and the services that it delivers over the medium to longer term and the appropriateness of the disclosures in the governance statement. We undertake certain audit procedures which impact on the wider scope audit dimensions, both separately and as a consequence of our core financial statements audit work. We will report our findings on completion of our audit.

### Basis for risk assessment

The Code sets out an expectation that 'significant' risks identified through our planning process that relate to the wider scope dimensions will be communicated with you.

In undertaking our risk assessment in respect of the wider scope audit areas, we distinguish between the definition of 'significant risks' which apply to the audit of the financial statements, by referring in our report to 'Wider Scope Audit Focus Areas', where these have been identified.

### Outcome of risk assessment

We have identified financial sustainability at the College as a wider scope audit focus area for the year. The rationale for this focus is outlined in our audit consideration below. While we have not identified audit focus areas around the governance and transparency wider scope dimension, we still undertake audit procedures in respect of it. We will report accordingly our findings in respect of the following dimensions identified below.

## 2 Wider Scope Audit Risks (continued)

Audit dimension	Risk assessment	Rationale and response
<p><b>Financial sustainability</b> considers the medium and longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.</p>	<p><b>Wider scope audit focus area</b></p>	<p>In 2017/18 the College reported an actual accounting deficit of £0.46 million for the year (2016/17: £0.46 million deficit). Following actuarial gains of £5.7 million, the College reported total comprehensive income of £5.3 million (2016/17: £1.3 million surplus).</p> <p>In 2017/18 the College's forecasted underlying financial position through to 2023, outlined in its FFR, continued to deteriorate year on year, forecasting a cumulative £0.83 million underlying deficit over the next five years.</p> <p>The College was continuing to develop corrective actions to ensure ongoing financial sustainability, including development of the medium term financial strategy. The financial environment in which the College operates continues to be challenging, as is the case across the sector as financial pressures from pay bargaining and reduced funding settlements continue. As such we have identified this area as a wider scope area of audit focus.</p> <p>Our work for the year will consider:</p> <ul style="list-style-type: none"> <li>• Does the College have robust financial plans in place over the medium term? Are assumptions included in financial plans robust and appropriate and do they align to strategic and operational plans?</li> <li>• Where gaps in financial plans are identified is the College taking corrective action through savings plans and is the pace and scale of these actions sufficient to ensure financial sustainability?</li> </ul>

# 2 Wider Scope Audit Risks (continued)



Audit dimension	Risk assessment	Rationale and response
<p><b>Governance and transparency</b> is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p><b>Wider scope audit focus area</b></p>	<p>In our 2017/18 Annual Audit Report we concluded that the College had in place the key requirements for good governance. We concluded that the Governance Statement materially complied with the SFC's 2017/18 Accounts Direction. We did, however, note areas for improvement in relation to working arrangements between College management and governance committees.</p> <p>Our work for the year will consider:</p> <ul style="list-style-type: none"> <li>• Is the Governance Statement within the financial statements complete and does it reflect key findings from audit, scrutiny and inspection? Where non-compliance with the code of good governance is identified are appropriate mitigating actions in place and disclosed?</li> <li>• Progress against prior year audit recommendations from both internal and external audit, including the College's arrangements for ensuring these are monitored and reported on a routine basis.</li> <li>• Internal audit arrangements during 2018/19, including significant findings identified and the work done to address issues identified.</li> <li>• The quality of arrangements in place to support good governance at the College, including the results of the Board's self effectiveness review.</li> <li>• Arrangements to ensure there is sufficient transparency around governance and decision making arrangements at the College.</li> </ul> <p>In line with auditing standards, as part of our consideration of the College's governance arrangements this year, we will write to the Audit Committee to confirm how those charged with governance ensure oversight of management and appropriate governance arrangements are in place. This is not reflective of specific risks identified at the College but rather in line with our process to annually make formal inquiries beyond standard management meetings and representations.</p> <p>In 2018/19 the College is required to participate in Scotland's National Fraud Initiative ("NFI") exercise, whereby public bodies share financial information to identify possible fraudulent activity where monies may be recoverable. At the direction of Audit Scotland, we will consider the College's own self-assessment of how well NFI practices and culture is embedded and report back to Audit Scotland. We will report any significant findings to the Committee in our Annual Audit Report.</p> <p>Similar to 2017/18, Audit Scotland requires us to consider the adequacy of the College's preparations for EU withdrawal. This will include forming an overall judgement on the College's preparedness at 31 March 2019 and any subsequent updates.</p>

### **3. Timing and deliverables; fees**



# 3. Timing and deliverables



We deliver our audit in accordance with the timeline set by the College, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

	Audit Activity	Deliverable	Expected Timing
MAR	<ul style="list-style-type: none"> <li>➤ Review of current issues impacting the College throughout the audit process</li> </ul>	Periodic current issues return submission	22 March 2019 8 November 2019
APR			
MAY	<ul style="list-style-type: none"> <li>➤ Audit planning and setting scope and strategy for the 2018/19 audit</li> </ul>	Annual Audit Plan	21 May 2019
JUNE	<ul style="list-style-type: none"> <li>➤ Walkthrough visit</li> </ul>	Completion of internal documentation	29 April 2019
AUG	<ul style="list-style-type: none"> <li>➤ Review progress of the NFI exercise</li> </ul>	Submit NFI questionnaire	30 June 2019
SEPT	<ul style="list-style-type: none"> <li>➤ Year-end substantive audit fieldwork on unaudited financial statements</li> </ul>	Audited financial statements	October 2019
OCT			
NOV	<ul style="list-style-type: none"> <li>➤ Conclude on results of audit procedures and finalise Annual Audit Report</li> <li>➤ Issue opinion on the College's financial statements</li> </ul>	Issue Annual Audit Report Submit Audit Scotland minimum dataset request	31 December 2019
DEC			

### 3. Fees



The audit fee is determined in line with Audit Scotland's fee setting arrangements, set out in recent communications to all audited bodies in line with their publication on 'Our Approach to setting audit fees' ([http://www.audit-scotland.gov.uk/uploads/docs/um/audit\\_fee\\_approach.pdf](http://www.audit-scotland.gov.uk/uploads/docs/um/audit_fee_approach.pdf)).

<b>Audit fees</b>		
<b>Component of fee:</b>	<b>2018/19</b>	<b>2017/18</b>
<i>Auditor remuneration</i>	<b>£13,570</b>	<b>£13,260</b>
<i>Fee variation in respect of wider scope focus areas</i>	<b>£2,500</b>	<b>£2,710</b>
Pooled costs	<b>£780</b>	<b>£850</b>
Contribution to Audit Scotland costs	<b>£820</b>	<b>£740</b>
<b>Total fee</b>	<b>£17,670</b>	<b>£17,560</b>

We have agreed with management to set the auditor remuneration at £16,070 (2017/18: £15,970). This reflects the expected fee element. The total fee for the year is £17,670 (2017/18: £17,560). All fees noted are inclusive of VAT. Our audit fee has been adjusted to reflect the additional risks identified around the College's wider scope areas of focus, and additional audit work required in respect of the College's full estate valuation in 2018/19.

The Audit Scotland expected fee is based on the assumption of no additional risks or issues to the core financial statements beyond the presumed risks required by the financial statements, and no additional wider scope risks. There are a number of areas where additional risks and audit matters may arise beyond those anticipated at the time of planning, including national developments on the equalisation of pension benefits. Any areas of additional work will be discussed and agreed with the Director of Finance as they emerge.

The audit fee is based not only on there being no additional risks to the financial statement audit but also on the timely delivery of all required information, including high quality draft financial statements, data requests and supporting schedules, in line with agreed delivery dates. Should these deliverables not be met, or there be a need to modify our opinion on the financial statements, we will seek additional fees to reflect the additional audit time required. Any variation in fees will be highlighted and discussed with the Audit Committee.

# Appendices

**A – Code of Audit Practice: responsibilities**

**B – Independence report**

**C – Required communications with the audit committee**

The Code of Audit Practice (the Code) summarises the responsibilities on all audited bodies falling within the public sector audit framework. We summarise these on this page.

## Responsibilities of audited bodies

<b>Corporate governance</b>	<p>Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.</p>
<b>Financial statements and related reports</b>	<p>Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.</li> <li>• maintaining proper accounting records.</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.</li> </ul> <p>Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.</p> <p>Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<b>Standards of conduct / prevention and detection of fraud and error</b>	<p>Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<b>Financial position</b>	<p>Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• such financial monitoring and reporting arrangements as may be specified</li> <li>• compliance with any statutory financial requirements and achievement of financial targets</li> <li>• balances and reserves, including strategies about levels and their future use</li> <li>• how they plan to deal with uncertainty in the medium and longer term</li> <li>• the impact of planned future policies and foreseeable developments on their financial position.</li> </ul>
<b>Best Value</b>	<p>The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.</p>

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communication

Planning Stage	Final Stage
<ul style="list-style-type: none"> <li>➤ The principal threats, if any, to objectivity and independence identified by Ernst &amp;Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</li> <li>➤ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>➤ The overall assessment of threats and safeguards;</li> <li>➤ Information about the general policies and process within EY to maintain objectivity and independence.</li> <li>➤ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.</li> </ul>	<ul style="list-style-type: none"> <li>➤ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>➤ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>➤ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the audit or external experts used have confirmed their independence to us;</li> <li>➤ Written confirmation that all covered persons are independent;</li> <li>➤ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent reach of that policy;</li> <li>➤ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</li> <li>➤ An opportunity to discuss auditor independence issues.</li> </ul>

### Relationships, services and related threats and safeguards

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We are not aware of any relationships between Ernst & Young LLP and the College that may reasonably be thought to bear on our independence as of the date of this letter.

As part of our considerations for any non-audit engagement, we review potential threats in respect of self-interest, self-review, acting as management and advocacy. There are no non-audit services provided to the College at this time in 2018/19 (2017/18: nil).

