

Audit Committee

Agenda

Meeting reference: Audit2018-19/02

Date: Wednesday 28 November 2018 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 Finance and General Purposes Committee at 5.30pm to review the Management Accounts and Financial Statements 2017-18

	Agenda Items	Author	Led by	Paper
1	Joint Welcome and Apologies		Chair of F&GPC and Audit	
*2	Perth College Management Accounts Year to 31 July 2018 – Final Report and Commentary	Head of Finance	Head of Finance	Paper 1 Closed
*3	Draft Perth College Group Report and Financial Statements for the Year ended 31 July 2018	Head of Finance	Head of Finance	Paper 2 Closed
*4	External Audit Annual Report 2017-18		EY	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	Presentation: Ian Bow, Health and Safety Adviser			
6	Additions to the Agenda			
7	Declaration of a Conflict of Interest in any Agenda Item			
8	Minutes of the Meeting of the Audit Committee held on September 18 2018			Paper 4
9	Actions arising from previous minutes			

10	Risk Management			
*10.1	Strategic Risk Register	Chief Operating Officer	Chief Operating Officer	Paper 5
11	Internal Audit			
*11.1	Draft Internal Audit Annual Report 2017-18	Henderson Loggie	Henderson Loggie	Paper 6
*11.2	Revised Internal Audit Plan 2018-19	Henderson Loggie	Henderson Loggie	Paper 7
*11.3	Internal Audit Report: 2017-18 Student Activity Data	Henderson Loggie	Henderson Loggie	Paper 8
*11.4	Internal Audit Report: Student Support Funds 2017-18 Audit Report	Henderson Loggie	Henderson Loggie	Paper 9
*12	Audit Committee Annual Report to the Board of Management	Secretary	Secretary	Paper 10
13	Committee minutes			
13.1	Health and Safety Committee: <ul style="list-style-type: none"> 15 November 2018 		Chair	Paper 11
14	Date and time of next meeting: <ul style="list-style-type: none"> 19 February 2019 	Secretary		
*15	Review of meeting (to include check against the Terms of Reference to ensure all competent business has been covered)			Paper 12
*16	Executive Team leave the meeting for Audit Committee discussion with internal and external auditors			

Perth College Annual Audit Report

Year ended 31 July 2018

DRAFT

28 November 2018

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Wider scope audit	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies:	
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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 Trustees 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 Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive Summary

Purpose of this report

In accordance with the 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 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 and Risk Committee. After consideration by the College, this report is provided to Audit Scotland and published on their 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.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the College employs best practice and where processes can be improved. We use these insights to form our audit recommendations to support the College in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. These are highlighted throughout the report together with our judgements and conclusions regarding arrangements.

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 and Risk Committee on 22 May 2018. We summarise these responsibilities in Appendix A.

Our Annual Audit Plan set out an overview of our audit scope and approach for the audit of the 2017/18 financial statements. We carried out our audit in accordance with the plan. We applied the materiality levels below to our audit, as outlined in our audit plan and based on our consideration of the key risks and issues facing the College and its financial statements. We reassessed materiality on receipt of the draft financial statements and at the conclusion of our audit work, and concluded the levels identified during our planning work remained appropriate.

▶ Materiality for our audit - no change to that reported in our Annual Audit Plan	£440,000
▶ Tolerable Error is our materiality applied at an individual account balance - no change	£330,000
▶ Reporting threshold, set in line with the requirements of the Code - no change	£22,000

Financial statement audit

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

- ▶ they give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of affairs of the College and Group as at 31 July 2018 and its deficit for the year then ended;
- ▶ they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

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

Wider scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the dimensions of wider-scope public audit that are relevant for each body. As outlined in our audit plan, the College qualifies as a “smaller body” in line with Audit Scotland guidance, therefore our wider-scope work covers the arrangements in respect of financial sustainability and governance and transparency.

Key contacts

Stephen Reid, Partner
sreid2@uk.ey.com

Rob Jones
rjones9@uk.ey.com

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

Independence

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

Financial statements audit

We [\[have issued\]](#) an unqualified audit opinion on the College’s consolidated financial statements. We have concluded satisfactorily in respect of each of the significant risks and audit focus areas identified in our Annual Audit Plan. Completed draft financial statements, including the Performance Report, Accountability Report and Remuneration and Staff Report were received on 14 November, after the onsite audit work. We recognise the College finance team experienced significant turnover in the year, in particular with three heads of finance. This impacted management’s capacity to provide the financial statements in line with the initially agreed timetable. We have agreed with management that for 2018/19 a detailed timetable for the financial statement preparation process will be agreed. We made a number of suggestions to enhance the presentation and readability, and to ensure compliance with disclosure requirements. [\[Management responded positively to audit comments and addressed all material matters in the finalised version of the financial statements.\]](#)

Management made a number of adjustments following the start of our onsite audit work. We identified no audit differences arising from our audit work, There is no impact on the income and expenditure account from the unadjusted difference.

Wider scope audit – key messages

We set out below our key messages in respect of the dimensions we consider for the College based on our scope of work outlined in our Annual Audit Plan, along with our overall assessment of each of these in terms of red / amber / green. Our assessment is built on our consideration of the risks facing the College, the extent to which these are mitigated by the College’s processes and controls, and our assessment of management’s process in implementing recommendations from the 2016/17 audit, where appropriate.

Financial sustainability	<ul style="list-style-type: none"> ▶ The financial environment in which the College operates continues to be challenging, with significant uncertainty going forward around both key income and expenditure sources, in particular around future increases to staff costs through national bargaining and future SFC funding. ▶ Management is sighted on the requirement for savings to be delivered over the next five years and has begun reviewing possible avenues for delivering these, including increasing income through commercial partnerships and funding and reducing costs through review of teaching arrangements and management structure. As the College develops these plans it is important these are quantified in a detailed medium term financial plan which aligns to FFR’s and strategic and operational plans for the next five years. 	Amber
Governance and transparency	<ul style="list-style-type: none"> ▶ The College has a number of the key requirements in place for good governance and transparency. The College has committed to transparency in its operations, including sharing information on the College website. ▶ [The College has identified no areas of non-compliance with the Scottish Code of Good Governance in its Governance Statement.] 	Green

2. 2017/18 financial statements audit

2. Summary of 2017/18 audit opinion



The detailed form and content of our audit report, and the requirements underpinning the report, are set out in guidance issued by Audit Scotland. This covers our reporting requirements in accordance with International Standards on Auditing (UK), plus those matters prescribed by the Code.

Element of Audit opinion	Nature of opinion and basis for that
Opinion on financial statements	Unqualified opinion
<ul style="list-style-type: none"> ▶ Truth and fairness of the state of affairs of the College and Group at 31 July 2018 and of the deficit for the year then ended ▶ Preparation of the financial statements in accordance with the relevant financial reporting framework 	<ul style="list-style-type: none"> ▶ Performance of audit procedures to respond to our assessed risk of misstatement, including significant risks ▶ Accounting policies are appropriate and estimates are reasonable ▶ Completion of financial statement disclosure checklists / consideration of relevant guidance issued by Audit Scotland
Conclusions relating to the going concern basis of accounting	No matters to report
<ul style="list-style-type: none"> ▶ The use of the going concern basis of accounting used in the preparation of the financial statements is not appropriate 	<ul style="list-style-type: none"> ▶ Supported by our core financial statements audit work, supplemented by our wider scope audit procedures in respect of financial sustainability
Other information in the financial statements	No matters to report
<ul style="list-style-type: none"> ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with the annual accounts or our knowledge obtained in the audit 	<ul style="list-style-type: none"> ▶ Review of committee minutes and papers / discussions with management / understanding of the business
Opinions on matters prescribed by Audit Scotland	Unqualified opinions
<ul style="list-style-type: none"> ▶ The audited part of the Remuneration and Staff Report has been properly prepared in accordance with applicable regulations ▶ Information in the Accountability Report / Annual Governance Statement is consistent with the financial statements, and prepared in accordance with the relevant guidance 	<ul style="list-style-type: none"> ▶ We agreed the form of the report to the regulations and agreed the disclosures to underlying accounting records and supporting schedules ▶ We reviewed the content of the narrative statements to the information known to us in the audit, and against the requirements of the guidance
Matters on which we are required to report by exception	No matters to report by exception
<ul style="list-style-type: none"> ▶ Whether adequate accounting records have been kept ▶ Whether financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records ▶ Whether we have not received the information we require for our audit 	<ul style="list-style-type: none"> ▶ We were provided with all the information we required ▶ We have been able to agree information to the accounting records

The annual financial statements enables the College to demonstrate its accountability for the resources at its disposal, and its overall performance in the application of those resources during the year. They also enable the College to demonstrate openness and transparency in its governance and remuneration arrangements.

Financial Statement preparation 2017/18

Compliance with requirements

As part of our oversight of the College'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 Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Presentation and quality of financial statements

Management provided completed draft financial statements, including the Performance Report, Accountability Report and Remuneration and Staff Report on 14 November, after the onsite audit work. In our 2016/17 audit report we noted the importance of providing complete financial statements, including front end narrative sections, at the start of the audit. We recognise the College finance team has experienced significant turnover in the year, in particular with three heads of finance through the financial year, and this has had an impact on management's capacity to provide the financial statements in line with the initially agreed timetable. We have agreed with management that for 2018/19 a detailed timetable for the financial statement preparation process will be agreed.

The draft financial statements provided by management were comparable in quality with the prior year audit. We made a number of suggestions to enhance presentation and readability, and to ensure compliance with disclosure requirements. In particular, the financial statements required a number of updates to ensure compliance with the new requirements as outlined in the SFC's 2017/18 Accounts Direction. [\[Management responded positively to audit comments and addressed all material matters in the finalised version of the financial statements, pending our review of the final financial statements and associated governance checklist.\]](#) While the financial statements are materially compliant with the requirements outlined in the SFC 2017/18 Accounts Direction, FE SORP and FRS 102, the readability and usefulness to the reader should be an ongoing area of focus and improvement in future years.

Audit differences

Management made a number of adjustments following the start of our onsite audit work in relation to the valuation at 31 July 2018 of property, plant and equipment. We identified no audit differences arising from our audit work, There is no impact on the income and expenditure account from the unadjusted difference.

The annual financial statements enables the College to demonstrate its accountability for the resources at its disposal, and its overall performance in the application of those resources during the year. They also enable the College to demonstrate openness and transparency in its governance and remuneration arrangements.

Financial Statement preparation 2017/18: Other areas

Arms Length Foundation (ALF)

As a result of the reclassification of Scotland's Colleges from 1 April 2014, Arm's Length Foundations (ALF) were set up in order that any reserves were not required to be returned to the Scottish Government. Perth College transferred assets to the Scottish Colleges Foundation. At 31 July 2018 approximately £116,000 remained in the ALF. This is to be awarded by the ALF to applicants in line with the ALF's charitable objectives. The governance arrangements between colleges and ALFs across the sector is an area of increased focus in 2017/18, in particular around the independence of the ALF and influence college's can extend over their operations.

We have re-assessed the independence of the ALF for the year ended 31 July 2018 to consider the requirement for consolidation of the ALF into the College financial statements. We have concluded that the ALF is independent of the College based on a number of factors:

- ▶ There is a board of Trustees which is independent of the College; no trustees are appointed by the College
- ▶ All applications for funding from the ALF are reviewed against the ALF's charitable objectives
- ▶ Day to day management of the ALF is not delegated to, and does not involve, management from the College

We have also considered that should the College be deemed to have exercised significant influence or control over the ALF, based on the financial position at 31 July 2018 and the 2017/18 financial transactions, the ALF would not be considered material to the College's financial statements.

Consolidated financial statements and subsidiary audit arrangements

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 with inter-company transactions eliminated in line with accounting requirements. We have also completed the audit of the subsidiary stand alone financial statements and [\[have issued\]](#) an unqualified audit opinion.

We have considered the arrangements in respect of the Perth College Development Trust (the Trust), and concluded that, in line with the prior year, it remains appropriate to not consolidate the Trust's financial statements into the College group financial statements. This is on the basis of the Trust being independent through its Trustee arrangements. The Trust financial position at 31 July 2018 is also immaterial to the College's financial statements.

The annual financial statements enables the College to demonstrate its accountability for the resources at its disposal, and its overall performance in the application of those resources during the year. They also enable the College to demonstrate openness and transparency in its governance and remuneration arrangements.

Opinions on matters prescribed by the Audit Scotland

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. 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 within 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 Governance Statement and express an opinion on whether it is consistent with the financial statements and that it has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We have reviewed the Governance Statement and provided commentary to management around enhancing the layout and structure of the information, including the requirement to include committee attendance. See further commentary within governance and transparency section of wider-scope. We are satisfied that the information with the Accountability Report 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 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 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.

