

Audit Committee

Agenda

Meeting reference: Audit 2020-21/04

Date: Monday 31 May 2021 at 5.00pm

Location: Online

Purpose: Scheduled meeting

* Denotes items for approval or discussion.

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

	Agenda Items	Author	Led by	Paper
1	Welcome and Apologies		Chair	
2	Additions to the Agenda			
3	Declaration of a Conflict of Interest in any Agenda Item			
4	Minutes of the Meeting of Audit Committee held on 11 March 2021		Chair	Paper 1
5	Actions arising from previous minutes			
6	UHI Cyber Security Attack – Lessons Learned & Future Risk Management		John Maher, Director of Learning & Info Services UHI	Verbal
7	Items for Approval			
*7.1	Internal Audit Procurement (RESERVED ITEM)	APUC	Vice Principal (External)	Paper 2
8	Compliance			
*8.1	Audit Action Plan – progress update	Project & Planning Officer	Vice Principal (External)	Paper 3
*8.2	Review of Risk Register: Full Register	Clerk	Clerk	Paper 4
9	Audit Plans, Reports & Updates			
9.1	External Audit 2020-2021 – draft Annual Plan	Ernst & Young	Ernst & Young	Paper 5
9.2	Internal Audit 2020-21/04 – Asset Management Report	Henderson Loggie	Henderson Loggie	Paper 6

9.3	Internal Audit 2020-21/05 – Corporate Planning & ROA Report	Henderson Loggie	Henderson Loggie	Paper 7
9.4	Internal Audit 2020-21/06 – Student Recruitment & Retention Report	Henderson Loggie	Henderson Loggie	Paper 8 To Follow
10	FOI & Data Protection			
10.1	Freedom of Information & Data Protection quarterly update	Clerk	Clerk	Paper 9
11	Performance Management			
11.1	Balanced Scorecard NB – paper not available	Project & Planning Officer	Clerk	Paper 10
11.2	In-Year KPIs NB – paper not available	Project & Planning Officer	Clerk	Paper 11
12	Committee minutes (for noting by Committee)			
12.1	Health and Safety Committee: <ul style="list-style-type: none"> • 29 April 2021 NB – paper not available		Chair	Paper 12
13	Date and time of next meeting: <ul style="list-style-type: none"> • Mon 04 October 2021, 5:00pm (provisional) 	Clerk		
*14	Review of Meeting (Committee to check against the Terms of Reference to ensure all competent business has been covered) NB – paper not available			Paper 13

Audit Committee

DRAFT Minutes

Meeting reference: Audit2020-21/03

Date and time: Thursday 11 March 2021 at 5.00pm

Location: Online

Members present: Jim Crooks (Chair, Audit)
Ann Irvine, Board Member
Fiona Martin, Board Member
Graham Watson, Board Member
Michaela Asisten, Student Board Member

In attendance: Margaret Cook, Principal
Lorenz Cairns, Depute Principal (Academic)
Veronica Lynch, Vice Principal (External)
Iain Wishart, Director of Finance
Grace Scanlin, Ernst & Young (to Item 8)
David Archibald, Henderson Loggie (to Item 8)

Ian McCartney, Clerk to the Board of Management

Apologies: Katy Lees, Head of HR & Organisational Development

Chair: Jim Crooks
Minute Taker: Ian McCartney
Quorum: 3

Summary of Action Items			
Ref	Action	Responsibility	Time Line
5	Matters Arising Head of HR to compare KPIs in H&S Annual Report with other Academic Partners	Head of HR	Next meeting
5	Matters Arising Issues surrounding safe use of personal devices to be raised at next H&S Committee meeting	Head of HR	Next meeting
6.1	Audit Action Plan Vice Principal to investigate provision of information on Gross Carbon Footprint to the public domain	Vice Principal	Prior to COP26 Summit
6.3	Health & Safety Risk Register Clerk to liaise with author of paper to ensure target dates had are provided against tasks.	Clerk	Next meeting
10	Committee Minutes Head of HR to ensure that targeted dates are provided for action points.	Head of HR	Next meeting
12	Review of Meeting Clerk to update Terms of Reference to clarify that membership of F&GP Committee precludes membership of Audit Committee, and vice versa.	Clerk	Next meeting

MINUTES

Item		Action
1.	<p>Welcome and Apologies</p> <p>Chair welcomed everyone to the meeting, and noted apologies</p>	
2.	<p>Additions to the Agenda</p> <p>Committee were asked to receive a verbal update on the recent cyber security incident, provided by the Principal.</p> <p>Principal advised that the College had been made aware by UHI Executive Office on 5th March that an incident had occurred, and this had been declared a Cyber Incident. UHI was working with Police Scotland, SFC, insurance providers and other institutions on the matter, and recovery work had commenced across the network. The campus was closed to students to allow for physical disconnection of all machines on site.</p> <p>Principal noted that no personal data had been compromised as far as is known.</p> <p>Principal advised that it may take some significant time to get systems fully back up and running again and, while staff had access to emails, there was no access to Shared Folders, therefore staff had been instructed to do what they can.</p> <p>Chair asked whether the origin or purpose of the incident was known. Principal had been informed that the issue was caused by ransomware but there was no evidence of any data theft as yet.</p> <p>Board Member asked whether attack was successful due to systematic failure at UHI or Perth College, and whether ICO had been informed. Principal noted that attack was directed at UHI servers and that all IT services are provided by UHI to college partners. Clerk advised that liaison with ICO was directed through University's Data Protection Officer. Internal Auditor noted that UHI's membership of HEFESTIS and lessons learned from previous incident at Dundee & Angus College had helped mitigate the impact.</p> <p>Board Member recommended that potential implications of cyber incident be raised on the Risk Register, eg fines imposed by ICO. Clerk to progress.</p>	Clerk

3.	<p>Declaration of Interest in any Agenda Item</p> <p>There were no declarations of interest.</p>	
4a.	<p>Minutes of Meeting of Audit Committee, Thursday 03 December 2020</p> <p>The minutes were approved as a true and accurate record of the meeting.</p>	
4b.	<p>Minutes of Extraordinary Meeting of Finance & General Purposes & Audit Committees, Monday 22 February 2021</p> <p>Committee noted that some corrections had been provided to these minutes that had not yet been fully updated.</p>	
5.	<p>Matters arising from previous minutes</p>	
	<p><u>Matters arising from 03 December 2020</u></p> <p><u>Ref 5 – Code of Good Governance Compliance Checklist</u> Action: Document to be reviewed by appropriate sub-Committees and fed back to next meeting</p> <p>Action Update: Completed, provided at Joint Audit/F&GP Committee Meeting, February 2021</p> <p><u>Ref 5 – Health & Safety Annual Report</u> Action: Head of HR to compare KPIs in report with other Academic Partners</p> <p>Action Update: Carried forward</p> <p><u>Ref 6.1 – Audit Action Plan</u> Action 1: Vice Principal to provide info on actions listed as “Miscellaneous” to Student Member</p> <p>Action Update: Completed</p> <p>Action 2: Exception reporting to be utilised in order to zero in on outstanding actions or challenging deadlines</p> <p>Action Update: Complete, see Item 6.1</p> <p><u>Ref 6.2 – Risk Register</u> Action: Risk 21 to be reviewed re Working From Home Arrangements, particularly around the use of personal mobile phones or other devices</p> <p>Action Update: Completed, see Item 6.2</p>	<p>Complete</p> <p>Head of HR</p> <p>Complete</p> <p>On Agenda</p> <p>On Agenda</p>

	<p><u>Ref 7.5 – Internal Audit 2020-21/02: Student Activity Data</u> Action: Information to be provided to Student Board Member re Price Groups</p> <p>Action Update: Completed.</p> <p><u>Ref 7.6 – Internal Audit 2020/21/02: Student Support Funds</u> Action: Report to be circulated. Committee members to report any queries or issues to report via Clerk.</p> <p>Action Update: Completed</p> <p><u>Ref 10 – Committee Minutes</u> Action: Issues surrounding safe use of personal devices to be raised at next H&S Committee meeting</p> <p>Action Update: Carry forward</p> <p><u>Ref 11 – Date & Time of Next Meeting</u> Action: Date to be confirmed following discussion on suitability of proposed amended dates with External Auditor</p> <p>Action Update: Completed</p>	<p>Complete</p> <p>Complete</p> <p>Head of HR</p> <p>Complete</p>
<p>6.1</p>	<p>Audit Action Plan</p> <p>Vice Principal presented Paper 3, noting move to Exception Reporting as requested at last Audit Committee meeting.</p> <p>Vice Principal noted that outstanding items were on track to be completed by end July 2021.</p> <p>Board Member commented that it was positive to see a 90% completion rate, and requested an update on those outstanding items with a listed completion date of February 2021. Vice Principal advised that there may have been some delay in reporting completion of items by data owners.</p> <p>Board Member complimented the completion of Health & Safety training, and queried whether there were any plans to provide information on Gross Carbon Footprint to the public domain given the forthcoming COP26 summit. Vice Principal to investigate.</p> <p>Vice Principal noted that External Auditors had reviewed outstanding actions from previous Action Plan as part of their audit. External Auditor advised that, while Audit Scotland were still taking a keen interest in the College, it had been useful to refer to progress made to alleviate fears, particularly under the backdrop of COVID where some slippage may have been expected.</p>	<p>Vice Principal</p>

6.2	<p>Review of Risk Register: Audit Committee</p> <p>Clerk presented the latest update to those areas of the Risk Register under the purview of Audit Committee.</p> <p>Chair referred members to previous recommendation around cyber security incident. Depute Principal noted that there were some mitigations around the cyber security incident for the College, not least that UHI acted as a service provider to the College and the College servers act as back-up only, therefore there were limitations on what impact the College can make in these areas.</p> <p>Board Member queried whether Risks 17 and 21 should be merged. Clerk noted that Risk 21 is a UHI Common Risk which would need to be retained. Clerk advised that some other areas in the Register had been identified as possible to be merge, however there had been little opportunity to explore further.</p>	
6.3	<p>Health & Safety Risk Register</p> <p>Clerk presented Paper 5, which had been provided to Committee for information.</p> <p>Board Member noted that no target dates had been provided against tasks. Clerk to refer matter to author of paper.</p>	Clerk
7	<p>Freedom of Information & Data Protection – quarterly update</p> <p>Clerk presented Paper 6 for information, noting the presence of SIC and ICO investigations had necessitated an entry to the Risk Register.</p>	
8	<p>Balanced Scorecard and In-Year KPIs</p> <p>Clerk presented Paper 7 for information.</p> <p>Board Member queried how the next iteration of these papers would be presented given the move to Financial Recovery Planning, and whether use of Balanced Scorecard would provide useful. Clerk agreed that it would seem more appropriate to move towards a format provided by the In-Year KPIs when information is likely to be fast-moving and broader measures related to a Strategic Plan are no longer in place. Clerk noted that a format would be proposed once the Financial Recovery Plan was formalised.</p>	
9	<p>Internal Audit Procurement – update</p> <p>RESERVED BUSINESS</p> <p>Upon the departure of External and Internal Auditors, Committee</p>	

	were provided with an update on the Internal Audit Procurement process from the Vice Principal.	
10	<p>Committee Minutes</p> <p>Committee noted minutes provided within Paper 9.</p> <p>Chair recorded thanks to Head of HR & Organisational Development and their team, and the Board champion, re improvement in attendance levels at Health & Safety Committee meetings.</p> <p>Board Member referred to reduced level of committee membership and asked that assurances be provided that information will be disseminated/cascaded where appropriate. Depute Principal noted that Health & Safety now had 2 sub-committees re Wellbeing and COVID Response, so there was lots of crossover between committees, so a reduced number on the H&S Committee was felt appropriate to reduce strain on staff attending multiple meetings where sensible. Minutes were escalated to CMT which the chair of all 3 committees attends, therefore key issues can be raised at that forum.</p> <p>Board Member recommended that more targeted dates should be provided for action points, which are currently mainly "ASAP". Head of HR to be advised to take forward.</p>	Head of HR
11	<p>Date & Time of Next Meeting</p> <ul style="list-style-type: none"> Monday 31 May @ 5:00pm 	
12	<p>Review of Meeting</p> <p>Committee confirmed that the meeting had been conducted in line with the Terms of Reference.</p> <p>Board Member recommended that Terms of Reference be updated to clarify that membership of F&GP Committee precludes membership of Audit Committee, and vice versa.</p>	Clerk

Information recorded in College minutes 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.

Notes taken to help record minutes are also subject to Freedom of Information requests, and should be destroyed as soon as minutes are approved.

Status of Minutes – Open

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 about living individuals, under the terms of the Data Protection Act 2018. It is important that fact, rather than opinion, is recorded.

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

Perth College UHI

Paper No. 3

Committee	Board of Management
Subject	Audit Action Plan/By-Exception Progress Update
Date of Committee meeting	31/05/2021
Author	Project & Planning Officer
Date paper prepared	24/05/2021
Executive summary of the paper	<p>The attached paper provides Committee with a By Exception Status Table for the Audit Action Plan and a Progress Update providing an overview of the main points to note.</p> <p>Carrying out the actions identified by the college's external and internal auditors ensures the college processes and systems are compliant and effective.</p> <p>Please note the request in the progress update for line 2 to review/discuss the continued relevance of this action.</p> <p>The outstanding actions will continue to be monitored for progress and the current timeline for completion is September 2021.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Action Leads were consulted to provide information and context where available.
Action requested	<input type="checkbox"/> For information <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input type="checkbox"/> Strongly recommended for approval

Perth College UHI

	<input type="checkbox"/> Recommended with guidance (please provide further information, below)
<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement? If yes, please provide details.</p>	<p>The majority of actions sit with the Finance team and although implementing the actions has put extra pressure on the resources of this team they should see the benefit in increased efficiency and effectiveness.</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk? (If yes, please provide details)</p>	<p>The college is at risk of non-compliance or poor performance in the areas where actions have been identified. Implementing the actions mitigates against this risk. <small>Click or tap here to enter text.</small></p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Compliance</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment? If yes, please give details:</p>	<p>No</p>

Perth College UHI

<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p> <p>Click or tap here to enter text.</p>
<p>Island communities</p> <p>Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?</p>	<p>No</p> <p>If yes, please give details:</p> <p>Click or tap here to enter text.</p>
<p>Status (e.g. confidential/non confidential)</p>	<p>Non Confidential</p>
<p>Freedom of information</p> <p>Can this paper be included in "open" business?*</p>	<p>Yes</p>

* If a paper should **not** be included within 'open' business, please highlight below the reason.

