

Audit Committee

Agenda

Meeting reference: Audit2017-18/02

Date: Wednesday 29 November 2017 at 5.30pm

Location: Room 019

Purpose: Scheduled meeting

* Denotes items for discussion.

Members should contact the Secretary in advance of the meeting if they wish to request an item be starred.

The Audit Committee will join the F&GP Committee at 5.30pm to review the Management Accounts and Financial Statements for 2015-16

	Agenda Items	Author	Led by	Paper
1	Joint Welcome and Apologies		Chair of F&GP and Audit	
*2	Perth College Management Accounts Year to 31 July 2017 – Final Report and Commentary	Head of Finance	Head of Finance	Paper 1
*3	Draft Perth College Group Report and Financial Statements for the Year ended 31 July 2017	Head of Finance	Head of Finance	Paper 2
*4	External Audit Annual Report 2016-17		Ernst & Young	Paper 3
	After consideration of the Management Accounts and Financial Statements, F&GP Committee will leave the meeting and Audit Committee will continue with its Committee business.			
5	Additions to the Agenda:	Chair		
6	Declaration of Interest in any Agenda Item	Chair		
7	Minutes of the Meeting of the Audit Committee held on 20 September 2017	Chair		Paper 4
8	Actions arising from previous minutes			

9	Risk Management			
*9.1	Strategic Risk Register	Chief Operating Officer	Chief Operating Officer	Paper 5
*9.2	ICT Risk Register	International Corporate Services Director	International Corporate Services Director	Paper 6
10	Internal Audit			
*10.1	Internal Audit Annual Report for 2016/17	Henderson Loggie	Henderson Loggie	Paper 7
*10.2	Revised Internal Audit Plan 2017-18	Henderson Loggie	Henderson Loggie	Paper 8
*10.3	Internal Audit Report – Student Activity data/Credits Audit	Henderson Loggie	Henderson Loggie	Paper 9
*10.4	Internal Audit Report – ASW	Henderson Loggie	Henderson Loggie	Paper 10
11	Audit Committee Annual Report to the Board of Management	Secretary	Secretary	Paper 11
12	Committee minutes			
*12.1	Health and Safety Committee: <ul style="list-style-type: none"> 16 November 2017 			Paper 12
13	Date and time of next meeting: <ul style="list-style-type: none"> Tuesday 27 February 2018 	Secretary		
*14	Review of meeting to include check against the Terms of Reference to ensure all competent business has been covered.			Paper 13
15	Executive Team leave meeting for Audit Committee discussion with internal and external auditors			

Perth College

Year ended 31 July 2017

Annual Audit Report

Audit Committee – 29 November 2017



Building a better
working world

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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 Perth College (the College) for financial years 2016/17 to 2020/21. We undertake our audit in accordance with the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

This report is for the benefit of the College and is made available to the Auditor General 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 Russell Frith, Assistant Auditor General, 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

In accordance with section 21 of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland appointed EY as the external auditor of Perth College (the College) for the five year period 2016/17 to 2020/21. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise our key findings and conclusions from our audit work. It is addressed to both the members of the College and the Auditor General for Scotland, and presented to both College management and those charged with governance, identified as being the Board and the College's Audit Committee. It will be published on Audit Scotland's website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the College. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Scope and responsibilities

The Code sets out the responsibilities of both the College and the auditor. We provided details of these in our Annual Audit Plan, which was presented to the Audit Committee on 23 May 2017. We summarise the responsibilities of the College in Appendix A.

Our Annual Audit Plan also provided you with an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £350,000 and a Tolerable Error of £262,500. We reassessed this using the actual year-end figures, to confirm that the materiality remained appropriate for the audit. No adjustment was made to materiality amounts communicated in our Annual Audit Plan. The threshold for reporting audit differences was £17,500.

Status of the audit and audit opinion

[Subject to receipt of third party confirmations of year end bank balances; review of the final version of the financial statements; and completion of subsequent events review to the date of approval of the financial statements; and receipt of signed management representation letter, we intend to issue an unqualified opinion.]

We [have issued] an unqualified opinion that the financial statements:

- 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 (SFC) of the state of the affairs of the College as at 31 July 2017 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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).

Key contacts

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Acknowledgement

We would like to thank all members of the College's management and staff who have been involved in our work for their co-operation and assistance during our audit work.

Accounting and audit matters – our reporting on the College's financial statements

Preparation of financial statements

- While the core financial statements were provided during the audit process the performance, accountability, remuneration reports and the corporate governance statement were provided after the onsite audit work was completed.
- The draft financial statements presented for audit required a number of amendments to comply with the Statement of Recommended Practice (SORP) disclosure requirements. The most significant presentational adjustment required was the disclosure of a College only statement of comprehensive income and expenditure.
- There were no adjusted audit difference identified to bring to your attention. There were no unadjusted audit differences.

Significant risks

- Our testing has not identified any material misstatements from revenue and expenditure recognition. Overall our audit work did not identify any material issues to indicate any misreporting of the College's financial position based on manipulation of revenue or expenditure transactions.
- We have not identified any material weaknesses in the design and implementation of controls tested as part of our audit, or evidence of material management override through inappropriate judgements being applied.

Other inherent risks

- We are satisfied that management has adequate arrangements to ensure that property, plant and equipment is appropriately valued within the financial statements. Management enhanced the disclosure of the College's adopted accounting policy of supplementing the quinquennial valuation with an interim professional valuation, in compliance with the requirements of both the SORP and the FReM.
- The Tayside Pension Fund defined pension scheme liabilities were estimated using actuarial assumptions which we consider to be reasonable. We have undertaken appropriate testing of underlying data to support the calculation of the liability.

Other matters and reporting requirements

- Our testing on opening balances was completed satisfactorily. We have no matters to bring to your attention in respect of our work on the qualitative aspects of the financial statements.
- In respect of our responsibility to report on the regularity of transactions, we have concluded that in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.
- In respect of our 'Opinions on other prescribed matters', which includes the Performance Report, the auditable part of the remuneration report and the Governance Statement we have concluded that our opinion is unqualified. We have not identified any other matters on which we are required to report by exception.

Wider scope audit dimensions – our judgements and conclusions on the College's arrangements

Financial management

- The College reported a surplus of £6.4 million for the year (2015/16: deficit of £0.5 million). This improved year end position is predominantly due to income of £7.3 million in the form of a non-government grant from the Scottish Colleges Foundation in relation to the building of the Academy of Sport and Wellbeing. This grant was recognised fully in year in line with performance conditions and in accordance with FRS 102. The College also reported that it had operated within its resource limits for the year ended 31 March 2017.
- The College has well established financial management arrangements, and we are satisfied that these are adequate for the management of its financial activities.

Financial sustainability

- We have concluded that achieving financial sustainability continues to represent a significant challenge for the College. Financial planning is constrained by the requirement to deliver in year resource targets. The College is working through the implications of the national pay bargaining settlement and how that affects its longer term financial forecasts.
- While the Financial Forecast Return is based on the best available information available to management at the time of preparation, there remain a number of assumptions and sensitivities that could significantly impact the College's sustainability going forward.

Governance and transparency

- We have concluded that the College has generally established a sound basis to demonstrate good governance and transparency in its operational activity.
- There is a commitment to transparency, with the conduct and detail of business of the College made available on the website.
- The independent Board effectiveness review reported on the Board's commitment to continuous improvement of the governance of the College, with some areas of development identified.

Value for Money

- The College Strategic Plan 2016-21 aligns to the University of the Highlands and Islands' Regional Outcome Agreement. Its Vision 2021 strategy is the outcome of extensive consultation.
- In June 2017 the Board reviewed the final report on the College's performance for the academic year 2015-16 against the Strategic Plan 2013-2016. This included a summary of the key achievements. Performance information is published annually on the website as well as including key measures within the financial statements and Board and committee papers published on the website.

Appendices

We have confirmed our independence to act as auditor of the College. Auditor remuneration of £14,780 was agreed with management. Non-audit services were provided in relation to the College's student support and Educational Maintenance Allowance return.

We have made two recommendations for action by management, both of which have been accepted by management.

1. Financial statements and accounting

1. Financial statements and accounting



The College's annual financial statements enables the Board to demonstrate accountability for its resources and its performance in the use of those resources during the year. They are prepared in accordance with applicable law and UK Generally Accepted Accounting Practice.

Audit opinion

In respect of the financial statements, we report on the truth and fairness in accordance with the requirements of the Further and Higher Education (Scotland) 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), and United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The detailed form and content of our audit report, plus the requirements underpinning the report, are contained in the Audit Scotland guidance at http://www.audit-scotland.gov.uk/uploads/docs/um/tgn_2017-7_further_education.pdf (Appendix 1).

We [issued] an unqualified opinion based on the satisfactory completion of our work.

Financial statements preparation

As part of our oversight of the Board's financial reporting process, we report on our consideration of the quality of working papers and supporting documentation prepared predominantly by the finance team to support the audit.

The financial statements were prepared in accordance with the 2015 Statement of Recommended Practice for Further and Higher Education (SORP) alongside the Government Financial Reporting Manual (FRM) 2016/17.

While the core financial statements were provided during the audit process the performance, accountability, remuneration report and the corporate governance statement were provided after the onsite audit fieldwork was completed. The draft financial statements presented for audit required a number of amendments to comply with disclosure requirements. The most significant presentational adjustment required was the disclosure of a College only statement of comprehensive income and expenditure.

Action plan point 1

Materiality

We planned our procedures using a materiality of £350,000. We reassessed this using the actual year-end figures, to ensure that our level of materiality remained appropriate. We did not change our assessment of materiality as a result of this reassessment. Our Tolerable Error for the audit was £262,500 and the threshold for reporting audit differences was £17,500. We also identified areas where misstatement at a lower level than materiality might influence the reader of the financial statements and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits - we applied a materiality of £1,000 based on the potential sensitivity of these disclosures.
- Related party transactions - we considered the nature of these disclosures individually.

Audit differences

There were no adjusted audit difference identified to bring to your attention.

There were no unadjusted audit differences.

Our Audit Plan identified key areas of focus for our audit of the College's financial statements, including significant risks. This report sets out the results of our audit procedures plus relevant observations, including our views on areas which might be conservative, and where there may be potential risk and / or exposure.

Significant risk – risk of fraud in revenue recognition

What is the risk?

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.

We rebutted the presumed revenue recognition risk in relation to SFC core funding to the College. This was based on the fact that the funding is clearly allocated for delivery of activity within the financial year. Prior year College returns to the SFC have demonstrated that it has delivered on student credits (formerly SUMs) with no history of material clawback from the SFC. As there has been no history of issues or concerns raised through internal audit review of the College's data return for funding (FES) to the SFC, we considered the risk over potential clawback due to inaccurate data as low. 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. We also recognise the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10.

Results of audit procedures

We undertook the following procedures as part of our audit:

- Reviewed and tested revenue and expenditure recognition policies against the relevant accounting standards and the SORP. We also considered any accounting estimates on revenue or expenditure recognition for any evidence of bias.
- Developed a testing strategy in respect of material revenue and expenditure streams. For tuition fees and education contracts, we performed analytical review and substantive testing across a sample of contracts to ensure appropriate recognition. For SFC and other funding body grant income we reviewed all material grant funding recognised in the year for any indicators of either claw-back or that the terms and conditions of the financial memorandum have not been complied with in all material respects. In doing so, we considered the work of internal audit in respect of the College's FES return. We considered the conclusions of internal audit and their opinion on the return as providing additional assurance that there would be no potential reclaim of SFC funding paid to the College. For other income, we performed substantive testing over a sample of transactions to gain assurance.
- We performed focused additional testing around income and expenditure transactions posted at the year end to gain comfort that key items are recorded in the correct accounting period. In particular we focused on any transactions incurred after 31 July, but included in the 2016/17 financial ledger.
- We reviewed and tested a sample of debtor and creditor balances at the year end, including material balances. We undertook an assessment of aged balances held on the balance sheet at year end including investigation of unusual items, such as those past payment due date.

There are no matters to raise with you as a result of the work performed.

Significant Risk, fraud in income and expenditure recognition – what have we concluded?

- Our testing has not identified any material misstatements from revenue and expenditure recognition. Overall our audit work did not identify any material issues to indicate any misreporting of the College's financial position based on manipulation of revenue or expenditure transactions.

Significant risk – management override

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Results of audit procedures

Test the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements

We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify any unusual journal types or amounts based on our identified risk areas for the audit. We then tested a sample of these journals, understood their purpose and agreed and corroborated them to supporting documentation.

Review accounting estimates for evidence of management bias, including management's retrospective consideration of prior year estimates

We identified and considered the appropriateness of key accounting estimates, including provisions, and their susceptibility to bias. Management has disclosed their consideration of the critical accounting judgements and key estimates in the financial statements. We have reviewed these and agree with the detail of the assessment performed.

Evaluate the business rationale for any significant unusual transactions

We did not identify any significant unusual transactions.

We have not identified any material weaknesses in the design and implementation of control arrangements tested as part of our audit, or evidence of material management override through inappropriate judgements being applied.

Significant risk, Management override – what have we concluded?

- We have not identified any material weaknesses in the design and implementation of controls tested as part of our audit, or evidence of material management override through inappropriate judgements being applied.

Other inherent risks

Valuation of property, plant and equipment

The College's property portfolio totals £33.1 million as at 31 July 2017, with the major elements of this being in respect of land and buildings. Land and buildings are revalued to fair value with a full revaluation taking place at least every five years.

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.

Results of audit procedures

In response to the inherent risk we performed the following audit procedures:

- We agreed the carrying value of assets held to source data and enquired of management as to the procedures used to establish whether the source data is complete.
- We reviewed the basis of asset valuations rolled forward from previous years. No interim or full valuations had been undertaken in 2015/16 or 2016/17 with the next interim revaluation due in 2017/18.
- We reviewed the property valuation and challenged management on the possibility of any impairment to the estate in the year that should be recognised prior to the next valuation exercise

We are satisfied that management has undertaken sufficient procedures to gain assurance that property, plant and equipment is held at an appropriate value as at the reporting date. An interim professional valuation will be undertaken in 2017/18.

Other inherent risk, valuation of property, plant and equipment – what have we concluded?

- We are satisfied that management has adequate arrangements to ensure that property, plant and equipment is appropriately valued within the financial statements. Management enhanced the disclosure of the College's adopted accounting policy of supplementing the quinquennial valuation with an interim professional valuation, in compliance with the requirements of both the SORP and the FReM.

Other inherent risks

Valuation of pension liabilities

The College participates in two pension schemes; the Tayside Pension Fund (TPF), 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.

TPF is accounted for as a defined benefit scheme. The net pension liabilities on the balance sheet as at 31 July 2017 arising from participation in the scheme were £9 million.

Results of audit procedures

In response to the identified inherent risk we:

- Obtained actuarial reports at the year end date for the TPF scheme and considered the reasonableness and consistency of assumptions underpinning such reports, in light of guidance available ensuring compliance with funding agreements.
- Utilised our in-house actuaries to assess the reasonableness of key assumptions such as discount rate, inflation and expected market return.
- Performed substantive testing on the valuation of the College's share of the pension assets and audited the calculation of the College's valuation and disclosure in the financial statements.

No matters were identified in respect of our testing over pension assets. In respect of the key assumptions around discount rates and inflation, our actuaries noted that the assumptions were within a range we consider acceptable for the year end date. However, they noted the underlying methodology used to obtain these assumptions was not as robust as they could be, in particular around the estimates of future cash flows for pension costs by the College.

While we are comfortable with the assumptions used for the 2017 financial statements there is a risk that future assumptions are not considered appropriate.

Action plan point 2

Other inherent risk, valuation of pension liabilities – what have we concluded?

- The TPF defined pension scheme liabilities were estimated using actuarial assumptions which we consider to be reasonable. We have undertaken appropriate testing of underlying data to support the calculation of the liability.

Our Audit Plan identified other aspects of our work which arise either in accordance with International Standards on Auditing (UK) or in accordance with the Code. These are set out below.

Other audit matters

Opening balances

International Standard on Auditing (UK) 510: *Initial audit engagements – opening balances* requires auditors to obtain sufficient, appropriate audit evidence that opening balances do not contain misstatements that materially affect the financial statements. The standard also requires auditors to verify that appropriate accounting policies are reflected in the opening balances and that they have been consistently applied in the current period's financial statements.

In response, we have:

- Reviewed prior year financial statements, annual audit reports and other reports issued by the former external auditor and held discussions with the former external auditor in respect of previous significant audit issues, corporate governance and as part of our audit risk assessment.
- Substantively tested material opening balances to ensure that they agree both to the prior year audited financial statements and closing trial balance.
- Undertaken a mix of testing on balances during 2016/17 which provides assurance on the judgements and estimates made as at 31 July 2016, in particular in relation to the true up of estimates at yearend 31 July 2016 in the 2016/17 financial statements.

We have no matters to report upon completion of these procedures which have not been separately commented on within this report.

Group financial statements

The College prepares group financial statements, consolidating the results of the College and its subsidiary undertakings, AST (Trading) Limited. We are satisfied that the consolidated financial statements have been prepared appropriately. We have also completed the audit of the subsidiary stand alone financial statements and [have issued / anticipate issuing] an unqualified audit opinion.

Student support returns

In addition to our audit of the financial statements, we have been engaged by the College to perform the audit of the student support and Educational Maintenance Allowance returns submitted to the SFC. We have completed our work in this respect and anticipate issuing unmodified opinions based on ISAE3000 'reasonable assurance' engagement requirements.

Opening balances / group financial statements – what have we concluded?

- In respect of opening balances, we have no matters to report.
- We are satisfied that the consolidated financial statements have been prepared appropriately. We have completed our audit of AST (Trading) Limited for the year ended 31 July 2017 and [have issued] an unqualified audit opinion.

In accordance with Audit Scotland requirements, our independent auditor's report also covers the key narrative statements such as the Performance Report, the Accountability Report and the Remuneration and Staff Report which the College is required to include within its Annual Report and Accounts.

Other reporting requirements

Performance Report

In accordance with the Code, we review the information contained within the Performance Report and confirm that this is consistent with the information reported within the financial statements. As a new responsibility in 2016/17, under the Code, Audit Scotland requires us to also express an opinion on whether the Performance Report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We are satisfied that the information with the Performance Report is consistent with the financial statements and has been prepared in accordance with applicable requirements.

Accountability Report, including the Governance Statement

Audit Scotland requires us to read the information in the annual governance statement and express an opinion on whether Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council. We are satisfied that the information with the Governance Statement is consistent with the financial statements and has been prepared in accordance with applicable requirements.

Remuneration and Staff Report

Auditors are required by the Code to audit the disclosures of remuneration and pension benefit, pay bands, and exit packages and express a separate opinion within their independent auditor's report on whether they have been properly prepared in accordance with the Regulations. We are satisfied that auditable part of the remuneration and staff report has been properly prepared in accordance with regulations.

Regularity opinion

The Board of Management is responsible for ensuring the regularity of expenditure and income. Auditors are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000. In our opinion, in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Other reporting requirements – what have we concluded?

- We reviewed the other information presented within the financial statements and provided management with comments to enhance the content, structure and presentation of these. These were amended by management.
- In respect of our 'Opinions on other prescribed matters', which includes the management commentary, the auditable part of the remuneration report, and the annual governance statement, our opinion is unqualified.
- We have not identified any other matters on which we are required to report by exception.

2. Wider scope audit

2. Wider scope audit



In accordance with the Code, we provide judgements and conclusions in respect of our work on the four audit dimensions of public sector audit: financial management; financial sustainability; governance and transparency; value for money.

Wider scope audit risks

The Code requires us to undertake work in respect of each of the four dimensions on an annual basis. The Code also 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 to 'Wider Scope Audit Focus Areas'.

In our Annual Audit Plan we did not identify any areas of wider scope audit focus in the current year. We have however, undertaken routine work in respect of each of the audit dimensions, by considering the evidence available to us through various aspects of our work.

Financial management

The College reported a surplus of £6.4 million for the year (2015/16: deficit of £0.5 million). This improved year end position is predominantly due to income of £7.3 million in the form of a non-government grant from the Scottish College Foundation in relation to the building of the Academy of Sport and Wellbeing. This grant was recognised fully in year in line with performance conditions and in accordance with FRS 102. The College also reported that it had operated within its resource limits for the year ended 31 March 2017, with no over or underspend.

Performance against budget

Performance during the year was broadly in line with original budget forecast. The level of SFC funding received was higher than projected. This was due to additional allocations received during the year which were not included within the original budget. The additional funding was partially offset by higher than forecasts operating costs. The most significant of these was the impact of capital grant income noted above and pay awards on teaching and administration staff costs.

Funding aspect	Budget - £m	Actual - £m	Variance - £m
Income	23.249	31.487	8.238
Expenditure*	(23.503)	(24.993)	(1.490)
Total surplus (before tax)	(0.253)	6.494	6.748

*Includes net non-operational expenditure

Capital Expenditure

During 2016/17 the College spent £1.9 million on capital additions. This was primarily in relation to the completion of the Academy of Sport and Wellbeing. The level of expenditure in the year was in line with financial forecasts.

Monitoring of expenditure

Financial performance is monitored through monthly management accounts and is subject to review by the head of finance. The reporting pack also includes an update on major capital projects. Financial performance is monitored by the Principal and senior management team. Performance is monitored and scrutinised by the finance and general purposes committee and the Board.

We reviewed the financial information monitored by senior management, committees and the Board and we are satisfied that the information is sufficiently detailed, including explanation of material variances to provide meaningful information to allow scrutiny and challenge of performance.

2. Wider scope audit



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

Financial management (continued)

Internal control

It is the responsibility of the College to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility, as auditor, is to consider whether the College has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Our first year audit has been predominantly substantive in nature, and therefore we have not tested the operating effectiveness of key controls. We have reviewed the high level procedures management have with respect to internal control.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any such matters to report to you.

Internal audit

Henderson Loggie provide internal audit services for the College. Within the 2017 annual report to the Board, internal audit concluded:

“In our opinion the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2016/17 and in prior years since our first appointment in 1998/99.”

We have considered the work performed by internal audit during the year and did not identify any material issues that would impact on our overall opinion on the financial statements or our consideration of the wider scope aspects.

Financial management - what have we concluded?

- The College reported a surplus of £6.4 million for the year (2015/16: deficit of £0.5 million). This improved year end position is predominantly due to income of £7.3 million in the form of a non-government grant from the Scottish College Foundation in relation to the building of the Academy of Sport and Wellbeing. This grant was recognised fully in year in line with performance conditions and in accordance with FRS 102.
- The College has well established financial management arrangements, and we are satisfied that these are adequate for the management of its financial activities.