2. Significant audit risks



Significant risk - risk of fraud in income and expenditure recognition: ISA (UK) 240 requires us to make a rebuttable presumption that the fraud risk from income recognition is a significant risk. In the public sector, we extend that to consider the risk of material misstatements by manipulation of expenditure.

Our overall approach

As set out in our Annual Audit Plan, given the nature of funding to the College from the Scottish Funding Council (SFC), we rebutted the assumed fraud risk in respect of this income stream. However we recognised 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 recognised the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10.

What did we do in response to the significant risk?

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
- ▶ Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias
- ▶ Developed a testing strategy in respect of material revenue and expenditure streams:
 - ▶ For tuition fees and education contracts, we performed an analytical review of the key movements in the year 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
 - ▶ For other income and expenditure, we performed an analytical review of movements and selected key item and representative samples for testing, and obtained the third party evidence along with confirmation of the balance received / receivable by the College.
- ▶ We performed focused additional testing around income and expenditure transactions posted nearer to the year end to gain comfort that any material items are recorded in the correct accounting period. In particular we focused on material income transactions incurred after 31 July, but included in the 2017/18 financial ledger, and material expenditure transaction incurred before 31 July but deferred into 2018/19
- ▶ We reviewed and tested a sample of debtor balances at the year end, including any 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
- ▶ We tested an extended sample of year end income and expenditure accruals held on the balance sheet at 31 July. We obtained evidence to support management's conclusion that balances related to transactions in respect of the financial year in question

What are our conclusions?

Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.

2. Significant audit risks (cont.)



Significant risk - management override: As identified in ISA 240, management is in a unique position to perpetrate fraud in its financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively.

We respond to this risk on every engagement

Audit procedures performed	What did we find?
<p>We gave consideration to the risk of fraud, inquiring of management about their assessment of the risks of fraud and the controls put in place to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.</p>	<p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>As part of the audit process we wrote to the chair of the Audit and Risk Committee to make inquiries around both the governance arrangements at the College and any instances or possible non-compliance identified in the year. Those charged with governance identified through their response no instances of non-compliance. They also did not draw to our attention to any significant matters or material weaknesses or concerns in respect of the College's governance arrangements.</p>
<p>Test the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</p>	<p>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.</p>
<p>Review accounting estimates for evidence of management bias, including management's retrospective consideration of prior year estimates.</p>	<p>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.</p>
<p>Evaluate the business rationale for any significant unusual transactions</p>	<p>We did not identify any significant unusual transactions outside the normal course of business.</p>
<p>Consistency and application of accounting policies / overall presentation of financial information</p>	<p>We consider the accounting policies adopted by the College to be appropriate. There are no significant accounting practices which materially depart from what is acceptable under FRS 102 or the SORP.</p>

What are our conclusions?

We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.

There was no disagreement during the course of the audit over any accounting treatment or disclosure. We encountered no significant difficulties in the audit through our interaction with management.

Valuation of property, plant and equipment: Our overall approach

The value of property, plant and equipment (“PPE”) represents a significant balance on the College’s balance sheet and is subject to valuation changes, depreciation charges and possible impairment. The total value of the College estate at 31 July 2018 was £37 million (2017: £33.6 million), and was subject to a full revaluation at 1 August 2018, with an interim revaluation due again in 2021.

As set out in our Annual Audit Plan, given that a number of assumptions are used in valuing property, plant and equipment, we assigned a higher inherent risk to the valuation of PPE at 31 July 2018.

What did we do in response to the risk?

We undertook the following procedures as part of our audit:

- ▶ We reviewed the valuation of the College estate at 1 August 2018 completed by the external specialists engaged by the College. We assessed their independence and expertise to complete the valuation exercise, and challenged the key assumptions included in the valuation. We agreed the valuation to the underlying accounting records
- ▶ We reviewed the College’s backlog maintenance plans, including consideration of possible indicators of impairment of the existing estate, and whether backlog maintenance expenditure in the year had been correctly accounted for as capital or revenue expenditure
- ▶ We agreed the PPE balances disclosed in the financial statements to underlying accounting records, in particular the College’s fixed asset register
- ▶ We tested a sample of additions and disposals in the year, considering the appropriateness of capitalisation in line with the College’s accounting policies and to ensure the correspondingly replaced assets had been appropriately disposed
- ▶ We considered any material capital grant income to supporting documentation and consideration of the appropriateness of recognition against the terms of any grant conditions, the College’s own accounting policies and the applicable accounting standards.

What are our conclusions?

The valuation of the College estate in 2017/18 resulted in an increase of £4 million. We were satisfied with the results of our inquiries of both management and management’s external specialist.

Our testing has not identified any material misstatements relating to property, plant and equipment.

2. Other inherent risks (cont.)



Accounting for retirement benefits: Our overall approach

In line with accounting standards, the College recognises the cost of retirement benefits provided to its staff in the reported cost of service when they are earned by the employee and not when the pension benefits are actually paid.

The College's employees belong to two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Tayside Pension Scheme (LGPS). The present value of Unfunded Obligations in relation to early retirements agreed in previous years is £1.2 million (2016/17: £1.4 million). As at 31 July 2018, the College's share of the pension scheme net liability is £2.8 million (2016/17: £8.9 million).

The information disclosed is based on the FRS 102 report issued to the College by the actuary appointed by the Tayside Pension Fund. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do in response to the risk?

As a result of the thematic review performed by the Financial Reporting Council, there has been an increase in focus in accounting for retirement benefits and, as such, auditors have additional requirements to address in completing and concluding on the valuation of these balances. We undertook the following procedures as part of our audit:

- ▶ Obtained the actuarial report at the year end date for the scheme and utilised our in-house experts to assess both the robustness of the methodology used to derive the key actuarial assumptions, and the reasonableness and consistency of the assumptions underpinning such reports
- ▶ We wrote to the actuaries of the pension scheme to confirm their independence and expertise to ensure this was appropriate and sufficient for the purposes of preparing their FRS 102 report
- ▶ We wrote to the auditor of the Pension Fund to gain assurance over the completeness, existence and valuation of the assets at 31 March 2018, as well as the processes and controls to ensure accurate information is obtained in respect of the College's share of fund assets
- ▶ We performed additional testing on the College's share of the fund pension assets at 31 July, performing roll forward procedures on its share of assets from 31 March to the College balance sheet date
- ▶ We reviewed the calculation of the College's valuation of future early retirement liabilities at 31 July and completed integrity testing over the inputs into the calculation

What are our conclusions?

We concluded that we were able to rely on the work of management's specialists - the pension fund actuaries - and were satisfied that the actuarial assumptions used in the preparation of the FRS 102 report were appropriate. These include the assumptions directed to be used by management (such as assumptions over future salary cost increases).

We obtained relevant assurances from the pension fund auditor to support our conclusions.

Our testing has not identified any material misstatements relating to future early retirement liabilities.

3. Wider scope audit

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

Amber

- ▶ The financial environment in which the College operates continues to be challenging, with significant uncertainty going forward around both key income and expenditure sources, in particular around future increases to staff costs through national bargaining and future SFC funding.
- ▶ Management is sighted on the requirement for savings to be delivered over the next five years and has begun reviewing possible avenues for delivering these, including increasing income through commercial partnerships and funding and reducing costs through review of teaching arrangements and management structure. As the College develops these plans it is important these are quantified in a detailed medium term financial plan which aligns to FFR's and strategic and operational plans for the next five years.

Elements of financial sustainability, and our assessment of the College's arrangements

We consider whether:

- ▶ The College's revenue and capital outturn for 2017/18 was in line with the approved budgets, with material changes to budgets identified and reported?
- ▶ The College has a medium term financial strategy and plan which takes into account risks and uncertainties?
- ▶ The College has arrangements to address any identified funding gaps?

The context for financial sustainability

In June 2018, Audit Scotland published their report *Scotland's colleges 2018*. This report provided an overview of the college sector in Scotland and provided an update on college finances across the sector. The report highlighted that while the college sector's underlying financial position improved in 2016/17, several colleges face significant financial challenges. Scotland's 20 incorporated colleges reported an overall underlying financial surplus for 2016/17 of £0.3 million. This compares to an underlying deficit of £8 million in 2015/16. Across the sector, the cash held by colleges increased by 13 per cent in 2016/17 and the net value of their assets - such as land and property, compared against financial liabilities such as pension costs - grew by 10%. However, these sector-wide increases mask significant variations between colleges.

The report noted that several factors pose a risk to colleges' financial sustainability, including: the future impact of national bargaining for support staff; uncertainties around long-term funding of improved employment terms; the cost of maintaining buildings and land; and the potential impact of leaving the European Union.

The SFC's 2017 estates condition survey indicates that college buildings require urgent and significant investment. The survey estimates a backlog of repairs and maintenance over the next five years of up to £360 million. The SFC is providing £27 million of capital funding to colleges in 2018/19 to cover the very high priority needs identified in the condition survey.

2017/18 College financial position

The College reported an accounting deficit of £1.5 million for the year (2016/17: £6.4 million surplus). Following actuarial gains of £7.1 million, the College reported total comprehensive income of £5.6 million (2016/17: £7.4 million).

Elements of financial sustainability, and our assessment of the College's arrangements (cont.)

2017/18 College financial position (continued)

The 2017/18 budget was approved in the summer of 2017. The College budgeted for an underlying operating deficit of £470,000, excluding accounting transactions for FRS 102 pension adjustments and any property revaluations. The College's underlying operating position in 2017/18 showed a gain of just over £1 million after removal of costs in relation to non-cash transactions for fixed assets and pensions. As part of the submission of its financial forecast return ("FFR") for 2018/19, management outlined the key movements in the year between the College's 2017/18 budget and actual position. We have reviewed the movements against our understanding from our yearend audit work, and our review of the budget from the prior year audit. We consider the movements to be reasonable given the timing of variances crystallising and not indicative of underlying inaccuracies in the College's budget process.

Medium term financial strategy and plan

The College has prepared its five-year financial forecasts from 2018 to 2023 and submitted these to the SFC through its FFR. We have outlined the forecast position through to 2023.

Year	18/19 / £000's	19/20 / £000's	20/21 / £000's	21/22 / £000's	22/23 / £000's	Total
Accounting surplus / (deficit)	(245)	(745)	(910)	(1,320)	(1,444)	(4,664)
Underlying surplus / (deficit)	287	24	(145)	(552)	(672)	(1,058)
Forecast cash position at yearend	1,454	1,054	754	554	354	354

The five year projection forecasts two years of underlying surpluses followed by deficits from 2020 through to 2023. Overall the College forecasts an underlying deficit of £1 million across the five year period, however it is projecting maintaining a positive cash position throughout the period. Management has noted in its preparation of these forecasts a number of assumptions that could have a significant impact on the future financial position:

- ▶ Assumption around future SFC income is based on current instructions provided from the regional strategic body, including the forecast reductions in funding (and the College's associated share of this reduction) from 2021/22. This could still change as funding is confirmed on an annual basis
- ▶ Assumption that cost of living increases through the period remain at approximately 2%
- ▶ The College has correctly assumed capital funding for backlog maintenance for 2018/19 only, in line with SFC guidance, however has not forecast any additional funding from its own resources from 2019/20 onwards

Elements of financial sustainability, and our assessment of the College's arrangements (cont.)

Assessment of the College's Financial Forecast Return

We have reviewed the College's FFR submitted to the SFC for 2018/19 through 2022/23, as well as the underlying assumptions underpinning the return. The forecast submitted is based on robust management workings for the five year period and represent management's best estimate of the future position. The forecast financial position throughout the five year period shows a continuingly challenging environment for the College, in particular further out in the period as the SFC funding reductions forecast and increases in staff costs have a cumulative effect on the College's underlying position.

This position could be impacted significantly by changes to income and expenditure from that forecast in the period, given the materiality of the sensitivities in the forecast, as outlined on the previous page. In our view the assumptions used by management for the forecast period are not overly optimistic, and these sensitivities could impact the future performance of the College positively as well as negatively. However, the College projects to have £354,000 in cash at the end of the forecast period, against £124 million income during the period. It would not take a significant variance against current assumptions, combined with no effective action, to result in the College requiring cash flow support during the period.

The College has established a track record in recent years of identifying and delivering on required savings it needs to not exceed its income at an operating level, and is sighted of the requirements going forward in the next five years. The College is also forecasting operating surpluses for the period to July 2021, providing time to implement the required savings to address deficits in later years. However, given the savings achieved by the sector and the College in recent years, additional savings will be more challenging as more traditional approaches to reducing costs or increasing income have already been utilised.