<p>Its disclosure would substantially prejudice a programme of research</p>	<input type="checkbox"/>	<p>Its disclosure would substantially prejudice the effective conduct of public affairs</p>	<input type="checkbox"/>
<p>Its disclosure would substantially prejudice the commercial interests of any person or organisation</p>	<input type="checkbox"/>	<p>Its disclosure would constitute a breach of confidence actionable in court</p>	<input type="checkbox"/>
<p>Its disclosure would constitute a breach of the Data Protection Act</p>	<input type="checkbox"/>	<p>Other [please give further details] Click or tap here to enter text.</p>	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

Further guidance on application of the exclusions from Freedom of Information legislation is available via:

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>
and

Perth College UHI

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Audit Action Plan

Progress and By Exception Update



University of the
Highlands and Islands
Perth College

24 May 2021

What information was captured?

The Audit Action Plan Progress Update table contains the following categories of information:

Action Plan – Identifies the key department or college service for each activity

Theme – identifies the area for development that will benefit from the activity

Project – a brief description of the activity

Lead Owner/Accountable – identifies where the responsibility and accountability sits for each activity

Anticipated Completion Date - Understanding of the timelines and working with Leads in order to give a realistic timescale for completion

Source – reference to the Audit Report the action was captured from

Current Status – the stage the activity is currently at (status categories can be seen in **Appendix 1**)

Status Update – a brief description of progress to date

KPIs/Metrics – how the impact and performance improvement for the activity will be measured

Audit Action Plan Overview

The purpose of this progress update is to provide the current view on where the college sits against the completion of all the activities set out within the audit action plan and a by exception overview of outstanding actions.

- **UHI Internal Audit Report 28 February 2020**
- **Perth College Annual Audit Report to the Board of Management and the Auditor General for Scotland – year ended 31 July 2019**
- **Internal Auditor Reports – IT Network Regulations, Health & Safety, Equalities, Payroll & HR**

The Data-set is comprised of actions from the 3 main college audit reports previously mentioned and contains

115 Activities

- 109 or 95% of actions are fully or partially complete
- 4 or 3% are in progress
- 2 or 2% are paused



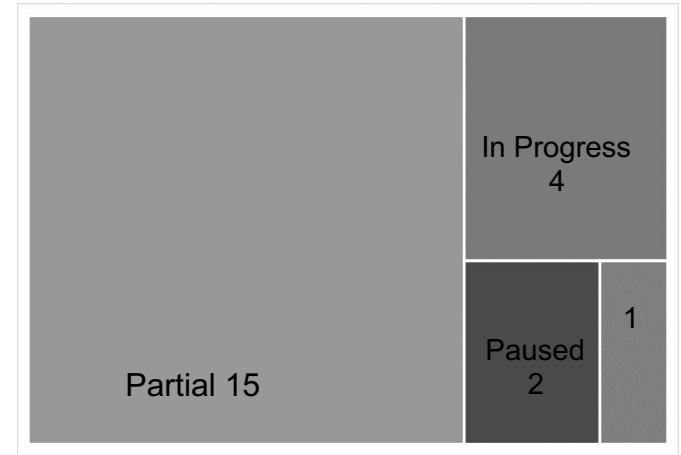
By Exception Overview

The Data-set is comprised of by-exception actions *

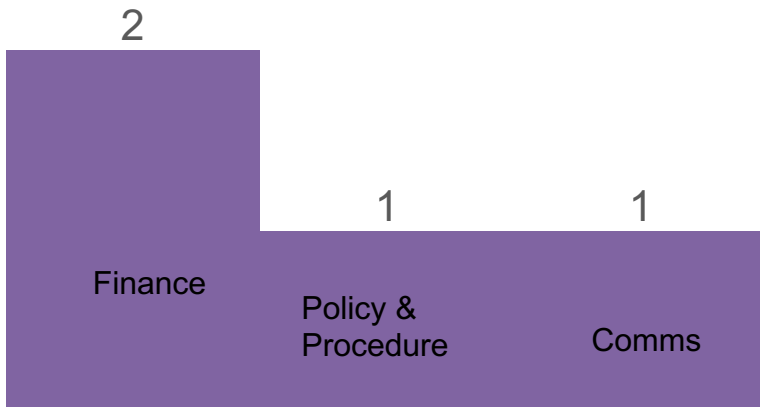
22 Actions

* The actions still to be completed in May 2020

- 16 or 73% of the 22 actions fully or partially complete
- 4 or 18% in progress
- 2 or 9% paused



The actions in progress by Dept.

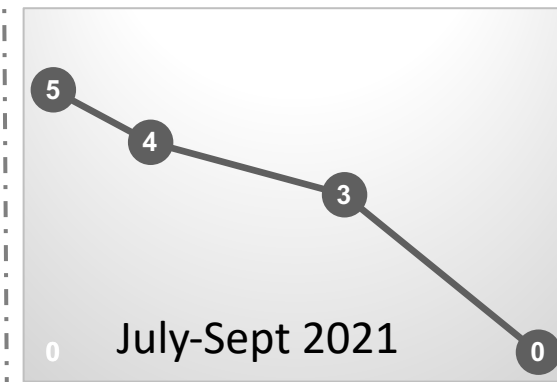


The paused actions ..

Payroll 1*
Equalities 1*

*Covid related – difficulty of completing remotely/will resume once more fully back on campus

Completion timeline ..



Expected dates remaining in progress actions to be completed by

Appendix 1

Complete

The activity is complete, no further action required

Complete-Monitoring

The activity is complete, and will be monitored for improvement/impact

Partial Completion

An action comprised of a number of Individual activities where some have been completed

In progress

The activity has started and is in progress/on track to meet deadline/pending completion

Paused

The activity will start on completion of dependant actions / paused due to circumstances related to COVID-19 restrictions

Audit Action Plan Project Status Table 2020-21							
Action Plan	Theme	Activity	Lead	Anticipated Completion Date	Source	Current Status	May 2021 Progress Update
Finance Action Plan							
Finance	2. Compliance	Effective communication of the Financial Memorandum between College and University to relevant college staff	FD/VPEE	Jun-21	UHI Action Plan: 2.55	Partial completion	Revised Regs to May 2021 Finance Committee and forward to June Board for sign-off and complete action.
Finance	3. Manual Processes	Implement a documented set of financial procedures for the Finance Team	FD	Jun-21	UHI Action Plan: 2.70	In progress	Would like Audit Committee's permission to discuss the relevance of this action. Documented procedures should take place only after a review and streamlining of finance processes which is ongoing
Finance	2. Compliance	Update college Financial Regulations (last approved by BOM March 2013)	FD/Clerk to BOM	Jun-21	UHI Action Plan: 2.66	Partial completion	Redraft to May F&GP then June Board for approval.
Finance	2. Compliance	Communicate Financial Regulations to all staff and roll-out training to relevant staff	FD	May-21	UHI Action Plan: 2.66	Partial completion	Revised Regs to Finance Comm Mon 24 May and final sign off BOM 10 June to complete action

Finance	1. Future financial planning	Undertake CMT and BOM development sessions for Financial Forecast Return (FFR)	FD/Clerk to BOM	Feb-21	EY Appendix D: 10	Complete	EY session delivered to BOM on 11 May and BOM receptive. From Finance POV all staff now been through new budget process which will be developed as a tool used for FFR. Action complete.
Finance	1. Future financial planning	Create and implement a financial plan for the Aviation Academy for Scotland	FD	Jun-21	VPEE	Partial completion	AST Financial Plan to F&GP on 24 May and forward from there to June Board for approval to proceed to the next stage of commitment ie architects fees at £120k inc. VAT which details build costs and timescales. This will enable OBC approval.
Finance	2. Compliance	Develop a revised approach and timetable for the production of financial statements/YE processes	FD	Jul-21	EY Appendix D: 1 & 7	Partial completion	Working to July 2021 timeline, y/e accounts have been completed but t/table of tasks still to be completed ready for audit. To be stressed Timetable dependent on cross-college colleagues meeting deadlines.

Finance	3. Manual Processes	Implement greater supplier management systems	FD/ FinAsst	Jul-21	VPEE	Partial completion	Working to July 2021 timeline. Timeline has been affected by impact of Covid related priorities. Plan is to put one person in control of Purchase Orders, this would allow accounts payable to work more effectively. Letters will be sent to suppliers from 01 August setting out no PO no payment position.
Finance	4. Culture	Review and Improve Induction Process for Finance staff	FD	Jul-21	VPEE	In progress	This is for Finance specific induction not general college induction for new members of all staff. Finance induction will vary for individual roles but there will be core activities common to all. Sticking to July 2021 timeline.
Finance	2. Compliance	Implement Training Needs Analysis and CPD for Finance Team	FD	Jun-21	EY Appendix D: 5	Partial completion	To look at work carried out by Head of HROD and from Professional Reviews by end of June 2021 for individuals. On the job training is also part of the process, Moving forward eg Income/Expenditure separated; technical skills eg VAT training.
Payroll Systems							

Payroll Systems	3. Manual Processes	Provide formal training to the Payroll Finance Assistant	Payroll/ HROD	Jun-21	Internal Audit 2019/06: R5	Paused	Training plan delayed due to COVID-19, deadline changed from May to Sept 2020 - training has been identified that will be picked up once more fully back on campus.
Payroll & Pension Systems	2. Compliance	Undertake review of the calculation of employee and employer pension contributions over the period 2013/14 to 2019/20	FD	Nov-20	Internal Audit 2020/04: R1	Partial completion	Four years now complete will go back to internal auditors to confirm how many years to go back given lack of materiality/errors being found.
Payroll Systems	3. Manual Processes	Rectify errors of pension overpayments on work over 35 hours	Payroll	Sep-20	VPEE	Partial completion	Past 3 years now analysed. Checking with internal auditors how many years to go back given lack of materiality/errors.
Governance and Board of Management							
Governance & BOM	1. Future financial planning	Review College Annual Governance Plan	P&CE/ Clerk to BOM	Feb-21	EY Appendix D: 12	Complete	A section in Annual Financial Statements signed off - to ensure best practice going forward, Clerk to BOM will look at guidance from Auditor General Scotland / Accounts Commission / Audit Scotland
Governance & BOM	3. Manual Processes	Review Business Continuity Plan	SMT/ Clerk to BOM	Sep-21	VPEE	Partial completion	Current focus remains on COVID and Cyber-incident related business critical matters.
Equalities Mainstreaming							

Equalities	2. Compliance	Clarify and implement role of Equality Champions	HROD, E&D	May-21	Internal Audit 2018/06: R7	Paused	Action on hold until physical return to campus allows work to be taken forward.
Equalities	2. Compliance	Embed equality actions are built into self-evaluation and operational objectives processes Direct academic team focus to courses with >25% gender gap	SMT/PP O/E&D	Dec-20	Internal Audit 2018/06: R3	Partial completion	Equality actions built into Professional Services team self-evaluations
Health and Safety							

Health & Safety	2. Compliance	Conduct hazard surveys in all areas to identify missing Risk Assessments	HROD	Sep-21	Internal Audit 2013/07: R1	Partial completion	All delayed until physical return of majority of staff to campus as need to be done on site, but not essential activity. Risk Assessments are in place for safe return to campus and related to specific areas for COVID purposes.
Policies and Procedures							
Policies & Procedures	3. Manual Processes	Review master schedule of policies and procedures	Quality Manager/CMT	Jun-21	APC/VPEE	Partial completion	Working to June 2021 timeline
Policies & Procedures	2. Compliance	Rationalise and combine the number of college policies and procedures	Quality Manager/CMT	Apr-21	APC/VPEE	In progress	This will form part of the Phase 2 work of the Policy & Procedure SLWG
Communications							

Communications	4. Culture	Develop a Communications Strategy for internal and external stakeholders	VPEE/Marketing	Jun-21	VPEE	In progress	ICT Strategy SLWG met for the first time in April and a 2 part workshop looking at strategy will be delivered to the group by JISC at end of May/beginning of June
Communications	3. Manual Processes	Take forward staff Intranet Project	PPO	Jun-21	VPEE	Partial completion	Cyber incident has emphasised and accelerated UHI wide the move away from shared drives to Sharepoint/Cloud. Work on protocols and mapping of how systems link to each other will identify the best way to take PerthNet forward. .

Perth College UHI

Paper No. 4

Committee	Audit Committee
Subject	Strategic Risk Register
Date of Committee meeting	21/05/2021
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	24/05/2021
Executive summary of the paper	<p>This paper provides the Committee with an opportunity to scrutinise and assess the full Strategic Risk Register for the College.</p> <p>Committee Members are asked to:</p> <ul style="list-style-type: none"> i) Discuss the appropriateness of each Risk; ii) Review in particular the currency of the Action Plan; iii) Consider any additional areas of Risk not identified within the current Register, in particular any considerations related to COVID-19 impacting on areas related to the Committee remit <p>All new updates within the document have been highlighted in red. Items in individual Risk Areas linked to COVID-19 are highlighted in blue. In addition, these items are cross-referenced again the main COVID-19 Risk Area 30</p> <p>There have been amendments/additions to actions in Risk References 2, 6, 11, 12, 13, 19, 21 & 24, which includes a full review of cyber security risks by UHI affecting local ICT departments.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Board members and SMT have been consulted via discussions at sub-Committees during the current Board cycle.