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate any potential threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, your audit engagement partner and the audit engagement team have not been compromised.

Required communication	Our reporting to you
<p><b>Terms of engagement / Our responsibilities</b></p> <p>Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p>	<p>Annual Audit Plan</p>
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	<p>Annual Audit Report</p>
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Corrected misstatements that are significant</li> <li>• Material misstatements corrected by management</li> </ul>	<p>Annual Audit Report</p>
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• A discussion of any other matters related to fraud</li> </ul>	<p>Annual Audit Report</p>
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>

Required communication	Reference
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	<p>No such matters have been identified.</p> <p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p><b>Internal controls</b></p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>
<p><b>Representations</b></p> <p>Written representations we are requesting from management and/or those charged with governance</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>
<p><b>Material inconsistencies</b></p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>

## About EY

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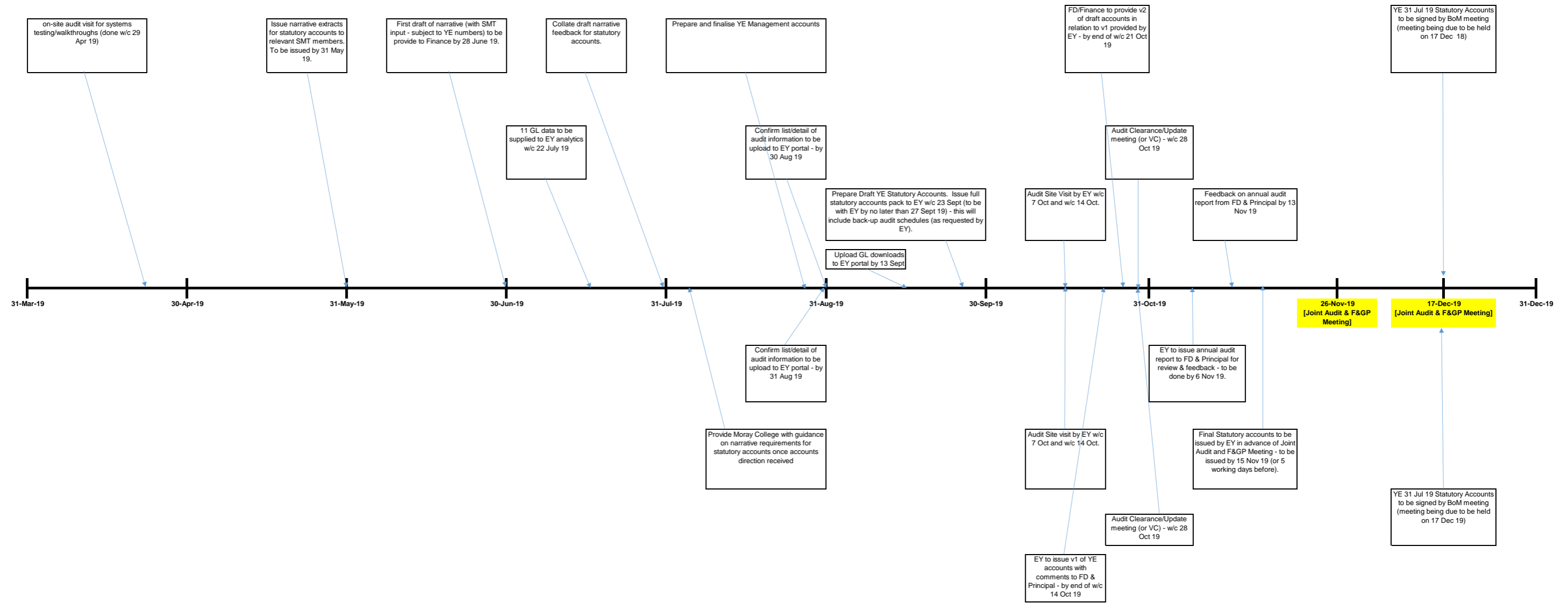
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**Moray College UHI - AY18/19 Audit Timeline**

**MORAY COLLEGE ACTIONS:**

**EY ACTIONS:**



Cover Paper – Risk Management Process/Procedure  
Agenda Item A.19.2.12 (i)



<b>Committee:</b>	Audit Committee			
<b>Subject/Issue:</b>	Risk Management Process/Procedure			
<b>Brief summary of the paper:</b>	Updated Risk Management Process/Procedure which has taken into consideration feedback from the recent internal audit review of this matter			
<b>Action requested/decision required:</b>	Approval from the Audit Committee of the revised Risk Management Process/Procedure.			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>	X	<b>Non-reserved:</b>	
<b>Date paper prepared:</b>	15 May 2019			
<b>Date of committee meeting:</b>	21 May 2019			
<b>Author:</b>	Director of Finance			
<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 (e.g. new opportunity) – please provide further information.	<p><b><u>Introduction</u></b></p> <p>Following the paper issued to the Audit Committee (“the Committee”) in February 2019, an updated final version of the Risk Management Process/Procedure (“RMP”) has been enclosed for the review and approval of the Audit Committee.</p> <p>The updated RMP has taken on board all suggested amendments following the internal audit review of the original document.</p> <p><b><u>Key Additions/Matters for Awareness</u></b></p> <p>The key areas for the Committee to be aware, with regards to comments noted as part of the internal audit are noted as follows:</p> <ul style="list-style-type: none"> <li>• <b>Appendix 2</b> - Risk Appetite being linked to residual/mitigated risk scoring.</li> <li>• <b>Section 4.1</b> (6<sup>th</sup> bullet-point aligned to Audit Committee) – recommendation from internal audit review that this should sit with the Audit Committee (was originally noted against F&amp;GP).</li> </ul>			

Cover Paper – Risk Management Process/Procedure  
Agenda Item A.19.2.12 (i)

	<ul style="list-style-type: none"> <li>• <b>Section 5.3</b> (final paragraph) – makes reference to an annual risk workshop (Board &amp; Executive). Going forwards this requires to be built into the annual schedule (i.e. part of annual Board development day).</li> <li>• <b>Section 5.5</b> (final paragraph) – the new Risk Register management information provides a summary of this (i.e. tiles), which highlights all risks and scores – so these can be easily identifiable and reviewed.</li> <li>• <b>Section 6</b> – In line with the suggestion from the internal audit the review period for this policy/procedure has been updated to be three years (was originally two years).</li> </ul> <p><b><u>Conclusion</u></b></p> <p>The enclosed document has taken on-board all feedback and suggestions following the recent internal audit review.</p> <p>Approval from the Committee is sought in respect of the revised document.</p>
<p><b>Equality and diversity implications:</b></p>	<p>N/A</p>
<p><b>Resource implications:</b> <i>(If yes, please provide detail)</i></p>	<p>N/A</p>
<p><b>Risk implications:</b> <i>(If yes, please provide detail)</i></p>	<p>Risks management policy and procedure not meeting the needs of the College and the Board.</p>



## **MORAY COLLEGE**

# **RISK MANAGEMENT PROCEDURE (INCORPORATING RM POLICY)**

*Date of most recent review: May 2019*  
*To be Approved by: Audit Committee*  
*Date of next review: May 2022*  
*Responsibility: Director of Finance*



## Moray College Risk Management Procedure

1. Introduction and Context
2. Leadership
3. Planning
4. Support
5. Risk Management Process
6. Improvement

Appendix 1 - Risk Management Policy

Appendix 2 – Risk Management Appetite Statement

Appendix 3 – References and Definition of Terms

# 1. Introduction and Context

## 1.1 Overview

This documents sets out the arrangements, roles and responsibilities for successful risk management in Moray College.

It helps the Board, Executive and staff understand what they must do, the tools they should use and how risk information is produced, shared and communicated.

The aims of the procedure are to:

1. Provide a simple, reliable process for risk management;
2. Enable the College to meet its legal duties;
3. Help the College meet its strategic objectives;
4. Ensure consistency of risk information; and
5. Establish clarity of roles and responsibility.

It is based on standard risk management framework as shown below.

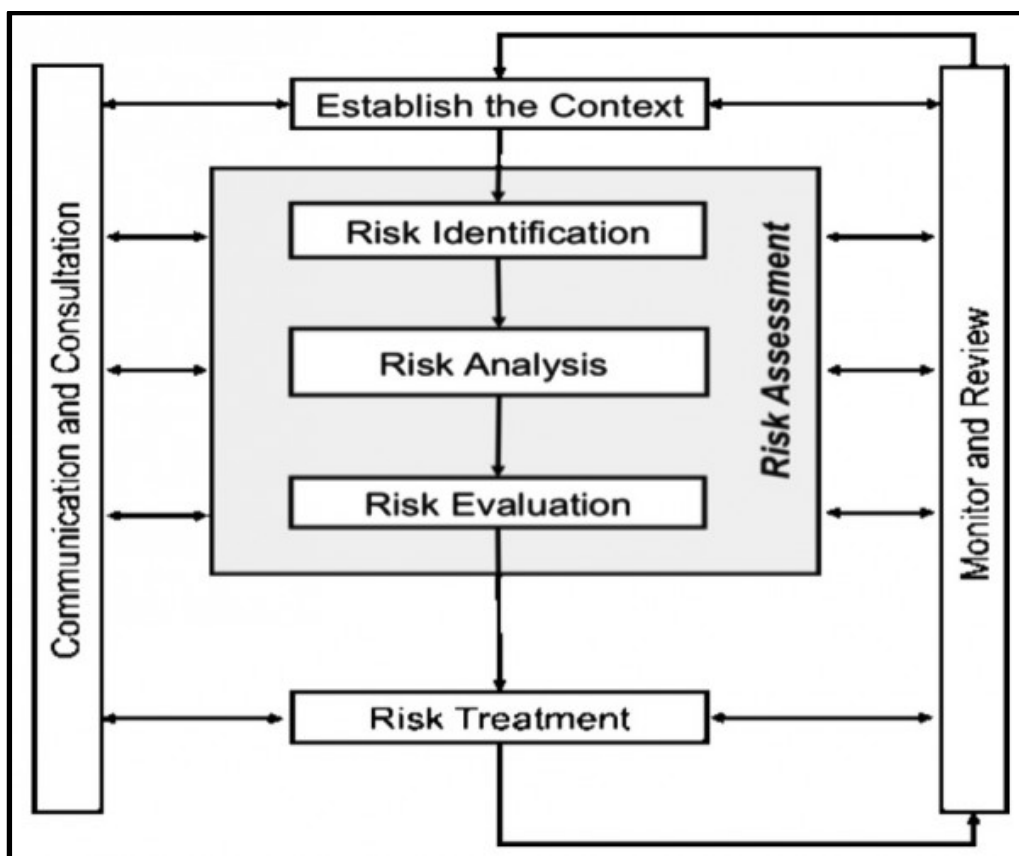


Figure 1: Risk Management Framework

## 1.2 Scope

It applies to the College as a whole, and all individual departments, all College activities and those external factors with a potential impact on the College.