Management is sighted on the requirement for savings to be delivered over the next five years and has begun reviewing possible avenues for delivering these, including increasing income through commercial partnerships and funding and reducing costs through review of its teaching arrangements and management structure. As it develops these plans it is important that these are quantified in a detailed medium term financial plan which aligns to FFR's and strategic and operational plans for the next five years. The College's future financial forecast should be reviewed, not just annually with each submission, but as significant updates are required as saving programmes are identified or assumptions crystalize. Any significant changes should be communicated to UHI as the regional strategic body, and the SFC as appropriate. Should sufficient savings not be identified to address forecast deficits in the next financial period, management should consider alternate action with the regional strategic body.

Recommendation one

Focus on EU withdrawal

Withdrawing from the European Union will have implications for the college sector. In October 2018 Audit Scotland published a paper setting out the key issues for the public sector. The issues were identified around the three themes of people, finances and rules and regulations.

The risks and opportunities presented by EU withdrawal will vary markedly between organisations. Some parts of the public sector are already experiencing an impact. Audit Scotland expects all public bodies to be assessing the potential impact of EU withdrawal on their organisation, and identifying any specific risks and how they will respond to them.

Discussions with management and review of Board papers has confirmed that the College is sighted on Brexit as likely to have an impact on both the further education and wider College sector, while recognising uncertainty as to the detail behind those risks. We have confirmed as part of our review of the College's medium term financial plan that it does not assume any future income through EU grant funding from 2018/19. Management has noted a risk around the impact of Brexit on EU student numbers, which could impact income through tuition fee reductions.

Outcomes from the Audit Scotland Overview Report

Audit Scotland published its overview report for the sector in June 2018. This included comparative data across all Colleges in the country and analysis of a number of key developments in the sector. No specific matters were raised in respect of the College.

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.

Green

- ▶ The College has a number of the key requirements in place for good governance and transparency. The College has committed to transparency in its operations, including sharing information on the College website.
- ▶ [The College has identified no areas of non-compliance with the Scottish Code of Good Governance in its Governance Statement.]

Elements of governance and transparency, and our assessment of the College's arrangements

We consider whether:

- ▶ Is the governance framework sound and arrangements operating effectively?
- ▶ Is there effective scrutiny, challenge and transparency on decision making?
- ▶ Is the Governance Statement complete and does it reflect key findings from audit, scrutiny and inspection?

Governance and transparency

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, and the appropriateness of the related disclosures made in the financial statements around governance and transparency.

The Board is 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.

The College has in place a number of the key requirements for good governance and transparency. 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. The College publicises Board and standing committee agendas, minutes and papers on their website on a timely basis and information, including financial performance is generally clear and concise.

Internal audit

The College's internal audit service provides an important source of assurance to inform management and the Board's assessment of the College's governance arrangements. [We have reviewed the draft internal audit annual report for 2017/18. Internal audit's opinion for the year was based on its agreed audit plan for 2017/18, as approved by the Audit and Risk Committee. For 2017/18 the Internal Auditor's annual statement of assurance notes [TBC].]

Elements of governance and transparency, and our assessment of the College's arrangements (cont.)

Governance Statement

We reviewed the College's Governance Statement against the requirements outlined in the SFC's 2017/18 Accounts Direction. This includes the requirement to conclude on the College's compliance with the Scottish Code of Good Governance, or to explain any areas of non-compliance. We also considered management's arrangements for its own self-assessment over compliance with the Code. Management's assessment of compliance with the Code of Good Governance noted full compliance. We made a number of recommendations to enhance the presentation and disclosures in the Governance Statement to ensure it complied with the core disclosure requirements. [\[These have been addressed by management in the most up to date financial statements, pending completion of the UHI governance checklist by management.\]](#)

Risk management

The College's approach to risk management is set out within the risk management policy, which is available on the College website. This was formally approved by the College Board in 2016 and most recently reviewed in 2018. There is routine reporting of the College's risk register to the senior management team. The Audit and Risk Committee reviews the risk register on a routine basis and the Board considers the risk register as part of its agenda.

Enquiries of those charged with governance

During 2017/18 we formally wrote to the chair of the Audit and Risk Committee to make inquiries around the College's governance arrangements, including consideration by those charged with governance in respect of compliance with laws and regulations; identification of fraud, error and breaches of internal control; and material litigation and claims. We considered the response received from the chair of the Audit and Risk Committee against our wider understanding of the College and other inquiries made through the year. No significant matters were noted. This was in line with our understanding from corroborating procedures through the audit.

Severance payments

During 2017/18 the College made payments of £[xx] to two employees who left the College under severance agreements, as approved by the Regional Strategic Body and the SFC. These payments were also approved by the College's Remuneration Committee. We confirmed a sample of payments to evidence of approval from the committee, and agreed that they were consistent with SFC guidance around severance payments.

Audit Scotland national reports

It is important that the College has embedded arrangements to ensure that consideration is appropriately given to national reports published by Audit Scotland. This should include ensuring that management has evaluated the implications for the College and that the reports and assessment are shared with the board.

Discussions with management highlighted that national reports are reviewed by management and the impact on the College is considered. These are taken to the Board as and when deemed necessary.

Appendices

- A - Code of Audit Practice: responsibilities
- B - Independence and audit quality
- C - Required communications
- D - Action plan
- E - Summary of audit differences

In our Annual Audit Plan, we provided a summary of the responsibilities on audited bodies falling within the public sector audit framework, as set out in the Code of Audit Practice (the Code).

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. Independence and audit quality



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

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 August 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan, dated May 2018.

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 management and members of the Board consider the facts known collectively 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 Audit Committee on 28 November 2018.

Audit fees - payable in the respect of the year ended 31 July 2018

Component of fee:	2017/18	2016/17
<i>Auditor remuneration</i>	£14,930	£14,780
Pooled costs	£960	£920
Contribution to Audit Scotland costs	£830	£840
Other assurance fees	-	£1,500
Total fee	£16,720	£18,040

Note - excludes audit fee of £4,000 (ex VAT) for audit of the College's subsidiary financial statements.

Audit Quality

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

The EY 2018 UK Transparency Report can be accessed on our website at www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018. This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular.

The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it.

Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme (SAQ).

Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures.

Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function.

Audit Scotland – Audit Quality Framework / Annual Audit Quality Report

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the College since appointment can be found at: www.audit-scotland.gov.uk/uploads/docs/report/2018/as_audit_quality_1718.pdf.

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter - audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p>	<p>Annual Audit Plan - May 2018</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	<p>This Annual Audit Report</p> <p>We request written representation from you in respect of key matters arising during the course of our audit, and in accordance with auditing standards. A copy of this letter is provided for your consideration and signature at the time of approval of the financial statements.</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the College'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 	<p>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>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	<p>This Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit & Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the College ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud, relevant to the Audit & Risk Committee 	<p>This Annual Audit Report</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit & Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Risk Committee may be aware of 	<p>This Annual Audit Report</p> <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>

Required communication	Reference
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the College's related parties including, when 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 regulations ▶ Difficulty in identifying the party that ultimately controls the College 	<p>No significant matters have been identified.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Annual Audit Plan</p> <p>This Annual Audit Report - Appendix B</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This Annual Audit Report - no significant deficiencies reported</p>
<p>Subsequent events</p> <ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit & Risk 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>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>This Annual Audit Report</p>

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 College 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 / or risk	Recommendation / grading	Management response / Implementation timeframe
1	<p>Financial planning arrangements</p> <p>Management is sighted as to the requirement for savings to be delivered over the next five years and has begun reviewing possible avenues for delivering this.</p>	<p>As the College develops these plans it is important that these are quantified in a detailed medium term financial plan which aligns to FFR's and strategic and operational plans for the next five years. The College's future financial forecast should be reviewed, not just annually with each submission, but as significant updates are required as saving programmes are identified or assumptions crystalize. Any significant changes should be communicated to UHI as the regional strategic body, and the SFC if appropriate. Should sufficient savings not be identified to address forecast deficits in the next financial period, management should consider alternate action with the regional strategic body.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Agreed.</p> <p>Details TBC.</p>

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Draft Minutes

Meeting reference: Audit 2018-19/01

Date and time: Tuesday 18 September 2018 at 5.30pm

Location: Room 019

Members present: Jim Crooks, Ann Irvine, Margaret Cook, Anna Zvarikova

In attendance: Andrew Comrie, New Board Member
 Jackie Mackenzie, Chief Operating Officer (COO)
 Ken Brooker, Henderson Loggie
 Maureen Masson, Board Secretary

Apologies: Lynn Oswald, Lorenz Cairns

Chair: Jim Crooks

Minute Taker: Maureen Masson, Secretary to the Board of Management

Quorum: 3

Summary of Action Items			
Ref		Responsibility	Time Line
*6.1	Health and Safety Annual Report		
	Number paragraphs in the Health and Safety Annual Report.	Health and Safety Adviser	For completion of final report
	Undertake further analysis of the sickness absence figures.	Head of HR and OD	For next meeting
*6.2	Revised Health and Safety Policy		
	For formal signing at the Board's next meeting	Board Secretary	10 October 2108
*7.1 and 7.3	Risk Appetite Health and Safety Risk Management profile as at August 2018		
	Identify and document the highest priority areas where there is no acceptable level of risk	COO	For next meeting
*7.2	Strategic Risk Register		
	Include the recently emerging AST risk to the Risk Register	COO	ASAP
*8.2	Internal Audit Plan 2018/19		
	Finalise projects and timescales in the light of	COO	

	the discussion at the Committee		ASAP
12.1	Health and Safety Committee Make attendance at the Health and Safety Committee mandatory for members and/or their deputies.	Board Secretary	ASAP

Item	Action
<p>1 Welcome and Apologies</p> <p>The Chair welcomed everyone to the meeting. Apologies were received from Lynn Oswald, Stephen Reid and Rob Jones from EY and Stuart Inglis from Henderson Loggie. Ken Brooker was representing 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 the meeting of Audit Committee held on 22 May 2018</p> <p>The minutes were approved as a correct record.</p>	
<p>5 Actions arising from previous minutes</p> <p>Procurement Strategy and Annual Action Plan 2017-18</p> <p>Action - Check the date of the first Annual Procurement Report and ensure it was updated to the 2017 academic year end, as opposed to calendar year end.</p> <p>Action Update – the Board Secretary had spoken with the Director of International and Corporate Services who had confirmed the report should be prepared on a calendar year basis.</p>	
<p>6 Policies</p> <p>Action - Anti Bribery and Fraud Prevention Policies to be approved by the Board at its next meeting</p> <p>Action Update – complete</p> <p>Action - Review approach to policy development</p>	

Action Update – Policies will be considered by the Board and its Committees only when substantive changes are made

9.1 Annual Audit Plan

Action - Discuss at the next AST Board meeting, the implications of amendments to FRS102 effective next year.

Action Update – action complete - discussed at last AST Board meeting

10 GDPR

Action - Provide a further update to the Board of Management

Action update – action complete - considered by the Board at its last meeting on 13 June 2018

12.1 Health and Safety Committee Meeting

Action - Flag through the Chair of the H&S Committee that deputies should attend on behalf of any member submitting apologies.

Action update – raised with the Chair of the Health and Safety Committee and Health and Safety Adviser but noted that attendance remained an issue

15 and 16 Evaluation

Action - Complete evaluation for the provision of internal and external audit services and the circulation

Action Update – Complete

6. Health and Safety

***6.1 Health and Safety Annual Report**

The Committee approved the Health and Safety Annual Report which had been prepared by the Health and Safety Adviser. The Committee commended the report and welcomed its structure and content, whilst noting that numbering the paragraphs might help the reader navigate the report a little easier. The Committee also welcomed the fact that a 'golden copy' of the Health and Safety Manual would be updated electronically. In response to a query about emergency call outs, the COO reported that there no costs currently associated with the call outs. The Committee did not report any matters that required Board attention at its next meeting, in response to a question from the Chair.

Health and
Safety
Adviser

The Committee discussed the sickness absence figures. The Principal reported that further work was planned to ensure that the figures were being reported on a like-for like basis. This would be reported back to a future meeting of the Committee. This would be reported to a future Board meeting. The College took an active approach to sickness management and those reporting stress as a factor were immediately referred to Occupational Health, even before the normal trigger points took effect. Ongoing change management and performance management processes were thought to be a major factor in the increasing number of staff reporting sickness absence.

Head of
HR and
OD

***6.2 Revised Health and Safety Policy**

The Committee recommended that the policy be approved by the Board for formal signature at the next meeting. The Committee noted that there were no substantive changes to the policy.