Perth College UHI

<p>Action requested</p>	<p><input checked="" type="checkbox"/> For information</p> <p><input checked="" type="checkbox"/> For discussion</p> <p><input type="checkbox"/> For endorsement</p> <p><input type="checkbox"/> Strongly recommended for approval</p> <p><input type="checkbox"/> Recommended with guidance (please provide further information, below)</p>
<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes</p> <p>Without continual review of risk there exists the potential for strategic objectives to not be achieved.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>The Strategic Risk Register is the core risk management tool used within Perth College UHI</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p>	<p>No</p>

Perth College UHI

<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p> <p>Click or tap here to enter text.</p>
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UHI STRATEGIC RISK REGISTER TEMPLATE

PARTNER: Perth College UHI

DATE: May 2021

All items in red are where updates were made during the last review of the risk register

Ref	Risk Status	Strategic Category	RISK AREA, Risk Description & Primary Sub-Committee	Causes	Impacts/ Evidence	Owner	Likelihood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	CURRENT 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.	Control over strategic environment 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. Engagement	<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. SFC Phase 1 Review of Colleges & Universities UHI Academic Partner discussions re internal structures 	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 Regional Strategy Committee 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. Engagement with Board members on key issues with regular discussions in appropriate Committees 	16 (4,4)	↔	<ul style="list-style-type: none"> Continue to highlight as appropriate. Continue to work on and implement recommendations of current Programme Board Work proactively within partnership and beyond. Be proactive in discussions re future integration Review metrics for measuring local engagement 	Principal	Ongoing
2 *	Active	Working in partnership to meet the needs of our local economy and beyond.	Achievement of Student Numbers Non-achievement of numbers. Low allocation of funded Student Numbers from the region. Adverse impact of Regional funding and allocation Low allocation of funded student numbers from the region Academic Affairs	<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 Likely impacts of Brexit, eg ESIF, reduction in FTE funding <p>COVID-19</p>	<ul style="list-style-type: none"> Financial. Reputation. National appetite for increased funded numbers. Reduction in EU students. £3m funding not guaranteed Implications for students without settled/pre-settled student status <p>Lack of clarity re student progression</p>	Depute Principal Academic/ Vice Principal External/ Associate Principal	4	4	16	<ul style="list-style-type: none"> Curriculum Review completed. 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 Strategy-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. Effective marketing plan in place. Student Number Planning using more robust data EREP Action Plan Implementation – in suspension due to COVID 	16 (4,4)	↔	<ul style="list-style-type: none"> Revised Marketing Strategy – transitioning to digital Curriculum Review – complete and now ongoing on a continuous basis Involvement with Tay Cities Deal (24 additional HE FTE places) Implementation of effective messaging system Identify courses with highest EU student cohorts. Learner Journey Strategic Group implementation 	Depute Principal Academic/ Vice Principal External	Ongoing
														Vice Principal External	Ongoing
														Associate Principal	Dec 20
														Associate Principal	Dec 20
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5*	Active	Inspiring and supporting our students to achieve their potential. Developing a successful and sustainable organisation. UHI Common Risk	College Estate College estate not fit for purpose. F&GP	<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 Priority to increase classroom accommodation. 	<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. Immediate and recurring costs associated with COVID, eg PPE 	Depute Principal Academic	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. 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. Tender process to commission outline plans for campus options re Estates Strategy under way Average £650k pa ring-fenced for spring & summer works 	9 (3,3)	↔	<ul style="list-style-type: none"> Commission of Conditions Survey & prioritisation of required work Commission tender process for Estates Strategy - deferred 	Head of Estates Head of Estates	Ongoing TBC (deferred re COVID)
6*	Active	Inspiring and supporting our students to achieve their potential.	IT infrastructure & implementation Technology not fit for purpose. No replacement or upgrade of critical ICT and academic equipment. Heightened risk of cyber attack Licenses for specialist software classroom-based rather than individual	<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/ digital platforms to support larger classes. Additional requirements from curriculum development and growth. In-equitable digital access for 	<ul style="list-style-type: none"> Higher investment in resources required. Need to continually alter accommodation. Available resources limit delivery options. Digital/ cloud-based services inadequate for curriculum and professional needs. Poor student and staff feedback. Lack of knowledge of system design Duplication of data and processes 	Vice Principal External / Depute Principal Academic	4	3	12	<ul style="list-style-type: none"> Developed robust Curriculum Development Plan. Link ICT 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.- complete ICT rolling programme of replacement – focus changed from classroom-based PCs to provision of laptops and BYOD for students Shared licence purchases with UHI 	9	↔	<ul style="list-style-type: none"> Rigorous approach to timetabling and utilisation of rooms. ICT Budget and replacement influenced by curriculum needs. Commission tender process for integrated Finance/Payroll/ HR system Migration of online training to Webex MS Teams/ Sharepoint/ OneDrive ICT Strategy Group to develop ICT Strategy Updated ICT Asset Register 	Depute Principal Academic ICT Manager Vice Principal Associate Principal Vice Principal ICT Manager	Ongoing Ongoing June 2021 June 2022 Dec 2020 July 2021 July 2021

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			F&GP	<ul style="list-style-type: none"> students (equipment and connectivity) Technological innovation. Lack of Integrated Information Systems 						<ul style="list-style-type: none"> UHI Wi-Fi Service upgrade: Continue existing Wi-Fi network service until the new service has been proved through a pilot Bright Space implementation consolidation Staff training sessions ongoing throughout February available on demand VC Application change to Webex and MS teams. GDPR Training sessions: Awareness of issues around transferring data New Operational Planning Process Change tracker for Payroll Process Communicate changes to staff and students Opportunities/impetus presented by Scottish Government Digital Strategy Digital Poverty transition project ICT rolling programme transitioning from desktop renewal to RAM upgrade and staff laptop allocation. 			<ul style="list-style-type: none"> Implement Common UHI Information Security Framework Policy Implement agreed priorities from College Sector Digital Ambition 	<ul style="list-style-type: none"> Vice Principal Vice Principal 	<ul style="list-style-type: none"> September 2021 July September 2021
7	Active	Developing staff to successfully deliver our Vision. UHI Common Risk	<p>(Senior) staffing levels</p> <p>Disruption to services/projects and/or partnership working resulting from loss of a key staff member.</p> <p>F&GP</p>	<ul style="list-style-type: none"> Poor performance management of competence issues. Fast pace of curriculum development. Excessive demand on CPD. Lack of staff capability. Poor workforce planning. Affordability/cost of staff 	<ul style="list-style-type: none"> Inability to compete. Loss of business and reputation. Potential requirement to buy in specialist staff High staff turnover. Poor staff satisfaction. 	Principal	3	3	9	<ul style="list-style-type: none"> CPD reports to SMT re progress against CPD targets for professional reviews, mandatory training etc Prioritise an appropriate level of CPD investment linked to financial sustainability. Assessment Action Plan in place and monitored Maintain Healthy Working Lives accreditation Succession Planning Minimisation of single-person dependencies Cross training Recruitment of Director of Finance provides additional resilience on SMT 	4 (2,2)	↔	<ul style="list-style-type: none"> Improve completion levels for Mandatory Training Conduct Staff Survey 	<ul style="list-style-type: none"> Head of HR & OD Principal/ Head of HR & OD 	<ul style="list-style-type: none"> Dec 2020 April 2021

													CURRENT ACTION PLAN		
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8*	Active	Developing a successful and sustainable organisation. UHI Common Risk	Research outputs Research outputs are sub-standard. Overall number of Research activities/outputs are small. Insufficient momentum to build capacity in most curriculum areas. Academic Affairs	<ul style="list-style-type: none"> • Low numbers of staff with relevant skill-set to conduct research • Lack of time permitted/ incentives provided for research activities • Research not integral part of staff contracts • Inadequate support for bidding for research contracts • Funding methodology 	<ul style="list-style-type: none"> • Inability to identify and agree appropriate projects • Research strategy not clear • REF delay = impact on funding feeding through • Small number Perth college staff contributing to UHI Education Unit of Assessment in REF 	Principal	4	3	12	<ul style="list-style-type: none"> • Annual Review of R&KE strategy. • Develop relationships with wider UHI colleagues. • Prioritise R&KE research activities where appropriate for REF income. • Investigate SFC Innovation Funding and maximise • Work with University SMT, Research Clusters and PKC • Tay Cities Deal developments. • Effective and purposeful operation of R&KE Committee and links to UHI structures. • Active & ongoing engagement with research organisations • Research Strategy updated and approved 	9	↔	<ul style="list-style-type: none"> • Link with KE specialists in UHI. • Vision 2021 and City Development Plan implementation. • Review EO funding streams for fostering and supporting research at AP 	Principal	Ongoing
9*	Active	Working in partnership to meet the needs of our local economy and beyond. Developing a successful and sustainable organisation.	Growth opportunities Missing viable opportunities for development and growth F&GP	<ul style="list-style-type: none"> • Insufficient research. • Lack of horizon scanning. • Lack of ability to invest in opportunities. • Insufficient planning. • Being too risk averse. • Failing to develop at the required pace. • Funding allocations • Resource limitations • Changes to ESIF Funding. 	<ul style="list-style-type: none"> • Loss of share of potential market/earnings. • Loss of reputation. • Miss the market. • Stagnation of product offering. • Missed opportunities for staff. • Missed opportunities for students. • Funding criteria changes. 	Depute Principal Academic/ Vice Principal External/ Associate Principal	4	4	16	<ul style="list-style-type: none"> • Effective new product development processes/reviews. • Clear review of product development processes / communication International and Home. • Collaborative UHI Partnership process in place. • Scanning and planning cycles and process communicated. • Collecting staff ideas by their involvement. • Encouraging a staff culture of enterprising behaviour. • Legislative change mapping for new courses. • Tayside RSA + H & I RSA to be used as baseline intelligence. • Flexibility in approval Cycle and proportionate responses. • Liaison with UHI re ESIF and LUPS. • Monitor and review international opportunities and costs. • International Strategy. 	16 (4,4)	↔	<ul style="list-style-type: none"> • Curriculum Review FE and HE - completed • Target international developments towards such areas where product is requested, e.g... Business Degrees • Schools Strategic Group to plan curriculum 2018-19 onwards • DYW Strategy Group implementation (Associate Principal on group, no longer separate SDS group) • PPF UHI Curriculum Plan 	Associate Principal	Ongoing

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			<p>Tay Cities Deal: Delay in final deal due to General Election leads to issues re: funding and market value</p> <p>Funds withdrawn elsewhere may result in rationalisation of local project</p>		<p>external engagement post-Outbreak, including Tay Cities Deal</p> <p>Reduced opportunities due to post-COVID climate</p> <p>Tay Cities Deal: • Loss of capital funding • Loss of opportunity for developments</p>					<ul style="list-style-type: none"> Continuous collaboration with Learner Journey Strategic Group re school/college curriculum to achieve objectives re apprenticeships & employability Contracting of Associates to overcome shortage of lecturing staff <p>Tay Cities Deal: Proposal passed by Board: 5-year Plan = £320k new revenue (net of allowances for costs)</p>			<p>Enact Business Development Strategy following Board approval</p> <p>Vice Principal External</p> <p>Dec 2020</p> <p>Review presentation of financial reporting to reflect margins rather than revenues</p> <p>Finance Director</p> <p>Jan 2020</p> <p>Tay Cities Deal • maintain dialogue with strategic partners</p> <p>Vice Principal External</p> <p>Ongoing</p> <p>Final OBC submitted for approval</p> <p>Vice Principal External</p> <p>Feb 2021</p> <p>Financial plan to ensure sustainability of AAS including leveraging of £1.2m donor contributions</p> <p>Ongoing</p>		
10*	Active	<p>Inspiring and supporting our students to achieve their potential.</p> <p>Providing a progressive curriculum which meets economic and social needs and aspirations.</p> <p>UHI Common Risk</p>	<p>Academic Quality</p> <p>Academic quality is sub standard</p> <p>Academic Affairs</p>	<ul style="list-style-type: none"> Insufficient tracking of student. Poor understanding of student requirements. Product not fit for purpose. Poor delivery. Insufficient support for students. Mis-selling of courses/provision. Delivery impacted by ongoing industrial action <p>COVID-19</p>	<ul style="list-style-type: none"> Loss of students. Loss of earnings. Adverse PR and poor reputation. Poor future recruitment. Poor achievement and retention. <p>Potential confusion re approaches to progression across curriculum;</p> <p>Future students recruited at inappropriate levels</p>	Depute Principal Academic/ Associate Principal	3	3	9	<ul style="list-style-type: none"> Student tracking programme and reviews by Student Advisers. Heightened student focus on internal communication and training evidenced by the BRAG reporting system. Managing student expectations. Active listening to student voice and acting on evidenced by feedback to students. Act on Student Survey outcomes evidenced by action planning with quality reviews. Ensure regular/ constructive formative assessment feedback to students/ customers. Implement Complaints Procedure in line with new legislation and refresh training. ASW opportunities roll out. Student Partnership Project NSS Action Plans implemented for courses with poor results. Appointment of Head of Student Experience. Self-evaluation process redesigned. Working with HISA to conduct student focus groups. A Student Experience Committee has been convened 	9	↔	<ul style="list-style-type: none"> Complaints Review Depute Principal Academic Ongoing Student funding at Regional and National level. 		