2. Wider scope audit



Financial sustainability is focused on the medium to longer term financial viability, and considers how effectively an audited body is planning to deliver its services over the medium term.

Financial sustainability

Financial sustainability interprets auditors' requirements under ISA 570 *Going concern* and looks forward to the medium (two to five years) and longer-term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Audit Scotland's sector report: Scotland's colleges 2016, highlighted that between 2011 and 2015/16 the Scottish Government funding to the sector reduced by 18% in real terms. While the College's core funding has remained relatively stable in the current year of £6.8 million (2016: £6.2 million) management recognise that savings will be required in future years with envisaged constraints on future public sector resources. This requires an ability to transform and deliver significant recurring efficiency savings, while at the same time ensuring that the impact on core delivery is minimised.

Financial performance

The College delivered a surplus for the year ended July 2017 of £6.4 million against a breakeven budget. Furthermore, the College reported that it achieved its resource targets for the year to 31 March 2017.

The 2017/18 budget was approved in June 2017. The College is budgeting a small deficit position of £358,000, taking into account non-cash expenditure of depreciation of £953,000. Management is continuing to review opportunities to deliver ongoing savings to achieve a breakeven position.

An important part of ongoing financial assurance is regular updates to the Board on monitoring of expenditure against budget and the forecast outcome for the year. Financial performance is scrutinised by the senior management team, the finance and general purposes committee and the Board.

Financial planning

The College has prepared its five-year financial forecasts 2017 to 2022 and submitted these to the SFC. These forecast marginal total comprehensive income for the next five years. The forecasts have been prepared on the basis of the Board's strategic plans and supporting aims and objectives. While the College has aligned its FFR to its strategic plans, we recognise that the annual resource limits and funding settlements constrain the mechanisms for longer-term financial planning for the sector.

The College's latest FFR forecasts for academic years 2018-19 and beyond are based on the 2017-18 budget adjusted for known and estimated financial impacts, including the recently determined estimated impact of the national pay bargaining settlement. The College's financial forecast return to the SFC provides a five yearly projection. The current forecast identifies key assumptions underpinning these. Furthermore, the College's risk register identifies those critical financial risks to the medium to long-term sustainability of the College.

The key assumptions and sensitivities from review of the financial forecasts are:

- SFC core funding to remain flat over the period from the 2017/18 established allocation.
- Other income includes forecasts for income from the College's trading subsidiary, AST, which continues to operate in a challenging environment and has experienced year on year reductions in revenue. Income is also included for the first time in relation to the College's new Academy of Sport and Wellbeing which came into operation in 2016/17.
- Staff costs increase by 1% annually over the period to 2021/22, from the base 2017/18 cost which takes into account the cost of the recently notified pay awards through national bargaining.

2. Wider scope audit



Financial sustainability is focused on the medium to longer term financial viability, and considers how effectively an audited body is planning to deliver its services over the medium term.

Financial planning (continued)

The forecasts demonstrate a good understanding of the long-term pressures facing the College. Management has not included planned savings measures in the FFR, meaning that the unaddressed deficit for the College will climb to £2.5 million by 2021/22 and an underlying operating deficit of £1.8 million. Management notes that in particular staffing levels will not be sustainable at their current level if the College is to achieve a breakeven underlying position.

Financial sustainability – what have we concluded?

- We have concluded that achieving financial sustainability continues to represent a significant challenge for the College. Financial planning is constrained by the requirement to deliver in year resource targets. The College is working through the implications of the national pay bargaining settlement and how that affects its longer term financial forecasts.
- While the FFR is based on the best available information available to management at the time of preparation, there remain a number of assumptions and sensitivities that could significantly impact the College's sustainability going forward.

2. Wider scope audit



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

Governance and transparency

The Board and management of the College are responsible for establishing robust governance arrangements. This includes ensuring effective systems of internal control, including arrangements to safeguard public money, and compliance with applicable laws and regulations. While we have not identified any significant risks in relation to the College's governance arrangements through our audit planning, we consider the adequacy and effectiveness of the College's governance arrangements as part of our audit work.

Governance arrangements

The College has in place a number of the key requirements for good governance. We have reviewed Board minutes and papers and found these to set out clearly the matters considered and discussed. Standing Orders regulate how the business of the College is conducted. The Board has approved detailed terms of reference for its standing committees.

During 2016/17 an external effectiveness review of governance arrangements was conducted by the College's internal auditor. The review highlighted the Board's commitment to continuous improvement of the governance of the College. Areas for development were included but not considered to be material gaps in the existing governance arrangements. An action plan of further areas of development was agreed with management and progress on the status of these actions will be monitored throughout 2017/18.

Effective risk management

The risk management policy outlines the approach to risk management, the roles and responsibilities of the Board, the senior management team, and other key parties. It also outlines the key risk management processes and identifies the main reporting arrangements.

Transparency

The College publicises Board and standing committee agendas, minutes and papers on their website on a timely basis. It is clear that the College endeavours to make as much information available as possible, redacting, for example, certain financial information only where it would be considered to be reserved under freedom of information requests.

Governance and transparency – what have we concluded?

- We have concluded that the College has generally established a sound basis to demonstrate good governance and transparency in its operational activity.
- There is a commitment to transparency, with the conduct and detail of business of the College made available on the website.
- The independent Board effectiveness review reported on the Board's commitment to continuous improvement of the governance of the College, with some areas of development identified.

2. Wider scope audit



Value for money is concerned with using resources effectively and continually improving services. This includes consideration of whether resources are being used effectively and how performance and outcomes are monitored.

Strategic planning and performance reporting

The College Strategic Plan 2016-21 aligns to the University of the Highlands and Islands' Regional Outcome Agreement. Its Vision 2021 strategy is the outcome of extensive consultation with students, staff, partners and community groups and is designed to take the College forward in the future as a tertiary institution. It recognises the contribution of all areas of the College to its five underlying aims.

The Board monitors the performance of the College against these targets using a balanced scorecard supplemented by a narrative which reports on four cross-cutting themes:

- ▶ Students and staff achieving their potential;
- ▶ Sustainability;
- ▶ Student activity measures and
- ▶ Student Satisfaction.

In June 2017 the Board reviewed the final report on the College's performance for the academic year 2015-16 against the Strategic Plan 2013-2016 which included a summary of the key achievements in the period. The College publishes its performance information annually on its website as well as including key measures within the financial statements and Board and committee papers published on the website.

Value for Money – what have we concluded?

- The College Strategic Plan 2016-21 aligns to the University of the Highlands and Islands' Regional Outcome Agreement. Its Vision 2021 strategy is the outcome of extensive consultation.
- In June 2017 the Board reviewed the final report on the College's performance for the academic year 2015-16 against the Strategic Plan 2013-2016. This included a summary of the key achievements. Performance information is published annually on the website as well as including key measures within the financial statements and Board and committee papers published on the website.

Appendices

- A. College responsibilities**
- B. Required communications with the Audit Committee**
- C. Auditor independence**
- D. Management representations**
- E. Action plan**

A. College's responsibilities



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

Responsibilities of audited bodies

Corporate governance	<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>
Financial statements and related reports	<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"> • 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. • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures. • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority. • maintaining proper accounting records. • 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. <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>
Standards of conduct / prevention and detection of fraud and error	<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>
Financial position	<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"> • such financial monitoring and reporting arrangements as may be specified • compliance with any statutory financial requirements and achievement of financial targets • balances and reserves, including strategies about levels and their future use • how they plan to deal with uncertainty in the medium and longer term • the impact of planned future policies and foreseeable developments on their financial position.
Best Value	<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>

B. Required communications



There are certain additional communications that we must provide to the Audit Committee, in accordance with ISA (UK) 260 and other auditing standards, which are set out below.

Required communication - what is reported?	Our reporting to you
<p>Terms of engagement</p> <p>Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p>	Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Annual Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process • Findings and issues around the opening balance on initial audits 	This Annual Audit Report.
<p>Going concern</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"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about the College's ability to continue for the 12 months from the date of our report.
<p>Fraud</p> <ul style="list-style-type: none"> • Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the College • Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. 	This Annual Audit Report.

Required communication - What is reported?	Our reporting to you
<p>Misstatements</p> <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Significant corrected misstatements, in writing 	<p>This Annual Audit Report.</p>
<p>Significant deficiencies in internal controls identified during the audit</p> <ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	<p>This Annual Audit Report</p> <p>No significant deficiencies were identified in the course of our audit which required immediate communication to the Audit Committee.</p>
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the College's related parties including, where applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and/or regulations • Difficulty in identifying the party that ultimately controls the entity 	<p>We have no matters to report.</p>
<p>Subsequent events</p> <ul style="list-style-type: none"> • Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p>Other information</p> <ul style="list-style-type: none"> • Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	<p>We have no matters to report.</p>
<p>External confirmations</p> <ul style="list-style-type: none"> • Management's refusal for us to request confirmations • We were unable to obtain relevant and reliable audit evidence from other procedures. 	<p>We have received all requested confirmations.</p>
<p>Consideration of laws and / or regulations</p> <ul style="list-style-type: none"> • Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" • Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit ad Risk Governance Committee. 	<p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.</p>
<p>Independence</p> <ul style="list-style-type: none"> • Communication of all significant facts and matters that have a bearing on EY's objectivity and independence. 	<p>This Annual Audit Report – Appendix C</p>

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the College.

What we are required to communicate?

Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:

- The principal threats
- Safeguards adopted and their effectiveness
- An overall assessment of threats and safeguards
- Information on the firm's general policies and processes for maintaining objectivity and independence
- Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards.

Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan.

We complied with the Financial Reporting Council's Ethical Standards and the requirements of Audit Scotland's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the College Audit Committee on 29 November 2017.

Summary of fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 July 2017.

Our only non-audit fees in the year relate to our work over the student support and Educational Maintenance Allowance returns, as noted earlier in this report.

Our audit fee was not agreed with management at the time of our Audit Plan. Fees now agreed are shown in the table opposite.

Auditor remuneration	£14,780
Fixed costs *	£1,760
Non-audit fees	£1,500
Total fees	£18,040

* Fixed costs, which are determined by Audit Scotland, comprise £920 pooled costs, £840 contribution to Audit Scotland's costs.

ISA (UK) 580: *Written representations*, requires the auditor to obtain written representation that management, including those charged with governance, has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant, their fair presentation.

Ernst & Young LLP

Atria One
144 Morrison Street,
Edinburgh, EH3 8EB
[Date]

This letter of representations is provided in connection with your audit of the financial statements of Perth College (“the College”) for the year ended 31 July 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the College financial position as of 31 July 2017 and of its income and expenditure for the year then ended in accordance with applicable law and the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We understand that the purpose of your audit of our consolidated financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with applicable law and the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.
2. We acknowledge, as members of management of the College, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the College and its group in accordance with applicable law and the Financial Reporting Standard 102 The Financial

Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the College, we believe that the College has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law and the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the College’s internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the College.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Board of Management of the College and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meetings.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the College's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the College has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. As disclosed in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Going concern

1. We have not identified any material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Management Commentary, the Remuneration Report, the Annual Governance Statement and the Statement of Responsibilities.
2. The disclosures within the Management Commentary reflects our understanding of the financial and non-financial performance of the College over the reporting year, is consistent with the financial statements and has been prepared in accordance with relevant guidance.
3. The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared reflects the College's governance framework, is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).
4. The information contained in the auditable part of the Remuneration Report has been prepared in accordance with Accounts direction.
5. We confirm that the content contained within the other information is consistent with the financial statements.

Yours faithfully,

Principal

Chair of the Board of Management of the College

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the Board or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and risk	Our recommendation and grading	Management response
1	<p>Preparation of the financial statements</p> <p>While the core financial statements were provided during the audit process the performance, accountability, remuneration reports and the corporate governance statement were provided after the onsite audit work was completed.</p>	<p>We have indicated with management that we will undertake a review of the timetable for the audit for 2017/18, building on our first year audit experience and to ensure continued improvement and efficiency in the process.</p> <p>As part of this, management should review their timetable for the preparation of all elements of the financial statements to enable a full draft financial statements to be available for review at the beginning of the audit process.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p>Agreed.</p> <p>Management will continue to work with the auditor to ensure the process is as efficient as possible.</p>
2	<p>Actuarial assumptions</p> <p>In respect of the key assumptions around discount rates and inflation used in the calculation of pension liabilities at year end, our actuaries noted that the assumptions were within a range we consider acceptable for the year end date.</p> <p>However, they noted the underlying methodology used to obtain these assumptions was not as robust as they could be, in particular around the estimates of future cash flows for pension costs by the College.</p> <p>While we are comfortable with the assumptions used for the 2017 financial statements there is a risk that future assumptions are not considered appropriate.</p>	<p>Management should ensure our audit findings are fed back to the actuaries in advance of the 2017/18 preparation of the FRS102 pensions report and assumptions calculation.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p>Agreed.</p> <p>Management has requested a detailed explanation of where the differences of opinion with regard to methodology lie to allow them to pass on to the scheme actuaries, and will review next year as soon as the assumption are known for the year.</p>

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Draft Minutes

Meeting reference: Audit 2017-18/01
Date and time: Wednesday 20 September 2017 at 5.30pm
Location: Room 019

Members present: Brian Crichton (Acting Chair), Ann Irvine, Ian Jackson

In attendance: Margaret Cook, Principal
 Jackie Mackenzie, Vice Principal, Finance and Estates (VP F&E)
 Stuart Inglis (Henderson Loggie)

Apologies: Lorna Nicoll, Lindsey McLeod, Pam Wilson, Keith Macpherson (Ernst & Young)

Chair: Brian Crichton
Minute Taker: Maureen Masson, Secretary to the Board of Management
Quorum: 3

Summary of Action Items			
Ref	Items from minutes of meeting on 23 May 2017	Responsibility	Time Line
9.1	<p>Amendment to the proposal for bringing the Annual Health and Safety Update to the Board of Management</p> <p>Append revised Health and Safety policy and Annual Health and Safety Report to the Audit Committee minutes for the next Board meeting</p> <p>Amend the process to reflect the fact that only the Principal can sign the Annual Health and Safety Update</p>	Board Secretary	By 3 October 2017
Ref	Actions from meeting on 20 September 2017		
*6.1	<p>Health and Safety Annual Report 2016/17</p> <p>Revise and update in light of the various actions identified in the minute.</p>	Principal and Vice Principal Finance & Estates	Next Audit Committee meeting
*6.2	<p>Revised Health and Safety Policy</p> <p>Revise and update in light of the various actions identified in the minute.</p>	Vice Principal Finance & Estates	By 3 October 2017
*7.1	<p>Strategic Risk Register</p> <p>Append a footnote to the Strategic Risk</p>	Vice Principal	Next review of

	Register to identify UHI Shared Risks	Finance & Estates	Risk Register
*8.1	Internal Audit: Progress Report Annual Plan 2016-17 Henderson Loggie to start post project evaluation for ASW.	Vice Principal Finance & Estates	Immediately
*8.2	Internal Audit Plan 2017-18 Prepare revised plan in the light of changing priorities.	Vice Principal Finance & Estates	For consideration at next Audit Committee

Minutes

Item	Action
<p>1 Welcome and Apologies</p> <p>The Chair, welcomed members to the meeting.</p> <p>Apologies were noted.</p> <p>A welcome was extended to Stuart Inglis from Henderson Loggie.</p>	
<p>2 Additions to the Agenda</p> <p>There were no additions to the agenda.</p>	
<p>3 Declaration of Interest in any Agenda Item</p> <p>There were no declarations of a conflict of interest.</p>	
<p>4 Minutes of Audit Committee Meeting held on 23 May 2017</p> <p>A correction to the minute was noted in relation to item 9.2. The Committee agreed that the Principal would retain primary accountability for the Health and Safety report: that accountability could not be delegated.</p>	
<p>5 Actions Arising from Previous Minutes</p> <p>10.1 Health & Safety Committee minutes 9 February 2017</p> <p>Action: complete</p> <p>The Vice Principal Academic had spoken with HISA about Committee attendance.</p>	

7.3 Internal Audit - Nursery

On the agenda.

7.3 Internal Audit Follow Up Review

Action: A process for quarterly tracking was being established.

9.1 Amendment to the Proposal for bringing the annual health and safety update to the Board of Management

Action: The report will be appended to the minutes of the Audit Committee.

Secretary

6 Health and Safety

*6.1 Health and Safety Annual Report 2016/17

The Committee discussed the report and agreed it was positive in overall terms. However, some aspects would benefit from further clarification and the Committee recommended some further actions: These included:

- further information needed to explain the incidence of false (fire) alarms and reassurance that appropriate follow up action was taken to reduce the likelihood of similar incidents;
- numbers of staff being trained in various aspects of health and safety should be augmented by percentages of qualifying population to set the figures in context;
- more generally, but related to the action immediately above, it was agreed that future H & S Annual Reports should be more quantitative in approach to facilitate better assessment of success and identification of improvement areas;
- the absence statistics appeared to show rates above average, and the Principal confirmed that there would be more robust and active management of sickness absence going forward; and
- the Committee wished to see greater focus in overall report on the year ahead and plans or initiatives to highlight the good work the College was doing to contribute to a positive health and safety culture.

VP F&E

VP F&E

Principal

Principal

VP F&E

*6.2 Revised Health and Safety Policy

The Committee noted the revised Health and Safety Policy and made the following comments/suggestions:

- The role of the Board of Management was to ‘champion’ H&S and that terminology should be re-instated in the policy;
- the Principal and CEO has overall accountability as opposed to responsibility (ref item 5.2); and
- the tenor/language of some areas of policy should be changed to encourage a more positive/inclusive health and safety culture e.g. the role of managers described item 5.4 and in relation to item 5.8 Human Resources where a re-ordering of the bullet points was suggested.

Further work on the policy to address the comments noted above will be included in a revised draft to come forward to the next meeting of the Board. After Board agreement, the Chair of the Board of Management and the Principal would formally sign the policy.

VP F&E

7 Risk Management

***7.1 Strategic Risk Register**

The Committee reviewed the first draft of the Strategic Risk Register, which had been updated at the start of the new academic year to reflect Executive considerations of current risks to the College.

The Committee recognised that the biggest area for concern was a number of individual risks in the category ‘developing a successful and sustainable organisation’ particularly around failure to meet financial targets, affordability of national bargaining outcomes and the impact of Brexit on EU funding, student and staff recruitment.

The Committee noted the uncertain financial position the College faced, and was keen to be assured that all possible action was being taken to ensure as robust a financial footing as possible. The Committee noted that the sector too was confronting financial challenges as witnessed in recent Audit Scotland reports. In addition, there continued to be uncertainty at a national level about the funding national bargaining outcomes.

The financial sustainability of the College would be discussed at F&GP. Options for mitigating a future deficit position had been explored at the last F&GP meeting and these discussions would continue.

In terms of capital money becoming available at short notice, the College had a prioritised list of live small projects to start quickly if required.

The Audit Committee was assured that F&GP was taking all possible steps to manage different scenarios and that the position would continue to be carefully monitored.

The Committee noted that from risk 19 onwards represented Perth's position in relation to shared UHI risks. The Committee agreed that going forward these should be identified with a footnote to distinguish them separately from College risks. The Committee was keen to continue to identify specific College risks separately to reflect the local Perth context.

VP F&E

7.2 Health and Safety Risk Management Profile as at May 2017

The Committee noted that the Health and Safety Risk Management profile represented the position at May 2017. The Committee was keen to encourage the Health and Safety Committee to strive for improvements to the health and safety culture e.g. implementing a simple process for recording near misses. The Committee further noted that the caretakers had assumed a more active role in managing day-to-day health and safety across the College.

8 Internal Audit

***8.1 Internal Audit: Progress Report – Annual Plan 2016-17**

The Committee noted the progress report for the annual plan and that the Academy for Sport and Wellbeing post project evaluation was delayed, at the College's request, until after receipt of the final account, which had now been received.

VP F&E

***8.2 Internal Audit Annual Plan 2017/18**

Henderson Loggie introduced the paper which set out proposed audit assignments for Academic Year 2017-18 in the light of the Audit Needs Assessment and Strategic Plan 2016-2020. The Committee discussed the identified priorities and proposed timescales, and it was agreed that the priorities attached to some assignments had changed since the audit needs assessment. In addition, the Principal had identified some key functions as requiring immediate attention and business reviews of these areas may have to be progressed quickly.

It was agreed that the plan would be re-assessed and brought back to the joint meeting of Audit and F&GP in November.

Principal
and
VP F&E

***8.3 Nursery Review Update**

The Vice Principal updated the Committee on the work ongoing to address the concerns that had been identified in relation to the nursery. A number of actions had been taken forward in consultation with nursery staff, and this was having a positive impact, both financially and in terms of an improved nursery offering to students whose children access the nursery.

9 Annual Report Business Continuity Programme 2016-17

The Committee noted the annual report. Business continuity procedures had been well tested during the recent period of industrial action.

*10 Freedom of Information and Data Protection Annual Report

The Committee noted the annual report and the well-established process and procedures in place for managing this.

11 Committee Meetings:

9.1 Health and Safety Meeting 24 August 2017

Minutes– noted

10 Date and time of next meeting

Joint meeting with F&GP on 29 November 2017

11 Review of Meeting

Members agreed the meeting had covered its remit.

Information recorded in College minutes and papers is subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Status of Papers **Open** **Closed**

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes and papers about living individuals, under the terms of the Data Protection Act 1998.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1998? **Yes** **No**

Paper for Consideration

Subject: Strategic Risk Register

Author: Jackie Mackenzie

Date of paper: 22 November 2017

Date of meeting: 29 November 2017

Action requested of committee:

(Tick as appropriate) For information only:

For discussion:

For recommendation/approval:

Cost implications:

(Tick as appropriate) Yes: No:

Executive Summary:

Risk Register

The second review of the Strategic Risk Register for the academic year 2016-17 has been carried out and any changes made to the register highlighted in red.

The Strategic Risk Register is reviewed at the start of the Academic year and adjusted to reflect the current executive considerations of the current risks to the College. This register is then reviewed and updated throughout the academic year and presented to the Audit Committee together with notes on any emerging risks. The updated register is shown at Appendix 1 for the Committee's approval.

In addition to the College Strategic Risk Register, the Audit Committee now periodically reviews the Health & Safety Risk Register and the ICT Risk Register as part of the normal cycle of business.