Secretary

7 Risk Management

***7.1 Risk Appetite**

The Chief Operating Office introduced the paper which set out the College's approach to managing risk. The Committee noted that a portfolio approach was adopted using the UHI template and that risks were monitored on a quarterly basis by SMT. The Committee agreed this continued to be an appropriate way to manage risks. However, the Committee noted that the Board should also document priority areas where there was no acceptable level of risk e.g. in areas of child protection and safeguarding. This was in addition to the high level risks that were managed on an ongoing basis and should have visibility.

COO

***7.2 Strategic Risk Register**

The COO introduced the paper which set out the updated Risk Register for the first quarter.

In terms of emerging risks, the Committee discussed the matter of integration and whether that should be identified as a separate risk for the College. Audit Committee noted that the Assembly meeting on 26 September 2018 may identify some measurable outcomes and emerging priorities so it could assess at the next meeting whether this presented a risk to the College in the longer term. The Committee did, however, express concern that business as usual activity was not being progressed as quickly as it might be because of integration discussions.

The COO notified the Committee of a further emerging risk which would be raised at the Finance and General Purposes Committee on 25 September 2018. This concerned a matter relating to AST procurement activity and had been discussed at the recent AST Board Meeting. The risk was assessed as operational, but it had the potential to impact the



College as a financial and reputational risk. The COO explained that the College's internal auditors had reviewed the matter and mitigation measures had been identified to manage exposure.

The Audit Committee unanimously agreed that the risk should be recorded on the Risk Register and that it should monitor the controls that are put in place to mitigate the risk. The Committee noted that the minutes of the AST Board would be the proper route for the College Board to have visibility of the ongoing risk and implications, together with the AST accounts reviewed quarterly via F&GPC, but that the control and mitigation measures should have visibility via Audit Committee.

COO

The Committee approved the Risk Register subject to the addition of the AST Risk.

***7.3 Health and Safety Risk Management profile as at August 2018**

The Committee noted the Health and Safety Risk Management profile and that there were no red risks for this period.

The Committee agreed that a number of risks e.g. those related to vulnerable adults and child protection which were embedded in College processes should be made visible as noted earlier in the meeting as areas of the highest priority.

COO

8 Internal Audit

***8.1 Internal Audit Annual Plan Progress 2017-18**

The Committee noted the internal audit annual plan and progress report and that the position remained as reported at the last meeting.

***8.2 Internal Audit Plan 2018/19**

The Committee discussed the internal audit plan for 2018/19 noting it was still evolving as a working draft. The timing of some of the projects identified would be altered because other work ongoing. The Committee approved the plan subject to the following alterations:

- Payroll should be progressed this year as it would be helpful to review processes and test HR system interfaces and payments
- Under Resources - People, it would be beneficial to undertake this audit after the planned Curriculum Review was complete as the latter would inform the College's People Strategy
- The Committee noted that the planned international business audit may be impacted by BREXIT outcomes, so the timing of this audit would be kept under review.

COO

9 Annual Business Continuity Report

The Committee noted the report and that the plan had been well tested

during Academic Year 2017-18 and was found to be effective.

The College's Planning and Project Manager was taking forward actions identified for 2018-19.

10 EY Letter – Perth College Response

The Committee noted the final response prepared for EY. A draft response had been discussed at the last meeting and finalised for submission by 31 July 2018.

11 Committee Minutes

*12.1 Health and Safety Committee Meeting 3 May 2018

The Audit Committee noted the minutes and reiterated its concern about the number of apologies. Audit Committee recommended that attendance at the Health and Safety Committee should be mandated for all members or, when they could not attend, their deputies.

Board
Secretary

13 Date and time of next meeting – joint meeting with F&GPC

28 November 2018 at 5.30pm

*14 Review of Meeting

Members agreed the meeting had covered its Terms of Reference.

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: 21 November 2018

Date of meeting: 28 November 2018

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 2018-19 has been carried out and any changes made to the register highlighted in red.

The Strategic Risk Register was initially reviewed at the start of the Academic year and adjusted to reflect the executive considerations of the current risks to the College at that time. The register will be reviewed and updated throughout the academic year and presented to the Audit Committee together with a report on any emerging risks. The updated register is shown at Appendix 1 for the Committee's approval.

The discussions around a more integrated organisation within UHI may have implications for Perth College which are difficult to fully assess given the current uncertainty, particularly the impact on staff recruitment, retention and morale. Indications are that this could also have implications for future funding models. This topic has been discussed in details at several college and wider partnership forums, including the Board Strategy Day, UHI Partnership Assembly and newly formed Programme Board. The Committee is invited to discuss and agree if we now wish to identify this initiative as an additional separate risk and the associate implications of so doing.

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 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		
													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 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. 	Depute Principal Academic/ Vice Principal External	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. Effective marketing plan in place. 	9 (3,3)	↔	<ul style="list-style-type: none"> Model and analyse impact of trends and updates. Review marketing structure Curriculum Review EREP Action Plan Implementation Student Number Planning using more robust data 	Depute Principal Academic/ Vice Principal External Depute Principal Academic/ Vice Principal External Depute Principal Academic Depute Principal Academic	Ongoing Review again Mar 19 Ongoing Semester 2, 2019 Semester 2, 2019 Nov 18

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 Ensure additional funding allocated by SFC for backlog maintenance is spent appropriately. 	9 (3,3)	↔	<ul style="list-style-type: none"> Identify estates requirements. Develop future campus vision. 	Chief Operating Officer	Ongoing July 2019
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/ Depute Principal Academic	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. New Learning & Teaching Enhancement Plan New Operational Planning Process 	Depute Principal Academic Chief Operating Officer Chief Operating Officer Depute Principal Academic Depute Principal Academic	Ongoing Ongoing July 19 Semester 2, 2019 Starting January 19

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	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	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
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 July 2019

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
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. Attend 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. Engage fully with Colleges Scotland 	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. 	9 (3,3)	↔			
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. 	9 (3,3)	↔			
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. GDPR Implementation Plan 	6 (2,3)	↔	<ul style="list-style-type: none"> GDPR policies and procedures agreed. 	Chief Operating Officer	Dec 18

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
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)	↔			

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
25	Active	Developing a successful and sustainable organisation	Financial failure of commercial subsidiary	Non compliance with governance, financial and legal processes and procedures.	Contracts signed without required approvals. Failure to consult with College SMT and AST Board	Principal	5	5	25	<ul style="list-style-type: none"> • AST management structure reviewed. • Interim Manager in place. • Policies identified • Best practice adhered to • College Governance applied. • Advice given to AST Management Team. 	12 (3,4)		<ul style="list-style-type: none"> • Continue to review AST policies • Regular meetings held • Procedural Manual review 	Chief Operating Officer/ Vice Principal External	30 April 2019

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.

Perth College UHI

**Annual Report to the Board of Management and
Principal on the Provision of Internal Audit Services for 2017/18
Internal Audit Report No: 2018/07**

Draft Issued: 19 November 2018

Final Issued:

DRAFT

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 2017/18.
- 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 annual operating plan for 2017/18 showed one change to the allocation set out in the 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 were removed from the plan as consultants were reviewing the College's marketing arrangements. These days were not utilised during 2017/18.
- 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.

Opinion

- 1.11 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 2017/18 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
2018/01	Annual Plan 2017/18	N/A	N/A	N/A	N/A	N/A
2018/02	2016/17 Student Activity Data	N/A	-	-	-	-
2018/03	Space Management (Business Process Review)	N/A	N/A	N/A	N/A	N/A
2018/04	IT Network Arrangements	Satisfactory	4	-	1	3
2018/05	Follow-Up Reviews	N/A	6 of 17 recommendations required further action	-	2	4
2018/06	Equalities Mainstreaming	Satisfactory	9	-	-	9

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 onwards

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 2018/05 – Follow-Up Reviews include the split in gradings)

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

2018/01 – Annual Plan 2017/18

Final Issued – November 2017

The purpose of this document was to present, for consideration by the Audit Committee, the annual operating plan for the year ended 31 July 2018. The plan was based on the proposed allocation of audit days for 2017/18 set out in the ANA and Strategic Plan 2016 – 2020, with amendments as set out in paragraph 1.3 above.

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.

2018/02 – 2016/17 Student Activity Data

Final Issued – September 2017

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.

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.

No recommendations for improvement were made in our internal audit report. Three recommendations made in the previous year were followed-up and found to have been fully addressed.

2018/03 – Space Management (Business Process Review)

Final Issued – February 2018

We facilitated a business process review of the College's space management (room and staff timetabling) processes in order to identify areas for possible improvements in working practices.

The assignment included review of the existing procedures for the following four processes:

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

The objectives of this audit were to ensure that:

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

The review identified a range of areas for investigation and improvement. All of the identified actions were improvement actions designed to enhance efficiency and effectiveness and no issues subjecting the College to material or significant risk were identified during the course of our review.

The main points identified for improvement were:

- ensuring that staff kept to timetabling deadlines, and any non-compliance with these deadlines was escalated;
- ensuring that the Senior Management Team approved any non-staffing resources for new courses on a timely basis;
- completing servicing requests earlier; and
- ensuring that MIS staff were informed of approved servicing requests so that they could timetable these early.

2018/04 – IT Network Arrangements

This audit reviewed the controls in place to ensure that ICT security was adequately managed in line with the latest guidance produced by the National Cyber Security Centre (NCSC), the UK Government’s national technical authority for information assurance. We also carried out a high-level review of the College’s ICT Business Continuity and Disaster Recovery arrangements.

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

Strengths

- Access to server and communication rooms was adequately controlled and appropriate environmental controls were in place to protect equipment;
- Hardware and software inventories had been created;
- Vulnerability scans of the UHI network were conducted regularly by UHI, and both the College and UHI IT teams constantly monitored the health and activity on the ICT network;
- Processes were in place for applying updates and patches to all devices connected to the College network;
- The ICT architecture protected the College network through use of firewalls and prevented direct connections to untrusted external services and protected internal IP addresses;
- Penetration testing of the external boundaries was conducted annually by JANET for UHI and findings were used by UHI IT services to address any security weaknesses;
- Management of user accounts was linked to the College’s Human Resources led starter, leaver and change of role procedures;
- Network hardware was protected by an anti-virus solution which was updated daily and automatically scanned for malware;
- All ICT equipment and removable media was scanned for malware when connected to the College network or networked equipment;
- Software was deployed across the network which monitored, amongst other things, the number of approved user licenses and renewal dates;
- All upgrades, patches, hardware and software configurations which affected the UHI network, and therefore the Academic Partners local area network, were approved by the UHI Change Control Board; and
- The College used a Citrix solution which allowed staff remote access to College data and applications via a virtual desktop environment without accessing the Active Directory database directly, thereby reducing the risk of compromise of data security.

Final Issued: February 2018

Overall grade:
Satisfactory

The objective of our audit was to obtain reasonable assurance that adequate systems were in place covering:	Assurance
1. Physical controls over access to network servers	Good
2. Compliance with an acceptable usage policy, including for mobile technology and the use of social media	Good
3. Logical access controls, including: <ul style="list-style-type: none"> • checks to ensure user access and user functionality is appropriate; • passwords; and • procedures for setting up and revoking users. 	Satisfactory
4. Adequate review of change control (upgrades, patches) and emergency access	Good
5. Review of system administration actions	Satisfactory
6. Monitoring of attempted unauthorised access	Good
7. Identifying unlicensed software	Goof
8. Remote user security procedures	Satisfactory
9. ICT Business Continuity and Disaster Recovery	Good
Overall Level of Assurance	Satisfactory

2018/04 – IT Network Arrangements (Continued)

Weaknesses

- There was no system in place for periodically reviewing ICT user account membership of groups to ensure that user access remained appropriate to their role;
- We identified several user accounts listed in Active Directory that had been set as disabled and had an assigned deletion date going as far back as far as 2014. This may have been an indication that the leavers process was not working as intended, in that the deletion date was being identified but not actioned. Also, several test accounts were listed in Active Directory that were perhaps set up for a specific purpose at a point in time and were now no longer required. Accounts that were no longer required represented a potential security vulnerability and should have been deleted;
- The College and UHI password policy forced staff users to change their password every 90 days. Regular password changing harms rather than improves security as the user is likely to choose new passwords that are only minor variations of the old and carries no real benefits as stolen passwords are generally exploited immediately. We recommended that the College considered amending the password policy by replacing the forced rotation policy to a single use password and implementing alternative controls such as notifying users of log-in attempts and blacklisting of the most common insecure and weak password choices;
- A single ICT network Administrator account was used by several members of the College IT team. This reduced accountability in the event of any unauthorised actions being made using the Administrator account, accidental or otherwise. It is standard practice for each member of an IT team that requires privileged rights to have their own Administrator account; and
- There was unrestricted use of email / internet on the Administrator account. It is good practice for Administrator privileges to be assigned to separate accounts from the day-to-day accounts used by those staff, including email and internet. This reduces the likelihood of a compromise of administrator credentials if, for example, the PC of an Administrator is compromised by malware.