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					Impact of COVID on student survey performance based on delivery (-ve and +ve)					<ul style="list-style-type: none"> • Ensure findings are reported on with regards to the complaints procedure and actions identified and followed up on • Quality review process redesigned (course KPIs by exception) • Identification of protected characteristics and KPIs • Student Support Review • Revamp website with regards to the services available to support learning • Regular discussion of key issues at Student Experience Committee • Attainment & Retention KPIs 						
11*	Active	Providing a progressive curriculum which meets economic and social needs and aspirations. UHI Common Risk	Regional curriculum plan Regional curriculum plan and delivery not aligned to local demand. Academic Affairs	<ul style="list-style-type: none"> • Fragmented ownership. • Lack of planning. • Over ambitious change in delivery methodology. • Wrong blend between online and face to face. • ESIF changes • Not fully within gift of PC UHI, need others/UHI to contribute • UHI curriculum strategy proposals COVID-19	<ul style="list-style-type: none"> • Lose students. • Financial risk through reallocation. • Students choose another provider. • Poor retention and achievement. • Disputed ownership/responsibility for failings. PKC Learner Strategy now recommenced	Associate Principal	3	3	9	<ul style="list-style-type: none"> • Influence/engage with development. • Meetings arranged with UHI Deans & subject network leaders • Keep in touch/listen to student views. • Active engagement in SMCT, QAEC and PPF. • UHI to commission research on impact of changed delivery methodologies. • Work with UHI, SDS and local stakeholders to enhance demand analysis. • Regional Outcome Agreement development and implementation. • Depute now sits on SMCT. • Vice Principal now sits on EPSC. • Associate Principal now sits on PPF • Curriculum Review complete • In liaison with PKC re Learner Strategy • Continuous review of FE Curriculum • Associate Principal on UHI HE/FE Curriculum Review groups 	9 (3.3)	↔	<ul style="list-style-type: none"> • Proactively engage in implementation of UHI Strategic Plan. UHI Curriculum Review	SMT UHI	Ongoing March 2021	

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12*	Active	Developing a successful and sustainable organisation.	Business Continuity Threat to Business Continuity Audit	<ul style="list-style-type: none"> Major incident. Pandemic. Major fire. Terrorist Activity. Cyber Incident UHI ICT loss of service. Radicalisation 	<ul style="list-style-type: none"> College closure. Reduced/loss of service. Potential financial implications, eg fines imposed by ICO 	Principal	5	5	25	<ul style="list-style-type: none"> Annual Reviews of Business Continuity Plan. Fibre ring installed. ICT Risk Register developed and dynamic review. Live ICT shutdown test. Desktop exercise with CMT successfully completed. UHI wide live exercise concluded All actively involved in Single Policy Work Environment. Significant increase in input to the UHI L&T Review documentation. Business Continuity Plan reviewed around Coronavirus Resilience team formed and meeting regularly Regular Partnership-wide crises management meetings 	20 (5,4)	↔	<ul style="list-style-type: none"> Review non-COVID Business Continuity Plans to absorb learning from recent approaches/ Solutions and cyber incident Review protocols re back-up systems utilised to identify at-risk non-Cloud systems following cyber incident Complete transition of data from network to cloud platforms Encourage staff to identify and report cyber risk incidents 	<ul style="list-style-type: none"> Clerk ICT Manager ICT Manager SMT 	<ul style="list-style-type: none"> Dec 2020/July 2021 Apr 2021 May 2021 July 2021
13*	Active	Developing a successful and sustainable organisation.	Shared services 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. F&GP	<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. 	Principal	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. 	9	↔	<ul style="list-style-type: none"> Agree principle of Service Level Agreements with UHI Access SLA from LIS to ensure clarity of central functions and local ICT responsibilities Proactive within commissioning board. 	<ul style="list-style-type: none"> SMT Vice Principal SMT 	<ul style="list-style-type: none"> Ongoing June 2021 Ongoing
14*	Active	Developing a successful and sustainable organisation.	Financial sustainability Unable to achieve a breakeven Adjusted Operating Profit (AOP) on a sustainable basis. F&GP	<ul style="list-style-type: none"> Significant fall in income. Staff costs + non-staff costs are higher than income. Local consequences of National bargaining 	<ul style="list-style-type: none"> College does not have enough cash to operate and or grow. Accounts show a deficit AOP for more than one year. 	Director of Finance	4	5	15	Continued development of cashflow forecasting model	15	↔	<ul style="list-style-type: none"> Development of Management Accounting Information. Development of financial forecasting models. Development of cash flow forecasting. Development of budget process. 	<ul style="list-style-type: none"> Director of Finance 	<ul style="list-style-type: none"> Ongoing – will evolve and develop over next 9 months. Ongoing – in place from September 2021 Ongoing – in place from Jan 2021 Ongoing – new process

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				<ul style="list-style-type: none"> Occurrence of event on disaster recovery plan. 							(3,5)					from Jan 2021, live from Aug 2021
15*	Active	Developing a successful and sustainable organisation. UHI Common Risk	Internal controls Internal controls do not exist or are not effective in preventing a significant issue/event. F&GP	<ul style="list-style-type: none"> No ERM strategy in place. Existing controls not tested regularly. Risk not identified, therefore controls not in place. Staff have not been trained in risk identification and control development. 	<ul style="list-style-type: none"> Significant events occur where no controls are in place. Significant events occur where controls are in place. <p>Financial impact of reduced student numbers, delayed Consultation process, commercial income, etc</p> <p>Additional COVID-related costs (IT, PPE, etc)</p>	Director of Finance	3	5	15	<ul style="list-style-type: none"> Number of relevant policies in place. Regular Internal Audit programs. Annual External Audit. 	(3,5)	↔	Design an ERM strategy and implement a system of control e.g. SOX 404 or ISO31000	Director of Finance	Dec 2021	
17	Active	Developing a successful and sustainable organisation.	Statutory compliance Non-compliance of Statutory Health and Safety Legislation and Equality Legislation Audit	<ul style="list-style-type: none"> Introduction of amendments to existing legislation or new unforeseen and unplanned legislation. Failure to comply with Equalities Duties and contingent statutory reporting 	<ul style="list-style-type: none"> Introduces financial and staffing resources to administer. Legal Action. Risk to Business Continuity. Financial fines. Reputational damage. 	Depute Principal Academic	5	4	20	<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. Equalities Outcomes and Mainstreaming Report – Action Plan completed. Regular review of HSE publications, website and notifications. Health and Safety Management System annual review Equality & Diversity lead appointed July 2019, with specific 	(4,4)	↔	<ul style="list-style-type: none"> Plans in place to enforce completion of Compulsory H&S training 	Head of HR	Dec 2020	

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										initial focus on statutory reporting requirements <ul style="list-style-type: none"> • Improvement in Mandatory Training stats • New reporting mechanisms for Health & Safety • Increase in prevalence of risk assessments across organisation • COVID Response Group codified as sub-committee of H&S Committee 						
18	Active	Developing a successful and sustainable organisation.	Brexit Implication of outcome of EU Referendum Leading to: Loss of EU Funding. Decrease in overseas (EU) students. Loss of EU national staff. F&GP	<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 •Withdrawal of EASA accreditation for pre-Brexit AST qualifications 	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. • Scottish Government Extension of free tuition for EU students • Trend analysis for student targets • AST lobbying appropriate bodies within UK/EU to seek legislative change 	15 (5,3)	↔	<ul style="list-style-type: none"> • Scottish Government looking to protect Erasmus + programme 		Ongoing	
19	Active	UHI Common Risk	HE student numbers College does not achieve allocated HE student number targets Academic Affairs	Failure to recruit sufficient students due to various factors such as: over ambitious PPF target, poor marketing, curriculum gaps, poor NNS results etc. COVID-19	Reduction of 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. Financial impact of reduced student numbers	Depute Principal Academic/ Associate Principal	5	4	20	<ul style="list-style-type: none"> •Review curriculum to ensure robust and up to date complete •Continue close partnership working within UHI. •Ongoing dialogue with PPF and academic partners. •Plan, monitor and review student numbers/applications. • Improved marketing has reduced curriculum gap • Improved NSS scores • Trend analysis for student targets 	20 (5,4)	↔	<ul style="list-style-type: none"> • Implementation of Curriculum Review complete and continuous review in process 	UHI Curriculum Review UHI, Depute and Associate Principal	<ul style="list-style-type: none"> • Depute Principal Academic Associate Principal 	<ul style="list-style-type: none"> • Ongoing Complete • March 2021 • 1st phase September 2021

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													Actions to minimise risk TO DO	Action Owner	Completion Date
20	Active	UHI Common Risk	<p>FE student numbers</p> <p>College does not achieve allocated FE Credit targets.</p> <p>Academic Affairs</p>	<p>Failure to recruit sufficient students due to various factors such as: over ambitious target, curriculum gaps, ineffective marketing and engagement with local schools/ employers.</p> <p>COVID-19</p>	<p>Reduction of 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.</p> <p>Financial impact of reduced student numbers</p> <p>Potential for specific courses to be paused/ Discontinued</p>	Depute Principal Academic/ Associate Principal	5	4	20	<ul style="list-style-type: none"> Review curriculum to ensure robust and up to date complete Develop external partnerships with schools. DYW and employers – Associate Principal sits on DYW Strategy Group. Plan, monitor and review student numbers/applications. 	20 (5,4)	↔	<ul style="list-style-type: none"> Implementation of Curriculum Review Continue progress made with partnerships developed through Learner Journey Strategy Group Focus marketing activities on p/t FE courses Ensure curriculum meets demand linked to increased unemployment rates 	Depute Principal Academic Associate Principal	Ongoing Complete Ongoing Jan 2021 Jan 2021
21	Active	UHI Common Risk	<p>Statutory Compliance</p> <p>Non-compliance with relevant statutory regulations.</p> <p>Audit</p>	<p>Lack of awareness of relevant laws and penalties.</p> <p>Management failures. E.g. UK GRPR (Data and Information Security), Health and Safety Regulations, PREVENT legislation etc.</p>	<p>Failure to meet appropriate legislative standards likely to result in significant reputational damage and/or possible legal action.</p> <p>Additional scrutiny from statutory bodies such as Auditor General, HSE, OSCR, Information Commissioner, etc</p>	Depute Principal Academic	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. Policies & procedures produced and published, including Model Publication Scheme and Privacy Notices Work with/respond to ICO and OSIC to minimise risk of breaches where appropriate 	9 (3,3)	↔	<ul style="list-style-type: none"> Continuous update and reinforcement of GDPR policies and procedures. Ensure compulsory training is conducted across organisation Introduce mandatory cyber and information security training to increase awareness of cyber risks Information security embedded in all job roles Review Work From Home practices around remote access of sensitive data Review protocols re back-up systems utilised to identify at-risk non-Cloud systems following cyber incident 	Principal Head of HR Head of HR and OD SMT Head of ICT Head of ICT	Ongoing June Board August 2021 December 2021 Aug 2021 Apr 2021

Ref	Risk Status	Strategic Category	RISK AREA, Risk Description & Primary Sub-Committee	Causes	Impacts/Evidence	Owner	Likelihood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	CURRENT ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
22	Active	UHI Common Risk	<p>Governance</p> <p>Governance Failure.</p> <p>Audit</p>	<p>Governing body does not have an appropriate balance of skills and experience.</p> <p>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.</p> <p>Board members not provided with enough support or information to fully discharge their responsibilities</p>	<p>Challenge to recruit new Board Members</p> <p>High turnover of Board Members</p> <p>Action Plans arising from recent Audits are not sufficiently monitored and reported</p> <p>Failure to comply with Code of Good Governance</p>	Chair, BoM	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 Robust Action Plan falling out of various Audit Reports produced Board External Effectiveness Review completed June 2020 Successful recruitment & induction of new Board Members summer 2020 Review of Committee membership summer 2020 Code of Good Governance Compliance Checklist reviewed Oct 2020 	3 (1,3)	↔	<p>Audit Action Plan in place with robust monitoring system</p> <p>Board Effectiveness Review Action Plan</p>	<p>Chair BoM</p> <p>Clerk</p>	<p>Ongoing</p> <p>Dec 2020</p>
23	Active	UHI Common Risk	<p>Student Experience</p> <p>Poor Student Experience</p> <p>Engagement</p>	<p>Poor college estate.</p> <p>Dispersed campus with limited facilities for social interaction.</p> <p>Technology failures.</p> <p>Limited teaching/library resources.</p> <p>Societal issues around Digital Poverty</p> <p>COVID-19</p>	<p>Poor performance in national student satisfaction surveys.</p> <p>Reputational damage.</p> <p>Impact on ability to recruit future cohorts.</p> <p>Risk to core income streams.</p> <p>Likely down-turn in Survey scores due to lack of contact time from March 2020</p>	Depute Principal Academic	4	3	12	<ul style="list-style-type: none"> Partnership approach with HISA Continuous student engagement, feedback and dialogue. Ongoing Estate Maintenance and minor Refurbishments Completion of Scottish Government information survey around COVID local outbreak responses Significant investment re availability of laptops and WiFi access for students during COVID Student Survey re VLE/Brightspace conducted and shared with SDDs 	12 (4,3)	↔	<ul style="list-style-type: none"> Commission of Conditions Survey & prioritisation of required work Commission tender process for Estates Strategy - deferred Action Plan re outcomes of VLE/Brightspace Survey to be devised 	<p>Head of Estates</p> <p>Head of Estates</p> <p>Head of L&T</p>	<p>Ongoing</p> <p>tbc</p> <p>Aug 2021</p>