## 1.3 Interface

There is an interface between this document and process, and the risk management arrangements of UHI. The College uses the UHI risk register template to record its risks. A number of risks are common across the UHI partners and are standard items on the College's risk register, with the College adding other risks as it sees fit to its risk register. The College's risk register is reviewed by UHI, along with the other partners' risks registers, by the Executive Office Risk Review Group.

Responsibility for ongoing management of this interface sits with the Director of Finance, Principal and Board.

## 1.3 Background

For risk management to be effective the full context in which it takes place needs to be understood.

This is presented in sections below.

### 1.3.1 UHI and Moray College

Based in the Highlands and Islands of Scotland, UHI is a distinctive partnership of 13 independent colleges (of which Moray College is one) and research institutions, is locally based and rooted in communities, but with national and international reach, as part of a regional university structure.

It is also the Regional Strategic Body for Moray College.

### 1.3.2 Scottish Funding Council (SFC)

The Financial Memoranda with colleges and universities set out the formal accountability relationship between SFC and institutions, and the requirements that institutions are expected to comply with in return for funding. Risk management is a part of these requirements.

SFC requires Colleges' to demonstrate robust governance, maintain a sound system of internal control and to ensure that the following key principles of effective risk management have been applied. Effective risk management:

- Covers all risks – including those of governance, management, quality, reputation and finance – but focuses on the most important risks.
- Produces a balanced portfolio of risk exposure.
- Is based on a clearly articulated risk appetite, policy and approach.
- Requires regular monitoring and review, giving rise to action where appropriate.
- Needs to be managed by an identified individual and involve the demonstrable commitment of the governing body and the executive leadership.
- Is embedded into normal business processes and aligned to the strategic objectives of the organisation.

SFC also requires Colleges to review at least annually the effectiveness of their system of internal control.



## 1.4 Moray College Risk Documentation

An indicative summary of the main documents that influence Moray College's risk management processes and the loose hierarchy that exists between them is illustrated below:



**Figure 2: Risk Management Documents**

## 1.5 Moray College Committees and Risk Structure

For the purposes of risk management, responsibility is aligned with the College's organisational structure:

- Board of Management
- Audit Committee
- Financial and General Purposes Committee
- Other Committees
- College Principal
- College Directors
- Staff

Responsibility for governance of the risk management process sits with the Board and its committees (the most senior of which being the Audit Committee). The College Principal and Financial Director are responsible for day-to-day implementation, with the support of other Directors and staff. It is the responsibility of all staff to identify the objectives of the activities, events and programmes they are implementing, consider the risks that may hinder them achieving these objectives (including legal considerations), and put in place appropriate mitigating actions.

## 1.6 Moray College Risk Appetite and Tolerance

Moray College has compiled a full risk appetite statement (see appendix 2) which sets out the risk tolerances it will accept or will not accept.

## 1.7 Moray College Risk Categories

To make the process efficient the College classifies all its risks into the one of the following Risk Categories:

- Academic – anything related to the teaching and learning experience;
- Financial – anything related to the financial life of the College;
- Reputation – anything related to how the College is perceived;
- Compliance – anything related to law, regulation or formal commitments;
- Organisational – anything within the College that isn't financial or academic in nature.; and
- External – anything outwith the College that has an effect

## 2. Leadership

### 2.1 Policy

This procedure implements the Moray College Risk Management Policy, which is included in Appendix 1.

### 2.2 Approvals and ownership

The responsibility for producing and approving this procedure is set out in the table below:

<b>Role</b>	<b>Responsible</b>
<b>Procedure Approval</b>	Moray Board
<b>Procedure Review</b>	Director of Finance College Principal Moray Board
<b>Procedure Author</b>	Audit Committee

**Table 2: Approvals and Ownership**

## 3. Planning

### 3.1 Objectives

The objectives of this procedure are as follows:

1. Provide a simple, reliable process for risk management;
2. Enable the College to meet its legal duties;
3. Help the College meet its strategic objectives;
4. Ensure consistency of risk information; and
5. Establish clarity of roles and responsibility.

### 3.2 Risks

Although Risk is at the core of this document, it needs to be clear what the risks are to the implementation of this procedure and what controls are in place to ensure it is effectively applied.

This is summarised in the table below:

Objective	Risk	Control
<p><b>Provide a simple, reliable process for risk management that staff are aware of, understand and comply with</b></p>	<ul style="list-style-type: none"> <li>• The RM process is not clear or too complicated.</li> <li>• Staff do not know where the RM Procedure is.</li> <li>• Staff do not understand how the RM Procedure applies to them.</li> <li>• Staff do not comply with the RM Procedure.</li> </ul>	<p><b>Possible controls could include:</b></p> <p>Review of RM Procedure by Audit Committee for adequacy.</p> <p>RM Procedure stored in central location.</p> <p>Training provided to senior staff and others as considered necessary to help to embed RM within their areas.</p>
<p><b>Help the college meet its strategic objectives and legal duties</b></p>	<ul style="list-style-type: none"> <li>• Risks relating to achievement of strategic objectives have not been identified and / or appropriate mitigating controls have not been put in place.</li> <li>• No formal link between college strategy and risk management which makes it difficult to determine whether risks relating to strategic objectives are adequately covered.</li> </ul>	<p>Risk register is constantly reviewed to ensure it covers strategy items, and the risk management process considers new risks relating to strategic objectives.</p>
<p><b>Ensure consistency of risk information</b></p>	<ul style="list-style-type: none"> <li>• College risk register template is used inconsistently by those updating risks due to lack of guidance on how to use/complete the documentation and lack of definitions.</li> </ul>	<p>The Risk Management Procedure sets out definitions and how to use the College Risk Register. Senior management that update the College risk register are aware of how to update it.</p>
<p><b>Establish clarity of roles and responsibility</b></p>	<ul style="list-style-type: none"> <li>• People unaware of responsibilities.</li> </ul>	<p>The RM Procedure sets out roles and responsibilities. These are embedded through training for senior staff who should cascade this training through their teams to ensure staff are aware of their responsibilities.</p>

**Table 3: Risks to Implementing the Procedure**

### 3.3 Opportunities

At all times when implementing this procedure, or any aspect of risk management, positive opportunities should be considered and recorded.

## 4. Support

### 4.1 Roles and Responsibilities

The following table summarises the responsibilities of various roles with reference to risk.

<b>Role</b>	<b>Specific Responsibilities</b>
<b>Board</b>	<ul style="list-style-type: none"><li>• Setting the College's Risk Appetite and ensuring ongoing governance of the risk management process.</li><li>• Ensuring Audit Committee performs as per standing orders.</li><li>• Approve major decisions affecting the College's risk profile or exposure.</li><li>• Periodic/Annual review of the risk register.</li></ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"><li>• Development of the Risk Management Process.</li><li>• Regular review of the College Risk Register for completeness (are all risks that should be on it there), accuracy (are the likelihood and probability scores reasonable), adequacy of controls, and discussion on actions being undertaken to mitigate risks that have been identified as being over the College's risk appetite.</li><li>• Monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact.</li><li>• Annually review the College's approach to risk management and approve changes or improvements to key elements of its risk processes and procedures.</li><li>• Providing assurance of the College's Risk Management process to the Board as per committee's standing orders.</li><li>• Consider and advise the Board about the College's approach to risk management and business continuity.</li></ul>
<b>Other Committees</b>	<ul style="list-style-type: none"><li>• Identify risks, understand controls and seek appropriate assurances from management in relation to key areas of risk that relate to areas under their remit.</li><li>• Escalation to the risk register of items where considered necessary.</li></ul>
<b>College Principal</b>	<ul style="list-style-type: none"><li>• Responsible for Implementing the Risk Management Policy.</li></ul>

<b>Directors</b>	<ul style="list-style-type: none"> <li>• Identification, ownership and management of risks as per their department's responsibilities.</li> </ul>
<b>Director of Finance</b>	<ul style="list-style-type: none"> <li>• Owner of the Risk Register and responsible for taking to the SLT for discussion and ensuring that all agreed updates have been made.</li> <li>• Management of specific risks as per their department's responsibilities.</li> </ul>
<b>Internal Auditor</b>	<ul style="list-style-type: none"> <li>• Production of Audit Reports as per agreed remit which provide assurance over certain risks.</li> <li>• Considering risks as part of drawing up their Audit Needs Assessment, three year strategic internal audit plan and annual internal audit plan, which are all risk based. The audit assignments undertaken are focussed on areas of higher risk.</li> <li>• Reporting their findings on the adequacy of risk management and internal controls to the Audit Committee.</li> </ul>
<b>External Auditor</b>	<ul style="list-style-type: none"> <li>• Providing an opinion on the financial statements and considering financial, and some non-financial, risks as part of their work.</li> <li>• Reporting their findings to the Audit Committee.</li> </ul>

**Table 4: Roles and Responsibilities**

## 4.2 Competence

Competence is the skills, knowledge and experience required to perform a particular function, role or task.