2018/05 – Follow-Up Reviews

Final Issued – May 2018

We carried out a follow-up review of recommendations made in the following Internal Audit reports issued during 2016/17:

- Internal Audit Report 2017/04 – Student Recruitment
- Internal Audit Report 2017/06 – Follow-Up Reviews 2016/17

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.

Overall, we found that the College had made good progress in implementing the recommendations followed-up as part of the review. 11 of the 17 recommendations followed-up were assessed as 'fully implemented'. Only one recommendation was assessed as showing 'little or no progress'. This related to Internal Audit Report 2016/07 – International Activity – Products, Partnerships and Student Recruitment (covered by previous year's Follow-Up Reviews). 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 out with the College's direct control.

2018/05 – Follow-Up Reviews (Continued)

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

<i>From Original Reports</i>			<i>From Follow-Up Work Performed</i>				
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 Recruitment	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	2	2	-	-	-	-
Total		2	2	-	-	-	-
Follow-Up Reviews 2016/17	1	-	-	-	-	-	-
	2	1	1	-	-	-	-
	3	6	4	1	1	-	-
	A	1	1	-	-	-	-
	B	5	3	2	-	-	-
	C	2	-	2	-	-	-
Total		15	9	5	1	-	-
Grand Total		17	11	5	1	-	-

2018/06 – Equalities Mainstreaming

The scope of this audit was to review the action taken by the College, and the systems and procedures put in place, to integrate equality into the College's day-to-day working. The table opposite notes the objective for this review and records the results.

Strengths

- From our review of documentation, we considered that, overall, the College was complying with equalities legislation and regulations;
- The College had a range of policies, procedures and strategies in place covering the Act and Regulations requirements;
- The College had published a range of reports to meet its duties under that Act and Regulations, including to: report progress on mainstreaming the general equality duty; publish equality outcomes and report progress; publish gender pay gap information; and publish statements on equal pay; and
- The Equality Outcomes Report 2017-2021 set out a range of areas of focus for equality activities at the College.

Weaknesses

- The College had an Equalities and Diversity Advisor post however this had been vacant for some time. At the time of audit fieldwork, a new member of staff had been appointed to this post but had not started;
- A number of improvement points were raised as recommendations in our report, including developing an equalities strategy and equalities operational plan, and ensuring that there were equalities actions included in Faculty and Departmental operational plans;
- The College had reviewed participation from those with protected characteristics, by trend over time, but had not compared this against relevant benchmark groups;
- From reading the College's equalities documents it was not clear how these related to each other, and the documents were not always easy for readers to understand;
- It was considered that the effectiveness of the Equality Diversity and Inclusion Team (EDIT) and Equality and Diversity Champions could have been enhanced. EDIT did not always meet regularly, was not always well attended, and had only one student representative. The Champions had only met once, and were not undertaking an active role in the College's equality activities;
- It was unclear whether all new and revised policies and procedures had an Equalities Impact Assessment and whether these had all been published on the College website as was required; and
- There were no checks over the calculations of equalities data to ensure that these were correct.

Final Issued: May 2018

Overall grade:
Satisfactory

The objective of our audit was to obtain reasonable assurance that:	Assurance
1. 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	Satisfactory
Overall Level of Assurance	Satisfactory

4. Time Spent – Actual v Budget

Internal Audit	Report number	Planned days	Actual days feed	Days to fee at Nov 2018	Days to spend / WIP	Variance
Resources – Physical and Infrastructure						
<i>Space Management</i>	2018/03	4	4	-	-	-
<i>IT Network Arrangements</i>	2018/04	4	4	-	-	-
Corporate Infrastructure						
<i>Equalities Mainstreaming</i>	2018/06	4	4	-	-	-
Other Audit Activities						
Credits Audit	2018/02	5	5	-	-	-
Management and Planning)	2018/01	3	3	-	-	-
External audit / SFC)	N/A					
Attendance at audit committees)	N/A					
Follow-up Reviews	2018/05	2	2	-	-	-
To be allocated		4	-	-	-	4
		_____	_____	_____	_____	_____
Total		26	22	-	-	4
		=====	=====	=====	=====	=====

5. Operational Plan for 2018/19

- 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 2018/19 shows two changes to the allocation set out in the above Strategic Plan. Following discussion at the Audit Committee meeting on 18 September 2018:
- four days originally allocated for a review of the Appropriateness of the College's staff skills profile, staff productivity and performance management were deferred until 2019/20 as it was considered beneficial to undertake this audit after the planned Curriculum Review was complete as the latter would inform the College's People Strategy; and
 - the above was replaced with a review of HR and Payroll systems as it was considered helpful to include a review of processes and test HR system interfaces and payments.

The Audit Committee also noted that the planned review of International products, partnerships and student recruitment may be impacted by BREXIT outcomes, so the timing of this audit should be kept under review.

- 5.3 An extract from the revised Strategic Plan, in relation to 2018/19, is attached.

Proposed Allocation of Audit Days

	Priority	Planned 18/19 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	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	
<i>Health and Safety legislation</i>	L	
<i>Space management</i>	M	
<i>IT network arrangements</i>	M	
<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 18/19 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	
Financial Issues		
Budgetary control	H/M	
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	
HR and Payroll systems	M	4
Key financial controls – AST Ltd	M	3
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		-

Total		25
		=====

Key

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

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

Perth College UHI

Internal Audit Annual Plan 2018/19

Internal Audit Report No: 2019/01

Draft Issued: 5 September 2018

2nd Draft Issued: 19 November 2018

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 2019. The plan is based on the proposed allocation of audit days for 2018/19 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 2018/19 shows two changes to the allocation set out in the above Strategic Plan. Following discussion at the Audit Committee meeting on 18 September 2018:
- four days originally allocated for a review of the Appropriateness of the College's staff skills profile, staff productivity and performance management were deferred until 2019/20 as it was considered beneficial to undertake this audit after the planned Curriculum Review was complete as the latter would inform the College's People Strategy; and
 - the above was replaced with a review of HR and Payroll systems as it was considered helpful to include a review of processes and test HR system interfaces and payments.
- The Audit Committee also noted that the planned review of International products, partnerships and student recruitment may be impacted by BREXIT outcomes, so the timing of this audit should be kept under review.
- 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 2018/19, together with the audit approach. These have been arrived at following discussion with the Chief Operating Officer 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	Actual 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	Actual 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				
HR and Payroll systems	M			4	
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			
Total		<u>25</u> =====	<u>22</u> =====	<u>25</u> =====	<u>28</u> =====

Key

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

* these projects will be linked.

3. Outline Scope and Objectives

Audit Assignment:	International Activity – Products, Partnerships and Student Recruitment
Priority:	High
Audit Committee Meeting:	14 May 2019
Days:	4

Scope

The scope of the audit will be to examine the key internal controls in place within the College in relation to its operations in the international market, covering students, partnerships (UHI and other parties) and products.

Objectives

The objectives of the audit will be to ensure that:

International Students

- key markets and courses are identified for international students;
- marketing and agency arrangements in place support the College with the recruitment of international students;
- procedures are in place to assist students who wish to attend the College, including providing advice on UK Visas and Immigration requirements; and
- the setting of targeted international student numbers is robust and there is an adequate system in place for monitoring achievement against targets.

International Partnerships and Products

- an effective strategic planning process and management structure have been established;
- key risks and opportunities in relation to international activities, including compliance with UK Visas and Immigration requirements, are identified and mitigated / exploited;
- robust agreements are signed with partners which include clear objectives, income and expenditure sharing arrangements, and monitoring and review processes;
- financial information on each specific international activity is provided, reviewed and reported upwards on a timely and regular basis; and
- staff undertake continuous development in order to widen the range of products available.

Audit Assignment:

International Activity – Products, Partnerships and Student Recruitment (Continued)

Our audit approach will be:

We will discuss processes in place with the International and Corporate Services Director, Chief Operating Officer and other relevant staff and obtain key documents to evidence these. We will then select a sample of partnership and agency marketing agreements and ensure that these are robust and that information, including financial information, is reported on these on a regular basis. Strategic planning, risk management and staff development documents will also be reviewed in detail to ensure these are comprehensive.

**Perth College UHI
Draft Internal Audit Annual Plan 2018/19**

Audit Assignment:	Procurement & Creditors / Purchasing
Priority:	Medium
Audit Committee Meeting:	19 February 2019
Days:	4

Scope

This audit will focus on the systems of internal control in place for the ordering of goods and services and the payment of invoices.

We will also consider whether the procurement strategy followed and procedures in place support best value purchasing across the College in relation to non-pay spend.

Objectives

The specific objectives of the audit will be to ensure that:

- the College's Procurement Policy, Strategy and procurement guidance are comprehensive, kept up-to-date and in line with the Procurement Reform (Scotland) Act 2014 ('the Act') and The Procurement (Scotland) Regulations 2016 ('the Regulations');
- procurement procedures ensure that:
 - ◆ areas of high spend across the College are monitored appropriately;
 - ◆ opportunities for pooling of expenditure are identified in order to achieve best value; and
 - ◆ collaborative procurements and frameworks available to the College are utilised where appropriate;
- purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers, with the risk of unauthorised and excessive expenditure being minimised;
- the College's procurement guidance on quotes and tenders are being complied with;
- all liabilities are fully and accurately recorded;
- all payments are properly authorised, processed and recorded; and
- appropriate controls are in place over the amendment of standing supplier data on the finance system.

Our audit approach will be:

From discussions with Procurement staff, and a sample of budget holders, we will establish what procurement strategies, procedures and monitoring arrangements are in place within the College. These will then be evaluated to establish if they follow recognised good practice.

Audit Assignment: Procurement and Creditors / Purchasing (Continued)

Our audit approach will be (continued):

Specifically, we will seek to establish whether the procurement procedures ensure that areas of high spend across the College are monitored appropriately, identifying opportunities for pooling of expenditure in order to achieve best value, and ensuring that joint purchasing arrangements available to the College are utilised where appropriate.

We will also document controls in place within the purchasing / payments system through interviews with Finance staff and also seek to establish whether the expected key controls are in place by reference to standard control risk assessment templates. We will also perform compliance testing where considered necessary to determine whether key controls are working effectively, including selecting a sample of items of expenditure from the financial ledger and testing to ensure compliance with the College's Financial Regulations and Procedures.

**Perth College UHI
Draft Internal Audit Annual Plan 2018/19**

Audit Assignment:	HR and Payroll Systems
Priority:	Medium
Audit Committee Meeting:	14 May 2019
Days:	4

Scope

This audit will consider the key internal controls in place over the College's spend on staff costs of approximately £16m per annum. Our audit will cover the procedures in place within both Human Resources (HR) and Finance and how systems interface with each other.

Objectives

The objective of our audit will be to obtain reasonable assurance that systems are sufficient to ensure:

- correct calculation of gross pay and deductions;
- correct calculation of employer national insurance and superannuation contributions;
- part-time lecturers, overtime and travel & subsistence payments are properly authorised;
- approval and checking of changes to employee standing data;
- starters and leavers are properly treated and enter and leave the system at the correct dates; and
- proper authorisation, processing and recording of payments.

Our audit approach will be:

From discussion with HR and Finance staff, and review of procedures documentation, we will identify the key internal controls in place within the College's HR / Payroll systems and compare these with expected controls. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.

Compliance testing will then be carried out to ensure that the controls in place are operating effectively, concentrating on starters, leavers and variations to pay.

Perth College UHI
Draft Internal Audit Annual Plan 2018/19

Audit Assignment:	Key Financial Controls – AST Ltd
Priority:	Medium
Audit Committee Meeting:	19 February 2019
Days:	3

Scope

This review will seek to ensure that the key financial controls that can be relied upon to produce the figures for the financial statements and management accounts are operating effectively.