Ref	Risk Status	Strategic Category	RISK AREA, Risk Description & Primary Sub-Committee	Causes	Impacts/Evidence	Owner	Likelihood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	CURRENT ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
24	Active	UHI Common Risk	<p>Data protection</p> <p>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.</p> <p>F&GP</p>	<p>Poor IT security measures. Equipment with security holes. Poor patching regime. Anti-virus is not up-to-date/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.</p>	<p>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.</p>	Principal	3	4	12	<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. • Dual authentication processes rolled out 	12	↔	<ul style="list-style-type: none"> • Monitoring of UHI wireless network hardware and process Review Work From Home practices around remote access of sensitive data Review protocols re back-up systems utilised to identify at-risk non-Cloud systems following cyber incident <p>Embed data and information security within all job roles</p>	<p>ICT Manager</p> <p>ICT Manager</p> <p>ICT Manager</p> <p>SMT</p>	<p>Ongoing</p> <p>Aug 2021</p> <p>April 2021</p> <p>December 2021</p>
25	Active	Developing a successful and sustainable organisation	<p>Commercial subsidiary</p> <p>Financial failure of commercial subsidiary</p> <p>F&GP</p>	<p>Deterioration in economic viability of subsidiary</p> <p>COVID-19</p>	<p>Poor outlook due to worldwide collapse in aviation market</p>	Vice Principal External	4	5	20	<ul style="list-style-type: none"> • AST management structure reviewed. • Policies identified • Best practice adhered to • College Governance applied. • Advice given to AST Management Team • General Manager appointed • Going Concern work prioritised leading to increased focus on cash management & projections • Job Retention Scheme/Salary Holidays/Rent Reduction to reduce costs while not trading • Growth Plan agreed 	20	↔	<ul style="list-style-type: none"> • 2020/21 Business Plan reviewed once return dates are confirmed 	Vice Principal External	Dec 2020

Ref	Risk Status	Strategic Category	RISK AREA, Risk Description & Primary Sub-Committee	Causes	Impacts/Evidence	Owner	Likelihood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	CURRENT ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
26	Active	Developing a successful and sustainable organisation	<p>Payroll</p> <p>Failure of payroll systems & procedures results in non-compliance with standards</p> <p>Audit</p>	Lack of integrated HR, Payroll and Finance systems	<p>Recorded instances of erroneous NI payments</p> <p>Incorrect reporting of pensions liabilities and tax payments arising from erroneous NI payments</p> <p>Staff dissatisfaction with issue and/or steps taken to rectify</p>	Director of Finance	5	3	15	<ul style="list-style-type: none"> Internal Audit Action Plan commissioned and partially actioned Affected staff informed of issue and steps being taken to rectify and recompense Amended the payroll system user access rights to ensure that these are appropriate for user roles and remove all generic users from the payroll system Strengthened controls around variations to staff salaries on the payroll system to reduce the opportunity for unauthorised entries to be added to the tracker and inadvertently processed Introduced mechanisms to ensure that payroll checklists are always completed and held on file and that these checklists are always checked and signed off by someone independent of the payroll team prior to processing of the payroll. 19 of 20 Audit actions completed Internal Audit commissioned to conduct evaluation of pensions and tax payments Voluntary HMRC Disclosure made 	3 (1,3)	↔	<ul style="list-style-type: none"> Review recruitment & induction processes Compliance with relevant areas of Audit Action Plan 	Head of HR & OD Head of HR & OD	June 2020 Ongoing
28	Active	Developing a successful and sustainable organisation	<p>Procurement</p> <p>Procurement processes are not fully compliant with regulations</p> <p>F&GP</p>	Internal processes not suitably robust	<p>Contracts register incomplete</p> <p>Historic contracts contain higher level of risk than anticipated upon review (eg catering)</p>	Director of Finance	4	3	12	<ul style="list-style-type: none"> APUC provision of remote services from November 2018 Contracted member of APUC staff engaged by College from July 2019 Procurement Strategy updated Procurement Policy updated 	6 (2,3)	↔	<ul style="list-style-type: none"> Compliance with relevant areas of Audit Action Plan Roll out training to budget holders and other affected staff 	Director of Finance Director of Finance	Ongoing April 2021

Ref	Risk Status	Strategic Category	RISK AREA, Risk Description & Primary Sub-Committee	Causes	Impacts/Evidence	Owner	Likelihood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	CURRENT ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
29	Active	Developing a successful and sustainable organisation	<p>Asset Management</p> <p>Insufficient levels of Asset Management are in place</p> <p>F&GP</p>	Lack of systems/controls to record and manage changes to Asset Register	<p>Asset Register not complete</p> <p>Creates difficulty in producing accurate accounts</p>	Director of Finance	4	3	12	<ul style="list-style-type: none"> Current Asset Register reviewed and weaknesses identified Comparative analysis within sector conducted Standard capitalisation levels reviewed 	12 (4,3)	↔	<ul style="list-style-type: none"> Update Asset Register Review Financial Regulations <p>Codification & approval of Land & Buildings valuation calculation</p> <p>Independent valuation of key assets for External Audit</p>	Director of Finance Director of Finance	June 2020 Feb 2021 June 2021

Ref	Risk Status	Strategic Category	Risk Description & Primary Sub-Committee	Causes	Impacts/ Evidence	Owner	Likelihood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	CURRENT ACTION PLAN		
													Actions to minimise risk TO DO	Action Owner	Completion Date
30	Active	Developing a successful and sustainable organisation	<p>COVID-19</p> <p>Impacts of COVID-19 on Student Experience, Financial Sustainability & Operational Management</p> <p>Board of Management</p>	<p>Full student experience not able to be delivered</p> <p>Issues caused re curriculum</p> <p>Reduced income received from student numbers</p> <p>Reduced income received from commercial activities</p> <p>Operational difficulties through extended social distancing measures, including classroom capacity levels and Residences occupancy levels</p>	<p>Lack of clarity re student progression (Ref 2)</p> <p>Likely downturn in international recruitment (Ref 3)</p> <p>Likely downturn in Survey scores due to lack of contact time from March 2020 (Ref 23)</p> <p>Confusion re approaches to progression across curriculum and potential new regulations on assessments (Ref 10)</p> <p>Future students recruited at inappropriate levels (Ref 10)</p> <p>Potential for specific courses to be paused/ Discontinued (Ref 20)</p> <p>Postponement of Research Excellent Framework 2021 affects future funding levels (Ref 8)</p> <p>PKC Learner Strategy delayed post-COVID (Ref 11)</p> <p>Uncertain future for development activities and appetite for external engagement post-Outbreak, including Tay Cities Deal (Ref 9)</p>	Principal	5	4	20	<ul style="list-style-type: none"> Principal meeting regularly with UHI/sector Active lobbying of key agencies re continued sector funding Use of Government Job Retention Scheme where appropriate Sector Heads analysing options for teaching & learning in Academic Year 2020/21 Continued contact with commercial partners Short Life Working Group established to plan Return To Work arrangements Estates implemented social distancing measure on campus COVID Response Group established, codified and meeting weekly – sub-Committee of H&S 	20		<ul style="list-style-type: none"> Continue recruitment online AST Board meeting regularly to manage cashflow and identify new business Continued exploration of contingencies at SMT/CMT level 	Marketing	Immediate

Ref	Risk Status	Strategic Category	Risk Description & Primary Sub-Committee	Causes	Impacts/ Evidence	Owner	Likelihood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	CURRENT ACTION PLAN			
													Actions to minimise risk TO DO	Action Owner	Completion Date	
					Financial impact of reduced student numbers, delayed Consultation process, likely reduction of international income/AST surplus/etc (Ref 15, 19,20) Poor outlook for AST due to worldwide collapse in aviation market (Ref 25)											

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

Annual Audit Plan
Year ending 31 July 2021

Audit Committee
31 May 2021



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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. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22. We undertake our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 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 for Scotland and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

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

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, 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

Our key contacts:

Stephen Reid
Partner
sreid2@uk.ey.com

Rachel Wynne
Manager
Rachel.Wynne@uk.ey.com

Our independence

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

Purpose of this report

In accordance with the Public Finance and Accountability (Scotland) Act 2000, Audit Scotland appointed EY as the external auditor of Perth College (the College) for the five year period 2016/17 to 2020/21. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22.

This Annual Audit Plan, prepared for the benefit of College management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 July 2021, the fifth year of our appointment. In preparing this plan, we have updated our understanding of the College through planning discussions with management, review of relevant documentation and committee reports, and our general understanding of the environment in which the College is operating.

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

After consideration by the College's Audit Committee, the plan is provided to Audit Scotland and published on their website.

Scope and Responsibilities

This Annual Audit Plan covers the work that we plan to perform to provide you with our opinion on whether the Group and College financial statements (the financial statements) give a true and fair view of the Group and College's affairs as at 31 July 2021 in accordance with applicable law and the financial reporting framework. We also report on the regularity of transactions, as required by the Scottish Funding Council.

We undertake our audit in accordance with the Code of Audit Practice ('the Code'), issued by Audit Scotland in May 2016; International Standards on Auditing (UK); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the College and the auditor, more details of which are provided in Appendix A.

Our Financial Statement Audit

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

- ▶ whether they give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the Group and College's affairs as at 31 July 2021 and its surplus or deficit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Ireland; and
- ▶ whether they have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

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

Materiality

Materiality levels have been set at the planning stage of the audit as follows:

Planning Materiality	Tolerable Error	Nominal amount
£410,000	£205,000	£20,500
1.5% of the Group's gross expenditure	Materiality at an individual account level	Level that we will report misstatements to committee

Based on considerations around the expectations of financial statement users and qualitative factors, we apply a lower materiality level to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of related party transactions to both parties.

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:

- ▶ Financial Management;
- ▶ Financial sustainability;
- ▶ Governance and transparency; and
- ▶ Value for Money.

Wider Scope audit

The College had previously been assessed as meeting the definition of a smaller body for the purposes of our wider scope audit consideration. As a result of the risks identified during our audit fieldwork in 2018/19, our assessment was amended and we extended our work to consider financial management and value for money alongside financial sustainability and governance and transparency. In 2019/20, we considered this assessment to remain appropriate and therefore formed judgements and conclusions on all four dimensions of wider scope public audit. For 2020/21, we consider it to remain appropriate to consider all four wider scope audit dimensions.

Our audit work over the wider scope audit dimensions complements our financial statements audit. We have updated our understanding of the risks impacting the College through discussions with management, review of relevant committee reports, and our knowledge of the education sector.

Audit Risk Dashboard

Key Financial Statement Risks

Fraud Risk: Risk of fraud in revenue and expenditure recognition	In accordance with ISA (UK) 240, we consider the presumed fraud risk in respect of improper income recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. During 2020/21, we will consider the impact of additional Covid-19 income streams on the College.
Fraud Risk: Misstatement due to fraud or error	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Inherent risk: Valuation of property, plant and equipment	The value of property, plant and equipment (PPE) represent significant balances in the College's financial statements. Management is required to make material judgemental inputs, including the assessment of any required impairment, and to apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Inherent risk: Valuation of pension assets and liabilities	<p>Accounting for the Local Government Pension Scheme (LGPS) involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The Tayside Pension Fund triennial valuation was completed as at 31 March 2020 and will therefore inform the valuation as at 31 July 2021.</p> <p>ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts, the assumptions underlying fair value estimates, and the valuation of the College's share of scheme assets and liabilities at the year end.</p>

Wider Scope Risks

Financial Sustainability: Medium Term Financial Planning	<p>The full impact of the global pandemic on the College's education and financial plans has continued to evolve throughout 2020/21. In the short term, there is the impact of government funding, including furlough income, and direct financial support from the Scottish Funding Council. The College has also managed the move to blended learning well, with relatively few deferrals to 2021/22. As a result, the acute financial pressures facing the College in 2020/21 have eased.</p> <p>The College is due to prepare an updated financial forecast in June 2021. Our expectation is that this will continue to reflect significant financial pressures in the medium to long term. The College has progressed with plans to implement a voluntary severance scheme which were paused during the initial stages of the pandemic. The College continues to review recovery actions including additional income sources and savings from non-pay expenditure such as travel costs however there remains a risk that the College will not be able to develop viable and sustainable financial plans.</p>
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2. Sector developments

In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the College operates to inform our audit approach.

The context for financial sustainability in the FE sector

As we noted within our Annual Audit Report, during 2020, the Scottish Funding Council released three reports considering the future of colleges and universities. In October 2020 the Scottish Funding Council (SFC) published their review of coherent provision and sustainability which considered how best the SFC can fulfil its mission of securing coherent provision by post-16 education bodies, and the undertaking of research in these changing times. The review covered future provision, delivery, outcomes and targets, funding models and support for research activity across the college and university sector in Scotland.

Specifically, as part of this review, the SFC published their updated analysis of the sector within their report, The Financial Sustainability of Colleges and Universities in Scotland. This reflects on the specific financial challenges the sector was facing prior to the impact of Covid-19, including cost pressures from cost of living pay awards, employers' pension contributions, maintaining the college estate and the UK's exit from the European Union, and notes that colleges were already implementing transformation plans to address those challenges. Covid-19 has, in some cases, resulted in the delay of these transformation plans, particularly where they relate to severance and commercial income growth. The main impact of Covid-19 is considered to be felt most by the sector during the 2020/21 financial and academic year.

Recognising the financial challenges facing colleges in the upcoming period, the SFC has identified a number of actions to further support colleges including:

- ▶ Targets - SFC will not recover funds for shortfalls against outcome agreement targets where these are related to Covid-19;
- ▶ Capital Funding - £2.3 million of additional funding for colleges has been awarded to support the provision of ICT equipment to help tackle digital poverty. In addition, the SFC announced £6.5 million of additional capital funding to support the economic recovery in 2020/21;
- ▶ Cash advances - SFC has provided flexibility in grant drawdowns to several colleges encountering liquidity challenges; and
- ▶ Flexibilities in relation to Flexible Workforce Development Fund, Student Support funds and credits.