Emerging and Updated Issues

1. Income

The main sources of income for the College are derived from student numbers, FE, HE and International. We are on track to deliver our FE student targets and current indications are that we will reach our HE target for the current academic year after inclusion of students starting in January. There is a continuing risk of a funding clawback from EO if we fail to deliver HE targets despite there being no clawback from SFC and an already onerous burden of fees only students included within the target numbers.

International students have been a substantial source of income in previous years but the downward trend has continued and, despite a reduced budget, fee income is forecast to be £200k below budget for the year.

2. Finance Systems Convergence Project

This project started three years ago to, eventually, bring all of the academic partners onto one finance system which would assist with reporting etc. Perth College's current finance system is long overdue for replacement and this project was the route to our solution. Currently the project is nearly two years behind schedule and our participation has been deferred until the new system can be demonstrated to be fit for purpose and deliver the specified requirements agreed at the outset of the project. In addition, we are progressing an update to Symmetry, our current finance system, which will mitigate the risk to Perth College.

3. UHI Future Integration

The current discussions around a more integrated organisation within UHI will have implications for Perth College. Initially, this will be taken forward by the incorporated colleges and the Court with a view to reporting progress before this year end. Perth College, through our Chair of the Board of Management, continues to be heavily involved in these meetings.

UHI Common Risks

The Risk Register now includes the agreed UHI common risks which will now be monitored as College risks. These common risks are identified as such in the Risk Register.

Information recorded in College minutes and papers is subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Status of Papers **Open** **Closed**

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The College may also be asked for information contained in minutes and papers about living individuals, under the terms of the Data Protection Act 1988.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? **Yes** **No**

UHI STRATEGIC RISK REGISTER TEMPLATE

PARTNER: Perth College UHI

DATE: November 2017

Ref	Risk Status	Category	Risk Description	Causes	Impacts/ Evidence	Owner	Likely-hood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
1*	Active	Working in partnership to meet the needs of our local economy and beyond. Providing a progressive curriculum which meets economic and social needs and aspirations.	Operations limited due to outcome of central or remote decision making reducing local impact and focus. Lack of understanding or clarity of the academic partnership within our external operating environment.	<ul style="list-style-type: none"> Collective reporting Dilution of local need within decision making Changes to Partnership structures/organisation. 	<ul style="list-style-type: none"> Reduced student numbers. Declining performance. Loss of commercial potential. 	Principal	4	4	16	<ul style="list-style-type: none"> College Board of Management and Chair kept informed of arising issues. UHI Vice Principal Further Education and Chair of Further Education Regional Board made aware of issues. SMT proactive in decision making forums. Perth & Kinross CPP single outcome agreement embedded in ROA. Create positive working relationships with Colleges Scotland and Scottish Government. 	16 (4,4)	↑	<ul style="list-style-type: none"> Continue to highlight as appropriate. Continue to work on and implement recommendations of working group set up by DFM. Work proactively within partnership and beyond. Be proactive in discussions re. future integration 	Principal Principal Principal Chair	Ongoing Ongoing Ongoing Ongoing
2*	Active	Working in partnership to meet the needs of our local economy and beyond.	Non achievement of numbers. Low allocation of funded Student Numbers from the region. Adverse impact of change in FE methodology to credits from WSUMs Adverse impact of Regional funding and allocation	<ul style="list-style-type: none"> Lack of marketing focus Intra regional competition Curriculum offered does not meet demand Slow conversion of application to acceptance Impact of school profile and jobs market BREXIT 	<ul style="list-style-type: none"> Financial. Reputation. National appetite for increased funded numbers. Reduction in EU students. 	Principal	4	3	12	<ul style="list-style-type: none"> Review curriculum to ensure it is up to date and fit for purpose and relevant for the identified market. Maintaining engagement with applicants. Well informed with strong/robust evidence/business case for local demand. Strong representation on PPF for FE and HE and on the Regional FE Committee. Clear understanding and management of criteria within the ROA. Endorsement of Community Planning Partnership. Liaise with adjoining regions, colleges and providers for out of region provision. Strategic discussions with PKC Education Department on Schools/College volume. Ensure student numbers align to strategic plans. Identify courses with highest EU student cohorts. 	9 (3,3)	↔	<ul style="list-style-type: none"> Model and analyse impact of trends and updates. Effective marketing plan in place. Review marketing structure 	Principal Principal	Ongoing Review again Nov 17 Ongoing

Ref	Risk Status	Category	Risk Description	Causes	Impacts/ Evidence	Owner	Likely-hood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
3*	Active	Developing a successful and sustainable organisation.	Lack of International student recruitment. Lack of RUK student recruitment. Poor Partnership Management.	<ul style="list-style-type: none"> UK Regulation Registration (UKBA) In country adverse political environment Availability of suitable product Marketing and attraction strategy 	<ul style="list-style-type: none"> Loss of income. Bad publicity. Lack of student diversification 	Principal	5	4	20	<ul style="list-style-type: none"> Employing international staff from major markets. Protection of Highly Trusted Status. Student Testimonials. Closer links with the curriculum areas. Working with UHI World/UHI VP International and External Engagement Explore combined product offering between College and AST. 	16 (4.4)	↔	<ul style="list-style-type: none"> Wider product range to be developed. International strategic approach for 2017/18 to be revised. Use strengths of AST market intelligence. Develop Agents Network Rolling sales and marketing plan re. target markets and potential customers. Engagement of external strategic/specialist agency Bespoke marketing and presentation materials. 	Principal	July 2018
4*	Active	Developing a successful and sustainable organisation. UHI Common Risk	The institution has a poor reputation.	<ul style="list-style-type: none"> Financial failure. Consistent poor student experience/performance Contentious investment/divestment Predatory merger and acquisition Breakdown in Partner and Staff relations Confusion of brand identity re. Perth and UHI Adverse publicity 	<ul style="list-style-type: none"> Loss of income Increased costs Staff retention/recruitment Student retention/recruitment. Loss of accreditations. Damage to reputation. 	Principal	3	4	12	<ul style="list-style-type: none"> Heightened awareness of causes of poor reputation. Heightened reinforcement of the value of Perth College. Building trust with Partners. Effective marketing of College and UHI. Maintain communication via employer engagement. Annual marketing and PR Plan in place. 	8 (2.4)	↔	<ul style="list-style-type: none"> Review, update and implement communications and PR strategy. 	Principal	Dec 2017

Ref	Risk Status	Category	Risk Description	Causes	Impacts/ Evidence	Owner	Likely-hood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
5*	Active	Inspiring and supporting our students to achieve their potential. Developing a successful and sustainable organisation. UHI Common Risk	College estate not fit for purpose.	<ul style="list-style-type: none"> Reduction of Capital Grant. Backlog of essential maintenance. Uncertainty of future Governance model. Lack of available funds. Age of current campus. 	<ul style="list-style-type: none"> Estate poorly maintained Inability to deliver a new improved estate fast enough. Availability of classrooms and academic equipment does not match demand. 	Chief Operating Officer	4	3	12	<ul style="list-style-type: none"> Attracting external investment. Backlog maintenance risk register has now been developed. Weekly 'Walk the Campus' and engage staff – Visible Management. Approval of identified major building projects. Priority to increase classroom accommodation. Update estates planning to ensure optimum use of space freed up by completion of ASW 	9 (3,3)	↔	<ul style="list-style-type: none"> Identify estates requirements. Develop future campus vision. 	Chief Operating Officer	Ongoing July 2018
6*	Active	Inspiring and supporting our students to achieve their potential.	Technology not fit for purpose. No replacement or upgrade of critical ICT and academic equipment.	<ul style="list-style-type: none"> Changes in ICT development and technology. Changing in Learning and Teaching practices. Increase in network delivery of teaching. Increased use of social networking. Inadequate VC facilities for larger classes. Additional requirements from curriculum development and growth. Technological innovation. 	<ul style="list-style-type: none"> Higher investment in resources required. Need to continually alter accommodation. Available resources limit delivery options. Poor student and staff feedback. 	Chief Operating Officer	4	3	12	<ul style="list-style-type: none"> Developed robust Curriculum Development Plan. Link changes in L&T practice to Estates Planning. Review and implement working practices to optimise available space and working times through use of CELCAT Management Reports. Operational Planning process and resource commitments system in place. Prioritise investment required for resources for key curriculum areas. Ongoing evaluation of VC capacity and teaching space in line with curriculum delivery plan. ICT rolling programme of replacement Shared licence purchases with UHI 	9	↔	<ul style="list-style-type: none"> Rigorous approach to timetabling and utilisation of rooms. ICT Budget and replacement. UHI ICT strategy discussions. 	Director Curriculum and Business Engagement Principal Principal	Ongoing Dec 17

Ref	Risk Status	Category	Risk Description	Causes	Impacts/Evidence	Owner	Likely-hood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
7	Active	Developing staff to successfully deliver our Vision. UHI Common Risk	Disruption to services/projects and/or partnership working resulting from loss of a key staff member.	<ul style="list-style-type: none"> Poor performance management of competence issues. Fast pace of curriculum development. Excessive demand on CPD. Lack of staff capability. Poor workforce planning. Affordability/cost of staff 	<ul style="list-style-type: none"> Inability to compete. Loss of business and reputation. Potential requirement to buy in specialist staff High staff turnover. Poor staff satisfaction. 	Principal	3	3	9	<ul style="list-style-type: none"> CPD reports to SMT re progress against CPD targets for professional reviews, mandatory training etc Prioritise an appropriate level of CPD investment linked to financial sustainability. 	9 (3,3)	↔	<ul style="list-style-type: none"> Develop HRIS to provide robust workforce intelligence and implement effective workforce planning model. Capability Policy and procedure in updated and implemented. Coaching and Conflict Resolution Training delivered to Managers. Chartered Management Institute (CMI) Training Programme developed for Managers. Managers trained in Capability Procedure. Staff Survey results and IIP Assessment Action Plan in place and monitored. 	Principal	July 2018
8 *	Active	Developing a successful and sustainable organisation. UHI Common Risk	Research outputs are sub standard.	<ul style="list-style-type: none"> Lack of experience and reputation Insufficient staff time available Not explicit in staff Partnership Contract. Funding methodology 	<ul style="list-style-type: none"> Inability to identify and agree appropriate projects Research strategy not clear 	Principal	4	3	12	<ul style="list-style-type: none"> Review of R&KE strategy. Develop relationships with wider UHI colleagues. Prioritise R&KE where appropriate for REF income. Investigate SFC Innovation Funding and maximise Work with University SMT, Research Clusters and PKC Tay Cities Deal developments. 	9	↔	<ul style="list-style-type: none"> Link with KE specialists in UHI. Effective and purposeful operation of R&KE Committee and links to UHI structures. Vision 2021 and City Development Plan implementation. 	Principal	Ongoing

Ref	Risk Status	Category	Risk Description	Causes	Impacts/ Evidence	Owner	Likely-hood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
13*	Active	Developing a successful and sustainable organisation.	Lose control of critical processes and systems through Shared Services Shared Service Model controlled by UHI EO and UHI Finance & General Purposes and University Court.	<ul style="list-style-type: none"> Insufficient planning. Inadequate backup. Poor training and inadequate communications. Loss of control of direct employees. Reduced service level. Additional cost. Lag in service improvement. Loss of control over capital investment. 	<ul style="list-style-type: none"> Disruption to business systems and student learning. Increased costs. 	Chief Operating Officer /International & Corporate Services Director	3	3	9	<ul style="list-style-type: none"> Involved in thorough planning. Members of the LIS Shared Service Board. Member of the Shared Service Programme Board. Maintain Perth College input into development of shared services. Retain DH as nominated director of USSL. 	9	↔	<ul style="list-style-type: none"> Service Level Agreements – Staffing, Communication, Core Services (operational details to be fleshed out). Proactive within commissioning board. 	SMT SMT SMT SMT	Ongoing Ongoing Ongoing Ongoing
14*	Active	Developing a successful and sustainable organisation.	Failure to ensure sustainability	<ul style="list-style-type: none"> Change in Government control/legislation. Ongoing Implications of ONS 	<ul style="list-style-type: none"> Unable to plan longer term. Unable to save to invest in larger projects. Capital Expenditure programme halted since depreciation cash equivalent no longer available. 	Chief Operating Officer	3	5	15	<ul style="list-style-type: none"> Lobbied Colleges Scotland providing evidence of unintended consequences. Staff professionally updated in public sector accounting. Raised issues with SFC and Scottish Government. Constantly review as clarification of rules continues to roll out. 	10	↔	<ul style="list-style-type: none"> Keep abreast of interpretation and updates. Maintain awareness. Involvement with sector, Colleges Scotland and SFC working groups. 	Chief Operating Officer	Ongoing Ongoing
15*	Active	Developing a successful and sustainable organisation. UHI Common Risk	Financial failure/operating loss. Inability to achieve a balanced budget.	<ul style="list-style-type: none"> Lack of student numbers. AST poor performance. Reduction in commercial income. Relaunch in international recruitment. Underfunding of student support. Dilution of unit of resource by increase in fees only students, topslice etc. 	<ul style="list-style-type: none"> Increased competition. Reduced funding available to invest or cover operational costs. Strategic imperatives not met. Reduction in quality of delivery/student experience. 	Principal	3	5	15	<ul style="list-style-type: none"> Excellent internal control systems. Ongoing dialogue re UKVI (Link to AST Risk Register) Increased forecasting. Flexing targets where appropriate. Close working with sector and UHI partners 	6 (2,3)	↔	<ul style="list-style-type: none"> Review of International Recruitment Strategy. Develop Business Plan for AST 	Principal Principal	Ongoing Feb 2018

Ref	Risk Status	Category	Risk Description	Causes	Impacts/ Evidence	Owner	Likely-hood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	ACTION PLAN		
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16*	Active	Developing a successful and sustainable organisation. Developing staff to successfully deliver our Vision.	National Pay Bargaining unaffordable	<ul style="list-style-type: none"> National bargaining has local consequences. Agreed pay awards unaffordable for individual college. 	<ul style="list-style-type: none"> Loss of autonomy. Risk of national strike. Lack of sector agreement of mandate for negotiations. Lack of additional funding for sector pay claims. 	Principal	4	4	16	<ul style="list-style-type: none"> College membership of national forums via Chair and Principal. VP/HR & Communications attends Colleges Scotland HR & OD Group and keeps abreast of national bargaining and workforce of the future developments and how these will affect the College. 	16 (4,4)	↔	<ul style="list-style-type: none"> Continue to participate in national bargaining. Contribute to thinking on Workforce of the Future. 	Principal	Ongoing
17	Active	Developing a successful and sustainable organisation.	Non-compliance of Statutory Health and Safety Legislation and Equality Legislation	<ul style="list-style-type: none"> Introduction of amendments to existing legislation or new unforeseen and unplanned legislation. 	<ul style="list-style-type: none"> Introduces financial and staffing resources to administer. Legal Action. Risk of Business Continuity. Financial fines. Reputational damage. 	Principal	1	5	5	<ul style="list-style-type: none"> Produced and implemented a detailed Health and Safety Operational Risk Management Register. Updated quarterly and reviewed by Audit Committee every 6 months. Produce Annual Report on Health and Safety. Competent Health & Safety Officer. Internal audit actions/recommendations achieved. Equalities Outcomes and Mainstreaming Report. 	2 (1,2)	↔			
18	Active	Developing a successful and sustainable organisation.	Implication of outcome of EU Referendum Leading to: Loss of EU Funding. Decrease in overseas (EU) students. Loss of EU national staff.	<ul style="list-style-type: none"> Lack of numbers. Students wishing to study within EU Economic and fiscal uncertainty over EU exit. Staff uncertainty 	<ul style="list-style-type: none"> Reduced numbers of students/staff Loss of commercial potential. Loss of EU funding 	Principal	5	4	20	<ul style="list-style-type: none"> Keep up to date with info flow. Lobby through Colleges Scotland and Universities Scotland to increase funding to compensate. Understanding the status of EU residents. Use next two years productively as planning. Look at opportunities, e.g. Increased fees. 	15 (5,3)	↔		Principal	Ongoing

Ref	Risk Status	Category	Risk Description	Causes	Impacts/ Evidence	Owner	Likely-hood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
19	Active	UHI Common Risk	College does not achieve allocated HE student number targets.	Failure to recruit sufficient students due to various factors such as: over ambitious PPF target, poor marketing, curriculum gaps, poor NNS results etc.	Reduction of college income from UHI, regional student number target at risk resulting in possible claw back to SFC from UHI in year or reduction in future years grant.	Principal	5	3	15	<ul style="list-style-type: none"> Review curriculum to ensure robust and up to date. Continue close partnership working within UHI. Ongoing dialogue with PPF and academic partners. Plan, monitor and review student numbers/applications. 	4 (2,2)	↓			
20	Active	UHI Common Risk	College does not achieve allocated FE Credit targets.	Failure to recruit sufficient students due to various factors such as: over ambitious target, curriculum gaps, ineffective marketing and engagement with local schools/ employers.	Reduction of college income from UHI, regional student number target at risk resulting in possible claw back to SFC from UHI in year or reduction in future years grant.	Principal	5	3	15	<ul style="list-style-type: none"> Review curriculum to ensure robust and up to date. Develop external partnerships with schools. DYW and employers. Plan, monitor and review student numbers/applications. 	4 (2,2)	↓			
21	Active	UHI Common Risk	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.	Principal	4	3	12	<ul style="list-style-type: none"> Robust governance policy. Robust management policies, procedures and systems in place. Dedicated Health & Safety officer. IT/Data Protection staff in place. Mandatory staff training. Close working relationship within UHI. 	6 (2,3)	↔			

Ref	Risk Status	Category	Risk Description	Causes	Impacts/Evidence	Owner	Likely-hood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	ACTION PLAN		
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22	Active	UHI Common Risk	Governance Failure.	Governing body does not have an appropriate balance of skills and experience. Role of a governor/director is onerous and it is difficult to attract a broad range of high calibre individuals to serve for non-remunerated roles	Recent advertisements for new members have attracted few applications	Chair, Board of Management	3	3	9	<ul style="list-style-type: none"> Recruitment process robust, transparent and open. Skills matrix approach in place. Networking/proactively encouraging diversity of applicants. 	4 (2,2)	↔			
23	Active	UHI Common Risk	Poor Student Experience	Poor college estate. Dispersed campus with limited facilities for social interaction. Technology failures. Limited teaching/library resources.	Poor performance in national student satisfaction surveys. Reputational damage. Impact on ability to recruit future cohorts. Risk to core income streams.	Chief Operating Officer	3	2	6	<ul style="list-style-type: none"> Partnership approach with HISA Continuous student engagement, feedback and dialogue. 	4 (2,2)	↔			
24	Active	UHI Common Risk	Institutional, personal and sensitive data is corrupted, lost, stolen or misused or services are disrupted through malicious and illegal activities by external individuals or bodies.	Poor IT security measures. Equipment with security holes. Poor patching regime. Anti-virus is not up-to-date and comprehensive. Firewalls are configured incorrectly. Coordinated DDOS attack on university infrastructure. Increasing number of security alerts. DDOS attacks on UK academic institutions up to 527 in 2015 - Janet CSIRT. Increase in cyber-attacks such as ransomware reported in national media.	Information Commissioner fine of up to £500k. Adverse press coverage. Loss of confidence by regulators, stakeholders and HE sector. Ransomware encryption has been detected on UHI network.	Principal	4	4	16	<ul style="list-style-type: none"> Firewalls and filters updated regularly. Anti virus software on all corporate devices. UHI protocols applied and adhered to. Passwords changed regularly. 	12 (3,4)	↔			

Note: Risks 4, 5, 7, 8, 10, 12, 15, 19-24 are UHI Common Risks.

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%

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

Note: Select criteria most appropriate. Use highest score if more than one criterion applies.

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					

Attention should also be paid to risks that are very rare or unlikely that could cause a catastrophic impact.

Paper for Consideration

Subject: ICT Risk Register

Author: Dawne Hodgkinson

Date of paper: 27 November 2017

Date of meeting: 29 November 2017

Action requested of committee:

(Tick as appropriate) For information only:
For discussion: ✓
For recommendation/approval:

Strategic area(s): Business Continuity/Risk Register

Cost implications:

(Tick as appropriate) Yes: No: ✓

Executive Summary:

This paper provides an update on the ICT Risk Register.

Information recorded in College minutes and papers is subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Status of Papers Open ✓ Closed

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes and papers about living individuals, under the terms of the Data Protection Act 1988.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? Yes No ✓

UPDATE ON ICT RISK

Background

Following successful investment in and completion of significant remedial works between 2013 and 2015, it was agreed that a separate ICT risk register was no longer required, instead subsuming this into the main Risk Register (reference 12). This covers the ICT infrastructure and the Business Continuity Plans in that respect.

At the Committee meeting in November 2016 there were a few outstanding actions (noted below) that were dependent on the replacement of the UHI Local Area Network (LAN), some of which could only be completed outwith the academic session to mitigate disruption of student access, storage and indeed their wider experience.

General update

There are no current risks to the ICT infrastructure other than those identified in the Business Continuity/Disaster Recovery Plan, ie major disaster; fire. The business continuity action plan herein was updated in August 2017 to reflect the changes to the network over the last 4 years.

Actions noted at meeting of 30 November 2016

1. Migrate less critical systems to mirrored volumes as time allows
2. As part of LAN refresh, there is still some work still to be finalised to ensure fully redundant compliance of new HP network installation. This cannot take place during term time. Summer 2017
3. Move one backup repository to ASW building – this new location has given us the opportunity to further improve resilience. June 2017
4. Establish a regular test restoration programme to ensure integrity of data backups. June 2017

Update as at November 2017

With the exception of item 3, all actions are complete. The backup repository will be moved to ASW in December 2017.