Objectives

The objective of this audit will be to obtain reasonable assurance that systems are sufficient to ensure:

Payroll

- Calculations of gross pay and deductions are accurate;
- Overtime and other variations to pay are properly authorised, processed and recorded.;
- Starters and leavers are processed accurately;
- There is robust approval and checking of changes to employee standing data;
- There is proper authorisation, processing and recording of payments;

General Ledger

- The chart of accounts, coding structure, reports and procedures are adequate in respect of production of the company's monthly management accounts and year-end financial statements;
- There is regular reconciliation of control and suspense accounts;
- There is adequate control over input of journal entries;

Budget Monitoring

- Information is available to management which is up-to-date and in a format that can be easily understood;
- Budget variations are reported and acted upon;

Purchase Ledger

- purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers;
- the company's procurement guidance on quotes and tenders are being complied with;
- Adequate checks are carried out on receipt of a purchase invoice to ensure that details conform to the order and that the goods or services have been received;
- Invoices are properly authorised and are promptly and accurately recorded on the financial ledger; and
- Payments are properly authorised, processed and recorded.

Audit Assignment:

Key Financial Controls – AST Ltd

(Continued)

Objectives (continued)

Sales Ledger

- invoices / claims are raised promptly in respect of income due to the company;
- credit notes are appropriately authorised before issue; and
- adequate debt management and recovery procedures are in place and are consistently followed in practice.

Our audit approach will be:

For all areas included in this review, we will assess whether the above objectives are being met by documenting the systems and controls through interviews with Finance (and other relevant staff) and through review of relevant procedures. We will seek to establish whether the expected key controls are in place by reference to standard control risk assessment templates for these systems. Finally, we will perform compliance testing, where necessary, to determine whether these controls are working effectively in practice.

**Perth College UHI
Draft Internal Audit Annual Plan 2018/19**

Audit Assignment:	Credits Audit
Priority:	Required audit
Audit Committee Meeting:	28 November 2018
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 2018/19**

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Audit Committee Meeting:	14 May 2019
Days:	2

Scope

This review will cover the following reports from the 2017/18 internal audit programme and reports from earlier years where previous follow-up identified recommendations outstanding:

- Internal Audit Report 2018/04 – IT Network Arrangements;
- Internal Audit Report 2018/05 – Follow-Up Reviews; and
- Internal Audit Report 2018/06 – Equalities Mainstreaming.

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

2017/18 Student Activity Data

Internal Audit Report No: 2019/02

Draft Issued: 8 October 2018

Final Issued: 10 October 2018

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1. Management Summary

Introduction

The Guidance Notes issued by the Scottish Funding Council (SFC) on 2 August 2018, '2017-18 data return for funding purposes (FES return) and audit guidance for colleges', requested submission by Perth College UHI ('the College') of the FES return for session 2017/18, which includes the Credits data relating to College activity for the academic year 2017/18.

Guidance on completion of the 2017/18 return was issued by the SFC on 10 May 2017.

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 25 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 13 and one years' experience in the sector respectively.

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 six, split ½ day for the Audit Director, 3½ days for the Assistant Manager and 2 days 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.

The action that we consider necessary on each issue is highlighted in the text for clarity and an action plan for implementation of these recommendations can be found in section 2.

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. These gradings are 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.

Conclusion

Our report to SFC was submitted on the deadline date of 5 October 2018. 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. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.2.2 & 2.2.3	<p>Open / Distance / Flexible Learning</p> <p>R1 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 by curriculum staff and notified to the Student Records team to ensure that they are removed from the Credits claim as appropriate.</p>	2	The monitoring and tracking of distance learning will be included in our BRAG tracking system which will be developed to accommodate accordingly. Discussions will also take place at Interim and End of Year Progression Boards.	Y	Head of Student Experience / Student Records Manager	To be in place throughout AY 2018-19 and ongoing afterwards
2.3.1	<p>European Computer Driving Licence (ECDL)</p> <p>R2 Ensure that, for students undertaking ECDL modules, Credits are claimed for modules that are completed during the session.</p>	3	Regular reviews will be carried out to ensure credits being claimed are accurate.	Y	Student Records Manager / Student Records Team Leader	To be implemented for AY 2018-19

3. Main Report

1 Introduction

1.1 SFC Guidance

1.1.1 The Credits Audit Guidance issued by the Scottish Funding Council (SFC) on 2 August 2018 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 Credit values for students on ECDL courses;
- 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;
- 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 2017/18 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; details of any additional testing carried out as a result of errors found in initial sampling; the external data examined; an indication of analytical review work performed; and the main findings from our audit work. As requested by the guidance, the report includes a summary of adjusted and 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 76 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 2017/18 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 further 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; and
 - e) 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 2017/18 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 there were no claims for overseas students and students enrolled on full cost recovery commercial 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 eight 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 Experience 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 2017/18 student activity data.

2.2 Open / Distance / Flexible Learning

- 2.2.1 The Credits guidance requires that when a programme is delivered by flexible learning methods and the subjects involved have a nominal duration, the planned learning hours per student are derived from the duration of the subjects on which the student has both enrolled and completed within the session. Records of work of such students which record formal progress against a schedule with milestones agreed at enrolment must be maintained.
- 2.2.2 Our sample of courses for audit included three open / distance / flexible learning programmes. Initial testing of 11 students on one distance learning programme, National 5 Maths, identified no evidence of progression or participation on the programme in seven instances. A review of all students enrolled on this programme was subsequently undertaken. This identified a further 13 students who had not completed any course work during the year and failed to sit the exam. It was agreed with the College that these 20 students would be removed from the Credits claim (80 credits in total).

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

2.2 Open / Distance / Flexible Learning (Continued)

- 2.2.3 Discussion with the Head of Student Experience noted that tutors have a responsibility to ensure that the College maintains engagement with students on distance learning programmes and that tutors should notify Student Records as soon as it is found that students may not be participating on the programme. A particular issue with National 5 Maths had been identified by Student Records staff during the end of year review of Performance Indicators and for 2018/19 the College has amended its RAG course monitoring procedures to include distance learning programmes so that early intervention can be taken.

Recommendation

R1 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 by curriculum staff and notified to the Student Records team to ensure that they are removed from the Credits claim as appropriate.

2.3 European Computer Driving Licence (ECDL)

- 2.3.1 A sample of five ECDL students was selected and the Credits claimed for each was confirmed to their individual records showing the modules that they had undertaken. In our sample of students we confirmed that all had registered on the appropriate ECDL module in 2017/18 however our testing identified that one student had failed to complete the module and that 0.57 Credits had been claimed in error and this was removed from the claim. Further checking of ECDL students was subsequently carried out by College staff and this did not identify any more errors.

Recommendation

R2 Ensure that, for students undertaking ECDL modules, Credits are claimed for modules that are completed during the session.

2.4 Maximum Credits Claim per Student

- 2.4.1 Since 2016/17 a process has been in place for agreeing the number of Credits claimed for programmes above 18 Credits for further education or 15 Credits for higher education, known as 'one plus' activity. The Credits guidance states that if the total one plus activity is over 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. Courses where industry requires a higher level of engagement are excluded from this calculation.
- 2.4.2 The final FES summary report highlights 189 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 by the College as 2.8% of the target delivery, which is above the 2.5% threshold. The final 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 5, 7 and 14. Analytical review by dominant Price Group at Appendix II also showed significant variances in Price Group 1. 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 5 Construction – increase due to an extra full-time construction course running in 2017/18 which claimed 144 credits, and an increase in enrolments for SVQ Carpentry & Joinery Block Release first year for which there was an extra 192 credits claimed;
- DPG 7 Engineering – decrease due to block release first and second year course which ran in 2016/17, claiming 228 credits, not running in 2017/18; and
- DPG 14 Social studies and languages – increase due to a short full-time course (English as a Foreign Language) which ran from January 2018 to June 2018 which claimed 244 credits. This course did not run in 2016/17.

Appendix I – Copy of Audit Certificate

si/P294

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

5 October 2018

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 10 May 2017 and which has been confirmed as being free from material mis-statement by the College's Principal in her Certificate dated 5 October 2018. We conducted our audit in accordance with guidance contained in the 2017-18 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:

5 October 2018

Appendix II – Summary of Adjusted and Unadjusted Errors

Report Para	Error identified	Adjusted/unadjusted	Approx Value
2.2.2 & 2.2.3	Credits claimed for students who did not show progression or participate in their distance learning programme.	Adjusted	-80.00 Credits
2.3.1	Credits claimed did not correlate to the ECDL activity undertaken by the student.	Adjusted	-0.57 Credits

College Funded Target 2017/18	24,981 Credits (within Highlands and Islands region target)
The above target figure includes	23,781 core Credits and 1,200 ESF
Final claimed 2017/18	26,161 Credits

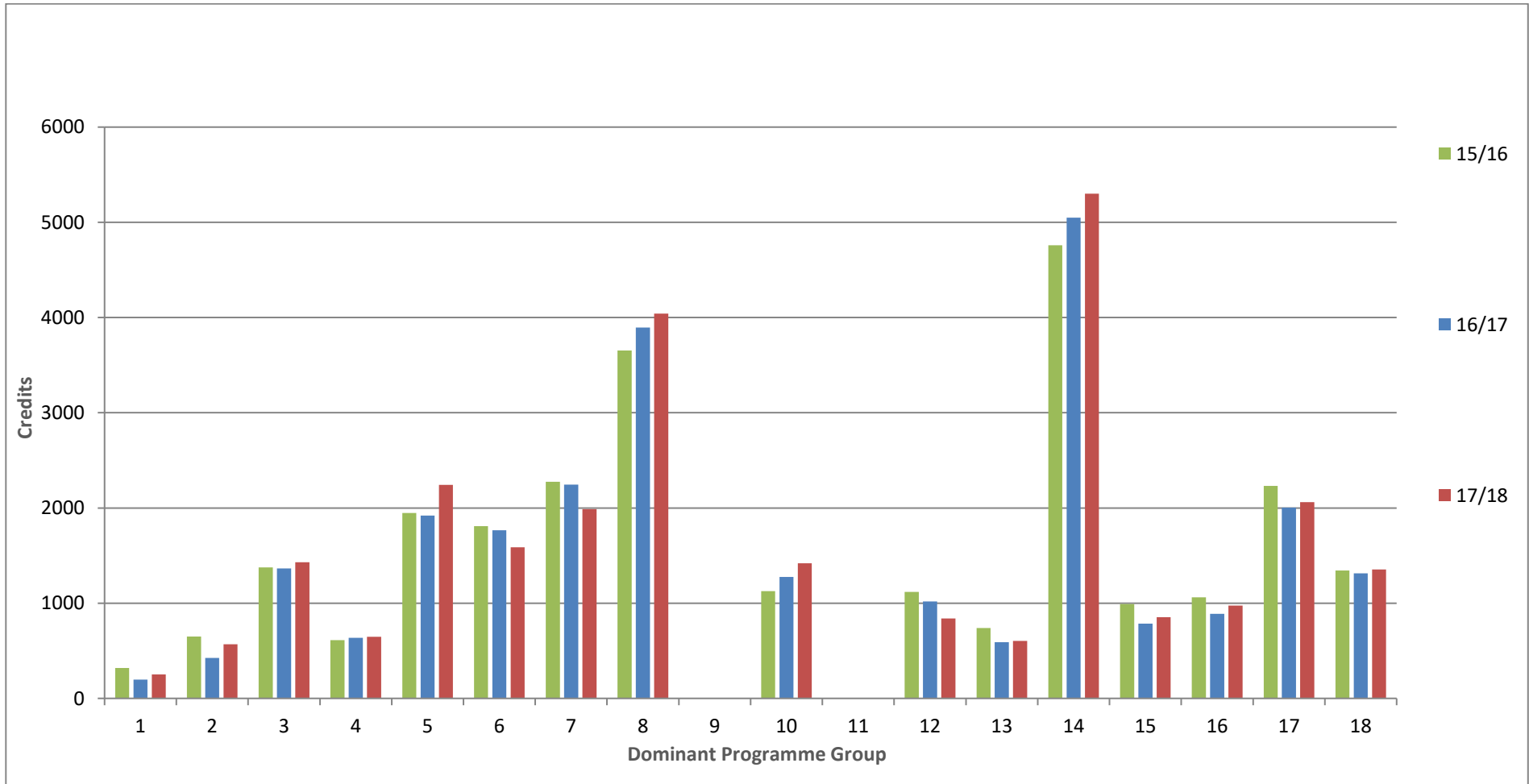
Appendix III – Price Group Analytical Review 2016/17 and 2017/18

Price Group	2016/2017 Credits	2017/2018 Credits	Credits Variance	% Variance
1	4,248	5,135	887	20.88
2	10,440	10,179	(261)	(2.50)
3	9,366	9,493	127	1.36
4	0	0	0	0
5	1,314	1,354	40	3.04
	<u>25,368</u>	<u>26,161</u>	<u>793</u>	<u>3.13</u>

Appendix IV – DPG Analytical Review 2016/17 and 2017/18 - Figures

Dom Gp	2016/2017	2017/2018	Credits	%	
	Credits	Credits	Variance	Variance	
1	Agriculture & horticulture	198	252	54	27.27
2	Business & management	425	569	144	33.88
3	Food technology & catering	1,365	1,429	64	4.69
4	Computers, software & information	636	647	11	1.73
5	Construction	1,919	2,243	324	16.88
6	Creative arts & design	1,765	1,588	(177)	(10.03)
7	Engineering	2,245	1,987	(258)	(11.49)
8	Health & related studies	3,894	4,042	148	3.80
9	Minerals, materials & fabrics	0	-	-	-
10	Personal development & self help	1,276	1,418	142	11.13
11	Printing	0	-	-	-
12	Science & maths	1,018	838	(180)	(17.68)
13	Secretarial / office & sales work	589	605	16	2.72
14	Social studies & languages	5,049	5,301	252	4.99
15	Social work	785	852	67	8.54
16	Sport & leisure	887	975	88	9.92
17	Transport, services & vehicle engineering	2,003	2,061	58	2.90
18	Special programmes	1,314	1,354	40	3.04
	Totals	25,368	26,161	793	3.13
	Total Target Activity		24,981		
	- including ESF Target Activity of		1,200		
	ESF Actual Activity		1,238		

Appendix V – DPG Analytical Review 2015/16 to 2017/18 - Graph





Perth College UHI

**Student Support Funds
2017/18**

Internal Audit Report No: 2019/03

Draft Issued: 19 November 2018

Final Issued: 21 November 2018

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1. Management Summary

Introduction

Colleges receive **Discretionary Funds** from the Scottish Funding Council (SFC) to provide financial help for students where access to, or continuance in, further or higher education would otherwise be denied due to financial hardship. The maximum payable from the Further Education Discretionary Fund is £4,000, increased from £3,500 last year.