Board and committee membership is planned to provide a balanced blend of competent people. Auditors and other external parties are appointed and competent within their particular role. In terms of risk management, competence of Directors and senior staff shall be ensured by a formal roll out of the risk management process and training.

## 4.3 Training

An introduction and overview of the risk management process shall be provided for those involved in risk management (Board, Principal and Directors).

The Directors will be responsible for providing an overview of the relevant parts of the risk management process to their staff as required/appropriate.

## 4.4 Communication

Communication is an essential part of good risk management. The arrangements for this on an ongoing basis are presented in section 5.8.

## 4.5 Documents

In addition to the policy, appetite statement and procedure, the main document resource is the risk register. The template for the risk register is provided by UHI for use by the College.

## 5. Risk Management Process

### 5.1 Overview and Framework

The main framework for conducting risk management is shown below. It is based on a standard plan-do-check-act cycle.

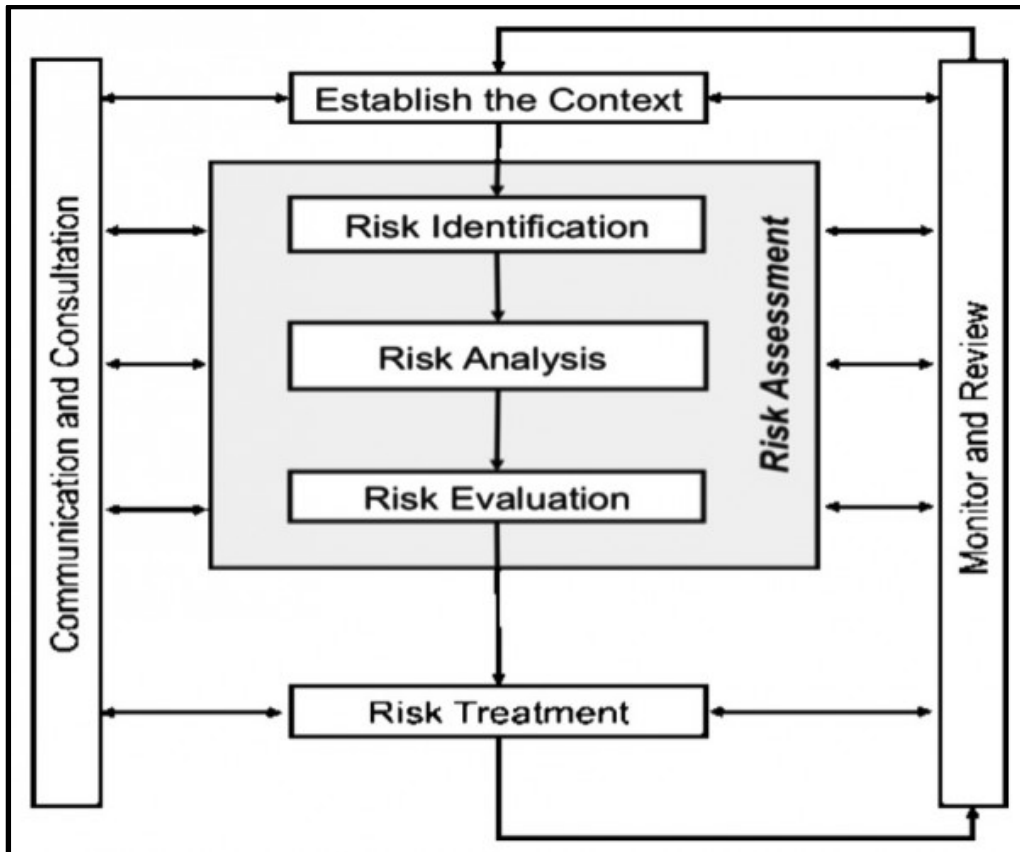


Figure 3: Risk Management Process

### 5.2 Risk Context

All risks must be understood in the wide context of the College's activities and objectives. The most important input to context are:

- Financial Memorandum
- College Strategic Plan
- Appetite - Summary across the main college areas of what it plans to embrace in terms of risk

### 5.3 Risk Identification

With the full context understood, the first active stage of the process is risk identification.

Risks should be identified and recorded as they arise or are recognised in the normal course of College business. They may be identified by anyone during planning/operational meetings or through more formal means such as:

- Existing risk registers;
- College Board Papers – all Board Papers have a section for describing risks relating to the paper's content
- College committee papers – all Committee papers have a section for describing risks relating to the paper's content;
- College documents;
- UHI documentation;
- Other College Risks;
- Board and Senior Management Risk Workshop;
- Sector Benchmarking;
- Political Events; and
- SFC Communications.

Director and Staff – where a member of staff considers there is a new risk they should escalate this to their Director (via line management if required).

Where Directors identify risks these should be raised with the SLT for consideration of whether to add to the risk register. This may be done at a SLT meeting, or if more urgent, should be discussed with Directors and the Principal before the next SLT meeting.

All risks shall be recorded in the risk register under the provisions of the process which is owned by the Financial Director (template provided by UHI).

The bulk of risk identification shall be done through the means listed above. In addition to this time there shall be an annual risk workshop involving the Board and Executive. The timing of this shall be agreed between the Audit Committee, Financial Director, Principal and Board Chair.

## 5.4 Risk Analysis

In order to understand the risks that have been identified, each risk identified should be given an estimation of both potential impact and likelihood using the tables noted below:

IMPACT - CRITERIA		TIMESCALE 3 YEARS		
Score	Descriptor	Financial	Operational	Reputational (need to link to communications process for incident management)
5-Catastrophic	A disaster with the potential to lead to: <ul style="list-style-type: none"> <li>loss of a major UHI partner</li> <li>loss of major funding stream</li> </ul>	> £500,000 or lead to likely loss of key partner	<ul style="list-style-type: none"> <li>Likely loss of key partner, curriculum area or department</li> <li>Litigation in progress</li> <li>Severe student dissatisfaction</li> <li>Serious quality issues/high failure rates/major delivery problems</li> </ul>	<ul style="list-style-type: none"> <li>Incident or event that could result in potentially long term damage to UHI's reputation. Strategy needed to manage the incident.</li> <li>Adverse national media coverage</li> <li>Credibility in marketplace and with stakeholders significantly undermined.</li> </ul>
4-Major	A critical event which threatens to lead to: <ul style="list-style-type: none"> <li>major reduction in funding</li> <li>major reduction in teaching/research capacity</li> </ul>	£250,000 - £500,000 or lead to possible loss of partner	<ul style="list-style-type: none"> <li>Possible loss of partner and litigation threatened</li> <li>Major deterioration in quality/pass rates/delivery</li> <li>Student dissatisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Incident/event that could result in limited medium – short term damage to UHI's reputation at local/regional level.</li> <li>Adverse local media coverage</li> <li>Credibility in marketplace/with stakeholders is affected.</li> </ul>
3-Significant	A Significant event, such as financial/operational difficulty in a department or academic partner which requires additional management effort to resolve.	£50,000 - £250,000	<ul style="list-style-type: none"> <li>General deterioration in quality/delivery but not persistent</li> <li>Persistence of issue could lead to litigation</li> <li>Students expressing concern</li> </ul>	<ul style="list-style-type: none"> <li>An incident/event that could result in limited short term damage to UHI's reputation and limited to a local level.</li> <li>Criticism in sector or local press</li> <li>Credibility noted in sector only</li> </ul>
2-Minor	An adverse event that can be accommodated with some management effort.	£10,000 - £50,000	<ul style="list-style-type: none"> <li>Some quality/delivery issues occurring regularly</li> <li>Raised by students but not considered major</li> </ul>	<ul style="list-style-type: none"> <li>Low media profile</li> <li>Problem commented upon but credibility unaffected</li> </ul>
1-Insignificant	An adverse event that can be accommodated through normal operating procedures.	<£10,000	<ul style="list-style-type: none"> <li>Quality/delivery issue considered one-off</li> <li>Raised by students but action in hand</li> </ul>	<ul style="list-style-type: none"> <li>No adverse publicity</li> <li>Credibility unaffected and goes unnoticed</li> </ul>

LIKELIHOOD CRITERIA		TIMESCALE 3 YEARS	
Score	Descriptor	Probability	
5-Almost Certain	More than likely – the event is anticipated to occur	>80%	
4-Likely	Fairly likely – the event will probably occur	61-80%	
3-Possible	Possible – the event is expected to occur at some time	31-60%	
2-Unlikely	Unlikely – the event could occur at some time	10-30%	
1-Very Rare	Remote – the event may only occur in exceptional circumstances	<10%	

RISK MAP (for Gross risk & residual risk)		TIMESCALE 3 YEARS				
IMPACT						
5 - Catastrophic		5	10	15	20	25
4 - Major		4	8	12	16	20
3 - Significant		3	6	9	12	15
2 - Minor		2	4	6	8	10
1 - Insignificant		1	2	3	4	5
		1 - Very Rare	2 - Unlikely	3 - Possible	4 - Likely	5 - Almost Certain
LIKELIHOOD						

There are two types of risk scores in the risk register.

- **Gross risk:** this relates to the risk scores before controls have been applied. This is important because it shows the extent of exposure to risk the College has if no mitigating actions/controls put in-place or these actions/controls fail; and
- **Residual risk:** this relates to the risk scores after controls have been applied.



## 5.5 Risk Evaluation

Risk Evaluation is about deciding if the risks that have been analysed are within the Risk Appetite set by the College in its risk appetite statement.