We will continue to review the full impact of the financial savings requirements outlined in the Financial Forecast Return (FFR) against the College's strategic objectives as part of our work on financial sustainability.

Additional Funding for Colleges 2020/21

Additional non-recurring Covid-19 support funding was announced as part of the Scottish Government's budget update statement on 16 February 2021. This included an additional £60 million for further and higher education, specifically to support universities and colleges maintain research activity, project jobs, help students and boost research and knowledge exchange.

The SFC subsequently announced additional funding of £15.3 million for colleges on 24 March 2021, applicable for the financial year 2020/21. The SFC noted that this funding will help address the major impact that Covid-19 has had on colleges, including:

- ▶ Reduced income, including from commercial contracts and residencies, affecting research funding and putting jobs at risk;
- ▶ Additional costs such as adjustments to campuses and facilities to allow for social distancing; and
- ▶ General weakening of financial sustainability.

Recognising that all colleges are facing financial pressures, the additional £15.3 million has been allocated to colleges in proportion to their respective core teaching grant allocations for Academic Year 2020/21. The conditions of the grant funding are further outlined within the SFC's *Additional funding for Colleges in FY 2020/21* report, as well as confirmation that the release of this additional funding is to be used for FY 2020/21.

2021/22 Budget

The SFC announced the indicative funding allocations for the Academic Year 2021/22 on 24 March 2021. The indicative funding allocations set out are based on the Scottish Government's draft budget 2021/22 announcement on 28 January 2021 which was approved by the Scottish Parliament on 9 March 2021. The approved Scottish Budget 2021/22 set a College Resource (Revenue) budget for the financial year 2021/22 of £675.7 million, an increase of £35.7 million (5.6%) from 2020/21.

The SFC provides indicative funding allocations to help colleges plan for the forthcoming academic year, with final funding allocations to be published by the end of May 2021. Following finalisation, the College will be notified of their specific allocation through UHI. The SFC's indicative funding announcement notes that:

- ▶ The SFC's revenue budget for 2021/22 has increased by 10.8% (£70.2 million) from AY 2020/21;
- ▶ Teaching funding has been increased by 8% (£29.8 million);
- ▶ Student support funding has increased by 1.9% (£2.6 million), and there is additional student support contingency funding set aside;
- ▶ The other programme funding budget, which includes national sector-wide services and strategic projects, has increased by £13.1 million;
- ▶ Student activity (credit) volume for the sector has been increased by 3.6% (circa 63,000 credits), largely as a result of additional credits for Foundation Apprenticeships and deferred students; and
- ▶ Capital funding has decreased by £2 million, with sector-wide capital maintenance reducing by 6.2% (£1.8 million).

3. Financial Statement Risks

Introduction

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

Audit Opinion

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

- ▶ whether they give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the Group and College's affairs as at 31 July 2021 and its surplus or deficit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Ireland; and
- ▶ whether they have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

We also report on the regularity of transactions, as required by the Scottish Funding Council, and review and report on the consistency of the other information prepared and published by the College along with the financial statements.

Other Statutory Information

The management commentary and narrative reporting continues to be an area of increased scrutiny as a result of rising stakeholder expectations, including continuing interest by the Financial Reporting Council. We will therefore continue to work with the finance team to support the continued improvement of the financial statements, including narrative disclosures, in 2020/21.

Audit Approach

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

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the College.
- ▶ Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- ▶ Maintaining auditor independence.
- ▶ Substantive tests of detail of transactions and amounts. For 2020/21 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Materiality

For the purposes of determining whether the financial statements are free from material error, in accordance with ISA (UK) 320 we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements.

Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss expectations regarding our detection of misstatements in the financial statements if required.

Materiality Level	Rationale
Group Planning Materiality £410,000 (2019/20: £280,000)	Planning materiality (PM) - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For planning purposes, materiality for 2020/21 has been set at £410,000. This represents approximately 1.5% of the Group's expenditure for the year.
Tolerable Error £205,000 (2019/20: £140,000)	Tolerable error (TE) - materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set it at £205,000 which represents 50% of planning materiality.
Summary of Audit Differences £20,500 (2019/20: £14,000)	Summary of Audit Differences (SAD) Nominal amount - the amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. The Code requires that auditors report at no more than £250,000. We have set it at £20,500, which represents 5% of planning materiality.

In 2019/20, we reduced our materiality due to rapid changes in the external environment in which the College operates. We have determined that in 2021/22 it is appropriate to increase our materiality to 1.5%, given the reduced immediate uncertainties in the external environment while taking account of the challenges facing the College.

The bases for the materiality outlined are consistent with our approach in previous years. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

Based on these considerations, we apply lower materiality levels to the following areas we consider to be material by nature rather than size:

- ▶ Remuneration Report; and
- ▶ Related Party Transactions.

We will therefore review the disclosures related to the above areas in greater detail compared to the materiality thresholds outlined above.

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

Going Concern compliance with ISA 570

We outlined in our 2019/20 reporting to the committee the impact that the Covid-19 pandemic had on the further education sector, and the increased levels of uncertainty within the forecasts used as part of the College's going concern assessment. As a result, in 2019/20, we placed additional focus on significant judgements made to conclude whether events or conditions indicate that a material uncertainty existed that may cast significant doubt on the College's ability to continue as a going concern. The judgements made determined the appropriate disclosures to be made in the financial statements, and allowed us to consider the impact on our audit opinion.

A revised auditing standard relating to our work on going concern, ISA 570, is effective for the audit of the College's 2020/21 financial statements. The revised standard increases the work we have been traditionally required to perform when assessing whether the College is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards, and much more in line with the required work undertaken by management and the audit team in 2019/20.

Auditing standards have been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly afterwards.

The revised standard requires:

- ▶ challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the College obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the College is not one of these three entity types listed, we will ensure compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

A revised version of Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the UK (PN 10) was issued in November 2020. A significant aspect of PN 10 is the guidance on applying ISA (UK) 570 Going Concern to the public sector. This notes the importance of the applicable financial reporting framework in determining the extent of the auditor's procedures. Our work will also take cognisance of recent guidance issued by Audit Scotland. As in prior years, due to the anticipated continuation of service provision, the going concern basis of accounting will continue to be appropriate for the College.

Covid-19 - Impact on Financial Statements

In our reporting throughout 2020, we outlined how the ongoing disruption to daily life and the economy as a result of the Covid-19 virus was having a pervasive impact upon the preparation of financial statements for all bodies across the further education sector, and will do so for the foreseeable future. Financial statements now need to reflect the impact of Covid-19 on the College's financial position and performance. There continues to be a wide range of ways in which Covid-19 can impact the financial statements, potentially impacting the accounting and disclosure requirements throughout. We have outlined through this report how these may include, at a minimum:

- ▶ Management's assessment of going concern.
- ▶ Revenue recognition accounting for where activity has materially changed and where new income streams have occurred such as from government support.
- ▶ The valuation of fixed assets, in particular the ongoing use of the College estate.
- ▶ The valuation of future pension liabilities and scheme assets.
- ▶ Potential impairment of receivables.
- ▶ Financial statement disclosures, including the Annual Governance Statement.

We will report on the full impact of Covid-19 on the College's financial statements, and how we have responded to the additional risks of misstatement, as part of our reporting at the yearend to the committee, including supplementing this audit planning report with any material changes to our detailed risk assessment and audit approach for the yearend audit, where required.

Covid-19 - Impact on Audit Process

The extensive nature of the Covid-19 impact on the financial statements and underlying accounting arrangements drives our assessment that the risk is considered pervasive to the financial statement audit. In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on management's ability to produce financial statements and our ability to complete the audit to the planned timetable. For example, it will continue to be more difficult than usual for finance teams to collate and for us to access the supporting documentation necessary to support our audit procedures. As with the 2019/20 audit, this will need to be mitigated by additional audit procedures to respond to the additional risks caused by the factors noted above.

We have outlined the planned timing for the key deliverables of the audit process in Appendix D. These reflect the agreed intention to continue to work closely with management to review timeframes and logistics for the completion of the audit in 2020/21. All deadlines will continue to be reviewed throughout the year as circumstances change, however the FRC and Audit Scotland have made clear that any deadlines are secondary to the primacy of audit quality and ensuring completeness of work regardless of the environment in which audit takes place.

We will aim to continue to take a pragmatic and flexible approach in the current environment.

Significant Risks

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

Significant Risk - Risk of fraud in income and expenditure recognition

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which means we also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Other than income and expenditure recognition, we have not identified any specific areas where management override will manifest as a significant fraud risk, however we will continue to consider this across the financial statements throughout the audit.

We consider there to be a specific risk around SFC income and expenditure recognition through:

- ▶ Incorrect income and expenditure cut-off recognition to alter the College's financial position around the financial year end.
- ▶ Incorrect recognition applied to grant income with conditions.

We also recognise a revenue recognition risk for other SFC grants where performance conditions are in place, tuition fee income and other grants and operating income in respect of possible manipulation of cut-off around the financial year end.

We recognise the same risk around incorrect recognition of other operating expenditure in line with Practice Note 10.

Work we will undertake:

- ▶ review and test all relevant income and expenditure policies against the relevant accounting standards and SORP
- ▶ review, test and challenge management around any accounting estimates on income and expenditure recognition for evidence of bias
- ▶ develop a testing strategy to test all material income and expenditure streams
- ▶ test all material grant income with performance conditions to ensure the income is recognised correctly in line with the outlined requirements
- ▶ review and perform focused testing on income and expenditure around the year end to ensure correct recognition around cut-off between financial periods
- ▶ perform testing for any evidence of clawback of income where conditions for entitlement have not been met
- ▶ review and develop a testing strategy for Covid-19 related income streams, including furlough income and additional Covid-19 related grant income
- ▶ assess and challenge manual adjustments or journal entries by management around the year end for evidence of management bias and evaluation of business rationale and evidence

Fraud Risk - Misstatement due to fraud or error

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

The risk of management override is pervasive to the audit and impacts the testing of all areas. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.

As auditor, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk. This takes account of the fact that management are in a unique position to override controls which otherwise appear to be operating effectively.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages
- ▶ inquiry of management about risks of fraud and the controls put in place to address those risks including segregation of duties
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud
- ▶ determining an appropriate strategy to address those identified risks of fraud
- ▶ performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- ▶ specific focus on the accounting for any identified key areas of judgement and estimates in the financial statements and significant and unusual transactions. This will include consideration of any provisions requiring to be made as at the balance sheet date for any restructuring arrangements entered into by the College, as applicable.

From 2020/21, our work around estimates in particular will be required to comply with the requirements around the revised ISA (UK) 540.

We will report our findings in these areas to you within our 2020/21 Annual Audit Report.

Inherent Risk - Valuation of Property, Plant & Equipment

The Group's asset portfolio totals £41.8 million as at 31 July 2020 (2018/19 £35.6 million), with the major elements of this being in respect of land and buildings. Land and buildings are revalued to fair value with a full revaluation taking place at least every five years.

The valuation of property, plant and equipment is assessed as an inherent risk. Management involves specialists in the preparation of these accounting valuations. We utilise our own specialists, as appropriate, to support the core audit team in the performance of audit procedures on these balances.

The College is required to consider annually that the valuation of the College estate remains appropriate outside of formal revaluation cycles.

Management engaged external valuers to conduct a full valuation of the land and buildings estate as at 31 July 2020.

Given the size of this balance and the number of assumptions that are made in the valuation, we assign a higher inherent risk to property, plant and equipment. The impact of Covid-19 on the use of assets and future plans means that we will place significant scrutiny on management's assessment of impairment.

Our approach will focus on:

- ▶ assessment of the potential for impairment across the College estate that has not been reflected in the financial statements or most recent formal valuation
- ▶ assessment of specialist's findings for assets held for resale, and whether these valuations have been correctly processed in the financial statements through testing of accounting entries
- ▶ assessment of the College's backlog maintenance estates plans, including consideration of whether backlog maintenance expenditure in the year has been correctly accounted for as capital or revenue expenditure.

Inherent Risk – Valuation of Pension Liabilities

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

The Further and Higher Education SORP and the SFC Accounts Direction require the College to make extensive disclosures within the financial statements regarding its membership of the Tayside Pension Fund. The information disclosed is based on the report issued by the College's actuary.

Triennial valuations of Scottish Local Government Pension Schemes (LGPS) were completed in March 2021. This will identify the funding level in each scheme and inform future funding and investment strategies as well as determining the level of employer and employee contribution rates from 2021/22 onwards.

Tayside Pension Fund is accounted for as a defined benefit scheme. The net pension liabilities on the balance sheet arising from participation in the scheme at 31 July 2020 were £12.6 million (2018/19: £5.7 million).

Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The College engages an actuary to undertake the calculations on their behalf.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach will include:

- ▶ obtaining an actuarial report at the year end date for the scheme and considering the reasonableness and consistency of assumptions underpinning such reports, in light of guidance available
- ▶ performing substantive testing on the verification of the pension assets, by engaging with the auditor of Tayside Pension Fund in line with the assurance protocols laid out by Audit Scotland for IAS 19
- ▶ engage our actuarial specialists to assess the work of the actuary (Barnett Waddingham), including the assumptions they have used and their assessment of the liability due to recent legal rulings including McCloud and Goodwin
- ▶ we will also review the calculation of the College's valuation of future early retirement liabilities at 31 July 2021
- ▶ review and test the accounting entries and disclosures made within the College's financial statements in relation to pension liability ensuring compliance with accounting standards

Other audit considerations

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

Accounting Framework: Updated SFC Accounts Direction

The SFC's Accounts Direction is published annually in July and provides College's with guidance on disclosure requirements for the financial statements. We will work with management during 2020/21 to ensure the correct application of new requirements.