Childcare Funds sit alongside the Discretionary Funds to provide assistance with the cost of formal childcare expenses. From academic year 2011/12, childcare funds for higher education students formerly allocated to colleges by SAAS, were transferred to the SFC who now allocates childcare funding direct to colleges for all eligible further and higher education students. No limit is placed on the amounts individuals can access and colleges have the flexibility to determine award levels themselves. Priority must however be given to lone parents, part-time students and mature students when allocating funds from the Further Education Childcare Fund.

The Discretionary and Childcare Funds must be administered, and payments made, in accordance with SFC and SAAS guidelines.

Bursary funds are given to students at the discretion of a college to help maintain that student in their education beyond their compulsory school leaving date. An award can include allowances that cover a student's maintenance, travel and study costs. Colleges can also use bursary funds for allowances to cover costs incurred by a student due to an additional home, their dependants and / or special education needs.

Colleges must apply the terms of the National Policy for Further Education Bursaries, together with applicable legislation and supplementary letters issued by the SFC, when using the funds allocated to them for bursary purposes. The policy sets out the minimum criteria, maximum rates and minimum contribution scales that a college must apply in allocating bursary funds, however, a college may vary the terms of the policy by imposing additional eligibility criteria or conditions. Figures used within the policy to calculate a student's award may be varied, but only in order to reduce the value of an award, although where a college chooses to supplement bursary funds from its own resources it may use the additional resources as it sees fit.

Education Maintenance Allowances (EMAs) provide financial support for 16 to 19 year-olds from low income households who are attending non-advanced full-time education at school, college or are home educated. Eligible students receive £30 per week, which is targeted at young people from the lowest income families.

EMAs must be administered, and payments made, in accordance with SFC and Scottish Government guidelines.

Audit Scope

For the 2017/18 academic year two specific fund statements were required for audit:

- Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return; and
- Education Maintenance Allowance Return.

Audit Objectives

The audit objectives were to ensure that:

- The College complies with the terms, conditions and guidance notes issued by SFC, SAAS and the Scottish Government;
- Payments to students are genuine claims for hardship, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- The information disclosed in each of the returns for the year ending 31 July 2018, is in agreement with underlying records.

Audit Approach

The audit approach included:

- Reviewing new guidance from SFC, SAAS and the Scottish Government and identifying internal procedures;
- Agreeing income to letters of award;
- Reconciling expenditure through the financial ledger to returns, investigating reconciling items;
- Reviewing College analysis spreadsheets and working papers for large or unusual items, obtaining explanations where necessary; and
- Carrying out detailed audit testing, on a sample basis, on expenditure from the funds.

Audit guidance issued by the SFC was utilised.

Action Plan

The action that we consider necessary on each issue is highlighted in the text for clarity and an action plan for implementation of these recommendations can be found in section 2.

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. These gradings are 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.

Findings and Conclusions

We were able to certify both fund statements for the year and submit these to the appropriate bodies, without reservation.

Copies of the fund statements and audit certificates are provided at appendices I and II of this report.

From our testing of the Bursary Fund, we did however note that a total of 10 students received awards from the fund to meet the costs of additional support needs where the student had not made any direct application to the fund, and instead the award was made based on need identified by the College. Although the SFC Bursary guidance does not explicitly state a requirement for colleges to ensure application forms are in place, the application form provides evidence that the student meets the eligibility requirements for entitlement to Bursary funds. Colleges should determine student need based on an evidence-based assessment and management advised that this had been done for these students through the College admissions process and identification of support needs. This was not however documented on an application form.

Recommendation

R1 The College should ensure that an application form is completed for all students supported by the Bursary Fund.

We also noted that six students included in our Bursary sample were in receipt of awards for travel, additional support needs or study materials that were paid directly to the College. These elements of their award were not included in the Bursary award letters issued to the students. In each case we agreed the allocation of costs to supporting documentation including invoices and payment records. The 2017/18 national Bursary policy includes guidance on what should be contained in Bursary award letters, including: travel allowance awarded, study cost allowance, stating whether this is awarded to the student or the department; and Additional Support Needs allowance awarded.

Recommendation

R2 The College should ensure that the Bursary award letters contain details of travel, additional support needs, study materials or other awards that are paid directly to the College.

From review of Bursary working papers we also noted that two Bursary students had additional support needs awards in relation to taxi costs for travel to and from the College however, due to a clerical oversight, they had also separately been awarded travel costs within their total Bursary award. This gave rise to overpayments of £520 and £515 respectively.

Acknowledgements

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

2. Action Plan

Page Ref.	Recommendation	Grade	Management Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
3	R1 The College should ensure that an application form is completed for all students supported by the Bursary Fund.	3	<p>There were some students approved by the academic department for taxi travel for the ASN courses, as they could not travel independently. Since the ASN allowance is not financially means tested, we did not pursue application forms in some cases where the student only received funding for taxi travel.</p> <p>We will arrange for all students on the ASN taxi list to complete a shortened application form, which leaves out most of the financial income details not needed for an ASN allowance assessment.</p>	Y	Scott Young	January 2019
3	R2 The College should ensure that the Bursary award letters contain details of travel, additional support needs, study materials or other awards that are paid directly to the College.	3	<p>This will require a rewrite of our award letter. As most award letters have now been issued for 18/19, we will put this in place for 19/20.</p> <p>This will be possible for study expenses, but not ASN taxis or bus passes, since we do not know the full cost until the end of the Academic Year when we receive the final invoices from Perth and Kinross Council for the taxis and passes.</p>	Y	Scott Young, UHI IT	For Academic Year 2019/20



Appendix I

**Further Education Discretionary Fund, Further
and Higher Education Childcare Fund and
Bursary Return and Audit Certificate**

Appendix II

Education Maintenance Allowance Return and Audit Certificate

Our ref: si/PERT294
Your ref:

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

10 October 2018

Dear Sirs

**Perth College UHI
Discretionary Fund, Childcare Fund and Bursary Return 2017/18**

On behalf of our above named client, we enclose the audited Discretionary Fund, Childcare Fund and Bursary Return for the academic year 2017/18.

For information, we would point out that there are immaterial rounding differences on the FES student support funding report. Through discussion with Kenny Wilson we understand that the SFC is fully aware of these differences, which also occur for other colleges, and we have not included an observation or reservation in our auditor's report.

Should you have any queries regarding the enclosed please do not hesitate to contact us.

Yours faithfully

Henderson Loggie

Henderson Loggie

Enclosure

ABERDEEN

45 Queens Road
AB15 4ZN
t: 01224 322 100
f: 01224 327 911
DX 556003,
Aberdeen 30

DUNDEE

The Vision Building
20 Greenmarket
DD1 4QB
t: 01382 200 055
f: 01382 221 240
DX DD123, Dundee

EDINBURGH

Ground Floor
11-15 Thistle Street
EH2 1DF
t: 0131 226 0200
f: 0131 220 3269
DX ED551066,
Edinburgh 6

GLASGOW

100 West George Street
Glasgow
G2 1PP
t: 0141 471 9870



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www.hica.co.uk
info@hica.co.uk

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Dougy Agnew, Stephen Bain, Gavin Black, Ian Cameron, Steve Cartwright, Jamie Davidson, Charles Edmond, Alan Davis, Rod Mathers, Barbara McQuillan, Fiona Morgan, Andy Niblock, Graig Rowand, David Smith and Graeme Smith

college=5360455 - Perth College report=Student Support Funding

College Name:	Perth College		College Contact: <i>Scott Young</i>			
College Number:	5360455		Phone Number: <i>01738 877375</i>			
1st August 2017 - 31st July 2018							
	(AAC 1)		(AAC 2)		(AAC 3)		
Bursary Funds Expenditure	Students under 18		Parentally Supported		Self Supporting		
	Headcount	Expenditure (£)	Headcount	Expenditure (£)	Headcount	Expenditure (£)	
Maintenance Costs							
At Parental Home	0	0	163	403479	0	0	
Away from Parental Home	7	4638	36	125795	371	1200113	
Approved Accomodation or Lodgings	0	0	0	0	0	0	
Personal Allowance	0	0	0	0	0	0	
Dependents Allowance	0	0	0	0	0	0	
Study Expenses	166	19449	101	8778	147	18643	
Travel Expenses	177	112543	98	57325	168	95171	
Special Educational Needs	2	6558	12	47037	0	0	
Total Bursary	246	143184	210	642442	387	1313931	
Total Bursary Fund Spend	843	2099557	[ESF Students to be included in all tables]				
(AAC 1+2+3)							
Discretionary Fund & Childcare Fund Expenditure							
	Headcount	Expenditure (£)					
Total FE Discretionary Fund	159	81472					
Total FE Childcare Fund	74	275442					
Total HE Childcare Fund *	<i>52</i>	<i>212,275</i>					
* UHI partner colleges to manually enter data on the CSV version of this report.							
	Part-time		Full-time				
	Headcount	Expenditure (£)	Headcount	Expenditure (£)			
FE childcare, lone parent	0	0	28	95005			

FE childcare, other	4	7899	42	172538	HE Childcare students not included on FES - full time only, as part time are paid through the HE discretionary fund Scott Young 4/10/18
HE childcare, lone parent	0	0	24	100,105	
HE childcare, other	0	0	28	112,170	

We have examined the books and records of the above college and have obtained such explanations and carried out such tests as we consider necessary. On the basis of our examination and the explanations given to us, we report that the information set out in these forms is in agreement with the underlying records.

We also report that in our opinion, the college used these funds in accordance with the Scottish Funding Council conditions.

We are satisfied that the systems and controls of the administration and disbursement of these funds are adequate. * Delete if not applicable.

PLEASE RETURN AN ELECTRONIC AND SIGNED PAPER COPY OF THIS FORM TO THE SCOTTISH FUNDING COUNCIL.

Principals Signature

Auditors Name (in printed capitals) HENDERSON LOGGIE

Auditors Signature..... Henderson...Loggie.....

Date of Signature..... 10 OCTOBER 2018

Our ref: si/P294
Your ref:

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

25 October 2018

Dear Sirs

**2017/18 Education Maintenance Allowance
Perth College UHI**

In accordance with the Scottish Funding Council's EMA audit guidance we enclose an 'Auditors' Report' in relation to the above College's EMA Academic year-end statement for 2017/18 (copy attached).

Should you have any queries regarding the enclosed, please do not hesitate to contact Stuart Inglis at this office.