This can be done reasonably quickly using the matrix and overlaying the appetites (based on the category of risk appetites as set out in Appendix 2).

There is often some ambiguity or scope for interpretation, but the judgement of the range of senior personnel involved in the risk process should be sufficient to prevent incorrect/inaccurate evaluation. This shall be recorded in the risk register by the Financial Director/SLT.

Where risks are outwith their risk appetite then these shall be highlighted to the Audit Committee and the Audit Committee will be provided with information about what controls are in place and being put in place.

## 5.6 Risk Treatment

### 5.6.1 Risk Treatment Options

Once all risks have been analysed and evaluated, the next step is to decide what to do about them.

There are various ways of describing risk treatment options, one of the simplest and most commonly used is set out below:

- Tolerate – accept the risk as it is and do nothing about it
- Treat – actively do something to reduce the risk
- Transfer – pass the responsibility to some else (e.g. insurance)
- Terminate – stop the activity or situation that creates the risk

Each risk shall be allocated one of the treatment options above.

It is the responsibility of the risk register owner to decide on risk treatment options.

Key risk treatment and mitigation actions shall be recorded in the risk register by the SLT.

### 5.6.2 Risk Owner

Each risk shall have a nominated 'Owner', a person responsible for managing the risk and ensuring the treatment controls are implemented.

It is the responsibility of the risk register owner (Finance Director) to decide on individual risk owners (Must be one of the Directors or Principal).

The risk owner should not be assigned to a group. If a risk is assigned to more than one person as risk owner it must make clear which part of the risk is being managed by which person.

This shall be recorded in the risk register.

### 5.6.3 Risk Treatment Controls

Based on the risk treatment option, each risk shall have a control measure or measures. These are controls/treatments in place intended to reduce the level of risk, either the likelihood, the impact or both.

All actions shall be:

- Specific – clear and concise
- Measurable – capable of being measured and monitored
- Agreed – they should have a consensus of opinion behind them
- Realistic – they should be based on the context and ‘real world’ of the college
- Timetabled – they should have dates for delivery

There may be a number of controls for each risk, and each control may have a different person(s) responsible for implementing the control but the risk owner has responsibility for ensuring these people have adequate controls in place which are working effectively.

The impact and likelihood of the risks after taking into account the effect of the controls shall also be assessed using the matrix previously described, to produce the ‘*residual risk*’ level.

This shall be recorded in the risk register by the Finance Director.

### 5.7 Monitor and Review

Ongoing monitoring and review of the effects of risk management efforts is required.

This takes place in the following:

- Monthly departmental risk register reviews conducted by Directors and the Principal at SLT meetings;
- Board Meeting Reviews
- Audit Committee reviews of the risk register;
- Financial and General Purpose Committee Reviews;
- Internal and External Audits;
- Periodic reviews by internal audit on the risk management framework
- UHI Interface Reviews (i.e. UHI Partnership Council, UHI Court);
- Annual Risk Management reviews;

The outputs of these reviews may result in changes to the risk register or further work including requiring further controls or actions to be undertaken and inserted into the action plan section of the risk register.

### 5.8 Communication and Consultation

The other ongoing process is communication and consultation.

The main medium for communication is the risk register, however this can be tailored into more meaningful and efficient ‘chunks’ of information depending on who is receiving it:

- Summaries – written reports based on the register contents e.g., on a particular topic;

- RAGs – a ‘traffic light’ summary of risks into red, amber and green to aid the understanding of what is a problem and what is not.
- Top Ten – highlighting the main risks.

These may be prepared and should be shared appropriately with all who have an involvement in the process, and with those affected by the College’s risks.

Each risk owner shall have a plan/approach for communication of information, and receiving feedback/new information and ideas from people. In practice this may be done during risk reviews or departmental meetings.

## 6. Improvement

The College aims to continually improve its risk management arrangements and will update this document every three years as a minimum or in response to a formal request from the Board.

## Appendix 1 - Risk Management Policy

### **Moray College Risk Management Policy**

#### **Overview**

Risk is present throughout the College, in its buildings, equipment, policies, systems, processes, staff, students and visitors.

The College recognises that the management of risk is vital to good management practice. It must be an integral part of all the functions and activities of an organisation. The purpose of the College's Risk Policy is to develop a consistent approach towards risk across the institution and outline processes for recognising, analysing and dealing with risks as well as assuring the effectiveness of the identified processes.

The Risk Policy is designed to enable the College to minimise the frequency and effect of adverse incidents arising from risks and to identify improvements in procedures and service delivery in order to ensure the efficient and effective use of public funds.

The management of risks includes the culture, processes and organisational structures, which contribute to the effective management of potential opportunities, threats and adverse incidents.

#### **Implementation**

Overall responsibility for risk management within the College lies with the Principal, with responsibility for implementation within Directorates delegated to the Executive Directors.

The Audit Committee is a committee of the Board of Management and has responsibility for assessing the effectiveness of risk management. The Audit Committee reports on the arrangements for risk management to the Board of Management.

The College shall maintain a live register (owned by the Finance Director) which is updated for each Board Meeting and formally reviewed in separate risk workshop on an annual Basis.

## Appendix 2 – Risk Management Appetite Statement

The College's approach is to minimise its exposure to reputational, compliance and financial risk, whilst embracing opportunities and accepting well-managed risk in pursuit of its mission and objectives.

It recognises that its appetite for risk varies according to the activity undertaken, and that its acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

The College's appetite for risk across its activities is provided in the following statements:

- **Academic – Low/Medium-Low (i.e.  $\leq 8$  net risk score)**

The College wishes to stimulate students to develop a lifelong thirst for knowledge and learning, and encourage a pioneering innovative and independent attitude and an aspiration to achieve success.

This involves an increased degree of risk in developing education and the student experience, and is comfortable in accepting this subject to ensuring that they are fully understood before developments are authorised, and that sensible mitigation measures are established.

- **Financial – Low (i.e.  $\leq 6$  net risk score)**

The College aims to maintain its long-term financial viability and manage its finances within an effective system of financial control. Targets for financial achievement will be set and reviewed by the Board. The College will aim to operate within these boundaries with a low appetite for income deviations of  $> \pounds 50k$  unless approved by the Board.

- **Reputation – Low (i.e.  $\leq 6$  net risk score)**

It is critical that the College preserves its high reputation. The College therefore has low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy, could lead to undue adverse publicity, or could lead to loss of confidence by the Regional Strategic Body, Partners and Stakeholders and Government.

- **Compliance – Low (i.e.  $\leq 6$  net risk score)**

The College places great importance on compliance, and has no appetite for any breaches in statute, regulation, professional standards, ethics, bribery or fraud. It wishes to maintain accreditations related to courses or standards of operation, and has low appetite for risk relating to actions that may put accreditations in jeopardy

- **Organisational - Low/Medium-Low (i.e.  $\leq 8$  net risk score)**

The College aims to value, support, develop and utilise the full potential of our staff to make the College a stimulating and safe place to work. It places importance on a culture of academic freedom, equality and diversity, dignity and respect, collegiality, annual reviews, the development of staff, and the health and safety of staff, students and visitors. It has low appetite for any deviation from its standards in these areas.

Major change activities are required periodically to develop the College. The College expects such changes to be managed according to best practice in project and change management, and has low appetite for deviating from such standards.

The College also aims to make a significant, sustainable, and socially responsible contribution to the region, Scotland, the UK and the world. This may involve risks and the College is comfortable in accepting this, subject to ensuring that they are fully understood before developments are authorised, and that sensible mitigation measures are established.

- **External**

As the College has no/little ability to influence these it is not appropriate to provide a risk appetite. Instead, the College aims to identify and monitor those risks from outwith the College that could affect its ability to function and deliver.

### Appetite Evaluation

In order to evaluate any particular event or undertaking against the risk appetite statement, the College's risk matrix is used. Low appetite corresponds to the perceived level of risk being in the Green Zone on the matrix, medium being in the Amber zone, and high appetite being in the Red Zone.

RISK MAP (for Gross risk & residual risk)	TIMESCALE 3 YEARS				
<b>IMPACT</b>					
5 - Catastrophic	5	10	15	20	25
4 - Major	4	8	12	16	20
3 - Significant	3	6	9	12	15
2 - Minor	2	4	6	8	10
1 - Insignificant	1	2	3	4	5
	1 - Very Rare	2 - Unlikely	3 - Possible	4 - Likely	5 - Almost Certain
	<b>LIKELIHOOD</b>				

## Appendix 3 - References and Definition of Terms

### References

Moray College References (not exclusively):

- Financial Memorandum
- Regional Outcome Agreement
- Committee Standing Orders
- College Strategy
- Risk Appetite Statement
- Risk Management Policy

UHI References (not exclusively):

- Committee Standing Orders
- Risk Documents
- Strategy

Other References:

- AIRMIC – A Structured Approach to Enterprise Risk Management and the Requirements of ISO 3100
- ISO 31000 - Risk Management
- SFC – Accounts Direction for Scotland’s colleges 2016/2017

### Definition of Terms

- Board - means the Board of Management of Moray College
- College - Moray College UHI;
- Gross Risk – level of risk before action taken
- Likelihood – probability of an event
- Impact – effect of an event
- Residual Risk – level of risk after action taken
- Risk - Risk can be defined as the combination of the probability of an event and its consequences
- Risk Categories – the different groups of risks
- Risk Register – main document containing information about the College’s risks
- Risk Owner – individual responsible for a risk and its management
- Risk Action – activity taken to mitigate a risk
- Risk Appetite – the level of risk the College is prepared to embrace in pursuit of its objectives
- Risk Appetite Statement – summary of the college’s appetite and tolerance
- Risk Tolerance – specific limits in relation to what the college will accept concerning risk
- SFC means the Scottish Funding Council
- Tolerate – a risk treatment option: accept the risk as it is without action
- Treat – a risk treatment option: take action to mitigate the risk
- Terminate a risk treatment option: stop the activity that is creating the risk
- Transfer – a risk treatment option: pass on the risk e.g. insurance