Changes to Auditing Standards

A revised ISA (UK) 701 applies from 2020/21 and aims to secure enhancements to auditor reporting. Our Annual Audit Report will therefore include:

- ▶ a description of the most significant assessed risks of material misstatement that were identified by the auditor which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the audit team;
- ▶ how each of the above significant risks of material misstatement was addressed including, as a new requirement of the ISA, significant judgements made with respect to each one;
- ▶ specifying the materiality threshold for the financial statements as a whole and, as new requirements, specifying performance materiality and providing an explanation of the significant judgments in determining these amounts; and
- ▶ an overview of the scope of the audit, including an explanation of how it addressed each of the significant assessed risks of material misstatement and how it was influenced by the auditor's application of materiality.

ISA(UK) 540 on accounting estimates was issued in December 2019. Guidance on inherent risk factors relevant to the public sector includes examples to be considered such as:

- ▶ a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, such as liabilities relating to defined benefit pension schemes
- ▶ areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets
- ▶ the existence of possible constructive obligations created by political statements or past practice of carrying out actions that may be expected of public authorities but are not required by law; and
- ▶ political uncertainty and the possibility of future changes in public policy having an impact on the assumptions used to prepare accounting estimates.

Use of specialists

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

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

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

Internal audit

We will review the internal audit plan and the results of internal audit's work, including the discussion of audit findings at the Audit Committee and management's response to findings. We will reflect the findings from internal audit reports, together with reports from any other work completed in the year, in our plan for the audit, where they raise issues that could have an impact on the financial statements or our wider responsibilities.

Cyber Security

As outlined by Audit Scotland within their report *Fraud and Irregularity Update 2019/20*, the Covid-19 pandemic has brought significant challenges across the public sector as bodies have sought to continue to deliver services during extremely difficult times. In such emergency situations, existing controls may be compromised and it can be difficult to put in place robust controls for new processes.

The report highlights that there has been an increase in cybercrime, as more public sector staff connect remotely, including the use of various online video conferencing services for meetings which pose security issues. The report also highlights an increase in phishing emails and scams which, if accessed, allow fraudulent access to public sector systems.

We will discuss with management their assessment of whether internal controls at the College are sufficiently robust to mitigate the risk of cyber attacks.

Other audit responsibilities

Under the terms of our appointment, our role and responsibilities include a number of other assurance activities. This includes the provision of information to support Audit Scotland national reports and studies.

Anti-money laundering

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

Data analytics

Where possible and appropriate, we will use our bespoke data analysers to enable us to capture whole populations of your financial data, in particular covering journal entries and payroll transactions. These analysers help identify specific exceptions and anomalies within populations of data to focus substantive audit tests more effectively than traditional audit sampling.

We will report the findings of our work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee through the yearend audit reporting process.

Group Audit

The Group consists of the following organisations:

- ▶ Air Service Training (Engineering) Ltd; and
- ▶ Perth College Development Trust.

We have considered the arrangements in respect of each of the College's group undertakings at the planning stage and will review throughout the audit.

Air Service Training (Engineering) Limited (AST Ltd), delivers aeronautical engineering courses for both the aviation industry and individual students. AST Ltd are currently tendering for new auditors. Following confirmation of appointment, we will issue group audit instructions outlining the procedures required to support the group audit opinion.

4. Wider Scope Dimensions: Risk assessment and approach

Covid-19 is a pervasive risk that impacts all wider scope dimensions. This will be an area of audit focus for 2020/21 considering how the College has adapted and the implications for the College's finances.

Together the Accounts Commission and the Auditor General for Scotland agreed the four dimensions set out in the Code which comprise the wider scope audit for public sector bodies in Scotland. These are:

- ▶ Financial Management;
- ▶ Financial Sustainability;
- ▶ Governance and Transparency; and
- ▶ Value for Money

The College had previously been assessed as meeting the definition of a smaller body for the purposes of our wider scope audit consideration. As a result of the risks identified during our audit fieldwork in 2018/19, our assessment was amended and we extended our work to consider financial management and value for money alongside financial sustainability and governance and transparency. In 2019/20, we considered this assessment to remain appropriate and therefore formed judgements and conclusions on all four dimensions of wider scope public audit. For 2020/21, we consider it to remain appropriate to consider all four wider scope audit dimensions.

Basis for risk assessment

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

As part of our risk assessment procedures, we have reviewed each dimension to assess potential areas of risk. We set out our areas of focus, along with any specific significant risks relating to each dimension below.

Financial Management

As in 2019/20, we will continue to assess the impact of Covid-19 and the subsequent lockdowns on any core financial management arrangements. We will therefore consider:

- ▶ How internal control arrangements are being adapted and monitored to respond to ongoing remote working arrangements;
- ▶ How the College continue to respond to budgetary pressures including the loss of non-SFC income; and
- ▶ Whether financial reporting to the Board and Finance and General Purposes Committee continued and whether there was a clear articulation of the financial risks.

Financial Sustainability

Financial sustainability considers the medium and longer term outlook for the College to determine if planning is effective to support service delivery. We focus on the arrangements to develop viable and sustainable financial plans.

In 2019/20, the College prepared a three-year financial forecast for the period 2020 to 2023 and submitted these to the SFC in the form of the template Financial Forecast Return ('FFR'). The forecast is based on assumptions provided by the SFC in addition to College specific assumptions for areas such as other income and staff numbers, as included within the College's Budget 2020/21 and Financial Plan 2021/22 to 2022/23.

Medium term financial planning

The full impact of the global pandemic on the College's education and financial plans has continued to evolve throughout 2020/21. In the short term, there is the impact of government funding, including furlough income, and direct financial support from the Scottish Funding Council. The College has also managed the move to blended learning well, with relatively few deferrals to 2021/22. As a result, the acute financial pressures facing the College in 2020/21 have eased.

The College is due to prepare an updated financial forecast in June 2021. Our expectation is that this will continue reflect significant financial pressures in the medium to long term. The College has progressed with plans to implement a voluntary severance scheme which were paused during the initial stages of the pandemic. The College continues to review recovery actions including additional income sources and savings from non-pay expenditure such as travel costs however there remains a risk that the College will not be able to develop viable and sustainable financial plans. Our work for the year will consider:

- ▶ Has the College revised medium term financial plans to take account of the materialising risks in relation to Covid-19 and has appropriate scenario planning taken place?
- ▶ The impact of wider work undertaken by the Regional Strategic Body to secure financial sustainability across the partnership; and
- ▶ Where gaps in financial plans are identified, the approach adopted by the College to engage with the Scottish Funding Council and other stakeholders to address these gaps.

Governance and Transparency

We will continue to consider how governance arrangements were adapted during the Covid-19 pandemic to ensure good governance arrangements remained in place.

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.

In our 2019/20 Annual Audit Report we concluded that the College had in place the key requirements for good governance, and concluded that these key features of good governance remained in place and were operating effectively throughout the Covid-19 lockdown. We concluded that the Annual Governance Statement materially complied with the SFC's 2019/20 Accounts Direction albeit significant weaknesses in internal control continued to be disclosed.

The College made good progress against its improvement action plan with 82% of actions fully or partially complete.

Our work for the year will consider:

- ▶ How the College ensured the quality of arrangements to support good governance during the Covid-19 pandemic, including ensuring that there is sufficient transparency around governance and decision making arrangements?
- ▶ Is the Annual Governance Statement within the financial statements complete and does it reflect key matters impacted by Covid-19, such as delays in the completion of internal audit work and non-compliance with the code of good governance where actions were not able to be implemented?
- ▶ A targeted follow up review to assess progress against the improvement action plan, reflecting the necessity of changes in priorities to reflect the pandemic.
- ▶ Internal audit arrangements during 2020/21, including whether the internal audit programme was able to be completed.

In line with auditing standards, as part of our consideration of the College's governance arrangements, we will be writing to the College Audit Committee to confirm how those charge with governance ensure oversight of management and appropriate governance arrangements are in place. This is not reflective of specific risks identified at the College, but rather in line with our process to annually make formal inquiries beyond standard management meetings and representations.

Value for Money

Value for Money considers whether best value can demonstrated in the use of resources, and that there is a clear focus on improvement. In 2020/21, our work will be risk based and focused on three key areas:

- ▶ The College's response to the Covid-19 pandemic, including how resources were used to help support students and other stakeholders during the Covid-19 pandemic.
- ▶ The College's continuing response to the procurement weaknesses disclosed in the College's Governance Statement in the 2018/19 financial statements.
- ▶ The operation of College's severance scheme during 2020/21, including compliance with SFC guidance.

Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit Committee

D - Timing and deliverables of the audit

E - Audit fees

F - Additional audit information

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

<p>Corporate Governance</p>	<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>
<p>Financial Statements and related reports</p>	<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. ▶ 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>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>
<p>Standards of conduct / prevention and detection of fraud and error</p>	<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>
<p>Financial Position</p>	<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.
<p>Best Value</p>	<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>

Appendix B: Independence Report

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

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

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

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

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

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Group. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's Ethical Standard and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC Ethical Standard, and if necessary agree additional safeguards or not accept the non-audit engagement. At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0% (Appendix E), and will continue to be monitored through the audit engagement. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Group. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

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

- ▶ Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates;
- ▶ A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries;
- ▶ A narrow list of permitted services where closely related to the audit and/or required by law or regulation;
- ▶ Absolute prohibition on the following relationships applicable to UK PIE and its affiliates, including material significant investees/investors:
 - ▶ Tax advocacy services
 - ▶ Remuneration advisory services
 - ▶ Internal audit services
 - ▶ Secondment/loan staff arrangements
- ▶ An absolute prohibition on contingent fees;
- ▶ Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential;
- ▶ Permitted services required by law or regulation will not be subject to the 70% fee cap;
- ▶ Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms;
- ▶ A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards;
- ▶ A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2019 which has been effective from 1 August 2020.

At the time of writing this report (May 2021) we do not currently provide any non-audit services which would be prohibited under the new standard.

Appendix C: Required Communications

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</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>Annual Audit Plan Annual Audit Report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Annual Audit 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>Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	<p>Annual Audit Report</p>

Required communication	Our reporting to you
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ 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 entity 	Annual Audit Report or as occurring if material.
<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 Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Annual Audit Report or as occurring if material.
<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>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Annual Audit Plan Annual Audit Report
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	Annual Audit Report
<p>Representations</p> <p>We will request written representations from management and/or those charged with governance.</p>	Annual Audit Report
<p>Subsequent events</p> <p>Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements.</p>	Annual Audit Report
<p>Material inconsistencies and misstatements</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	Annual Audit Report
<p>Fee Reporting</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Annual Audit Plan Annual Audit Report

Group audits

- ▶ An overview of the type of work to be performed on the financial information of the components Annual Audit Plan
 - ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Annual Audit Report
 - ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work
 - ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted
 - ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements
-

Appendix D: Timing and deliverables of the audit

We deliver our audit in accordance with guidance from Audit Scotland. We would note that we continue to operate in a Covid environment and therefore continue to experience delays in audit processes. The delivery of deadlines will be reviewed through the year as circumstances change, however the FRC has made clear that any deadlines are secondary to the primacy of audit quality and ensuring completeness of work regardless of the environment in which audit takes place. We will work with management and the committee secretariat to agree a timetable for the completion of the audit that ensures a smooth governance process.

	Audit Activity	Deliverable	Timing
APR	▶ Audit planning and setting scope and strategy for the 2020/21 audit	Annual Audit Plan	May 2021
MAY	▶ Walkthrough Visit	Completion of internal documentation	June 2021
JUN	▶ Preparation for year end audit	Client Assistance Schedule	July/Aug 2021
JUL	▶ Review of reported frauds	Quarterly fraud return submission	Quarterly
NOV	▶ Year-end substantive audit fieldwork on unaudited financial statements	Audited Financial Statements	TBC
DEC	▶ Conclude on results of audit procedures	Issue Annual Audit Report	TBC
JAN	▶ Issue opinion on the College's financial statements	Submit Audit Scotland minimum dataset request	TBC
FEB			

Appendix E: Audit fees

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

Audit Fees		2020/21	2019/20
	Component of fee:		
	Auditor remuneration - expected fee	£18,890	£18,340
	Additional audit procedures (see below)	£8,400	£16,500
	Audit Scotland fixed charges:		
	Pooled costs	£1,070	£880
	Contribution to Audit Scotland costs	£700	£930
	Total fee	£29,070	£36,650

The expected fee for each body, which for 2020/21 has been set centrally by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and supporting schedules, and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year and an unqualified audit opinion resulting from the audit.

As the College's situation departs from any of these circumstances throughout the audit, it is expected that additional costs will be incurred through the course of the audit which will be subject to recovery in line with the agreed process and rates set out by Audit Scotland. Under this process, fees can be agreed between the auditor and audited body by varying the auditor remuneration by up to 20% above the level set, or more with the approval of Audit Scotland. As such we have included in the fee estimate for the year our current estimate of the costs related to additional work which can be reasonably estimated at this stage of our planning. The fee variation of £8,400 reflects our assumed additional work which will be required around the College's financial sustainability risk outlined in this planning report, the additional work from inclusion of the financial management and value for money wider scope dimensions, the follow up work required from outstanding areas of focus in prior years, and the requirement to reduce materiality on our audit testing due to prior year audit differences identified.