Dawne Hodkinson
27 November 2017

Perth College UHI

SECTION 5: BUSINESS CONTINUITY PLAN

Part 5 – Actions Required for: ICT Infrastructure Failure

UPATED	August 2017
AUTHOR	Vice Principal Finance & Estates
DOCUMENT OWNER	Vice Principal Finance & Estates
VERSION No	4.0
NEXT REVIEW	August 2018

Section 1: Plan Owner

STRATEGIC DIRECTION TEAM MEMBER (Plan Owner / Maintainer)	TACTICAL MANAGEMENT TEAM MEMBER (Deputy Owner / Plan Implementer)
Director of Finance	International & Corporate Services Director/Network Systems Team Leader

Section 2: Threat background and threat strategy

Risk Number	Description	Mission Critical Areas impacted
7	ICT Infrastructure Failure Loss of network core switches and all services to Brahan and Learning Centres Loss of access to some data Loss of telephone system for whole site Loss of external connectivity to Brahan and Learning Centres	All 1-7 to varying degrees
Threat strategy and status of strategy – Threat Assessment - Significant Likelihood – Critical Impact: C2		

Section 3: Response Actions

No	Actions to maintain service	Priority / Timing	Accountability	Complete
	[how will you maintain a 'minimum acceptable' level of service]	Timing (High < 24 hours, Medium 2 – 3 days, Low (relative) > 3 days)	[responsibility for actions]	
	ICT Infrastructure Failure (Room 227) <ul style="list-style-type: none"> • Assumption – server rooms 217A and/or Webster undamaged 			
1	Assess scale and nature of failure <ul style="list-style-type: none"> • restore 227 	Medium	Network support team Estates	
2.	Restore fibre infrastructure to Brahan <ul style="list-style-type: none"> • JANET • internal network fibres 	Medium	ICT Systems & Network, JANET	
3	Initiate short-term replacement service <ul style="list-style-type: none"> • Wi-fi (UHI infrastructure) 	Low	ICT Systems & Network, UHI	
4	Source replacement hardware <ul style="list-style-type: none"> • Redundant Core switching • Replacement edge switching for 227 • Alacatel telephone system • UHI routing & video conferencing equipment • Guest Wifi router (The_Cloud) • Wireless switching 	Low	ICT Systems & Network, UHI	

No	Actions to maintain service	Priority / Timing	Accountability	Complete
5	Restore Physical Environment <ul style="list-style-type: none"> • Property Contractors make good environmental damage • Restore services - power, air conditioning, • Restore structured cables and fibres and copper • Assess damage to hardware and source replacement as required • Install and configure replacement hardware 	Low	Estates, Network support, external contractors	
6	Restore ancillary services	Low	Network support team	

Section 4: Tactical Management Team

No	Person (role / specialist area)	Contact	Deputy	Contact	Outside contact
1	International & Corporate Services Director	01738 877706 07967170086 Dawne.hodkinson@perth.uhi.ac.uk	Network systems Team Leader	01738 877242 07967170088 Steve.douglas@perth.uhi.ac.uk	
2	Director of Finance	01738 877233 07552211662 jackie.mackenzie.perth@uhi.ac.uk	SMT		
3	Head of Estates	01738 877340 07968602932 gilbert.valentine.perth@uhi.ac.uk	Senior Caretaker	01738 877081 07967170081 John.nicoll@perth.uhi.ac.uk	
4	Head of IT Services (UHI)	01577 861152 Mike.macdonald@uhi.ac.uk		John Maher, Jem Taylor	
5	ICT Team Leader	01738 877242 07967170088 Steve.douglas@perth.uhi.ac.uk			

Note: it is not necessary to list all managers and staff that may be involved in carrying out actions as this depends on the exact nature of the incident and who is available.

Section 5: Additional information

Area	Description	
Staff communication methodology	Staff and External supplier communication is built within the plan using the Communication Plan. Messages must be relayed early.	
Staff welfare issues (if applicable)	None	
Specific key stakeholders (including contact details)		
		Contact
UHI LIS	Partner Service Supplier	Mike MacDonald UHI LIS
Documents and Records recovery (if appropriate)		

Perth College UHI

SECTION 5: BUSINESS CONTINUITY PLAN

Part 7 – Actions Required for: ICT Server Room Failure

UPATED	August 2017
AUTHOR	Vice Principal Finance & Estates
DOCUMENT OWNER	Vice Principal Finance & Estates
VERSION No	4.0
NEXT REVIEW	August 2018

Section 1: Plan Owner

STRATEGIC DIRECTION TEAM MEMBER (Plan Owner / Maintainer)	TACTICAL MANAGEMENT TEAM MEMBER (Deputy Owner / Plan Implementer)
Vice Principal Finance & Estates	International & Corporate Services Director/ Systems Network Team Leader

Section 2: Threat background and threat strategy

Risk Number	Description	Mission Critical Areas impacted
6	ICT Server Room (217A) Failure – catastrophic failure of all equipment Total failure or loss of server room: Some Directory and Application servers Temporary loss of some data servers Finance System some licensing services auxiliary services Backup server	All 1-7 to varying degrees
Threat strategy and status of strategy – Threat Assessment - D2 Low Likelihood, Critical Impact . The assumption is that Webster building is unaffected		

Section 3: Response Actions

No	Actions to maintain service	Priority / Timing	Accountability	Complete
	[how will you maintain a 'minimum acceptable' level of service]	Timing (High < 24 hours, Medium 2 – 3 days, Low (relative) > 3 days)	[responsibility for actions]	
	ICT Main Server Room Failure (Brahan 217A) Assumptions: <ul style="list-style-type: none"> • We have access to Brahan • We have access to 227 • Assume Webster not damaged and available • Assume storage hardware and virtual machines are available 			
1.	Redirect to Mirror Servers <ul style="list-style-type: none"> • Minimal impact on end users 	High	Network support team/UHI LIS	
2.	Critical Services Recovery <ul style="list-style-type: none"> • Rebuild Finance systems (assumes hardware available or virtual machines available). May require assistance from Symmetry. • Restore latest backup to finance systems • Assess state of data on main server mirror volumes. • Build and restore backup server • Restore virtual machines to alternative hosts 	High	Network support team/UHI LIS	

No	Actions to maintain service	Priority / Timing	Accountability	Complete
5	Restore Physical Server Room <ul style="list-style-type: none"> • Property Contractors make good environmental damage • Restore services - power, air conditioning, • Restore structured cables and fibres • Assess damage to hardware and source replacement as required • Install and configure replacement hardware 	Medium	Network support team, Property Department, Executive Office, external contractors	
6	Restore Ancillary Services <ul style="list-style-type: none"> • Software licence servers • UHI services relocated 	Low	Network support team	

Section 4: Tactical Management Team

No	Person (role / specialist area)	Contact	Deputy	Contact	Outside contact
1	International & Corporate Services Director	01738 877706 07967170086 Dawne.hodkinson@perth.uhi.ac.uk	Network systems Team Leader	01738 877242 07967170088 Steve.douglas@perth.uhi.ac.uk	
2	Vice Principal Finance & Estates	01738 877233 07552211662 jackie.mackenzie.perth@uhi.ac.uk	SMT		
3	Head of Estates	01738 877340 07968602932 gilbert.valentine.perth@uhi.ac.uk	Senior Caretaker	01738 877081 07967170081 John.nicoll@perth.uhi.ac.uk	
4	Head of IT Services (UHI)	01577 861152 Mike.macdonald@uhi.ac.uk		John Maher, Jem Taylor	
5	ICT Team Leader	01738 877242 07967170088 Steve.douglas@perth.uhi.ac.uk			

Note: it is not necessary to list all managers and staff that may be involved in carrying out actions as this depends on the exact nature of the incident and who is available.

Section 5: Additional information

Area	Description	
Staff communication methodology	Staff and External supplier communication is built within the plan using the Communication plan. Messages must be relayed early.	
Staff welfare issues (if applicable)	None	
Specific key stakeholders (including contact details)		
		Contact
UHI LIS	Partner Service Supplier	Mike MacDonald UHI LIS
WAN Connections	Network Maintenance	UHI helpdesk
Affiniti	Maintenance of Nortel Active Network Units	Support desk or Account Manager
UHI LIS	HP Network Units	Mike MacDonald UHI LIS
LIS Manager (out of hours)	Management	Details to be provided
Documents and Records recovery (if appropriate)		
Network Diagrams site plans showing location of cables and Inventory of Active Units		



Perth College UHI

**Annual Report to the Board of Management and
Principal on the Provision of Internal Audit Services for 2016/17
Internal Audit Report No: 2017/07**

Draft Issued: 21 August 2017

Final Issued: 21 November 2017

Content

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1. Annual Report and Opinion

Introduction

- 1.1 We were re-appointed in July 2016 as internal auditors of Perth College UHI ('the College') for the period 1 August 2016 to 31 July 2020. This report summarises the internal audit work performed during 2016/17.
- 1.2 An updated Audit Needs Assessment (ANA), based on the areas of risk that the College is exposed to, was prepared as part of our internal audit programme for 2016/17 (internal audit report 2017/01, issued September 2016). The ANA was prepared following discussion with the Vice Principal Finance and Estates and review of previous internal and external audit reports, and covered the four-year internal audit cycle from 2016/17 to 2019/20. The ANA was based on the College's own Strategic Risk Register and this was supplemented by our own assessment of the risks faced by the College. Following on from the ANA, a Strategic Plan was formulated covering the four-year cycle, and this was approved by the Audit Committee, together with the ANA, at its meeting on 20 September 2016.
- 1.3 The work undertaken in the year followed that set out in the Strategic Plan for 2016/17.
- 1.4 The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each assignment is given at Section 3.
- 1.5 An analysis of time spent against budget is at Section 4.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.6 The College has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:
 - Confirm our independence;
 - Provide information about the year's activity and the work planned for next year in this report; and
 - Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements (Continued)

- 1.7 Self-assessment is undertaken through:
- Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
 - Ensuring compliance with best professional practice, in particular the PSIAS;
 - Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
 - Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
 - Annual completion of a checklist to confirm PSIAS compliance.
- 1.8 The results of our self-assessment are that we are able to confirm that our service is independent of the College and complies with the PSIAS.
- 1.9 External assessment is built into our firm-wide quality assurance procedures. Henderson Loggie is a member of MHA, a national association of independent accountancy firms. Continued membership of MHA is dependent on maintaining a good level of quality and adhering to accounting and auditing standards in the provision of our services. Annual quality reviews are conducted to confirm our continuing achievement of this quality. The MHA review in April 2014 included our internal audit service. Overall the review found the firm's policies and procedures relating to internal audit to be compliant with the PSIAS in all material respects.

Significant Issues

- 1.10 There were no significant issues identifying major internal control weaknesses arising from our internal audit work during the year. In general, procedures were operating well in the areas selected, but a few areas for further strengthening were identified and action plans have been agreed to address these issues.
- 1.11 We highlighted in previous year's Annual Reports some weaknesses in relation to Campus Security. Our follow-up work during 2016/17 confirmed that the Campus Security Policy had been re-drafted and that this addressed the recommendations made in our original report.

Opinion

- 1.12 In our opinion the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2016/17 and in prior years since our first appointment in 1998/99.

2. Reports Submitted

Number	Title	Overall Grade	Recommendations	Priority 1 / Grade A	Priority 2 / Grade B	Priority 3 / Grade C
2017/01	Audit Needs Assessment and Strategic Plan 2016 - 2020	N/A	N/A	N/A	N/A	N/A
2017/02	Annual Plan 2016/17	N/A	N/A	N/A	N/A	N/A
2017/03	Student Activity Data 2015/16	Audit opinion unqualified	3	-	-	3
2017/04	Student Recruitment	Good	2	-	-	2
2017/05	College Nursery	N/A	N/A	N/A	N/A	N/A
2017/06	Follow Up Reviews	N/A	15 of 33 recommendations required further action	N/A	N/A	N/A
2017/08	Capital Projects – Academy for Sport and Wellbeing Post-Project Review	N/A	-	-	-	-

Overall report gradings are defined as follows:

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

Recommendation grades are defined as follows:

Reports issued from 2015/16

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

Reports issued prior to 2015/16 (recommendations included in report 2017/06 – Follow-Up Reviews, refer to the split in gradings on page 10)

A	Issues which required the consideration of the Board of Management or one of its committees.
B	Significant matters which members of the Senior Management Team could resolve.
C	Less significant matters, which did not require urgent attention but which should have been followed up within a reasonable timescale.

3. Summary of Results and Conclusions

2017/01 – Audit Needs Assessment and Strategic Plan 2016 - 2020

Final Issued – September 2016

Following our re-appointment as Internal Auditors for the four years to 31 July 2020 we updated the Audit Needs Assessment (ANA). The ANA was prepared following discussion with the Vice Principal Finance and Estates, from a review of various College documents including previous internal and external audit reports and the College's Strategic Risk Register, and this was supplemented by our own assessment of the risks faced by the College. Following on from the ANA, a Strategic Plan was formulated covering the four-year period to 31 July 2020 and this was approved by the Audit Committee at its meeting on 20 September 2016.

2017/02 – Annual Plan 2016/17

Final Issued – September 2016

The purpose of this document was to present, for consideration by the Audit Committee, the annual operating plan for the year ended 31 July 2017. The plan was based on the proposed allocation of audit days for 2016/17 set out in the ANA and Strategic Plan 2016 - 2020.

The outline scope, objectives and audit approach for each audit assignment to be undertaken, arrived at following discussion with the Vice Principal Finance and Estates and consideration by other members of the Senior Management Team, were set out in the report.

2017/03 – 2015/16 Student Activity Data

Final Issued – October 2016

In line with guidance issued by the Scottish Funding Council (SFC) on 12 August 2016, we considered the reasonableness of the procedures in place for the compilation of the Credits related element of the FES return submitted to the SFC.

In accordance with the Credits Audit Guidance we reviewed and recorded the systems and procedures used by the College in compiling the returns and assessed and tested their adequacy. We carried out further detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily as described to us.

Detailed analytical review was also carried out. Our testing was designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to Credits Audit Guidance and the key areas of risk identified in Annex D.

Our report to the SFC was submitted on the deadline date of 14 October 2016. We reported that, in our opinion:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- on the basis of our testing we can provide reasonable assurance that the FES return contains no material mis-statement.

Three minor recommendations were made in our internal audit report, including that: for courses that are other than full-time, the College should ensure that the required date input into SITS is calculated as the day on which 25 per cent of the total calendar days between the course start and end have passed; and the College should ensure that open / distance / flexible learning students who are not continuing to participate in their agreed programme are identified on a timely basis and removed from the Credits claim as appropriate.

2017/04 – Student Recruitment

Taking account of the regional context, we conducted a review of the adequacy and effectiveness of the processes and procedures for managing and controlling student recruitment, covering the role of Student Services, Marketing, Student Records and Curriculum Areas. This included a review of early warning indicators to flag where recruitment targets are not being met.

The table opposite notes each separate objective for this review and records the results.

Strengths

- The College’s Strategic Plan set out as one of its strategic aims to ‘Provide dynamic learning and research experiences within a curriculum that meets economic and societal needs and aspirations’. Skills Development Scotland provided Regional Skills Assessments for the Highlands and Islands, and Perth, Kinross and Tayside areas which gave information about regional job demand. Areas of economic demand were also identified through College staff interacting with local employers. The College had a Curriculum Strategy, which set out key aims of the curriculum, and a course self-evaluation process;
- The information from the Regional Skills Assessments, staff knowledge and course self-evaluation helped staff consider what curriculum should be provided, and this was set out in sector overview documents each year which informed the final approved curriculum portfolio;
- Recruitment roles and responsibilities were clearly understood;
- There was a robust process to set recruitment targets, with historic data from the student records system used to consider whether targets were reasonable;
- Reports were provided for curriculum and support staff to review actual recruitment figures (applications received, and the status of these including whether applicants were at the pre-interview, post-interview, offer, or enrolled stage) against targets. These reports were also reviewed by senior staff, and by the Curriculum Business and Planning Group, which included a range of key academic and support staff involved in recruitment activity;
- Where course recruitment was below targeted application levels processes were in place to ensure targeted marketing was undertaken;
- There were a range of marketing activities undertaken to support recruitment including social media and the website; and
- There was a mechanism to formally process and review recruitment complaints.

Final Issued – March 2017

Overall grade: **Good**

The objectives of this audit were to gain reasonable assurance that:	
1. There is appropriate senior management and Board committee oversight, including monitoring and reporting of information on student applications against targets to identify areas of poor recruitment, and identify possible actions	Good
2. Clear roles and responsibilities have been established that foster accountability for recruitment	Good
3. There is an agreed student recruitment strategy taking into account: <ul style="list-style-type: none"> • College strategic objectives, the Highlands and Islands FE and HE Regional Outcome Agreement and SFC outcomes; • agreed recruitment targets; • equal opportunities; • widening participation; • admissions policy 	Good
4. An annual student recruitment plan is in place to define and coordinate recruitment activity including a recruitment lifecycle. Recruitment / promotional activities are: <ul style="list-style-type: none"> • planned; • activities are designed to be economic, efficient and effective; • underpinned by recruitment data and market intelligence; • coordinated; • reviewed, monitored and evaluated 	Good

2017/04 – Student Recruitment (Continued)

Weaknesses

- There were no significant weaknesses noted however two recommendations were raised. One related to improving processes used to follow-up students who were rejected as they did not meet the entry requirements for the course they applied for. The second related to improving the activities undertaken by the College to help 'keep warm' students (maintaining contact with students between when an offer is made and when they start their course) with a view to ensuring that the actions being undertaken were adequate for all students.

The objectives of this audit were to gain reasonable assurance that:	
5. Knowledge, skills and training is provided to staff who are engaged in recruitment activity	Good
6. There are mechanisms to handle recruitment complaints and identify and take remedial action where necessary	Good
Overall Level of Assurance	Good

2017/05 – College Nursery

Final Issued – May 2017

The scope of this audit was to review the operation of the College Nursery, identifying different service delivery business models that could be used for operating the Nursery.

The objective was to gather information and provide commentary to assist College management in their consideration of the Nursery's customer mix and service delivery and set out the advantages, risks and financial and resource implications for possible options.

From the possible service delivery and customer mix options available, we focused on the following options:

- term time only provision - children of students only;
- full year provision - children of students and staff and commercial child places but working to maximise the child: staff ratios;
- removing childcare provision for the 1-2 years old room;
- full year provision - children of students and staff and commercial child places (this is the current service delivery and customer mix – status quo);
- outsourcing the Nursery; and
- closing the Nursery.

We discussed the above options with relevant College managers and staff and reviewed financial and other relevant information, and provided a detailed report to management on our findings.

2017/06 – Follow-Up Reviews

Final Issued – May 2017

We carried out a follow-up review of recommendations made in Internal Audit reports issued during 2015/16.

The objective of each of our follow-up reviews was to assess whether recommendations made in previous reports had been appropriately implemented and to ensure that, where little or no progress had been made towards implementation, that plans were in place to progress them.

Our findings from each of the follow up reviews has been summarised as follows:

From Original Reports			From Follow-Up Work Performed				
Area	Recommendation Grades	Number Followed-Up	Fully Implemented	Partially Implemented	Little or No Progress Made	Not Past Agreed Completion Date	Considered but not Implemented
Student Fees and Contracts / Registry	1	-	-	-	-	-	-
	2	3	2	-	-	1	-
	3	3	2	1	-	-	-
Total		6	4	1	-	1	-
Follow-Up Reviews 2015/16	A	1	-	1	-	-	-
	B	11	6	5	-	-	-
	C	5	3	1	1	-	-
Total		17	9	7	1	-	-
Commercial Developments / R&D / IPR	1	-	-	-	-	-	-
	2	1	-	-	-	-	1
	3	7	4	1	1	1	-
Total		8	4	1	1	1	1
International Activity	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	2	-	-	1	1	-
Total		2	-	-	1	1	-
Grand Total		33	17	9	3	3	1

2017/06 – Follow-Up Reviews (Continued)

Overall, we found that the College had made progress in implementing the recommendations followed-up as part of this review. 17 of the 33 recommendations followed-up were assessed as 'fully implemented'.

Three recommendations were assessed as showing 'little or no progress':

- one from Report 2013/04 – Budgetary Control (covered by previous year's Follow-Up Reviews). Delays with implementation of the new UHI finance system had resulted in no progress being made with the development of procedures outlining the operational needs and requirements that related to the preparation of monthly management information. This was to be actioned by August 2017;
- one from Report 2016/05 – Commercial Developments / Research and Development / IPR. The College Curriculum and Business Planning Group had requested that the Head of Quality convened a team to review the costing and pricing process. This was to be actioned by August 2017; and
- one from Report 2016/07 – International Activity – Products, Partnerships and Student Recruitment. The College had not conducted a PESTLE analysis of activities in China to ensure that it had a real understanding of the risks associated with the market as it was awaiting development of the University of the Highlands and Islands International Strategy. This had not been progressed and was outwith the College's direct control.

One recommendation from report 2016/05 – Commercial Developments / Research and Development / IPR had been 'considered but not implemented'. The College Senior Management Team had made the decision not to develop a full commercial and research strategy due to other priorities. The College had instead developed a plan to implement the aims and objectives from the overall College strategy that related to commercialisation. Additionally, there was a revised strategy and enabling plan to progress research.

2017/08 – Capital Projects – Academy for Sport and Wellbeing Post-Project Review

Final Issued – November 2017

We undertook a post-project review to assess how well the Academy for Sport and Wellbeing Project was managed.

The objectives were to:

- review the management of the completed project in terms of the project success criteria and key objectives as well as through the various stages from inception to completion and identify both successful and less successful aspects of the process; and
- identify lessons learnt that may be applied to future projects.

From interviews with those involved in the project, along with our review of documentation, we considered that the project was successful, with the building meeting user requirements, being completed on time, within the approved budget envelope and of high quality.

A number of positive areas, together with some areas that would be done differently for future projects, were highlighted within our report.

4. Time Spent – Actual v Budget

Internal Audit	Report number	Planned days	Actual days feed	Days to fee at Nov 2017	Days to spend / WIP	Variance
Funded Student Numbers						
<i>Recruitment and retention</i>	2017/04	4	4	-	-	-
<i>College Nursery</i>	2017/05	4	4	-	-	-
Resources – Physical and Infrastructure						
<i>Estates strategy and capital projects</i>	2017/08	5	-	5	-	-
Other Audit Activities						
Credits Audit	2017/03	5	5	-	-	-
Management and Planning)	2017/02	3	3	-	-	-
External audit / SFC)	N/A					
Attendance at audit committees)	N/A					
Follow-up Reviews	2017/06	2	2	-	-	-
ANA	2017/01	2	2	-	-	-
		_____	_____	_____	_____	_____
Total		25	20	5	-	-
		=====	=====	=====	=====	=====

5. Operational Plan for 2017/18

- 5.1 Following our re-appointment as internal auditors for the period from 1 August 2016 to 31 July 2020 we prepared an Audit Needs Assessment and Strategic Plan for 2016 to 2020 (internal audit report 2017/01, issued September 2016).
- 5.2 The annual operating plan for 2017/18 shows one change to the allocation set out in the above Strategic Plan. Following discussion with College management and the Audit Committee at its meeting on 20 September 2017, four days originally allocated in 2017/18 for a review of Publicity and Communication have been removed from the plan as consultants are currently looking at the College's marketing arrangements. Following further discussion with the Vice Principal Finance and Estates, these days have been left as unallocated for consideration by the College Senior Management Team and the Audit Committee.
- 5.3 An extract from the revised Strategic Plan, in relation to 2017/18, is attached.