Yours faithfully

Henderson Loggie

Henderson Loggie

sti@hlca.co.uk

Enclosures

ABERDEEN

45 Queens Road
AB15 4ZN
t: 01224 322 100
f: 01224 327 911
DX 556003,
Aberdeen 30

DUNDEE

The Vision Building
20 Greenmarket
DD1 4QB
t: 01382 200 055
f: 01382 221 240
DX DD123, Dundee

EDINBURGH

Ground Floor
11-15 Thistle Street
EH2 1DF
t: 0131 226 0200
f: 0131 220 3269
DX ED551066,
Edinburgh 6

GLASGOW

Gordon Chambers
90 Mitchell Street
G1 3NQ
t: 0141 221 6807
f: 0141 226 4081
DX GW552, Glasgow



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www.hlca.co.uk
info@hlca.co.uk

Our ref: si/P294
Your ref:

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

25 October 2018

Dear Sirs

**Perth College UHI: Education Maintenance Allowance Return
Auditors' Report to the Scottish Funding Council (SFC) for the period from 1 August
2017 to 31 July 2018**

We have examined the books and records of the above College, including evidence of checks of five per cent of applications and payments, with a sample size appropriate to the size of the institution, and have obtained such explanations and carried out such tests as we considered necessary.

On the basis of our examination and of the explanations given to us, we report that the information set out in these forms is in agreement with the underlying records.

We also report that, in our opinion, the College used these funds in accordance with the SFC's conditions and the principles of the Education Maintenance Allowance programme.

We are satisfied that the systems and controls of the administration and disbursement of these funds are adequate.

Yours faithfully

Henderson Loggie

Henderson Loggie

ABERDEEN

45 Queens Road
AB15 4ZN
t: 01224 322 100
f: 01224 327 911
DX 556003,
Aberdeen 30

DUNDEE

The Vision Building
20 Greenmarket
DD1 4QB
t: 01382 200 055
f: 01382 221 240
DX DD123, Dundee

EDINBURGH

Ground Floor
11-15 Thistle Street
EH2 1DF
t: 0131 226 0200
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Paper for Consideration

Subject: Draft Audit Committee Annual Report to the Board of Management for 2017/2018

Author: Secretary to the Board

Date of paper: 20 November 2018

Date of meeting: 28 November 2018

Action requested of committee:

(Tick as appropriate) For information only:

For discussion:

For recommendation/approval:

Cost implications:

(Tick as appropriate) Yes: No:

Executive Summary:

In line with the College's 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 the draft report for the Audit Committee's consideration and approval. This will then be forwarded to the Board of Management for consideration at its meeting on 12 December 2018.

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 2017-18

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 2018.

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 2017, 29 November 2017, 27 February 2018 and 22 May 2018. 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, covering the internal audit cycle from 2014/15 to 2016/17, was prepared following discussion with the College's Senior Management Team and a review of previous internal and external audit reports.

An Audit Needs Assessment and Strategic Plan 2016 - 2020 was agreed with the College's Senior Management Team during 2016/17.

The Annual Report of the Internal Auditors for 2017/18 was considered by the Audit Committee at its meeting on 28 November 2018.

In the 2017/18 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 2017/18 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
2018/01	Internal Audit Plan 2017/18	N/A	N/A	N/A	N/A
2018/02	2016/17 Student Activity Data	-	-	-	-
2018/03	Space Management (Business Process Review)	N/A	N/A	N/A	N/A
2018/04	IT Network Arrangements	4	-	1	3
2018/05	Follow Up Reviews	6 of 17 recommendations required further action	-	2	4
2018/06	Equalities Mainstreaming	9	-	-	9

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 2017/18 was reviewed at the Finance and General Purposes Committee on 28 November 2018 and will be reviewed by the Board of Management at its meeting on 12 December 2018 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 2018 were submitted to the Committee on 28 November 2018 and after full discussion were recommended for approval by the Board at its meeting on 12 December 2018.

The Corporate Governance statement included in the audited Financial Statements for the year ended 31 July 2018 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 2017/18. 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 29 November 2017.

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 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. 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.

It is recommended that an informal review of effectiveness is undertaken on an annual basis. An informal review has not yet been undertaken given that a number of new members joined the Board during 2017-18 and that a new Chair was appointed in August 2018. An informal review is, however, planned during 2018-19.

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. A review is planned in early 2019.

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 2018 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
28 November 2018

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

Chief Operating Officer
Depute Principal (Academic)

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, updated September 2018 to reflect changes to Senior Management titles

Membership of the Audit Committee during the period 1 August 2017 – 31 July 2018

Ian Jackson – until 31 October 2017

Lindsey McLeod (formerly Farquharson) to 31 July 2018

Lorna Nicoll – resigned from the Board and Audit Committee on 22 February 2018

Brian Crichton – acting Chair for meeting on 20 September 2017 then assumed role of Chair for the remaining meetings in 2017-18

Ann Irvine

Lynn Oswald – from December 2017

Anna Zvarikova – from December 2017

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 2017-18, the Audit Committee received the following internal audit reports from Henderson Loggie:

Annual Plan 2017/18
2016/17 Student Activity Data
Space Management (Business Process Review)
IT Network Arrangements
Follow-Up Reviews
Equalities Mainstreaming

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 2017/18, 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 2017/18 in addition to oversight of the strategic risk register.

There continues to be 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 is in place.

National Pay Bargaining and its implications for the college sector are also recognised as a challenge. 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; and ongoing discussions with UHI and Academic Partners

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 the College's Senior Management Team and a review of previous internal and external audit reports and the SFC Financial Memorandum.

The Internal Audit Annual Plan for 2017/18 was first discussed by the Audit Committee at its meeting on 20 September 2017 and approved at its meeting on 29 November 2017.

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 2017/18.

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 and papers 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

Paper 11

Minutes

Date and time: Thursday 15 November 2018, 2.00pm
Location: Room 019, Brahan

Members present: Susan Hunter, Head of HR and OD (Chair)
David Gourley, Head of Learning and Teaching Enhancement
Gilbert Valentine, Head of Estates
Ian Bow, Health, Safety and Wellbeing Advisor
Jennifer Thompson-Young, SDD - STEM
Mike Haufe, AST
Prince Honeysett, Student Representative
Richard Ogston, Student Services Manager
Tony Grant, EIS H&S Rep

Apologies: Charlie Collie, Subject Leader, Social & Vocational Studies
Charlie Shentall, Board of Management
Eleanor Brown, SDD - ALS
Ian Gibb, Sector Manager, Food Studies and Hospitality
Jane Edwards
Lorenz Cairns, Depute Principal Academic
Winston Flynn, Unison Rep

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

Note Taker: Janette Tosh

Summary of Actions

Ref	Action	Responsibility	Time Line
4c	Misuse of Drugs		
	Dates to be arranged for the Police to come in to train key staff.	Richard Ogston	March 2019
4f	Absence Statistics		
	SH to circulate as soon as available.	Susan Hunter	December 2019
6	Health and Safety Quarterly Report		
	An out of hours protocol is required to be produced for First Aid Assistance.	Susan Hunter/ Ian Bow	March 2019
9	Draft Terms of Reference		
	Someone who deals with external employers should be a member of the Health and Safety		

Summary of Actions

Ref	Action	Responsibility	Time Line
	Committee. A request to be made to Veronica Lynch	Susan Hunter	December 18
	SH to speak to Charlie Shentall regarding a Depute from the Board of Management.	Susan Hunter	December 18
	SH agreed that one of the HR Business Partners should be her Depute.	Susan Hunter	December 18
	Papers to be sent to Deputes for all meetings.	Janette Tosh	All meetings
	The Draft Terms of Reference will be sent to Audit Committee for approval.	Susan Hunter	Next Audit Committee – 28 Nov 2018
13	AOCB		
	Training Needs Analysis - IB asked that staff let him know of any specific training requirements in an area.	All	January 2019

Minutes

Item	Action
<p>1. Welcome and Apologies</p> <p>Susan Hunter welcomed everyone to the meeting. It was noted that Lorna McWilliam was in attendance as Ian Gibb's depute.</p> <p>Apologies were noted.</p>	
<p>2. Additions to the Agenda for AOCB</p> <p>There were no additions to the agenda.</p>	
<p>3. Minutes of Meeting held on 30 August 2018</p> <p>The minutes of the meeting held on 30 August 2018, 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) Committee Membership – update</p> <p>Susan has received Deputes and will follow up others.</p>	

Item	Action
b) Working Time Regulations	
SH and IB taking this forward.	
c) Misuse of Drugs	
Update – There was a proposal to take forward. The problem was that people said that they wouldn't know what drugs looked like, how to recognise those under the influence etc. It was agreed that training was required. RO contacted the Police who were prepared to do some training but we have not managed to arrange this yet. There are huge Health and Safety implications with this. All relevant key staff require to be trained on how to recognise and handle issues as soon as possible.	
PH suggested someone talk to SRC to try to get the students on board.	
Dates to be arranged for the Police to come in to train key staff.	RO
d) Health and Safety Plan	
To be discussed – agenda item.	
e) CCTV Survey Update	
GV informed the Committee that we have now gone out to tender for CCTV installation and maintenance. There will be a total of 36 extra cameras around the Campus.	
f) Absence Statistics	
Due to the CIPHR reporting module being down, SH has been unable to provide this. SH to circulate as soon as available.	SH
5. Health and Safety Risk Management Profile – update	
The Health and Safety Risk Management Profile was issued for information.	
IB requested that the Committee have a lengthy discussion on the profile at the next meeting.	
6. Health and Safety Quarterly Report	
The latest report was issued for information.	

Item	Action
<p>The Manual Handling incident is a RIDDOR Report. This was with regards to the Nursery buggie store.</p> <p>Sharps and Blades – There has been an increase due to new hospitality/joinery students. One incident was due to self-harming.</p> <p>Status – IB has carried out 3 high status enquiries and 1 low status enquiry.</p> <p>The Committee agreed that the information is clearer in a bar chart.</p> <p>In the period there were 7 call outs for First Aid Assistance.</p> <p>An out of hours protocol is required to be produced for First Aid Assistance.</p>	SH/IB
7. Health and Safety 3 Year Plan	
<p>The 3 year plan has been approved by SMT subject to a few changes. It will be brought to the next meeting.</p> <p>JTY suggested that this should have been brought to the Committee first so that proposals could have then be made to SMT.</p>	
8. Health, Safety and Wellbeing Advisor – update	
<p>IB said that there is a group called the UHI Health and Safety Practitioners Group. All members send their stats to this group. A draft report is now available and IB said that our stats were much better than some other partners within UHI.</p> <p>IB has spoken with Gilbert Valentine and Les Hutchison about Fire Risk Assessments and they discussed outstanding issues.</p> <p>IB has been doing a lot of Risk Assessment, accident investigations and has basically been trying to get things in order.</p> <p>Risk Assessments – IB said that there are still areas where there appears to be no risk assessments. This requires to be rectified. It was suggested that all risk assessments should be stored on the “S” drive.</p>	
9. Draft Terms of Reference	
<p>The Draft Health and Safety Committee Terms of Reference was issued for discussion.</p> <p>DG suggested that someone who deals with external employers</p>	

Item	Action
<p>should be a member of the Health and Safety Committee. A request to be made to Veronica Lynch.</p>	SH
<p>JTY suggested that it would be worthwhile looking separately at work placements.</p>	
<p>SH agreed to speak to Charlie Shentall regarding a Depute from the Board of Management.</p>	SH
<p>SH agreed that one of the HR Business Partners should be her Depute.</p>	SH
<p>Papers to be sent to Deputes for all meetings.</p>	JT
<p>It was agreed that Health and Safety should be part of the agenda for all Team Meetings.</p>	
<p>The Draft Terms of Reference will be sent to Audit Committee for approval.</p>	SH
<p>10. Health and Safety Inspections</p>	
<p>IB has emailed a standard template to be used in all areas. Staff who carry out inspections should use the appropriate paperwork to ensure that evidence is available.</p>	
<p>IB will load the templates onto PerthNet.</p>	
<p>IB will start to carry out inspections in all areas from January. He will send out a checklist prior to these inspections.</p>	
<p>11. Risk Assessment Update</p>	
<p>Discussed under Health, Safety and Wellbeing Advisor's update.</p>	
<p>12. Head of Estates – update</p>	
<p>A review of Fire Risk Assessments has been carried out.</p>	
<p>The timing of weekly Fire Alarm Tests has been reviewed and they will continue to be carried out on Tuesdays at 10.30am.</p>	
<p>A Radio Mast on top of Brahan building is to be removed. A crane will be required to do this but work will be carried out at weekends.</p>	

Item		Action
13.	AOCB	
	Training Needs Analysis - IB has been looking at training required throughout the College. He will now try to structure a programme around this requirement. He asked that staff let him know of any specific requirements in an area.	All
14.	Date of Next Meetings	
	<ul style="list-style-type: none">• 7 February 2019• 2 May 2019	
	All meetings are on Thursdays, 2.00-4.00pm, in Room 019.	

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

Chief Operating Officer
Depute Principal (Academic)

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, updated September 2018