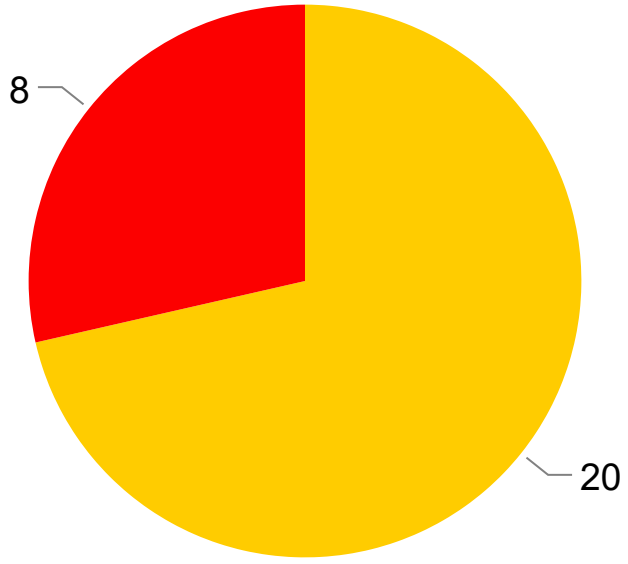
- UHI – University of the Highlands and Islands
- UHI 'Regional strategic body' means the University of the Highlands and Islands in its role as a regional strategic body.



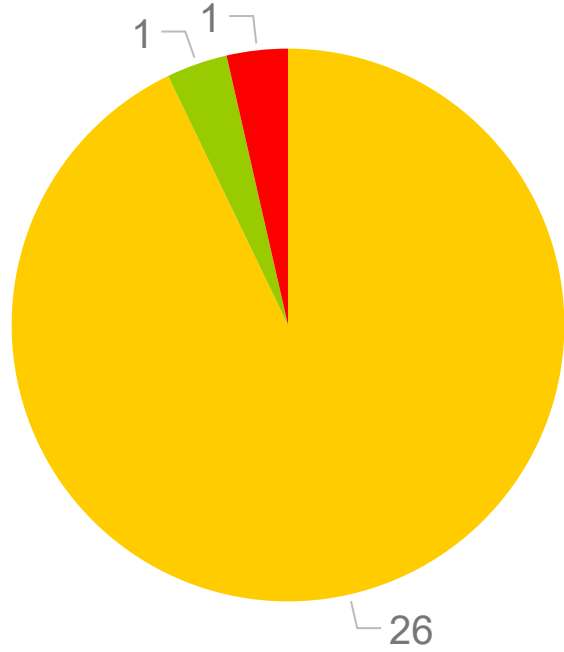
# Overall Active UHI Risks:Impact

Academic Partner: All | Department/Project: All

Count of Gross Colour by Gross Colour



Count of Res Colour by Res Colour



- Risk Register
- Academic
  - Argyll College UHI
  - Assembly Programme Board
  - City Region Deal
  - Development Office
  - EDU
  - Finance
  - Further Education
  - Governance & RM
  - Highland Theological College...
  - Human Resources
  - Inverness College UHI
  - Key Accounts
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  - Orkney College UHI
  - Perth College UHI
  - Principal & Secretary's Office
  - Research
  - Residences
  - Residences Project
  - Sabhal Mor Ostaig
  - SAMS
  - Shetland College UHI
  - Student Services

Risk Status

Active ▼

# RISK MAP (for Residual risk)



## Risk Register

- Academic
- Argyll College UHI
- Assembly Programme Board
- City Region Deal
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- EDU
- Finance
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- Residences Project
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- SAMS
- Shetland College UHI
- Student Services
- West Highland College UHI

## Risk Status

Active ▼

# Summary of the actual register entries for all the active risks where the residual impact score is >=12

Ref ID	Risk Description	Causes	Impacts Evidence	Modified	Owner
Moray /21	College estate not fit for purpose.	Lack of investment in capital maintenance/new capital project expenditure. Rapid growth of student population without investment in new expanded facilities.	Poor performance in NSS, increased number of complaints received, unable to meet new growth targets.	12/02/2019 21:27:47	FD
Moray /026	Failure to seize the financial, reputational and developmental benefits offered by the Moray Growth Deal.			12/02/2019 21:53:24	Principal
Moray /026	Failure to seize the financial, reputational and developmental benefits offered by the Moray Growth Deal.			28/11/2018 12:56:39	DIPSS

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Risk Status

Active ▼

# Summary of the actual register entries for all the active risks where the residual impact score is >=12

Residual Likelihood	Residual Impact	Residual Risk	Actions To Minimize	Future Mitigating Actions	Action Owner	Completion Date	Future Mitigating Actions 2
3	5	15	<p>Continue to work with region and SFC regarding campus redevelopment plans.</p> <p>Maximise funding of Backlog Maintenance awarded for 18/19 for the benefit of the Colege estate - in-line with SFC Survey findings.</p> <p>Develop plan for prioritising backlog maintenance works, in-light of recent SFC Condition Report funding.</p> <p>Update Estates Strategy Action Plan and priority list of essential works required - to include a rolling 5 year programme of statutory maintenance work requirements.</p>	<p>Implement spend of SFC Backlog maintenance funding in-line with SFC guidance, and ensure all funds committed to be 31 March 2019.</p>	31/03/2019 00:00:00	FD	Prioritise allocation of annual capital/
3	4	12	<p>Ensure adequate resourcing, governance, and partnership support is in place for the college's involvement in the Moray Growth Deal</p>	<p>Secure support for, and allocate sufficient resource to, the development of outline and final business cases for the project</p>	29/04/2018 23:00:00	Principal	Ensure appropriate governance is in p
3	4	12	<p>Ensure adequate resourcing, governance, and partnership support is in place for the college's involvement in the Moray Growth Deal</p>	<p>Secure support for, and allocate sufficient resource to, the development of outline and final business cases for the project</p>	29/04/2019 23:00:00	Principal	Ensure appropriate governance is in p

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Risk Status

Active ▼

# Summary of the actual register entries for all the active risks where the residual impact score is >=4

Ref ID	Risk Description	Causes	Impacts Evidence	Modified	Owner
Moray /01	Ineffective curriculum planning (College + Region)	Poor demand awareness/ineffective employer engagement, Ineffective evaluation of learning and teaching. Ineffective resultant action plan. Poor workforce planning/recruitment.	Student numbers/progression/attainment/student satisfaction Learner surveys, reputational risk, low student numbers	12/02/2019 21:03:37	DCAO
Moray /05	Ineffective business continuity planning	"Major incident, pandemic, major fire/flood, terrorist activity, ICT loss of service"	Disaster Recovery Plans, dry test runs	12/02/2019 21:11:45	DIPS
Moray /06	Ineffective and lack of employer & external stakeholder engagement	Not enough Resources, lack of knowledge of industry requirements, poor partnership working,	Employer Engagement Heat Map, stakeholder/partner feedback, poor curriculum planning not reflecting the needs of local industry, not meeting employer demand, constraint on income generation	12/02/2019 21:46:31	DCAO
Moray /07	Failure to develop a student performance management system	Lack of availability of real-time easily accessible reports that allow monitoring of financial, and academic performance	Lack of effective planning, monitoring and control of applications, enrolments, and quality performance indicators	12/02/2019 21:12:53	DIPS
Moray /08	Ineffective delivery of essential skills	Not sufficiently contextualising core skills with key employability skills within curriculum as part of the learner experience. Core Skills team stretched in terms of ability to meet requests.	Performance KPIs, low student attainment, low student progression, failure to achieve adequate levels of student achievement and satisfaction.	12/02/2019 21:13:55	DLT
Moray /12	Failure to attract, develop and retain a workforce fit for the 21st century in a tertiary teaching context and adapting to necessary change.	Poor performance management of competence issue, pace of curriculum development, excessive demand on CPD, lack of staff capability, poor workforce planning, affordability	Workforce Planning and Development Strategy, inability to compete, loss of business and reputation, failure to achieve adequate levels of student achievement and satisfaction.	12/02/2019 20:16:20	HR D
Moray /18	Non-compliance with relevant statutory regulations.	Lack of awareness of relevant laws and penalties. Management failures. E.g. new General Data Protection Regulation from 25th May 2018, Bribery Act, Health and Safety Regulations etc.	GDPR will provide new rights for individuals and impose additional obligations on data controllers and processors. GDPR will also introduce an increased penalty framework for non-compliance/data breaches and includes new requirements for authorities to ensure that they maintain evidence to demonstrate compliance with the Law.	12/02/2019 20:31:34	DIPS

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  - West Highland College UHI

Risk Status

Active ▼

# Summary of the actual register entries for all the active risks where the residual impact score is >=4

Residual Likelihood	Residual Impact	Residual Risk	Actions To Minimize	Future Mitigating Actions
2	4	8	<p>College exceeded year 2 of FRP, and College now has a 4 Year Financial Plan in-plcae, with a focus on sustainability (not recovery). Open dialogue between FD and F&amp;GP, with a 'no surprises' culture. Agreed reporting pro-forma/mechanism for quarterly accounts with F&amp;GP and Board.</p> <p>Development of non-funded income and maximising non SFC income streams (i.e. Whisky CPD, Summer Camp, FWDF etc).</p>	Development of streamlined cost centre performance monitoring, to identify areas which require assistance/re
2	4	8	<p>Continual review of curriculum as part of planning ahead for the next academic year, to ensure that a high quality and effective curriculum is offered by Moray College.</p> <p>Carry out FE course reviews with HOC's to identify areas which require assistance/development of curriculum, and ensure appropriate actions taken.</p> <p>Carry out quality cycle actions to enable informed curriculum planning.</p>	Implement FE curriculum strategy design principles.
2	4	8	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 & HE.	Develop reporting that meets the needs for student management - explore capabilities of SITS to deliver stream parties (i.e. SLT, HOAC, etc).
2	4	8	Implement a Policy Framework and Review Schedule across the college.	Conduct regular house-keeping review of internal policies (at least annually). Currently reviewing existing polici
2	4	8	Implement an effective structure to monitor employer engagement , act on all appropriate opportunities timeously as they emerge and ensure effective UHI partnership working.	Implement curriculum strategy
2	4	8	Ongoing review of curriculum, workforce planning and CPD based on curriculum developments, performance and capability management, management development,	Revise and implement workforce planning and development strategy