Proposed Allocation of Audit Days

	Priority	Planned 17/18 Days
Regionalisation Governance Structure		
<i>Regional Outcome Agreement</i>	H	
<i>Compliance with Partnership Agreement and Financial Memorandum</i>	H	
Funded Student Numbers		
<i>Recruitment and retention</i>	H	
<i>Student support</i>	M	
<i>College Nursery</i>	M	
<i>Student funding</i>	M	
International Business		
<i>International products and partnerships)</i>	H	
<i>International student recruitment)</i>	H	
Corporate Identity and Reputation		
<i>Publicity and communication</i>	M	
Resources – Physical and Infrastructure		
<i>Building maintenance</i>	M	
<i>Estates strategy and capital projects</i>	M	
<i>Health and Safety legislation</i>	L	
<i>Space management</i>	M	4
<i>IT network arrangements</i>	M	4
<i>IT strategy / systems development and implementation</i>	M	
<i>Asset management</i>	M	
Resources – People		
<i>Recruitment and retention</i>	L	
<i>Appropriate staff skills profile, staff productivity and performance management</i>	L	
<i>Change management</i>	M	
Products and Markets		
<i>Commercial developments)</i>	M	
<i>Research and Development / IPR)</i>	H/M	
<i>Curriculum and Quality</i>	M	
<i>Distance learning</i>	M	

Proposed Allocation of Audit Days (Continued)

	Priority	Planned 17/18 Days
Corporate Infrastructure		
Risk Management / Business Continuity	M	
Partnership working / shared services	M	
Corporate Governance	M	
Corporate Planning	M	
Data protection / FOI	M/L	
Equalities mainstreaming	M	4
Financial Issues		
Budgetary control	H/M	
Student fees and contracts / registry	M	
General ledger	L	
Procurement and creditors / purchasing	M	
Contract management	M	
Debtors / income	M	
Cash & bank / Treasury Management	M	
Payroll	L	
Key financial controls – AST Ltd	M	
Other Audit Activities		
Credits Audit	Required	5
Management and Planning)	-	3
External audit / SFC)	-	
Attendance at audit committees)	-	
Follow-up reviews		2
ANA	-	
To be allocated		4
		<hr/>
Total		26
		=====

Key

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

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



Perth College UHI

Internal Audit Annual Plan 2017/18

Internal Audit Report No: 2018/01

Draft Issued: 21 August 2017

2nd Draft Issued: 29 August 2017

3rd Draft Issued: 21 November 2017

Final Issued:

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1. Introduction

- 1.1 The purpose of this document is to present for consideration by the Audit Committee the annual operating plan for the year ending 31 July 2018. The plan is based on the proposed allocation of audit days for 2017/18 set out in the Audit Needs Assessment and Strategic Plan 2016 to 2020 (Report 2017/01, issued 6 September 2016), which was approved by the Audit Committee at its meeting on 20 September 2016.
- 1.2 The annual operating plan for 2017/18 shows one change to the allocation set out in the above Strategic Plan. Following discussion with College management and the Audit Committee at its meeting on 20 September 2017, four days originally allocated in 2017/18 for a review of Publicity and Communication have been removed from the plan as consultants are currently looking at the College's marketing arrangements. Following further discussion with the Vice Principal Finance and Estates, these days have been left as unallocated for consideration by the College Senior Management Team and the Audit Committee.
- 1.3 A copy of the revised Strategic Plan is included at Section 2 of this report.
- 1.4 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment to be undertaken during 2017/18, together with the audit approach. These have been arrived at following discussion with the Vice Principal Finance and Estates and consideration by other members of the Senior Management Team. The outline scopes will be finalised after discussion with responsible managers in each audit area.
- 1.5 Separate reports will be issued for each assignment with recommendations graded to reflect the significance of the issues raised. In addition, audit findings will be assessed and graded on an overall basis to denote the level of priority that should be given to each report.

2. Strategic Plan 2016 to 2020

Proposed Allocation of Audit Days

	Priority	Actual 16/17 Days	Planned 17/18 Days	Planned 18/19 Days	Planned 19/20 Days
Regionalisation Governance Structure					
<i>Regional Outcome Agreement*</i>	H				
<i>Compliance with Partnership Agreement and Financial Memorandum</i>	H				
Funded Student Numbers					
<i>Recruitment and retention</i>	H	4			
<i>Student support</i>	M				
<i>College Nursery</i>	M	4			
<i>Student funding</i>	M				
International Business					
<i>International products and partnerships)</i>	H			4	
<i>International student recruitment)</i>	H				
Corporate Identity and Reputation					
<i>Publicity and communication</i>	M				
Resources – Physical and Infrastructure					
<i>Building maintenance</i>	M				
<i>Estates strategy and capital projects</i>	M	5			
<i>Health and Safety legislation</i>	L				3
<i>Space management</i>	M		4		
<i>IT network arrangements</i>	M		4		
<i>IT strategy / systems development and implementation</i>	M				
<i>Asset management</i>	M				
Resources – People					
<i>Recruitment and retention</i>	L				
<i>Appropriate staff skills profile, staff productivity and performance management</i>	L			4	
<i>Change management</i>	M				
Products and Markets					
<i>Commercial developments)</i>	M				
<i>Research and Development / IPR)</i>	H/M				
<i>Curriculum and Quality</i>	M				4
<i>Distance learning</i>	M				

Proposed Allocation of Audit Days (Continued)

	Priority	Actual 16/17 Days	Planned 17/18 Days	Planned 18/19 Days	Planned 19/20 Days
Corporate Infrastructure					
Risk Management / Business Continuity	M				
Partnership working / shared services	M				
Corporate Governance	M				
Corporate Planning*	M				4
Data protection / FOI	M/L				
Equalities mainstreaming	M		4		
Financial Issues					
Budgetary control	H/M				3
Student fees and contracts / registry	M				
General ledger	L				
Procurement and creditors / purchasing	M			4	
Contract management	M				
Debtors / income	M				
Cash & bank / Treasury Management	M				
Payroll	L				
Key financial controls – AST Ltd	M			3	
Other Audit Activities					
Credits Audit	Required	5	5	5	5
Management and Planning)	-	3	3	3	3
External audit / SFC)	-				
Attendance at audit committees)	-				
Follow-up reviews		2	2	2	2
ANA	-	2			
To be allocated			4		
Total		<u>25</u> =====	<u>26</u> =====	<u>25</u> =====	<u>24</u> =====

Key

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

* these projects will be linked.

3. Outline Scope and Objectives

Audit Assignment:	Space Management
Priority:	Medium
Audit Committee Meeting:	March 2018
Days:	4

Scope

Four main processes will be covered in our review:

- time-tabling of courses;
- allocation of rooms;
- recording and assessing teaching resources available; and
- recording and assessing utilisation rates.

Objectives

The objectives of this audit will be to ensure that:

- the College is aware of how teaching and support space is currently being utilised;
- the time-tabling process takes sufficient cognisance of space utilisation;
- efficient use is being made of the centralised booking system; and
- there are appropriate monitoring and reporting frameworks in place.

Our audit approach will be:

This assignment will be undertaken as a Business Process Review (BPR), or include an element of BPR as agreed with the College. This would involve the facilitation of focus groups, and use of a range of business improvement tools, to identify stakeholder needs; identify opportunities for removing inefficiency and waste from the current timetabling and room allocation process and map out revised processes that create a flow between value creating steps to improve the process. We would then prioritise the issues, in discussion with College management, and develop an action plan to drive improvement.

**Perth College UHI
Draft Internal Audit Annual Plan 2017/18**

Audit Assignment:	IT Network Arrangements
Priority:	Medium
Audit Committee Meeting:	March 2018
Days:	4

Scope

ICT security plays an important part in ensuring that business applications are available for use and that sensitive information cannot be accessed by unauthorised users. This audit will review the controls in place to ensure that ICT security is adequately managed, in line with the latest guidance produced by CESG, the UK Government's national technical authority for information assurance.

We will also carry out a high-level review of the College's ICT Business Continuity and Disaster Recovery arrangements.

Objectives

The objective of our audit will be to obtain reasonable assurance that adequate systems are in place covering:

- physical controls over access to network servers;
- compliance with an acceptable usage policy, including for mobile technology and the use of social media;
- logical access controls, including:
 - ◆ checks to ensure user access and user functionality is appropriate;
 - ◆ passwords; and
 - ◆ procedures for setting up and revoking users;
- adequate review of change control (upgrades, patches) and emergency access;
- review of system administrator actions;
- monitoring of attempted unauthorised access;
- identifying unlicensed software;
- remote user security procedures; and
- ICT Business Continuity and Disaster Recovery.

Our audit approach will be:

From discussion with the International and Corporate Services Director, members of the College's ICT Team and the Head of IT Services at UHI Learning and Information Services, and review of documentation, we will identify the systems and internal controls in place and compare these with expected controls. A walkthrough of key systems will then be undertaken to confirm our understanding and this will be followed-up with compliance testing where considered necessary. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.

Audit Assignment:	Equalities Mainstreaming
Priority:	Medium
Audit Committee Meeting:	May 2018
Days:	4

Scope

The public sector equality duty, which is set out in the Equality Act 2010, came into force in April 2011 – this is often referred to as the general duty. Scottish public authorities must have 'due regard' to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations.

Scottish Ministers made regulations in The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, placing specific duties on Scottish public authorities to enable the better performance of the public sector equality duty. These are also known as the Scottish Specific Duties.

The scope of this audit will be to review the action taken by the College, and the systems and procedures put in place, to integrate equality into its day-to-day working.

Objectives

The objective of our audit will be to obtain reasonable assurance that the College is complying with its legal duties under:

- Section 149 of the Equality Act 2010; and
- The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 as amended.

Our audit approach will be:

We will assess whether these objectives have been met by meeting with the Vice Principal Human Resources & Communications and other key staff responsible for equalities mainstreaming and comparing the current approach to equalities mainstreaming against the good practice guidance issued by the Equality and Human Rights Commission.

The review will be primarily of the systems and procedures in place although compliance testing will be carried out where appropriate.

**Perth College UHI
Draft Internal Audit Annual Plan 2017/18**

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

Scope

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

Objectives

To obtain reasonable assurance that:

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

Our audit approach will be:

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

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

Our testing will be designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to the Credits Audit Guidance and the key areas of risk identified in Annex D.

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

**Perth College UHI
Draft Internal Audit Annual Plan 2017/18**

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Audit Committee Meeting:	May 2018
Days:	2

Scope

This review will cover the following reports from the 2016/17 internal audit programme and reports from earlier years where previous follow-up identified recommendations outstanding:

- Internal Audit Report 2017/04 – Student Recruitment; and
- Internal Audit Report 2017/06 – Follow-Up Reviews.

Objective

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

Our audit approach will be:

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



Perth College UHI

2016/17 Student Activity Data

Internal Audit Report No: 2018/02

Draft Issued: 28 September 2017

Final Issued: 28 September 2017

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1. Management Summary

Introduction

The Guidance Notes issued by the Scottish Funding Council (SFC) on 20 July 2017, '*Data return for funding purposes (FES return) and audit guidance for colleges 2016-17*', requested submission by Perth College UHI ('the College') of the FES return for session 2016/17, which includes the Credits data relating to College activity for the academic year 2016/17.

Guidance on completion of the 2016/17 return was issued by the SFC on 26 August 2016.

The Credits Audit Guidance requests that colleges obtain from their auditors their independent opinion on the accuracy of the FES return.

Scope of Audit

In accordance with the Credits Audit Guidance we reviewed and recorded the systems and procedures used by the College in compiling the returns and assessed and tested their adequacy. We carried out further detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily as described to us.

Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Dominant Programme Group (DPG) and dominant Price Group.

Our testing was designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to Credits Audit Guidance and the key areas of risk identified in Annex D.

Audit Staffing

An Audit Director with 24 years' experience in the further and higher education sectors had overall responsibility for the planning, control and conduct of the audit and supervised and reviewed work performed by an Assistant Manager and Audit Trainee with 12 and two years' experience in the sector respectively. The Audit Partner was responsible for the overall management of the audit and ensuring that the firm's quality standards were met.

The quality of audit work undertaken by the firm is enhanced through continuous review of procedures and the implementation of individual training programmes designed to address the needs of each team member.

The total number of audit days was five, split one day for the Audit Director, three days for the Assistant Manager and one day for the Audit Trainee.

Audit Findings

The points that we would like to bring to your attention have been grouped together under the following headings to aid your consideration of them:

- Introduction;
- Systems and Procedures for Compilation of Returns; and
- Analytical Review.

No issues have been identified from our audit testing for 2016/17 that required a recommendation for improvement to be made.

Conclusion

Our report to SFC was submitted on 28 September 2017, prior to the deadline date of 29 September 2017. We reported that, in our opinion:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- on the basis of our testing we can provide reasonable assurance that the FES return contains no material mis-statement.

A copy of our Audit Certificate is included at Appendix I to this report.

Acknowledgements

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

2. Main Report

1 Introduction

1.1 SFC Guidance

1.1.1 The Credits Audit Guidance issued by the Scottish Funding Council (SFC) on 20 July 2017 sets out, at Annex D, the key areas of risk in relation to the preparation of the FES return. These are:

- identification of non-fundable activity, both courses and students;
- classification as higher education or further education;
- classification as full-time or other than full-time;
- identification and counting of infill students;
- allocation of dominant Price Group code;
- capturing of enrolments and identification and recording of student attendance and withdrawals;
- allocation of Credit values;
- claims for related study;
- identification of students experiencing learning difficulties;
- recording of fee waivers;
- recording of progress for students on open / distance learning programmes; and
- claims for collaborative provision.

1.1.2 For academic year 2016/17 we established that there had been no significant changes to the systems and procedures used in the compilation of the returns. We then carried out detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily. Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Dominant Programme Group (DPG) and dominant Price Group.

1.1.3 As requested by the Credits Audit Guidance this report indicates: the scope of the audit; the approach taken; the extent of checking undertaken; the external data examined; an indication of analytical review work performed; review of prior year recommendations; and the main findings from our audit work. There were no adjusted or unadjusted errors found during the course of the audit.

2. Systems and Procedures for Compilation of Returns

2.1 Introduction

- 2.1.1 Detailed testing at the year-end Credits audit included two main tests on courses and individual students.
- 2.1.2 The following tests were carried out for a sample of 15 courses selected from the SITS system:
- a) Ensured that the course met the criteria for fundable activity set out in the Credits guidance;
 - b) Where applicable, ensured that the course met the definition of further or higher education set out in the Credits guidance;
 - c) Ensured that courses recorded as full-time met the definition for full-time set out in the Credits guidance;
 - d) Checked the student total for a programme against course / class lists or course / class register. Checked calculation of the required date and ensured that students who had withdrawn prior to this date had been excluded from the Credits count; and
 - e) Checked allocation of Credits to courses in accordance with the Credits guidance.
- 2.1.3 For a total of 61 students selected from the above courses the following tests were carried out, where applicable:
- a) Ensured that the student met the criteria for fundable activity set out in the Credits guidance;
 - b) Checked back to signed enrolment forms, or electronic equivalent, for the 2016/17 academic year;
 - c) For infill courses, ensured that Credits were allocated according to the modules attended by individual students rather than by the default value for the courses being infilled;
 - d) Checked to student attendance records and, for withdrawals (including a sample of 15 full-time students who withdrew within two weeks after the Credits qualifying date), checked that the withdrawal date noted on the system was the last date of physical attendance;
 - e) For Extended Learning Support (ELS) and Price Group 5 (DPG 18) students checked that a Personal Learning Support Plan (PLSP) had been drawn up in conjunction with the student, to identify additional support, and checked for evidence that it had been kept under regular review throughout the period of study; and
 - f) For students following courses of open and distance learning vouched to study plan etc. and ensured that required criteria was met.
- 2.1.4 The following tests were carried out by reviewing records for all College courses:
- a) Confirmed that there were no claims for more than one full-time enrolment per student for 2016/17 and ensured that Credits had not been claimed in respect of courses that were related in respect of subject area, unless progression could be clearly established;
 - b) Confirmed that ELS Credits had not been claimed for students attending Price Group 5 courses; and
 - c) Confirmed that Credits had not been claimed for distance learning students resident outwith Scotland.

2. Systems and Procedures for Compilation of Returns (Continued)

2.1 Introduction (Continued)

- 2.1.5 In relation to European Social Funds (ESF), for a sample of 10 students selected from the College's ESF funded programmes testing was carried out on the College's systems for administering the additional funding, in line with conditions of grant. This included:
- a) reviewing the eligibility of students flagged for ESF Credits;
 - b) ensuring that supporting documentation was held for ESF students, including: a completed enrolment form; a completed participant form; proof of nationality; proof of permanent residence; and appropriate notification issued to the student; and
 - c) ensuring that Credits are only claimed for completed modules.
- 2.1.6 We reviewed the systems for recording fee waiver entitlement and carried out an analytical review to ensure the accuracy of the fee waiver element of the FES return. For a random sample of six part-time students we confirmed that College staff had verified the entitlement to benefit.
- 2.1.7 It was confirmed by the Head of Student Records and Student Records Team Leader that the College is not involved in any collaborative provision and no such courses were identified during our audit testing. No further work was therefore required in this area.
- 2.1.8 Before signing our audit certificate, we reviewed the final FES online report and the explanations for remaining errors.
- 2.1.9 From our review and testing of the systems and procedures used in the compilation of the returns, we concluded that overall, they were adequate to minimise risk in the areas identified in Annex D of the Credits Audit Guidance and were working satisfactorily as described to us.
- 2.1.10 The remainder of this report discusses issues identified during our review of the 2016/17 student activity data.

2.2 Classification of Courses as Further Education or Higher Education

- 2.2.1 In 2016/17 the College delivered 1,495 Credits relating to programmes which are delivered at SVQ Level 3 which over the past few years, having gone through revalidations, are delivering SCQF Level 7 modules which categorise these as higher education qualifications. Whilst in the past the College has recorded these programmes as further education provision, it is our understanding that the SFC has now requested that the College categorise these as higher education programmes. Although higher education activity is normally reported through the University of the Highlands, rather than individual Academic Partner colleges, we also understand that the SFC has confirmed that the College can claim the associated Credits.

2. Systems and Procedures for Compilation of Returns (Continued)

2.3 Maximum Credits Claim per Student

- 2.3.1 For 2016/17 the Credits guidance noted a new process was in place for agreeing the number of Credits claimed for programmes above 18 Credits for further education programmes or 15 Credits for higher education programmes, known as 'one plus' activity. The guidance states that if the total one plus activity is over 1% (later revised to 2.5%) of the total volume of Credits allocated to the college (or the region for multi-college regions) by the SFC then an application must be made to the SFC to approve delivery of these courses at the higher credit value.
- 2.3.2 The final FES summary report highlights 10 instances where student credits were above 15 for a full-time higher education course (refer paragraph 2.2.1 above) and 191 instances where student credits were above 18 for a full-time further education course. Excluding SWAP programmes, which are approved to deliver more than 18 Credits, the College's total one plus activity was calculated as 2.1% of the target delivery, which is below the revised threshold. The regional position had still to be confirmed at the date of this report.

3. Analytical Review

- 3.1 The analytical review by DPG for the current year, included at Appendix III of this report, showed significant variances in DPG 2, 8, 14, 15, 16 and 17. Analytical review by dominant price group at Appendix II also showed significant variances in Price Group 2. These were discussed with College management. The explanations we received provided us with additional assurance that the Credits claim does not contain material errors:
- DPG 2 Business & Management – there has been a decrease in Credits due to the Year In Industry part-time Chartered Management Institute course being withdrawn from the curriculum offering. This is reflected within the decrease in Price Group 1 activity;
 - DPG 8 Health – there has been an increase in part-time enrolments as a result of additional groups of school pupils enrolled on Hairdressing and Beauty programmes and an increase in full-time enrolments arising from increased student retention. This increase is included within Price Group 2 which was offset by decreases in other activity within the Price Group;
 - DPG 14 Social Studies – no new courses were offered in 2016/17, however there was an increase in part-time students enrolling on a variety of language courses (e.g Spanish, French, Italian). In addition, the PDA Education Support Assistant course ran in 2016/17 which historically only runs on demand. This increase is included within Price Group 2 which was offset by decreases in other activity within the Price Group;

3. Analytical Review (Continued)

3.1 (Continued)

- DPG 15 Social Work – no courses were withdrawn in 2016/17, and the decrease in Credits is due to a decrease in full-time enrolments. This is reflected within the decrease in Price Group 2 activity;
- DPG 16 Sport & recreation – no courses were withdrawn in 2016/17, and the decrease in Credits is due to a decrease in full-time enrolments which has been offset by a slight increase in part-time enrolments resulting from school / college partnership programmes. This is reflected within the decrease in Price Group 2 activity; and
- DPG 17 Transport, services & vehicle engineering – no courses were withdrawn in 2016/17 and enrolments remained comparable with 2015/16, however student retention decreased compared to the previous year impacting on the Credits claimed. This is reflected within the decrease in Price Group 3 activity.

Appendix I – Copy of Audit Certificate

sc/si/P294

Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD

28 September 2017

Dear Sirs

Auditor's Report to the Members of the Board of Management of Perth College UHI

We have audited the FES return which has been prepared by Perth College UHI under the 'Credits' Guidance issued 26 August 2016 and which has been confirmed as being free from material mis-statement by the College's Principal in her Certificate dated 27 September 2017. We conducted our audit in accordance with guidance contained in the 2016-17 audit guidance for colleges. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of the data. It also included examination, on a test basis, of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material mis-statement.

In our opinion:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data;
and
- on the basis of our testing we can provide reasonable assurance that the FES return contains no material mis-statement.

Yours faithfully

Henderson Loggie

Date:

28 September 2017

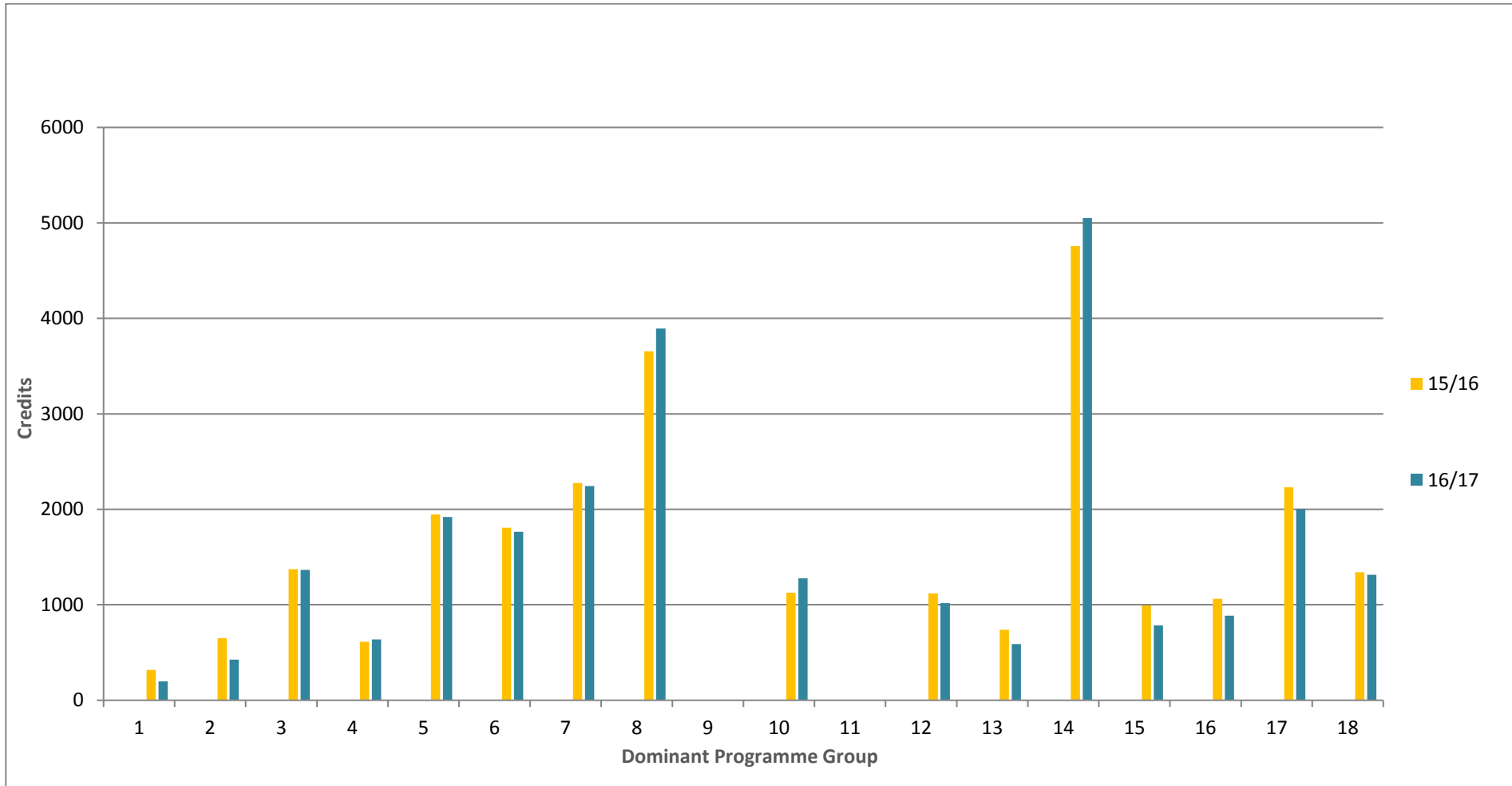
Appendix II – Price Group Analytical Review 2015/16 and 2016/17

Price Group	2015/2016 Credits	2016/2017 Credits	Credits Variance	% Variance
1	4,325	4,248	(77)	(1.8)
2	10,890	10,440	(450)	(4.1)
3	9,453	9,366	(87)	(0.9)
4	0	0	0	0
5	1,342	1,314	(28)	(2.1)
	<u>26,010</u>	<u>25,368</u>	<u>(642)</u>	<u>(2.5)</u>

Appendix III – DPG Analytical Review 2015/16 and 2016/17 - Figures

Dom Gp	2015/2016	2016/2017	Credits	%	
	Credits	Credits	Variance	Variance	
1	Agriculture & horticulture	318	198	(120)	(37.7)
2	Business & management	651	425	(226)	(34.7)
3	Food technology & catering	1,374	1,365	(9)	(0.7)
4	Computers, software & information	612	636	24	3.9
5	Construction	1,947	1,919	(28)	(1.4)
6	Creative arts & design	1,808	1,765	(43)	(2.4)
7	Engineering	2,275	2,245	(30)	(1.3)
8	Health & related studies	3,654	3,894	240	6.6
9	Minerals, materials & fabrics	0	0	0	0
10	Personal development & self help	1,127	1,276	149	13.2
11	Printing	0	0	0	0
12	Science & maths	1,119	1,018	(101)	(9.0)
13	Secretarial / office & sales work	740	589	(151)	(20.4)
14	Social studies & languages	4,758	5,049	291	6.1
15	Social work	992	785	(207)	(20.9)
16	Sport & leisure	1,062	887	(175)	(16.5)
17	Transport, services & vehicle engineering	2,231	2,003	(228)	(10.2)
18	Special programmes	1,342	1,314	(28)	(2.1)
	Totals (excluding ELS)	26,010	25,368	(642)	(2.5)
	Total Funded Target		25,067		
	- including ESF Target Activity of:		1,200		
	Actual ESF Activity		1,281		

Appendix IV – DPG Analytical Review 2015/16 and 2016/17 - Graph



Appendix V – Updated Action Plan – Student Activity Data 2015/16

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at September 2017
2.2.2	<p>Required Dates and Attendance</p> <p>R1 For courses that are other than full-time, ensure that the required date input into SITS is calculated as the day on which 25 per cent of the total calendar days between the course start and end have passed.</p>	3	To seek further guidance and clarification from the Funding Council regarding the calculation of required dates in respect of courses other than full-time and to make sure dates are correctly calculated according to the guidelines.	Y	Head of Student Records and Team Leader	To be actioned throughout 2016/17	No similar issues noted during testing for 2016/17.
2.3.2	<p>Open / Distance / Flexible Learning</p> <p>R2 The College should ensure that open / distance / flexible learning students who are not continuing to participate in their agreed programme are identified on a timely basis and removed from the Credits claim as appropriate.</p>	3	Information to be collected earlier in the Academic Year to give ample time to check the correct Credits are claimed.	Y	Student Records Team Leader	To be actioned throughout 2016/17	No similar issues noted during testing for 2016/17.

Perth College UHI
2016/17 Student Activity Data

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at September 2017
2.4.1	<p>Additional Educational Support Needs</p> <p>R3 College staff should be reminded of the importance of ensuring that PLSPs contain all of the required information as detailed in the Credits guidance.</p>	3	This information will be shared with the relevant areas who are responsible for PLSPs for them to take this action forward.	Y	Head of Curriculum and relevant Subject Leaders	To be actioned throughout 2016/17	No similar issues noted during testing for 2016/17.

The gradings are defined as follows:

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

Perth College UHI

**Capital Projects – Academy for Sport and Wellbeing
Post-Project Review
2016/17**

Internal Audit Report No: 2017/08

Draft Issued: 13 November 2017

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1. Introduction and Background

Introduction

As part of the Internal Audit programme at Perth College UHI ('the College') for 2016/17 we carried out a post-project review of the Academy for Sport and Wellbeing project.

Background

Previously the College utilised part of its campus as a sports hall (now the multi-skills centre) for its sports courses. However, due to water ingress in this area this was no longer viable to be used in this way. A decision was made to hold the practical aspects of sports courses off-campus, and different halls were hired at various locations around Perth for this purpose, costing the College in the region of £25,000 per annum in hire charges. This situation was considered sub-optimal for sports students, who were required to travel between the off-site hall locations (for practical work) and the on-site College buildings (for theoretical work).

The Sector Development Director: Business, Management, Computing and Leisure discussed with the Director of Finance, who was in post at that time, the potential for building a sports centre on campus and it was agreed to progress as a project to consider feasibility. A range of sports halls in Scotland and England were visited, with information on the prerequisite steps which would be required in order to successfully build a sports facility. At this stage, it was identified that Ball Hall (Project Management) Limited (Ball Hall) had undertaken a large number of sports hall developments and Ball Hall were contacted and options discussed with them regarding how to take forward the development of a sports facility at the College. A case for appointing Ball Hall was developed and the Board approved Ball Hall's appointment as overall project managers in June 2014. In addition, Ball Hall also acted as the cost consultant on the project, and provided access to 'off the shelf plans' that they had previously developed in conjunction with their own architects, Clague. The initial brief and proposals for the new building, which is called the Academy of Sport and Wellbeing (ASW), were agreed with Ball Hall on 5 August 2014. Following this agreement, room data sheets were developed by Ball Hall, in conjunction with stakeholders, to establish specific users' requirements for fittings, finishes & ICT capability.

Originally the building project was solely for the delivery of a sports hall. However, the possibility to increase teaching space and improve facilities for the hair and beauty courses, which include services provided to the public, was identified and it was decided to include space for hair and beauty and teaching spaces within the scope of the project. There was also a decision to build a climbing wall, both as a facility for use of students, but also as a possible income generating operation.

A Board sub-committee, the Capital Projects Committee (CPC), was established and met for the first time on 23 October 2014 to review initial drawings and costs, and to consider the timeframe for planning permission and tenders. The second CPC meeting on 1 December 2014 discussed the need for incorporating teaching space, recognising that new courses were being set up by UHI and it was agreed that a full business case would be prepared for the Board. At the Board meeting of 17 December 2014, a business case, along with a five-year financial plan (setting out the key assumptions underlying the figures) and funding position was provided, and the Board approved the project.

APUC (Advanced Procurement for Universities and Colleges) was appointed to assist with the procurement of the main contractor (who would in turn appoint their own design team). It was agreed with APUC to run a restricted procurement, which is a two-stage process. The first stage is a selection process, where the bidders' capability, capacity and experience to perform the contract is assessed. The second stage is the issue of the Invitation to Tender and the assessment of bids to determine the most economically advantageous tender, which is the basis of the contract award decision. On 24 December 2014 a contract tender notice was placed on the OJEU (Official Journal of the European Union) website, with a deadline provided of 23 January 2015 for submission of responses.

1. Introduction and Background (Continued)

Ten contractors expressed an interest to tender for the project on a single stage Design and Build basis, and each expression of interest was accompanied by a response to a Pre-Qualification Questionnaire. The submissions were scored, and the five highest scoring contractors were invited to tender. One of the selected contractors subsequently entered into liquidation so Invitations to Tender were issued to the remaining four contractors in April 2015. On receipt of the invitation to tender two advised that, owing to market conditions, they were no longer interested in single stage Design and Build tenders. The remaining two tenderers also advised that they had full order books and would therefore not be submitting tender proposals.

The decision was then taken to open up the process to more contractors and also to request tenders under a two-stage negotiated process, with responses required to be submitted by 25 May 2015. This resulted in two tenders being received, and after review by Ball Hall for accuracy, it was recommended to meet with the most competitive tenderer to consider the discuss their tender and to negotiate a contract sum. This work was subsequently undertaken and at the Board meeting on 17 June 2015 the Board approved the appointment of Dixons Contractors and approved a funding ceiling of £7.5 million for the entire project (with funding being made up of both funds in the College's arm's length foundation, and also forecast fundraising income).

At the end of May 2015, the Head of Estates left the College for another organisation. The first round of recruitment for the vacant position did not identify a suitable replacement so a second round was held resulting in a new Head of Estates who, although appointed in late July 2015, only started on 1 November 2015 due to having to work out his notice period. One of the first actions that the new Head of Estates did in November 2015 was to obtain quotations for, and appoint, a clerk of works for the project.

On 14 August 2015 John Swinney, Deputy First Minister, was guest of honour at the ASW 'Cutting of the turf' ceremony. Guests at the ceremony were joined on the site by College students and children from the nursery.

Preliminary ground works started on 17 August 2015 and construction continued until 22 August 2016 when the building was handed over to the College for occupation. Snagging items were identified and the contractor has made good all defects identified. The College decided to leave one year until undertaking their final inspection for defects, undertaking this in the summer of 2015, and the contractor made these good by 3 October 2017 when the Certificate of Making Good Defects was issued.

Project Governance

During the construction phase Ball Hall provided project management and cost consultant services, a clerk of works (appointed by the College) reviewed the quality of the construction and checked that this was in line with agreed drawings, and the Head of Estates had oversight of the project. There were also monthly site meetings which were attended by staff from Dixons Contractors, Ball Hall, Keppie (the contractor's architect), the clerk of works, the Head of Estates and the Vice Principal Finance and Estates. These meetings reviewed reports from Ball Hall and Dixons as well as reviewing the construction risk register. Weekly clerk of works reports were provided to the Head of Estates for his review. All change requests had to be approved by the Head of Estates.

There were College Operational Team meetings, which were attended by the Head of Estates, the Vice Principal Finance and Estates, and staff from the sport and fitness, hairdressing and beauty therapy areas as well as staff from IT, Procurement and Marketing disciplines. These meetings acted as a means to share information and to make certain operational decisions, as well as reviewing the College's project risk register.

1. Introduction and Background (Continued)

Project oversight was also provided by the CPC (including reviewing progress, changes and risks), with high level project updates also being provided to the Finance and General Purposes Committee. The Board received the minutes from the CPC and Finance and General Purposes Committee and received verbal updates on ASW progress.

Procurement

It was the responsibility of Dixons Contractors to procure a climbing wall for the new build. Approval for funding for the wall was received from SportScotland in September 2015 and their tender specifications led to a delay in finalising the tender, which was eventually issued in December 2015 with the deadline set for tender submission on 28 January 2016. These submissions were evaluated in February 2016 and the preferred contractor appointed. Design requirements took some time to confirm and these were finalised in April 2016. It was identified in April 2016 that the climbing wall contractor would not be able to manufacture and install the wall before the agreed completion date of 22 August 2016. In order for Dixons Contractors to complete on 22 August 2016 it was decided to novate the climbing wall contract from Dixons to the College prior to that date.

The fitout of the hair and beauty rooms (including sinks and fittings) was excluded from the original contract in order to provide hair and beauty therapy staff with more time to consider the layout and requirements for the new facilities and give staff the opportunity to raise funding/sponsorship for these facilities. Quotes were received in June 2016 for the fitout and the work was undertaken in August 2016.

Financial Summary

The following sets out the contractor's costs, including the climbing wall (which was included in the contract), but excluding the hair and beauty fitout (which was excluded from the contract):

Item	Amount (£000)
Original tender sum received from Dixons Contractors, including cost consultant additions for omissions from tender	£5,759
Actual negotiated figure, including agreed adjustments and value engineering	£5,770
Final contract cost	£5,817

The cost for Ball Hall, the clerk of works, and hair and beauty fitout was an additional cost of circa £400,000. Further expenditure on the project was required for APUC assistance, new furniture and ICT equipment and these items are not included in these figures. Gym equipment has been leased.

2. Scope of the Post Project Review

We undertook a post-project review to assess how well the Academy for Sport and Wellbeing Project was managed.

3. Objectives of the Post Project Review

The objectives were to:

- review the management of the completed project in terms of the project success criteria and key objectives as well as through the various stages from inception to completion and identify both successful and less successful aspects of the process; and
- identify lessons learnt that may be applied to future projects.

4. Approach

From our review of key project documentation and interviews with project members we considered the above objectives and have produced this summary report on our findings. We interviewed the following managers:

- Head of Estates
- Sector Development Director: Business, Management, Computing and Leisure (covering sport and fitness)
- Sector Development Director: Applied Life Sciences (covering hairdressing and beauty therapies)
- Vice Principal Finance and Estates
- Head of Finance

5. Overall Conclusion and Summary of Main Findings

Overall Conclusion

From interviews with those involved in the project, along with our review of documentation, we consider that the project was successful, with the building meeting user requirements, being completed on time, within the approved budget envelope and of high quality.

A number of positive areas, together with some areas that would be done differently for future projects, have been highlighted within this report and the main items are set out below.

Summary of Main Findings

Start-up and Design Phase

Due to changes in College staffing we were unable to obtain all documentation regarding this phase. However, we note that the Board approved the appointment of Ball Hall, that a Board sub-committee (the Capital Projects Committee) was set up to oversee the project and that there was involvement of end users in scoping requirements. Given that Ball Hall had significant expertise in this area, and had off-the-shelf drawings that could be utilised as a template, this reduced the amount of time required to develop the design. Ball Hall also worked to obtain planning consents that were required in this phase.

The Board was provided with a business case which included the rationale for the project, a financial model (including assumptions), costings and funding. The Board approved the project and cost envelope.

5. Overall Conclusion and Summary of Main Findings (Continued)

Although there was no formal project initiation document, or formal project management methodology adopted, the project management function was delivered through Ball Hall. We reviewed their reports and considered their content and frequency to be appropriate. The Head of Estates advised that the service provided by Ball Hall was of a good standard.

Procurement and Construction

APUC were appointed to assist with the main contractor's procurement and although some difficulties were encountered, with bidders withdrawing or declining to tender, the overall outcome of the procurement resulted in an appropriate contractor with an acceptable price.

The construction phase progressed well, with no significant health and safety incidents, and a regular cycle of site, Operational Team, and CPC meetings were held to review progress, quality issues and costs. Although there was some slippage in the construction programme these delays had been highlighted at an early stage and the contractor made repeated assurances that it would make up time and, backed up with a construction programme, the contractor managed to complete the project on time.

We noted the following matters regarding procurements handled by the College related to the project:

- The clerk of works appointed was not the cheapest, and although we were informed of the reasons for not choosing the cheapest option we note that this justification was not formally recorded;
- The College's Procurement Policy requires the Procurement Contracts Scotland portal to be used for obtaining three quotes for amounts between £5,000 and £25,000, and requires a competitive tender through the College's Procurement Officer for amounts over £25,000. We noted that:
 - the clerk of works contract (between £5,000 and £25,000) had four quotes but these were not obtained via the Procurement Contracts Scotland portal. We do not have any reasons to believe that by having quotes outwith the Procurement Contracts Scotland portal that this had any significant impact on the procurement; and
 - The hair and beauty fitout (over £25,000) did not proceed through a tender process and was not let through the use of a framework, although we did note the contractor appointed was on a framework. Instead three quotes were received, and the cheapest quote was chosen, with time pressures a contributory factor in the procurement route chosen. Although the College's Procurement Policy was not followed we have no reason to believe that the procurement process utilised did not result in value for money being achieved or that it delivered any bias towards any specific contractor.

Handover, Operations and User Perspective

The handover phase included an adequate handover from the contractor to the College's Estates team and sports and fitness and hairdressing and beauty therapy teams. This included Estates staff being provided with a formal handover on how to use the mechanical and electrical installations from specialist suppliers, and being provided with as built drawings and operational manuals. All snagging was identified and most of this was dealt with on a timely basis. End users confirmed they are satisfied with the final building they have been provided with.

6. 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.

7. Detailed Findings

Project Key Objectives and Success Factors

The College's Business Case, which was provided to the Board on 17 December 2014, is the key document setting out the project's key objectives and success factors. We reviewed the Business Case and noted the key objectives and success factors identified and then considered whether these had been met. Our findings are set out in the following table:

Project Objectives / Success Factors	Met	Findings
Provide a sports / leisure facility for use of students and the local community (an improved student experience, especially for existing sports students that were having to travel off site to sports facilities) which includes additional teaching space	✓	The ASW meets sports course needs and provides an improved student experience. The local community and others can rent out the ASW or make use of its facilities.
Make the College more attractive for potential students and hair and beauty clients (a unique selling point)	✓	The building is physically impressive, and the hair and beauty rooms are an improvement on the old facilities, thereby making the College more attractive. It is also closer to the College's parking.
Attract more students through increased courses (and more income related to this)	✓	Full time HE sports courses increased from 8 in 2015/16 (before completion of the ASW) to 10 in 2016/17 and 13 in 2017/18. Part time HE sports courses increased from 1 in 2015/16 to four in 2017/18. Total students on part time and full time HE sports courses increased from 97 in 2015/16 to 161 in 2017/18.
Be a high quality, flexible, fit for purpose accommodation to support the needs of the curriculum (including future proofing for future curriculum trends), the general student population and the local community (including meeting hair and beauty client needs)	✓	From discussion with staff the facility appears to be of a high quality, flexible, and fit for purpose accommodation to support the needs of the curriculum, the general student population and the local community
To be completed within the cost envelope	✓	The actual cost was within the approved project budget
Delivered on time for the start of 2016/17 academic year	✓	Practical completion was received on 22 August 2017 as required, in advance of the 2016/17 student intake, and with sufficient time for staff to set up their new spaces with their equipment and belongings.

Project Evaluation and Lessons Learned

For each of the three main sections of the project (Start-up and Design; Procurement and Construction; and Handover, Operations and User Perspective) we summarised the feedback from those interviewed and from our review of documentation into 'Positives' and actions to 'Do Differently / Lessons Learned'.

a) Start-up and Design

Positives

- Staff undertook research and discussed sports facility new builds with other organisations which had previously built similar sports facilities in order to identify what the College needed to do and to consider possible issues;
- An appropriate business case for the project was produced, including rationale, financial model, costing and funding;
- There was timely approval of the business case and timely appointment of Ball Hall;
- The use of experienced consultants Ball Hall (project manager), included off-the-shelf designs as the basis for the College design, and standard documents to base the tender around. Ball Hall also had their own architects and cost consultants which negated the need for additional procurement of these consultants;
- Ball Hall worked with end users to identify their needs and ensure that these were included in the tender requirements;
- The tender requirements document was comprehensive, thereby reducing the need for tender clarifications; and
- There was an appropriate governance framework with the Operational Team (end users with an operational focus) and College Board (Capital Projects Committee).

Do Differently / Lessons Learned

- There would be benefit in having a formal stakeholder engagement plan. This would ensure that appropriate communication was made with relevant stakeholders at appropriate points throughout the project;
- There was no Head of Estates in post from the end of May 2015 until 1 November 2015. Although ultimately this did not affect the completion of the building having a Head of Estates in post during this period may have identified some issues with the building plans. One such issue noted is that when the show court is being used there is no way to access the toilets other than by walking around the side of the show court;
- Ensure that funding requests are commenced early, particularly when these impact on procurement requirements; and
- When external consultants are utilised for funding applications ensure that they have experience of conducting this work on similar facilities, and undertake appropriate due diligence on them.