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Risk Status

Active ▼

Cover Paper – Review of Risk Register  
Agenda Item A.19.2.12 (ii)



<b>Committee:</b>	Audit Committee			
<b>Subject/Issue:</b>	Review of Risk Register			
<b>Brief summary of the paper:</b>	Update on current position of the Risk Register			
<b>Action requested/decision required:</b>	Feedback from Audit Committee on the current position of the Risk Register.			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>		<b>Non-reserved:</b>	X
<b>Date paper prepared:</b>	15 May 2019			
<b>Date of committee meeting:</b>	21 May 2019			
<b>Author:</b>	Director of Finance			
<p><b>Link with strategy:</b></p> <p>Please highlight how the paper links to, or assists with:</p> <ul style="list-style-type: none"> <li>compliance</li> <li>partnership services</li> <li>risk management</li> <li>strategic plan/enabler</li> <li>other activity (e.g. new opportunity) – please provide further information.</li> </ul>	<p>The current version of the College’s Risk Register (“RR”) is enclosed – this being in the form of the management information extracted from the recently implement UHI Risk Register package.</p> <p><b><u>Update</u></b></p> <p>The College recognises that Brexit may raise/present risks which previously would not have impacted the College.</p> <p>The Principal, along with members of SLT, recently met with Michael Russell (Scottish Brexit Minister) and Richard Lochhead (Scottish Minister for FE &amp; HE) to discuss potential impacts of Brexit on the College and the wider educational sector.</p> <p>Brexit is shown on the College RR (Moray_28).</p>			
<b>Equality and diversity implications:</b>	N/A			
<b>Resource implications:</b> <i>(If yes, please provide detail)</i>	N/A			

Cover Paper – Review of Risk Register  
Agenda Item A.19.2.12 (ii)

<p><b>Risk implications:</b> <i>(If yes, please provide detail)</i></p>	<p>That key risks to the College are not captured and suitable mitigating actions put in-place.</p>
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<b>Committee:</b>	Audit			
<b>Subject/Issue:</b>	Risk 18 – Non Compliance with Relevant Statutory Regulation			
<b>Brief summary of the paper:</b>	This paper provides an overview of <b>Risk 18: Non Compliance with Relevant Statutory Regulations</b> . The paper covers key statutory functions, discusses the mechanisms to mitigate risk and signposts improvements to further mitigate risk going forward.			
<b>Action requested/decision required:</b>	For discussion			
<b>Status:</b> <i>(please tick ✓)</i>	<b>Reserved:</b>		<b>Non-reserved:</b>	✓
<b>Date paper prepared:</b>	13 <sup>th</sup> May 2019			
<b>Date of committee meeting:</b>	21 <sup>st</sup> May 2019			
<b>Author:</b>	Derek Duncan			
<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>Risk Register ID Moray/18:</b> Non-compliance with relevant statutory regulations.			
<b>Equality and diversity implications:</b>	Yes – the College needs to fully comply with statutory acts covering equalities.			
<b>Resource implications:</b>  <i>(If yes, please provide detail)</i>	None			
<b>Risk implications:</b>  <i>(If yes, please provide detail)</i>	Non-compliance due to deficient polices, lack of training or poor leadership carries a risk to staff, learners and 3 <sup>rd</sup> parties, as well as possible legal and reputational damage to the College.			

## **Risk 18: Non Compliance with Relevant Statutory Regulations**

### **1. Introduction**

The key purpose of the College is to provide education, training and research to the community of Moray and beyond and engagement with a wide range of organisations and people of all ages and backgrounds, hosted within a large number of buildings and facilities.

### **2. Relevant Statutory Acts**

In terms of compliance with statutory regulations, the focus is on the key objectives of the College:

- Delivery of education within an established legal and national policy framework.
- Employment of staff – the on-going work to implement NJNC guidance related to national bargaining and job evaluation was developed through statutory acts.
- Ensuring equality considerations underpin all parts of the organisation.
- Ensuring the needs of those with disabilities and a need for additional support for learning are met.
- Keeping personal information secure.
- Accounting for spend on staff, goods and services within a wide range of regulatory frameworks and directives.
- Ensuring effective safeguarding arrangements are in place.
- Ensuring the health and safety of staff, students and visitors on-site.

All of these are important, but first ensuring the College is a safe place to operate underpins these functions.

The key statutory acts and directives in this context are:

- Further and Higher Education Act 1992 – the original legal framework under which the College was incorporated in 1993
- Further and Higher Education (Scotland) Act 2005 - established the Scottish Funding Council
- Post 16 Education (Scotland) Act 2013 - covering re-classification and assignment of the College to the UHI Regional Strategic Body and also new governance arrangements
- Employment Act 2008
- Health and Safety at Work Act 1974
- The Equality Act 2010
- Protection of Children (Scotland) Act 2003
- Data Protection Act 2018 incorporating the EU General Data Protection Regulation 2018.
- Freedom of Information (Scotland) Act 2002
- Disability Discrimination Act 2005
- The Public Finance and Accountability (Scotland) Act 2000 - guidance from The Scottish Public Finance Manual.
- Procurement Reform (Scotland) Act 2014
- EU Procurement Directive and associated directives covering public procurement, tender awards, contracts and invoicing.

## 2.1 Other Relevant Compliance Areas

There are many other acts, conventions and covenants referenced across College policy. They are no less important than the key acts mentioned above and have a significant impact across College. These can broadly be grouped as:

- Finance – covers wide range of acts e.g. PAYE, VAT, Pensions, Procurement
- Anti-Bribery
- Employment including employee rights, whistleblowing, family law e.g. parental leave
- Equality and Diversity
- Health and Safety and all associated acts covering safe working practices and the general health and wellbeing of staff and students.
- Data Protection covering all aspects information security.
- Safeguarding - covering children’s rights, disclosure, ex-offender management
- College Nursery
- Counter Terrorism – covers Prevent Duty and participation in CONTEST.
- Care Leavers
- Trade Union Relations

The College also implements national policy from other Non-Departmental Public Bodies e.g. the Scottish Funding Council. Non-compliance with national policy risks non-compliance with statutory law.

## 3. How the Colleges Manages the Risk of Non-Compliance

Managing the risk of non-compliance with an organisation as complex as the College is underpinned by:

- A suite of policies and procedures developed locally and regionally.
- National policy derived from statutory acts (e.g. SFC funding guidance).
- Staff recruitment and training.
- Internal monitoring and review.
- Audit (internal and external).
- Leadership at all levels, to ensure all of the above are delivered effectively in support of statutory compliance.

Risk 18 was created to ensure the Strategic Leadership Team (SLT) have oversight of the College’s statutory obligations and to allow full consideration of the arrangements to mitigate the risk of non-compliance.

### 3.1 Strategic Leadership Team (SLT) and Board of Management

Compliance is devolved through the management structure, with each Director having a specific remit for a range of statutory functions and all having shared responsibility for common areas.

Directors responsible for support related areas tend to have specific remit for a range of statutory acts, whereas directors with responsibility for curriculum have responsibility for a wide range of national policies and acts related to the delivery of education which are also underpinned by most statutory acts.

The Principal has overall accountability as the most senior officer employed by the College, the table below broadly covers the key areas of responsibility:

<b>College Principal (Accountable Officer)</b>				
<b>Director of Finance</b>	<b>Director of HR and OD</b>	<b>Director of IPSS</b>	<b>Director of Curriculum and AO</b>	<b>Director of L&amp;T</b>
Finance Procurement H&S	Employment and Employment Rights Disclosure	Information Security FOI Safeguarding Counter Terrorism Nursery SFC Policy	Education – significant coverage of national policy and statutory laws.	Education – significant coverage of national policy and statutory laws.
<b>SLT Cross-Responsibility</b>				
Health and Safety, DDA, Equalities, Safeguarding, Procurement + Others				

It is the responsibility of the SLT and all managers to ensure that operational compliance with relevant policies and procedures related to statutory regulations. All staff have a wider responsibility to comply.

### **3.2 Risk Mitigation**

The recent work to update College policies and procedures highlighted a lack of regional policies and therefore concerns about consistency of approach and duplication of effort across the partnership. The work of the Single Policy Environment is making progress in this area and will continue.

The risks of non-compliance can be further mitigated by:

- Continued improvements to the risk assessment process.
- Continued promotion of policies and procedures to all staff in order that they fully engage with risk mitigation activities.
- Focussed training to managers to improve leadership skills to drive forward compliance.
- Regular review of high-risk areas.

These and effective arrangements for internal and external audit will help ensure effective oversight of compliance and highlight areas for continued improvement.

<b>Committee:</b>	Audit			
<b>Subject/Issue:</b>	Policy Schedule Update			
<b>Brief summary of the paper:</b>	A brief update on progress to update policies and procedures due for review this session.			
<b>Action requested/decision required:</b>	For discussion			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>		<b>Non-reserved:</b>	✓
<b>Date paper prepared:</b>	13 <sup>th</sup> May 2019			
<b>Date of committee meeting:</b>	21 <sup>st</sup> May 2019			
<b>Author:</b>	Derek Duncan			
<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>Risk Register ID Moray/18:</b> Non-compliance with relevant statutory regulations.			
<b>Equality and diversity implications:</b>	Yes – a key statutory requirement which underpins all operational areas of the College.			
<b>Resource implications:</b> <i>(If yes, please provide detail)</i>	None.			
<b>Risk implications:</b> <i>(If yes, please provide detail)</i>	Non-compliance due to deficient policies, training or leadership carries a risk to staff, learners and 3 <sup>rd</sup> parties, as well as possible legal and reputational damage to the College.			