Project Evaluation and Lessons Learned (Continued)

b) Procurement and Construction

Positives

- Use of APUC that has procurement expertise and the procurement route to negotiate a contract price was considered appropriate given the issues noted with obtaining companies that were willing to tender;
- A formal tender report was prepared;
- A clerk of works (a key quality control mechanism for the College and communication conduit between the College and contractor) was appointed. They provided comprehensive weekly reports on quality issues and progress, as well as having ad hoc communications with the Head of Estates;
- There were monthly site meetings, with formal reports from Ball Hall and Dixons Contractors (including building programmes, costs, and a risk register) which were reviewed. From our review of minutes of these meetings the meetings provided a robust mechanism for oversight over the project;
- Critical path analysis was used to identify the key parts of the construction programme that, if slippage occurred, would have an impact on delivery by the target completion date;
- The contractor constantly reviewed their work programme to try to make savings in time and to make best use of resources;
- There were College and construction risk registers, as is considered good practice, and risks were actively monitored, particularly the risk of not completing by the target completion date of 22 August 2016;
- There was Health and Safety oversight both through the clerk of works and via ad hoc checks by the College's Health and Safety Officer;
- All changes required approval by the Head of Estates, and where significant, also from the Vice Principal Finance and Estates; and
- Although there was no formal stakeholder engagement strategy, we noted that there were updates provided to staff and some communication with local residents.

Do Differently / Lessons Learned

- The hair and beauty area fitout was delayed as there was the hope of securing a sponsor but this did not materialise. There may be benefit in future in setting a cutoff date for when plans will be finalised regardless of whether sponsorship has been successful;
- There were complaints from local residents over noise, and although there were two late nights when work was undertaken the noise levels were not considered unacceptable by the College or the contractors. It would however be useful to inform local residents in advance of any times when there was expected to be loud construction noise.

Project Evaluation and Lessons Learned (Continued)

c) Handover, Operation and User Perspective

Positives

- The handover was planned in advance and involved specialist contractors explaining to Estates staff how to use the mechanical and electrical installations and other equipment;
- ICT were involved prior to handover to ensure that the ICT installations were adequate;
- All required building manuals and handbooks were provided to the College;
- An effective system was used for reporting and following up on snagging;
- The decant of staff and equipment from existing College buildings to the new buildings was co-ordinated by Estates and worked well; and
- Users are pleased with the new building and its facilities.

Do Differently / Lessons Learned

No points were noted for this stage.

Review of Procurement

As part of this review we gained an understanding of how key goods and services were procured relating to the building of the ASW. These are discussed in more detail below:

a) Ball Hall

We were advised by the Head of Estates and Vice Principal Finance and Estates that they were not aware of how Ball Hall were procured, as this was before they joined the College. However, it was noted that the appointment of Ball Hall had been approved by the Board at their meeting of 24 June 2014. We reviewed Ball Hall's costs and when comparing these to other capital projects' professional fees consider these to be reasonable. The Head of Estates also considered Ball Hall's fees to be reasonable.

b) Dixons Contractors

The procurement was undertaken by APUC, who are procurement experts and a tender evaluation report was provided. Ball Hall provided advice that the successful contractor's price was considered reasonable. We reviewed the tender evaluation report and consider the process used to come to the selection of the contractor was reasonable

Review of Procurement (Continued)

c) Clerk of works

Four quotes were obtained for a clerk of works and the second most expensive quote was chosen although there was no formal justification for this. We were informed the reasons for not using the cheapest quote was that:

- The selected supplier was considered to have the best quality submission;
- One of the suppliers were known from experience to provide a less comprehensive service; and
- The chosen supplier had been highly recommended by the Contractor's architect

d) Climbing Wall

The procurement process for the climbing wall was run by Dixons. However, once the College' funding bid to SportScotland was successful this had specific conditions attached, including a requirement that the tender had to comply with certain quality standards. This delayed the process, although it did mean that the tender evaluation process was more robust as both a College staff member and a member of the Mountaineering Council of Scotland scored the tender evaluation.

e) Hair and Beauty fitout

We note that three quotes were received and the most competitive was chosen.

College Procurement Policy

The College's Procurement Policy requires the Procurement Contracts Scotland portal to be used for obtaining three quotes for amounts between £5,000 and £25,000 and for a competitive tender through the College's Procurement Officer for amounts over £25,000. We noted that the clerk of works contract (between £5,000 and £25,000) had four quotes but these were not via Procurement Contracts Scotland portal. We do not have any reasons to believe that having quotes outwith the Procurement Contracts Scotland portal had any impact on the fairness or value for money of the procurement.

The hair and beauty fitout (over £25,000) did not go through a tender process, but three quotes were received, and the cheapest quote chosen. Although the College's Procurement Policy was not followed we have no reason to believe that the procurement process used resulted in value for money not being achieved.

Appendix I Capital Projects Committee – Lessons Learned

The following points were discussed and agreed by the Capital Projects Committee (at their last meeting of 24 October 2016) for review in future projects of a similar scale and nature:

- It was noted that a lot of work had already happened before the Capital Projects Committee had been formed, e.g. options appraisal of alternatives;
- The Committee agreed that for a project of this nature and scale, a project governance structure and mechanism similar to the Capital Projects Committee should be set up at the project inception phase. This would ensure transparent governance and strategic oversight from the Board of Management from the start of the project and a clear decision-making process and audit trail;
- The Clerk of Works post had worked very well in an independent monitoring and job management role between the College, Ball Hall, the overall Project Managers, and Dixon Contractors;
- In some instances, Ball Hall relied more than was originally intended on the Clerk of Works and the College Head of Estates as they were “on the ground” locally. The Committee agreed that future projects of this nature and scale should consider local Project Management options;
- The expected standard of project management reports, (monthly reports, financial reports, risk registers and assessment etc.) needs to be made clear very early on to ensure clear and consistent reporting and audit trail;
- It was very useful for appropriate staff and students to be members of the governance Committee. Thought needs to be given during the development of the project how best to engage the wider interest and input from staff and students; and
- The governance Committee should develop a longer term forward schedule of meetings to tie in with key project milestones and the project reporting cycle.

Appendix II Post Project Review Checklist Used

The following questions were considered during this review of those interviewed:

Start-up and Design (Section 1)	
Business Case and User Requirements	
1.	Was the business case established, robust, and agreed by all stakeholders?
2.	Were user requirements attained, and how were they adjudicated upon?
Project Management -Initiation	
3.	Were the cost, time and quality objectives understood by the team?
4.	Were the correct resources available and coordinated?
5.	Were roles and responsibilities clearly defined and understood?
6.	Were stakeholder management responsibilities allocated?
Design	
7.	Was the design brief clear and comprehensive?
8.	How were the design activities coordinated?
9.	Were innovative design solutions considered?
10.	What means of communication were there between the College and the design team during the start-up and design phase?
Cost	
11.	Was there cost control during design, and if so, how was this managed, including with revisions to designs?
12.	Did the design represent good value?
13.	Could the approved budget afford the actual needs? including: <ul style="list-style-type: none"> • Balance between actual cost and approved budget. • Balance between cost in use (operating costs) vs capital costs
Project Management – Ongoing	
14.	Were management and control processes effective?
15.	Were agreed project management procedures followed?
16.	Were the Exception reports issued according to the College’s procedure?
17.	Were risks identified, owners allocated, mitigation procedures agreed and risks actively managed? (Risk Management)
18.	Was the right Procurement Route and procurement procedures chosen for the design team?
Communication	
19.	Did the Design Team deliver effective Design Management & Design Coordination (between the design team)?

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20.	Was a Stakeholder Engagement plan prepared?
21.	Was there effective communication with internal users and stakeholders?
22.	Have there been interfaces with the Local Authorities?
23.	Did public consultations take place, if necessary?
Formal Signoff	
24.	Was there a formal signoff on the final design and how was this done?
Issues and Lessons Learned	
25.	Were there any abnormal events or issues that had to be overcome?
26.	<p>For this stage, what were the:</p> <ul style="list-style-type: none"> • Areas that went well/project successes • Areas for improvement/ areas that didn't go so well.

Procurement and Construction (Section 2)	
Main Contractor Selection	
27.	Did the procurement route selected achieve the project objectives, considering the need for a fixed budget and the desired level of flexibility?
28.	Were the tender documents adequate?
29.	Was the tender evaluation detailed and clear?
Construction Phase	
30.	Did Value engineering take place (after the main contractor was appointed)?
31.	Was risk allocated between parties satisfactorily (contracts/payment arrangements)?
32.	Was a partnering ethos maintained during the works and if so was this effective?
33.	Was change administered and controlled well (including monitoring and reporting upwards)?
34.	Was there any increase in cost, and if so, could it have been anticipated at the briefing stage?
35.	How well were client specialists (CDM, QS, Clerk of Works) incorporated into working with the construction team?
Monitoring	
36.	How was quality monitored?
37.	Were management and control processes effective?
38.	Was the programme monitored effectively?
39.	Were costs reported and managed clearly?
40.	Were H&S standards and processes acceptable?
41.	Were any management tools used during this stage (e.g. client communication portals, project management software) and were they effectively used?
42.	Were Contractor's proposals reviewed by the Project Board / College Staff and stakeholders?
43.	Was the Risk Management successfully implemented by the Contractor and the College?
44.	How have end users been involved in this phase of the project?
Communications	
45.	How did the communications process operate during this phase (project team, internal and external stakeholders)?
Issues and Lessons Learned	
46.	Were there any abnormal events or issues that had to be overcome?
47.	<p>For this stage, what were the:</p> <ul style="list-style-type: none"> • Areas that went well/project successes • Areas for improvement/ areas that didn't go so well.

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Handover, Operations and User Perspective (Section 3)	
Phased Handover and Training	
48.	Were handover procedures and programme clear and effective?
49.	Was there coordination of handover with the College's Estates team and did this work well?
50.	Were all building manuals provided satisfactorily? (Operating and Maintenance manuals, Building Fabric manuals, Lock book, equipment manuals/instruction)
51.	Did the training of the Estates staff take place for the installed systems/equipment?
52.	Was there appropriate handover of items with relevant departments as required, such as ICT, fire officers, keys etc.?
53.	Have all systems/installation commissioned to satisfaction?
54.	Was the College's process for selecting and ordering furniture, ICT equipment and other items effective?
Move into the new Space	
55.	How was the decant handled from previous space to the new space?
Snagging	
56.	Was the snagging/defect procedure clear and effective?
57.	Was there a quick closing out of defect/snags?
Communications with Stakeholders	
58.	How have end users and stakeholders been involved during the handover and initial operations phase of the project, including communications?
59.	Were user and stakeholder expectations managed successfully?
Effectiveness of New Building	
60.	Is the new space / area suitable for function and purpose?
61.	Do initial operations indicate that the building is working effectively or ineffectively?
Issues and Lessons Learned	
62.	Were there any abnormal events or issues that had to be overcome?
63.	<p>For this stage, what were the:</p> <ul style="list-style-type: none"> • Areas that went well/project successes • Areas for improvement/ areas that didn't go so well.

Paper for Consideration

Subject: Draft Audit Committee Annual Report to the Board of Management for 2016-2017

Author: Maureen Masson, Secretary to the Board

Date of paper: 21 November 2017

Date of meeting: 29 November 2017

Action requested of committee:

(Tick as appropriate) For information only:

For discussion:

For recommendation/approval:

Strategic area(s): All

Cost implications:

(Tick as appropriate) Yes: No:

Executive Summary:

Under the College's current Financial Memorandum, the Audit Committee is required to produce an annual report to the Board of Management, primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control.

Attached is a draft report is for the Audit Committee's consideration and approval. This will then be forwarded to the Board of Management meeting on 13 December 2017.

Information recorded in College minutes and papers are subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Status of Papers **Open** **Closed**

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes and papers about living individuals, under the terms of the Data Protection Act 1988.

Do the papers contain items which may be contentious under the terms of the Data Protection Act 1988? **Yes** **No**

Draft Audit Committee Annual Report to the Board of Management Academic Session 2016-17

1 Introduction

The Funding Council's mandatory requirements require the Audit Committee to produce a report to the Board of Management primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control.

The Smith Guidance to Audit Committees also suggests that this annual report should focus on internal financial control and be provided to the Board prior to the signing of the financial statements and the Board's statement of responsibilities in particular.

This report covers the accounting period of 12 months to 31 July 2017.

The terms of reference of the Audit Committee are attached for information at **Appendix 1**. During the period under review the Committee met on 4 occasions: 20 September 2016, 30 November 2016, 14 March 2017, 23 May 2017. Details of the membership of the Committee during this period are shown at **Appendix 2**.

2 Internal Audit

Henderson Loggie were re-appointed as the College's Internal Auditors in July 2016 for the period 1 August 2016 to 31 July 2020.

An updated Audit Needs Assessment (ANA), based on the areas of risk that the College is exposed to, was prepared as part of the internal audit programme for 2014/15. The ANA was prepared following discussion with College personnel, and a review of previous internal and external audit reports and covered the three year internal audit cycle from 2014-15 to 2016-17.

The Annual Report of the Internal Auditors for 2016/17 was considered by the Audit Committee at its meeting on 29 November 2017.

In the 2016/17 Annual Report, Henderson Loggie state that:

“In our opinion the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2016/17 and in prior years since our first appointment in 1998/99”.

In Section 2 of the Annual Report prepared by Henderson Loggie a summary of the results and conclusions relating to the audit work carried out by them in the following areas is given. Recommendations were made by Henderson Loggie in each of the internal audit reports, as follows:

Number	Title	Recommendations	Priority 1/Grade A	Priority 2/Grade B	Priority 3/Grade C
2017/01	Audit Needs Assessment and Strategic Plan 2016 - 2020	N/A	N/A	N/A	N/A
2017/02	Annual Plan 2016/17	N/A	N/A	N/A	N/A
2017/03	Student Activity Data 2015/16	N/A	-	-	3
2017/04	Student Recruitment	2	-		2
2017/05	College Nursery	N/A	N/A	N/A	N/A
2017/06	Follow Up Reviews	15 of 33 required further action		N/A	N/A
2017/08	Capital Projects – Academy for Sport and Wellbeing Post-Project Review	-	- -	- -	- -

Recommendation grades are defined as follows:

Reports issued from 2015-16 (excluding SUMs)

Priority 1 – Issues subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.

Priority 2 – Issues subjecting the College to significant risk and which should be addressed by management.

Priority 3 – Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness

Reports issued prior to 2015-16 (recommendations included in report 2016/04 – Follow-Up Reviews) and SUMs report

A Issues which require the consideration of the Board of Management or one of its committees.

B Significant matters that members of the Senior Management Team can resolve.

C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

The Internal Audit Reports referred to above were reviewed in detail by the Audit Committee and accepted.

3 External Audit

Ernst & Young was appointed by Audit Scotland as the College's external auditors from Academic Year 2017.

A draft external Audit Annual Report 2016-17 was reviewed at the Finance and General Purposes Committee on 29 November 2017 and will be reviewed by the Board of Management at its meeting on 13 December 2017 and by the Auditor General.

The draft Financial Statements including accounting policies, disclosures and the external auditor's opinion for the year ended 31 July 2017 were submitted to the Committee on 29 November 2017 and after full discussion were recommended for approval by the Board at its meeting on 13 December 2017.

The Corporate Governance statement included in the audited Financial Statements for the year ended 31 July 2017 was reviewed along with the Financial Statements.

4 Effectiveness of the Audit Committee

A 'Review of Meeting' item at the end of every agenda was continued by the Audit Committee throughout 2016-17. This was to enable members the opportunity to reflect on and discuss the effectiveness of the meeting. No concerns about the conduct of the meetings have been raised.

The Audit Committee meets formally without the College Management Team present at least once a year. The independent members of the Audit Committee meet formally with the Colleges internal and external audit service at least annually and met with them at the meeting on 6 December 2016.

The Audit Committee undertake a formal evaluation of the internal and external audit service annually.

5 Value for Money

The College works closely with Government forums and APUC and follows the guidelines that have been developed to support the sector in line with best practice.

6 Annual Review of the Effectiveness of Internal Control and Risk Management

The Committee undertook a formal annual review of the effectiveness of internal control and risk management in November 2016 and this report is attached as **Appendix 3**. This report is based on guidance produced by the Turnbull Committee and invites the Board to confirm that:

- It is satisfied with the scope, frequency and quality of the reports received during the year.
- It is satisfied with the College's ability to respond to changes in the operating environment.
- It is satisfied with the scope and quality of senior level involvement in monitoring risks.
- It is satisfied with the extent and frequency of reports to the Board.

- It agrees that there had been no significant control failings or weaknesses identified during the year.
- It is satisfied with its public reporting processes.

7 Other Matters

The revised and updated College Governance Manual was reviewed and approved by the Audit Committee at its meeting on 15 March 2016.

8 Opinion and Conclusion

It is the opinion of the internal auditors, Henderson Loggie CA, accepted and endorsed by the Audit Committee, that the College operates adequate and effective internal control systems as defined in the audit needs assessment and that proper arrangements are in place to promote and secure value for money.

It is the opinion of the external auditors, Ernst & Young, and endorsed by the Audit Committee that the financial statements give a true and fair view and are properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder.

It is the opinion of the Committee that the Board of Management's responsibilities as described in the Responsibilities of the Board of Management Statement included in the financial statements for the year to 31 July 2016 have been satisfactorily discharged.

It is also the opinion of the Committee that compliance with the SFC audit requirements as incorporated in Financial Memorandum have been ensured.

Audit Committee
29 November 2017

Audit Committee

Membership

No fewer than 4 members of the Board of Management.

- Board members not eligible for appointment are the Chair of the Board, the Principal, the Chair of the Finance and General Purposes Committee, the persons elected by the teaching staff and the non teaching staff of the College and the persons appointed by the Perth College Students' Association.
- No member of the Finance and General Purposes Committee shall also be a member of the Audit Committee.
- The Chair of the Board, the Principal and the Chair of the Finance and General Purposes Committee shall be invited to attend meetings.
- The Committee may sit privately without any non-members present for all or part of a meeting if they so decide.
- The College Executive will attend meetings at the invitation of the Committee Chair and provide information for Agenda items

In attendance

Vice Principal, Finance and Estates

Vice Principal, Academic

Vice Principal, Human Resources and Communications

Quorum

The Quorum shall be 3 members.

Frequency of Meetings

The Committee shall meet no less than three times per year.

Objectives

The Audit Committee's main responsibilities include advising the Board on whether:

- There are systems in place to ensure that the College's activities are managed in accordance with legislation and regulations governing the sector.
- A system of governance, internal control and risk management has been established and is being maintained, which provides reasonable assurance of effective and efficient operations and produces reliable financial information.
- There are systems in place to ensure the Committee engages with financial reporting issues

Terms of Reference

Internal Control

1. Reviewing and advising the Board of Management of the internal and the external auditor's assessment of the effectiveness of the college's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness; and
2. Reviewing and advising the Board of Management on its compliance with corporate governance requirements and good practice guidance including a strategic overview of risk management.
3. Strategic oversight of Health and Safety, Freedom of Information and Data Protection on behalf of the Board.

Internal Audit

1. Advising the Board of Management on the selection, appointment or reappointment and remuneration, or removal of the internal audit provider.
2. Advising the Board of Management on the terms of reference for the internal audit service.
3. Reviewing the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit and advising the Board of Management on these matters.
4. Advising the Board of Management of the Audit Committee's approval of the basis for and the results of the internal audit needs assessment and the strategic and operational planning processes.
5. Approving the criteria for grading recommendations in assignment reports as proposed by the internal auditors.
6. Reviewing the internal auditor's monitoring of management action on the implementation of agreed recommendations reported in internal audit assignment reports and internal audit annual reports.
7. Considering salient issues arising from internal audit assignment reports, progress reports, annual reports and management's response thereto and informing the Board of Management thereof.
8. Informing the Board of Management of the Audit Committee's approval of the internal auditor's annual report.
9. Ensuring establishment of appropriate performance measures and indicators to monitor the effectiveness of the internal audit service.

DRAFT for approval

10. Securing and monitoring appropriate liaison and co-ordination between internal and external audit.
11. Ensuring good communication between the Committee and the internal auditors.
12. Responding appropriately to notification of fraud or other improprieties received from the internal auditors or other persons.
13. Reviewing the Risk Management Register.

External Audit

The appointment of external auditors to the College is directed by Audit Scotland.

1. Considering the college's annual financial statements and the external auditor's report prior to submission to the Board of Management by the Finance Committee. Care should be taken, however, to avoid undertaking work that properly belongs to the Finance and General Purposes Committee. If within its terms of reference, the Committee should consider the external audit opinion, the Statement of Members' Responsibilities and any relevant issue raised in the external auditor's management letter.
2. Reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations contained therein.
3. Advising the Board of Management of salient issues arising from the external auditor's management letter and any other external audit reports, and of management's response thereto.
4. Reviewing the statement of corporate governance.
5. Establishing appropriate performance measures and indicators to monitor the effectiveness of the external audit provision.
6. Reviewing the external audit strategy and plan.
7. Holding discussions with external auditors and ensuring their attendance at Audit Committee and Board of Management meetings as required.
8. Considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken, by the external auditor's firm and advising the Board of Management of any potential conflict of interest.
9. Securing appropriate liaison and co-ordination between external and internal audit.

Value for Money

1. Establishing and overseeing a review process for evaluating the effectiveness of the college's arrangements for securing the economical, efficient and effective management of the college's resources and the promotion of best practice and protocols, and reporting to the Board of Management thereon.
2. Advising the Board of Management on potential topics for inclusion in a programme of value for money reviews and providing a view on the party most appropriate to undertake individual assignments considering the required expertise and experience.
3. Advising the Board of Management of action that it may wish to consider in the light of national value for money studies in the further education sector.