### Policy Schedule Update

At the February Audit Committee, a total of 36 policies and procedures were outstanding. Progress has been made 18 policies remain outstanding and additional 10 remain on hold

This report provides an update from the Single Policy Environment which continues to make good progress in developing regional policy. An overview of the policies on hold (and reasons why) and schedule of the remaining work approval work to the end of session 2018/19 is also provided.

### Regional Policy Update – Single Policy Environment (SPE)

The SPE continues to make progress and the table below summarises the progress of regional policies which the College will fully adopt:

Regional Policy	Partnership Council Approved?	Moray Board Approved?
Admissions	Yes	Yes
Fee Waiver	Yes	Yes
Student Support Funds	Yes	Yes
Essential Skills	Yes	No*
Learner Support	Yes	Yes
Safeguarding	Yes	Yes
Academic Appeals	Yes	No*
Promoting a Positive learning Environment	Yes	No*
Equality and Diversity	Expected June 2019	Not due
Student Complaints	Not yet started.	Not due
Guidance	Expected Sept. 219	Not due

\* Strategic Leadership Team due to approve prior to Board approval.

### Policies on Hold

Ten policies are on hold and the reasons for this are outlined in the table below:

Policy	Reason for Hold
Commercialisation Strategy	Requires further discussion within F&GP.
Educational Visits and Out of College Activities Policy and Procedures	Initial review highlighted need for replacement policy. Also awaiting feedback from the Safeguarding risk audit.
Estates Asset Procedures	Awaiting progress on the new UHI Servicedesk system (Unidesk) which provides an asset management tool.
Estates Strategy	SFC funded outline business case placed on hold – requires further clarity on SFC strategic funding.
Smoke-free Policy	The rear smoking shelter has been removed due to the replacement gas boiler project. Future options need to be more widely discussed before the policy is updated.
Job Evaluation & Regrading Procedure	Awaiting update on national bargaining and UHI policy.

<b>Policy</b>	<b>Reason for Hold</b>
Staff Induction Programme	Awaiting update on national bargaining and UHI policy.
Staff Review Procedure	Awaiting update on national bargaining and UHI policy.
Student Advice, Personal Development Planning and Guidance Policy	To be replaced with new regional policy due September 2019.
Student Attendance Policy and Procedures	Awaiting revised regional guidance once SFC 2019/20 guidance is published.

#### Overall Status - Policies Scheduled for Completion by June 2019 – by Officer

<b>Approving Committee or SLT</b>	<b>College or Regional?</b>	<b>Policy/Strategy/Procedure Name</b>	<b>Current Status</b>	<b>Responsible Officer</b>
<b>F&amp;GP</b>	<b>College</b>	Work Placement Policy	<b>REVIEW SCHEDULED</b>	Director of Finance
<b>F &amp; GP</b>	<b>College</b>	Support for Consultation Procedure	<b>REVIEW SCHEDULED</b>	Director of HROD
<b>F &amp; GP</b>	<b>College</b>	Course Fee Policy (FE)	<b>REVIEW SCHEDULED</b>	Director of Finance
<b>F &amp; GP</b>	<b>College</b>	Records Management	<b>REVIEW UNDERWAY</b>	Director IPSS
<b>LTQ</b>	<b>College</b>	Corporate Parenting Plan	<b>REVIEW SCHEDULED</b>	Director IPSS
<b>LTQ</b>	<b>College</b>	Events and External Speaker Policy * NEW *	<b>PENDING SLT APPROVAL - REWORK REQUIRED</b>	Director IPSS
<b>LTQ</b>	<b>College</b>	Student Confidentiality Policy	<b>PENDING SLT APPROVAL</b>	Director IPSS
<b>LTQ</b>	<b>College</b>	Student Disclosure Policy	<b>PENDING SLT APPROVAL</b>	Director IPSS
<b>LTQ</b>	<b>College</b>	Student Induction Policy	<b>REVIEW SCHEDULED</b>	Director IPSS
<b>LTQ</b>	<b>Regional</b>	Learning and Teaching Policy and Strategy	<b>REVIEW UNDERWAY</b>	Director of L&T
<b>LTQ</b>	<b>Regional</b>	Student Complaints Policy	<b>REVIEW UNDERWAY</b>	Director IPSS
<b>LTQ</b>	<b>Regional</b>	Academic Appeals Policy	<b>SLT APPROVED - awaiting board approval</b>	Director of L&T
<b>LTQ</b>	<b>Regional</b>	Essential Skills Policy	<b>SLT APPROVED - awaiting board approval</b>	Director of L&T
<b>LTQ</b>	<b>Regional</b>	Promoting a Positive Learning Environment Policy	<b>PENDING SLT APPROVAL</b>	Director IPSS
<b>SGC</b>	<b>College</b>	Grievance Procedure	<b>PENDING SLT APPROVAL</b>	Director of HROD
<b>SGC</b>	<b>College</b>	PVG Scheme/Disclosure of Criminal Convictions	<b>PENDING SLT APPROVAL</b>	Director of HROD
<b>SLT</b>	<b>College</b>	Joiners, Movers and Leavers Procedure * NEW *	<b>REVIEW UNDERWAY</b>	Director of HROD
<b>LTQ</b>	<b>Regional</b>	Tertiary Equality and Diversity Policy	<b>REVIEW UNDERWAY</b>	Director IPSS
<b>Grand Total</b>				18

## Policies Due for Completion by June 2019 – by Committee Date

Approval by	Policy/ Procedure	College or Regional?	23/04/19	04/06/19	11/06/19	25/06/19	28/06/19	tbc	Total
Building / F&GP	Work Placement Policy	College		1					1
F & GP	Support for Consultation Procedure	College		1					1
F & GP	Course Fee Policy (FE)	College		1					1
F & GP	Records Management	College		1					1
Full Board	Corporate Parenting Plan	College				1			1
LTQ	Events and External Speaker Policy	College			1				1
LTQ	Learning and Teaching Policy and Strategy	Regional			1				1
LTQ	Student Confidentiality Policy	College			1				1
LTQ	Student Disclosure Policy	College			1				1
LTQ	Student Induction Policy	College			1				1
LTQ	Student Complaints Policy	Regional			1				1
LTQ	Academic Appeals Policy	Regional			1				1
LTQ	Essential Skills Policy	Regional			1				1
LTQ	Promoting a Positive Learning Environment Policy	Regional			1				1
LTQ	Tertiary Equality and Diversity Policy	Regional						1	1
SGC	Grievance Procedure						1		1
SGC	PVG Scheme/Disclosure of Criminal Convictions	College				1			1
SLT	Joiners, Movers and Leavers Procedure	College	1						1
Grand Total			1	4	9	2	1	1	18





<b>Committee:</b>	Audit			
<b>Subject/Issue:</b>	GDPR Update May 2019			
<b>Brief summary of the paper:</b>	This paper provides a brief update on GDPR compliance monitoring.			
<b>Action requested/decision required:</b>	For noting.			
<b>Status: (please tick ✓)</b>	<b>Reserved:</b>	✓	<b>Non-reserved:</b>	
<b>Date paper prepared:</b>	8 <sup>th</sup> May 2019			
<b>Date of committee meeting:</b>				
<b>Author:</b>	Derek Duncan			
<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.	<p><b>Risk Register ID Moray/25:</b> Non-compliance with relevant statutory regulations.</p> <p>The College must have in place effective controls to ensure personal data is kept secure and processed in line with data protection law.</p>			
<b>Equality and diversity implications:</b>	Yes – the College is both a Data Controller and Data Processor of sensitive personal data.			
<b>Resource implications:</b> <i>(If yes, please provide detail)</i>	All required resources are in place.			
<b>Risk implications:</b> <i>(If yes, please provide detail)</i>	Data protection breaches can lead to serious financial and reputational damage to the College.			

### 1. Reporting Period

This report covers the period 15<sup>th</sup> February 2019 to 8<sup>th</sup> May 2019.

### 2. Data Breaches and Investigations

The data breach log recorded only 2 new incidents in the reporting period:

ID	Description of Breach	Decision and Resolution
15	A former employee of the College complained that his prospective new employer had requested a reference from the College without his consent.  The Data Subject did not respond to a request for further information from the HR section.	College response was appropriate and no further action was required.
16	A staff member used email to communicate a sensitive issue regarding another employee and accidentally sent the email to another College staff member.	Investigation still on-going.

### 3. Breach Summary

Despite the reduction in breaches, breach 16 is classed as a serious internal data breach. The Director of IPSS discussed the breach with the UHI Data Protection Officer and considered whether or not the breach met the test for reporting to the ICO. The investigation determined that the breach had been sufficiently contained, but highlighted the need for further training in the use of personal data.

The DPO has agreed to run training sessions for all staff targeting the weaknesses identified in the breach log i.e. the use of personal data and email. The first session has been scheduled for staff in the area where the breach originated.

#### Email Phishing

In response to previously reported data breaches due to phishing attempts, all College emails received from external organisations now contain the following warning:

**Warning. This email contains web links and originates from outside of the University.**

**You should only click on these links if you are certain that the email is genuine and the content is safe.**

This has been adopted by a number of partners and provides sufficient warning to staff that the email may not be genuine.

### 4. Subject Access Requests (SAR)

No subject access requests were received.

### 5. Right to Erasure

No rights to erasure requests were received.