Advice to the Board of Management

1. ***Reviewing the college's compliance with the Code of Audit Practice and advising the Board of Management on this.***
2. ***Producing an annual report for the Board of Management.***
3. ***Advising the Board of Management of significant, relevant reports from the Scottish Funding Council and National Audit Office and successor bodies and, where appropriate, management's response thereto.***
4. ***Reviewing reported cases of impropriety to establish whether they have been appropriately handled.***

Version 1 - Approved by BOM 13 December 2013

Version 2 – Approved by Audit Committee and BOM December 2015

Membership of the Audit Committee during the period 1 August 2016 – 31 July 2017

Derek Forgan (Chair) – until 31 December 2017

Ian Jackson

Mike Baxter – until 31 December 2017

Lindsey McLeod (formerly Farquharson)

Lorna Nicoll

Brian Crichton

Anne Irvine

PERTH COLLEGE

Audit Committee

Annual Assessment of Effectiveness of Internal Control

1 Introduction

The Board of Management is required to make a statement on corporate governance in the annual accounts, in accordance with the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012. To support its statement on corporate governance, the Board should undertake an annual assessment of the effectiveness of internal control systems and risk management.

2 Review of Reports Received During the Year

During 2016-17, the Audit Committee received the following internal audit reports from Henderson Loggie:

Audit Needs Assessment and Strategic Plan 2016 - 2020
Annual Plan 2016/17
Student Activity Data 2015/16
Student Recruitment
College Nursery
Follow Up Reviews
Capital Projects – Academy for Sport and Well Being post project review

All recommendations therein and the College response to them are noted. The College's actions in response to previous Internal Audit report recommendations are monitored by the Audit Committee.

During 2016-17, the Finance and General Purposes Committee and the Board received quarterly reports on income and expenditure against budget. Reports were also provided on assets and liabilities. Variance reporting was used to highlight areas of risk and compensating action was taken.

A Balanced Score Card was used to monitor the implementation of the Strategic Plan to ensure financial and non financial Performance Indicators were monitored at Board level. The Balanced Scorecard was monitored by four committees of the Board:

- Finance Committee and General Purposes Committee had oversight of the Financial and Environmental Sustainability Measures.
- Academic Affairs Committee had oversight of the Student Experience, Curriculum and Research Measures and some Developing our Organisation and Engagement Measures.
- Engagement Committee had oversight of the Engagement Measures and some Developing our Organisation Measures

- The Audit Committee had oversight of the Financial Outturn measures.

The Board is invited to confirm that it is satisfied with the scope, frequency and quality of the reports received during the year, as set out above.

3 Changes During the Year

There have again been changes and developments in the external operating environment which were substantive agenda items at the Committee meetings in 2016-17 in addition to oversight of the strategic risk register.

There were ongoing discussions concerning the UHI organisational structure, relationships and processes between UHI EO and Academic Partners.

The College Sector Reclassification/ONS restrictions imposed on the College impacts on the College's ability to control and manage its own business, plan beyond the current year since there is little or no scope to build reserves other than to transfer to ALF which, in turn, leads to restrictions in what these funds can be used for.

The financial memorandum between UHI and the assigned Colleges has been agreed.

National Pay Bargaining and its implications for the college sector are also recognised as an issue. By signing the NRPA, each employer is agreeing to voluntarily enter into national bargaining and agreeing to the mechanism through which national agreements can be reached.

The Board is aware that by signing up to national bargaining the College and Board will lose direct control over the staffing costs, a major element of the College cost base. The Board continues to monitor the cost implications closely with Audit Committee and F&GP.

The Board is invited to confirm that it is satisfied with the College's ability to respond to changes in the operating environment.

4 Scope and Quality of Risk Monitoring

Members of SMT met quarterly to review the Strategic Risk Register. The reviewed Risk Register was then forwarded to Audit Committee for monitoring and oversight.

In addition to the College Strategic Risk Register, the Audit Committee now periodically reviews the Health & Safety Risk Register and the ICT Risk Register, with the Health & Safety Risk Register being considered separately as part of the normal cycle of business.

Continuing and emerging risks were recognised as:

International and Overseas students, College Sector reclassification/ONS; Student numbers and Support Funding; National pay bargaining.

The College's actions in response to Strategic Risk Register discussions and actions are monitored by the Audit Committee and Board.

The Board is invited to confirm that it is satisfied with the scope and quality of management's monitoring of risks.

5 Communication to the Board and its Committees

Board Responsibility

'The Board should consider the extent and frequency of the communication of the results of monitoring to the Board and its Committees, which enables it to build up a cumulative assessment of the state of control in the College and the effectiveness with which risk is being managed'. (Turnbull Guidance)

Response

The system of reporting to the Board is covered in the draft Statement of Corporate Governance.

In July 2016 Henderson Loggie were re-appointed for the period from 1 August 2016-31 July 2020.. Henderson Loggie carried out an Audit Needs Assessment, based on the College's Strategic Risk Register, following discussion with College personnel and a review of previous internal and external audit reports and the SFC Financial Memorandum.

The Internal Audit Annual Plan for 2016-17 was approved by the Audit Committee at its meeting on 20 September 2016.

The Board is invited to confirm that it is satisfied with the extent and frequency of reports to the Board.

6 Control Failings or Weaknesses

There have been no significant control failings or weaknesses identified during 2014-15.

7 Effectiveness of Public Reporting Procedures

- Perth College UHI is committed to the principles of openness and accountability in all its activities. In response to our obligations under the Freedom of Information Act (Scotland) 2002, the College has adopted and will maintain the Model Publication Scheme for Scotland's Colleges.
- The Board is updated annually on the requests for information received under the Freedom of Information Act (Scotland) 2002 and Data Protection requests.
- The College completes and lodges a number of statutory returns to demonstrate appropriate use of public funds.

DRAFT for approval

- Information about the Board and its members is available on the website, including the Register of Interests.
- Board of Management minutes are published on the website
- The Perth College Annual Accounts are published on the website. The Annual Accounts for Air Services Training Limited are lodged with Companies House.
- The Annual Report is published on the website. A hard copy is available to anyone who makes a request.

The Board is invited to confirm that it is satisfied with its public reporting processes.

Health and Safety Committee

Minutes

Date and time: Thursday 16 November 2017, 2.00pm

Location: Room 019, Brahan

Members present: Susan Hunter, Head of HR (Chair)
Les Roberts, Health & Safety Officer
Charles Shentall, Board of Management
Charlie Collie, Subject Leader, Social & Vocational Studies
Gilbert Valentine, Head of Estates
Ian Gibb, Sector Manager, Food Studies and Hospitality
Jane Edwards, Unison representative
Mike Haufe, AST
Tony Grant, EIS H&S Rep
Winston Flynn, Unison Rep

Apologies: David Gourley, Curriculum and Business Engagement Director
Eleanor Brown, SDD – ALS
Jen Thompson-Young, SDD – STEM
Lorenz Cairns, SDD - CCI
Richard Ogston, Head of Student Services
EIS-FELA Reps
Student VP Welfare & Activities

In Attendance: Lorna McWilliam, Kitchen Operations Controller, Deputy for Ian Gibb

Note Taker: Carolyn Sweeney-Wilson

Summary of Actions

Ref	Action	Responsibility	Time Line
4.	Matters arising not included elsewhere on the agenda/review of actions from previous meeting		
c)	Misuse of Drugs – staff awareness – update: To be added to the Agenda for the next meeting.	Carolyn Sweeney-Wilson	Next meeting: 08/02/2018
f)	Committee Membership – update: SH to contact JTY to ask her to nominate a member of her team to become a member of the H&S Committee.	Susan Hunter	08/02/2018
10.	Working Time Regulations – College statistics		
	SH and JE to meet to discuss the staffing issue relating to overtime being undertaken.	Susan Hunter, Jane Edwards	08/02/2018

Minutes

Item	Action
<p>1. Welcome and Apologies</p> <p>Susan Hunter (SH) welcomed everyone to the meeting. It was noted that Lorna McWilliam was in attendance as Ian Gibb's deputy.</p> <p>Apologies were noted.</p>	
<p>2. Additions to the Agenda for AOCB</p> <p>SH advised the Committee that Les Roberts (LR) would be leaving the College and that this would be his last H&S Committee meeting. SH had an item to update the Committee on the potential replacement for LR under AOCB.</p>	
<p>3. Minutes of Meeting Held on 24 August 2017</p> <p>The minutes of 24 August 2017, having been previously circulated, were approved, as a true and accurate record of discussions.</p>	
<p>4. Matters arising not included elsewhere on the agenda/review of actions from previous meeting</p> <p>a) Additional Support for LR Further to the comments from CS regarding additional support for the HSO, SH and LR had discussed this. An HR Assistant would now provide admin support for the HSO, as well as Equality and Diversity. Moving forward, the HSO role would have the additional support needed.</p> <p>b) Campus Security Policy – update GV advised that this policy had now been published and was on the website. Within the document there was a report form for monitoring incidents. Staff were asked to complete the form if there was an incident and this would then allow statistics to be collated, for reporting annually. These figures would be included in the Estates Annual Report.</p> <p>MH asked if he should be collating any of this information for Scone. GV said this would be useful to have. GV advised that there were now out of hours security patrols, which were tagged, so this would help locate the time when any incident occurred.</p> <p>c) Misuse of Drugs – staff awareness – update As RO was unable to attend this meeting and report on this item, it will be carried forward to next meeting. It was agreed</p>	

Item		Action
	that a written update would be requested if RO was unable to attend the next meeting.	
	<p>d) Health & Safety Annual Report LR reported that this document went to the Audit Committee, with any comments received from H&S Committee members and was approved.</p> <p>e) Events Risk Guidance & Checklist/ sale of alcohol LR and SH met with IG to discuss mitigating the risk of sale of alcohol on campus and additional details were added to the checklist in relation to this. Staff would now be expected to contact IG, regarding the sale of alcohol, as IG was the College's licensee.</p> <p>f) Committee Membership – update SH said she had discussed this with LR and SH will now contact JTY, with a view to a member of her team joining the H&S Committee.</p> <p>g) Back car park – update GV said that periodically, a bulk load of gravel chips were distributed across the back car park surface to try to alleviate the problem of the potholes. This was usually carried out annually and was due to happen in the next couple of weeks.</p> <p>Actions:</p> <ul style="list-style-type: none"> • SH to contact JTY to ask her to nominate a member of her team to become a member of the H&S Committee. • 'Misuse of Drugs – staff awareness – update' to be added to the Agenda for the next meeting. 	SH CSW
5.	<p>Occupational Stress Risk Assessment Framework - Update</p> <p>SH said discussions at the last meeting had highlighted the disjointedness between HR and H&S regarding this. SH said a planned review of this was due to take place shortly. However, policy development would not be looked at until early next year.</p>	
6.	<p>Healthy Working Lives Strategy 2017-2020 & HSE 'Go Home Healthy' campaign &</p>	
and		
8.	<p>European H&S Week – update & Joint awareness raising campaigns</p> <p>In relation to the HSE campaign, JE said that in the past she and LR had carried out ad hoc awareness raising of national campaigns across the campus. Throughout the year there were always many opportunities for getting involved in these, with many organisations providing free materials to use. However, the</p>	

Item		Action
	<p>College didn't seem to take up many of these opportunities to get involved and JE wondered how this Committee could use these national campaigns.</p>	
	<p>SH said that Allie Scott had just set up a cross-College 'Healthy Wellbeing Group' covering staff and students and the plan was to support an initiative once a month. SH said that the aim was to have a more joined up effort with staff and students and she thought that these sort of national campaigns could be channelled through this group.</p>	
7.	Health & Safety Annual Report LR advised that the H&S Annual Report had gone to the Board of Management October meeting, where it was signed off. In general the Board were happy with the report, but had some slight concerns over the number of accidents, as this had increased. However, it was noted that, as the ASW was now up and running, the majority of accidents were slips, trips, falls related, which were the sort of accident that would be expected from sports related activities. CS said that the Board thought this would flatten out eventually.	
8.	European H&S Week – update & Joint awareness raising campaigns This item had been discussed at Item 6.	
9.	Events Risk Guidance & Checklist – update This item had been discussed under 'Matters Arising'.	
10.	Working Time Regulations – College statistics JE indicated that she had previously raised this issue at the time of the industrial action, earlier in the year. Staff were working additional overtime and Unison had requested some statistics on this to check that the College was complying with the working time directive. JE wanted to know what monitoring the College was doing of those regularly working more than 48 Hours per week. JE acknowledged that it would not be less easy to quantify statistics if work was taken back in TOIL; if the work was paid, then it would be easier to quantify. JE said that the College should be monitoring this in case it was masking the need for additional staff resources. SH said that TOIL was difficult to monitor, unless staff were clocking in/out. SH said that with the current contractual framework, and the way staff were managed, meant there were	

Item

Action

various different practices being carried out within the College. Monitoring overtime, therefore, was not straight forward. SH acknowledged that this would need to be streamlined in order to ensure accurate statistics.

SH said that she would be starting a project to review this in the New Year. The intention, therefore, would be to streamline the process and ensure processes and procedures were carried out consistently across the College. She hoped this would then allow for accurate recording of overtime. However, this was a substantial project and SH predicted that it would be the start of the new academic year before anything could be put in place.

JE said that when staff felt the only way they could keep their job going was by working at weekends and evenings, then there was a need to have something in place to moderate this. JE said her concern was for the health and welfare of staff and something would need to be done to improve this situation.

CS queried if JE was referring to a particular department, or style of management. JE said that it was particular issues that had come to light due to peaks and troughs of work and that the College could potentially get some additional staff trained up to help with these areas. CS said if it was not a cultural thing and if JE had specifics, he advised that she should discuss this directly with HR. CS said he was concerned that if there were pressures now, it would be better to deal with this matter now, rather than wait for it to be dealt with through SH's project. CS queried with SH if something could be done now to help these members of staff. SH said if there were peaks and troughs and it was known that they were coming, then something should be able to be put in place to support these staff. SH said she and JE would meet to discuss this outwith the meeting.

GV said that Estates had carried out a review of their staff and found that staff were working between 37 and 41 hours per week. Estates had some new staff join recently and this has made a difference to the number of hours staff have been working. CS suggested that if there were staff who were underutilised they could help with a pressure point if this was in an admin role.

IG said there was an operational planning process and this sort of thing should be picked up there. JE said it was a longstanding crisis management situation.

Action: SH and JE to meet to discuss the staffing issue relating to overtime being undertaken.

SH, JE

11. Health and Safety Officer Update

Item	Action
<p>Other than matters already reported on, LR, updated the Committee on the following:</p>	
<ul style="list-style-type: none">• Organised a 'Lifting and Slinging' course at AST Scone.• Inductions for students in various areas around College.• Fire drills carried out on campus main buildings.• DSE assessments done for staff.• Asked by Language School to do a short awareness session on Epilepsy, as they have a student with that condition.• MIDAS training carried out over October/November, including how to use wheelchair use of the tail-lift.• Other training with Caretakers – including, 'Working at Height' re use of step ladders.• Fire inspection procedures for Caretakers – when they are doing their lock-up round – how to pick up on areas of concern.• Occupational Road Risk Workshop with RoSPA (June Wilson also attended).• Produced Accident statistics for this meeting.	
<p>12. Head of Estates Update</p>	
<p>GV updated the committee on the following:</p>	
<ul style="list-style-type: none">• Fire Risk Assessments: a further round of annual checks for this had been completed and some items picked up including - fire stopping walls above ceilings on the stairwell escape routes in Brahan Building; Service Risers – some holes caused around cable and pipework installations, so these have been reinstated.• Fire Alarm System in Dunne Building and GB Boiler House: these systems were not connected into Goodlyburn (GB) Fire Alarm System, which meant that when the GB fire alarm went off these areas didn't evacuate, as they were standalone buildings. Work had now been done to connect these areas into the GB Fire Alarm system and extend the detection system to make all 3 buildings one unitary system.• There was work to be done in Pathways to replace the fire doors and an order had been placed for these.• Room 407, in GB, has had a sign on the door to indicate the room was not to be used temporarily. The reason for this was that some rotten floorboards had been discovered. They had rotted due to sub-floor water and the floorboards have had to be stripped out.• Monthly meetings have been taking place to discuss planned preventative maintenance. A log of items is now being kept and this will be continued.	
<p>13. Accident Reports</p>	

Item

Action

These reports were circulated with the papers for this meeting and discussed.

LR said that the statistics showed that the number of accidents had increased since last year. However, this was to be expected as since the ASW building had been brought online there were more sports activities taking place on campus. The types of injuries that were showing an increase were 'slips, trips and falls', which were the type of accident that was likely to occur with sporting activities.

The figures for First Aid Assistance were slightly down, but this could be related to the time of year, but also student and staff were working together on this.

14. AOCB

Healthy Working Lives

SH advised that the College received a visit from HWL yesterday (15 November) to assess for HWL Gold standard. This seemed to go well and the College was now waiting on a decision.

Health & Safety Officer

SH advised the Committee that LR was leaving the College in a couple of weeks. The HSO job had not yet been advertised as SH was taking the opportunity to review the job description before advertising the post. Unfortunately, this would be leaving a gap in cover for the College, when there would be no HSO on campus. LR will be spending time with HR next week to advise them on his methods for recording accidents etc. SH said she had also spoken with colleagues in other educational institutions, who had agreed to be "at the end of phone" if SH needed specific H&S advice.

SH said she would like to take this opportunity to formally record the College's thanks to LR for all his hard work over the years. SH said that everyone was sad to hear that LR was leaving and that he had done a great deal for the organisation in bringing the H&S standards up to the current level. SH said that LR would be missed.

JE asked if the College would have a competent, trained person to a similar level as LR, who would be taking the place of LR. SH said that she would be discussing this with the Principal and would also be speaking with people external to the organisation, as LR's role was a technical specialist role.

MH said that, from AST's point of view, they were very happy to have worked with LR and have appreciated his specialist knowledge. GV seconded that comment.

Item

CS also thanked LR on behalf of the Board and, under the circumstances, he said he thought LR had done very well in his job.

IG also thanked LR and said that all the food students would miss him, particularly as he had talked to them about Health and Safety.

15. Date of Next Meetings

- 8th February 2018
- 3rd May 2018

All meetings are on Thursdays, 2.00-4.00pm, in Room 019.

Action

DRAFT

Membership

No fewer than 4 members of the Board of Management.

- Board members not eligible for appointment are the Chair of the Board, the Principal, the Chair of the Finance and General Purposes Committee, the persons elected by the teaching staff and the non teaching staff of the College and the persons appointed by the Perth College Students' Association.
- No member of the Finance and General Purposes Committee shall also be a member of the Audit Committee.
- The Chair of the Board, the Principal and the Chair of the Finance and General Purposes Committee shall be invited to attend meetings.
- The Committee may sit privately without any non-members present for all or part of a meeting if they so decide.
- The College Executive will attend meetings at the invitation of the Committee Chair and provide information for Agenda items

In attendance

Vice Principal, Finance and Estates

Vice Principal, Academic

Vice Principal, Human Resources and Communications

Quorum

The Quorum shall be 3 members.

Frequency of Meetings

The Committee shall meet no less than three times per year.

Objectives

The Audit Committee's main responsibilities include advising the Board on whether:

- There are systems in place to ensure that the College's activities are managed in accordance with legislation and regulations governing the sector.
- A system of governance, internal control and risk management has been established and is being maintained, which provides reasonable assurance of effective and efficient operations and produces reliable financial information.
- There are systems in place to ensure the Committee engages with financial reporting issues

Terms of Reference

Internal Control

1. Reviewing and advising the Board of Management of the internal and the external auditor's assessment of the effectiveness of the college's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness; and
2. Reviewing and advising the Board of Management on its compliance with corporate governance requirements and good practice guidance including a strategic overview of risk management.
3. Strategic oversight of Health and Safety, Freedom of Information and Data Protection on behalf of the Board.

Internal Audit

1. Advising the Board of Management on the selection, appointment or reappointment and remuneration, or removal of the internal audit provider.
2. Advising the Board of Management on the terms of reference for the internal audit service.
3. Reviewing the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit and advising the Board of Management on these matters.
4. Advising the Board of Management of the Audit Committee's approval of the basis for and the results of the internal audit needs assessment and the strategic and operational planning processes.
5. Approving the criteria for grading recommendations in assignment reports as proposed by the internal auditors.
6. Reviewing the internal auditor's monitoring of management action on the implementation of agreed recommendations reported in internal audit assignment reports and internal audit annual reports.
7. Considering salient issues arising from internal audit assignment reports, progress reports, annual reports and management's response thereto and informing the Board of Management thereof.
8. Informing the Board of Management of the Audit Committee's approval of the internal auditor's annual report.
9. Ensuring establishment of appropriate performance measures and indicators to monitor the effectiveness of the internal audit service.

10. Securing and monitoring appropriate liaison and co-ordination between internal and external audit.
11. Ensuring good communication between the Committee and the internal auditors.
12. Responding appropriately to notification of fraud or other improprieties received from the internal auditors or other persons.
13. Reviewing the Risk Management Register.

External Audit

The appointment of external auditors to the College is directed by Audit Scotland.

1. Considering the college's annual financial statements and the external auditor's report prior to submission to the Board of Management by the Finance Committee. Care should be taken, however, to avoid undertaking work that properly belongs to the Finance and General Purposes Committee. If within its terms of reference, the Committee should consider the external audit opinion, the Statement of Members' Responsibilities and any relevant issue raised in the external auditor's management letter.
2. Reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations contained therein.
3. Advising the Board of Management of salient issues arising from the external auditor's management letter and any other external audit reports, and of management's response thereto.
4. Reviewing the statement of corporate governance.
5. Establishing appropriate performance measures and indicators to monitor the effectiveness of the external audit provision.
6. Reviewing the external audit strategy and plan.
7. Holding discussions with external auditors and ensuring their attendance at Audit Committee and Board of Management meetings as required.
8. Considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken, by the external auditor's firm and advising the Board of Management of any potential conflict of interest.
9. Securing appropriate liaison and co-ordination between external and internal audit.

Value for Money

1. Establishing and overseeing a review process for evaluating the effectiveness of the college's arrangements for securing the economical, efficient and effective management of the college's resources and the promotion of best practice and protocols, and reporting to the Board of Management thereon.
2. Advising the Board of Management on potential topics for inclusion in a programme of value for money reviews and providing a view on the party most appropriate to undertake individual assignments considering the required expertise and experience.
3. Advising the Board of Management of action that it may wish to consider in the light of national value for money studies in the further education sector.

Advice to the Board of Management

1. Reviewing the college's compliance with the Code of Audit Practice and advising the Board of Management on this.
2. Producing an annual report for the Board of Management.
3. Advising the Board of Management of significant, relevant reports from the Scottish Funding Council and National Audit Office and successor bodies and, where appropriate, management's response thereto.
4. Reviewing reported cases of impropriety to establish whether they have been appropriately handled.

Version 1 - Approved by BOM 13 December 2013

Version 2 – Approved by Audit Committee and BOM December 2015