We will continue to consider the impact of changes to our risk considerations for the College, such as the impact of Covid-19 and any changes to requirements around the auditing of pensions, on the audit throughout 2020/21. Should any additional audit requirements arise we will raise these with management through the course of the audit and agree variations as appropriate, and report the final position to the Audit Committee with our annual audit report. All fee variations will depend on the progress made by management in providing robust impact assessments and supporting schedules in line with the underlying accounting requirements outlined by the Scottish Funding Council and Audit Scotland guidance. Where further additional work is required, fee variations will be agreed with management and reported to the Audit Committee in our 2020/21 Annual Audit Report.

Appendix F: Additional audit information

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the going concern basis of accounting.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Read other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

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

Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: [Quality of public audit in Scotland annual report 2019/20 | Audit Scotland \(audit-scotland.gov.uk\)](#).

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2020: [EY UK Transparency Report 2020 | EY UK](#)

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Perth College UHI

Asset Management

Internal Audit Report No: 2021/04

Draft issued: 21 May 2021

Final issued: 25 May 2021

LEVEL OF ASSURANCE

Requires Improvement

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Level of Assurance

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

Gradings are defined as follows:

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.

Action Grades

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



Management Summary

Overall Level of Assurance

**Requires
Improvement**

System has weaknesses that could prevent it achieving control objectives.

Risk Assessment

There are no asset management risks detailed within the February 2021 Strategic Risk Register update.

Background

As part of the Internal Audit programme at the College for 2020/21 we carried out a review of the systems in place for asset management. The Audit Needs Assessment, completed in September 2016, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Perth College UHI ('the College') uses an Excel based approach to record the details of all assets over the College's capitalisation threshold, which is currently set at £5,000 and also to record its IT assets. This fixed asset register for the capitalised assets is also used for its financial accounting and reporting purposes.

Asset Management

Scope, Objectives and Overall Findings

Our audit reviewed controls over the College's asset registers, covering:

- capitalised items of equipment;
- non-capitalised computer hardware and related equipment; and
- the portable non-capitalised equipment where management is of the opinion that the nature and value of the items requires records to establish physical and financial control.

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

Objective		Findings			Actions Already planned
		1	2	3	
The objectives of the audit were to gain reasonable assurance that:		No. of Agreed Actions			
1. Assets are recorded with sufficient and appropriate information (e.g. unique identification numbers, quantity, description, age etc.) and are tagged.	Requires improvement	0	2	0	
2. There is a process to control additions to the asset registers.	Satisfactory	0	0	1	
3. Processes are in place to control and authorise the transfer of assets and the removal of assets from the registers.	Satisfactory	0	0	0	
4. Management processes are in place to ensure compliance and monitor the asset registers, including physical checks that recorded assets exist.	Requires improvement	0	1	0	
Overall Level of Assurance	Requires Improvement	0	3	1	
System has weaknesses that could prevent it achieving control objectives.					

Audit Approach

Staff within the Finance Department, Estates and IT, were interviewed to determine the current working practices and to identify key controls within these systems. Compliance with the Asset Management policies, and the adequacy of these controls, were identified, tested and assessed as part of the audit.

Asset Management

Summary of Main Findings

Strengths

- The College has in place the following approach to manage its assets with a:
 - Fixed asset register for capitalised assets;
 - An IT asset register;
 - Software register ; and
 - Register for the loan of IT equipment to staff and students.
- There is an annual review in place to ensure both the accuracy and confirmation that the assets contained within the capitalised register are still in place:
- There is an annual physical check to confirm the accuracy of the details recorded on the IT asset registers;
- There are security labels on the IT equipment to identify individual equipment with these details recorded on the IT asset register;
- There are security measures in place for management of stored IT equipment; and
- Effective measures are in place for the loaning of IT equipment for both staff and students.

Weaknesses

- There is no complete register in place within the College to identify and monitor all of its assets;
- No comprehensive guidance is in place to support the asset management process;
- There are no processes in place for Finance to be updated when new assets are procured over the capitalised value of £5,000; and
- The College does not have a regular asset verification check of all of its assets, and in the absence of this exercise there is only limited assurance that listed assets are still in operational use within the College.

Acknowledgment

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

Action Plan

Objective 1: Assets are recorded with sufficient and appropriate information (e.g. unique identification numbers, quantity, description, age etc.) and are tagged.

Finance maintains an asset register of capitalised assets with this information used as the basis of their reported value within its annual accounts and financial statements. In line with the College's accounts policy, all assets with a capitalised value over £5,000 and an economic useful life of at least 3 years are recorded in the asset register. There is an annual review conducted by finance to identify new purchases, along with confirmation of any disposal or transfer of the assets held by the relevant College department. The information held within this register details the:

- Asset Number;
- Location if known;
- Asset Description;
- Cost;
- Depreciation; and
- Net Book value.

The primary purpose of this asset register is to calculate the financial value of the capitalised assets held by the College and is not intended as an operational asset register. Apart from the annual review there is no regular updating or inspection of the items held on this register.

IT also maintains a separate asset register which contains the following information:

- All IT equipment held;
- Their location;
- College unique label and bar code for the asset;
- Details of any disposal;
- Value of the asset; and
- Where required, the details of any loan of the IT equipment.

Asset Management

Objective 1: Assets are recorded with sufficient and appropriate information (e.g. unique identification numbers, quantity, description, age etc.) and are tagged. (continued)

New items are recorded into the asset register at the point they are ordered and fully updated when the goods are received.

The IT team also maintain a separate software register. The software register contains the following information:

- Publisher;
- Product Title;
- Operating System;
- Version; and
- Number of licences in use.

While there is no Estates asset register in place, compensating controls do exist which provide similar information which would be contained within an asset register, this includes:

- Building condition survey's;
- Asset lists for appliance testing;
- Maintenance requirements; and
- Equipment service contracts.

While the audit identified the existence of asset registers in place along with other asset information sources. The College lacks a comprehensive approach to identify and manage non-IT assets and those below its capitalised value.

Asset Management

Objective 1: Assets are recorded with sufficient and appropriate information (e.g. unique identification numbers, quantity, description, age etc.) and are tagged. (continued)

Observation	Risk	Recommendation	Management Response
<p>At present, the College does not have a comprehensive approach to asset management, with the current approach limited to some key elements of this process including:</p> <ul style="list-style-type: none"> • Fixed asset register for capitalised assets; • IT asset register; • Software; and • Staff and Student loans of IT equipment. <p>However, there is no complete register to identify and monitor all assets held by the College.</p> <p>While the Estates team do have a number of compensating controls in place to identify, confirm and manage assets, there is no single source or information in place for assets in the College that do not fall into the elements listed above. Therefore, there is no structured approach in place to either identify or manage all of the College's assets.</p>	<p>Records held within the register are not accurate or complete, this can result in the loss of assets and a financial loss to the College.</p>	<p>R1 The College should develop a comprehensive approach to the identification, maintenance and security of all of its assets held. The revised approach should ensure that a complete asset register is created and maintained for all College assets and not just those with a capitalised value or assets which are IT related.</p>	<p>We agree that a more comprehensive solution is required. We will contact a number of other Colleges and develop a solution that falls in line with current best practice in the sector.</p> <p>To be actioned by: Director of Finance</p> <p>No later than: 31 December 2022</p>
			<p>Grade 2</p>

Asset Management

Objective 1: Assets are recorded with sufficient and appropriate information (e.g. unique identification numbers, quantity, description, age etc.) and are tagged. (continued)

Observation	Risk	Recommendation	Management Response	
<p>The audit identified that there is an absence of guidance in place to support the asset management process. At present the only guidance in place for asset management is set out within the Standing Financial Instructions for the valuation and reporting of capitalised assets.</p>	<p>Records held within the register are not accurate or complete, this can result in the loss of assets and a financial loss to the College.</p>	<p>R2 To support the implementation of a revised approach to maintain a complete asset register in the College (see R1 above), guidance should also be prepared and implemented to support the revised approach. This guidance should outline the revised approach and detail roles and responsibilities for:</p> <ul style="list-style-type: none"> • Identification of current assets and their inclusion within a College wide register: • Additions to the register: • Amendments to assets held on the register, including change of the asset location: • Loans from the asset registers; • Disposal of assets; and • Security of the assets with regular audits in place to confirm their continued existence. 	<p>We agree that a more comprehensive solution is required. We will contact a number of other Colleges and develop a solution that falls in line with current best practice in the sector.</p> <p>To be actioned by: Director of Finance</p> <p>No later than: 31 December 2022</p>	
			<p>Grade</p>	<p>2</p>

Asset Management

Objective 2: There is a process to control additions to the asset registers

Recording new additions within the IT register begins at the order point, with the purchase order linked to the relevant order approval. Once the goods are received, the Pecos purchase system is updated confirming their receipt and the equipment is tagged with an identifying label and a bar code detailing the asset number which is stamped on the equipment and logged within the register. Once ready for use the equipment is dispatched to the required locations or individual within the College and the asset register is updated with the details outlined above.

For the assets held within the capitalised asset register. The new assets are identified and added to the registers during the annual review following a trawl of the items purchased in excess of £5,000. Where these meet the criteria, they are added to the register. Apart from these methods there are no other processes in place to add any new assets to the registers.

Observation	Risk	Recommendation	Management Response		
At present there is no process in place to ensure that Finance are routinely updated when new assets are procured over the capitalised value of £5,000. While adoption of R1 and R2 will help to mitigate this weakness, we would suggest that an interim solution is required in order to maintain the accuracy of this register until the new comprehensive approach is fully implemented. This would ensure that Finance are informed by the Procurement team when items over £5,000 are purchased.	Records held within the register are not accurate or complete, this can result in the loss of assets and a financial loss to the College.	R3 Until a full asset management solution has been developed and put in place (as described in R1 and R2), Finance should be informed by the Procurement team when a new asset is purchased over the capitalised value of £5,000 and the asset register should be updated on at least a quarterly basis.	<p>Agreed</p> <p>To be actioned by: Director of Finance</p> <p>No later than: 31 August 2021</p>		
			<table border="1"> <tr> <td>Grade</td> <td>3</td> </tr> </table>	Grade	3
Grade	3				

Asset Management

Objective 3: Processes are in place to control and authorise the transfer of assets and the removal of assets from the registers.

Staff loans

Staff can request the loan of IT equipment from the College including laptops. Once the application is made the line manager is informed by email to validate the approval of the loan and the IT asset register is updated with who the loan is for and the identification details of the laptop. Due to the demand following the lockdown, a separate register was maintained for staff loans of IT equipment. This staff loan register contains the same information as the main IT register, it was the intention to merge these into a single information source. However, this has been delayed due to the recent cyber-attack.

The current approach in place does enable effective ongoing managing and monitoring of the loan of IT equipment to staff.

Student Loans

There has been an increase in the student loans due to the impact of the Covid-19 pandemic and remote learning, with an additional 700 laptops made available for loan through the library team. These are loaned on the basis of application and meeting the criteria for the loan. The library maintains their own spreadsheet and confirm the identification of the person the equipment is being loaned to with the use of their student ID card. This along with the security details of the laptop including its bar code and asset number are entered into the spreadsheet when the laptop is handed over to the student.

Of the 700 laptops procured for this process, 500 are issued to the Library team with another 200 held in the store for use as and when required

Disposal of Assets

When items on the asset registers are required to be disposed of (due to being; surplus, obsolete, beyond repair etc), they are sent to a recycling company and are either recycled or disposed of. Confirmation of the disposal of items (including the memory deletion) once received by the IT team the register is updated with the disposal. The capitalised asset register is updated with the disposal of any assets as part of its annual review.

While this approach is adequate for the current registers in place. However, as highlighted in **R1** and **R2**, above, this process does not identify and manage all assets in place within the College and limits the levels of assurance, we can place on the disposal process. ,

Asset Management

Objective 4: Management processes are in place to ensure compliance and monitor the asset registers, including physical checks that recorded assets exist.

Security of Assets

Once new IT equipment is received, they are held in the secure storeroom, which is locked with the keys to access the room restricted to the IT staff. The equipment is held until it can be built, while the initial receipt is recorded on the register, full details are not completed on the register including the asset tag until the equipment is built and is ready for operational use. The size of the secure room limits the amount of stock that can be ordered.

Security Checks

There is an annual audit check of the items held on the IT asset register to confirm the accuracy of the information held. The check would include checking the entries in the register to confirm:

- Physical presence;
- The location details; and
- Ensuring the record in the register are accurate.

Any variances with the information are identified and amended on the register. This check is carried out by the IT staff and is usually undertaken during non-term time. Due to the impact of the Covid-19 Pandemic, this annual audit check did not take place during the 2020 summer break.

Due to the recent UHI cyber incident, the IT team are currently rebuilding all IT equipment within the College, including personal computers, laptops and other network devices and within this process they will undertake the asset register check and update where required.

For the assets contained within the capitalised asset register, the annual review process will confirm the existence of the assets.

For Estates while there is no formal programme of inspection, however required maintenance inspections will provide some form of compensating controls as this process will identify any missing assets. However, the absence of a complete process to confirm the current status of all assets held within the College is a weakness in the current process.

Asset Management

Objective 4: Management processes are in place to ensure compliance and monitor the asset registers, including physical checks that recorded assets exist. (continued)

Observation	Risk	Recommendation	Management Response		
<p>Apart from the annual check of the IT asset register there is no regular or complete review and security check of the College's assets in place.</p> <p>Without this the College has no assurance that its assets are still in place.</p> <p>Therefore, there is no consistent approach in place to provide an assurance that all of the colleges' assets are securely held. Nor is there a process in place to determine what steps are to be taken when assets are identified as missing or not in operational use.</p>	<p>Records held within the register are not accurate or complete with the loss of assets resulting in the financial loss to the college.</p>	<p>R4 The College should develop a programme of regular inspections to confirm assets are still held and in operational use or identify where they are lost or missing.</p> <p>As part of this approach a process should be developed on how to identify, report and investigate any missing assets. This approach should be aligned to align with the guidance described in R2 within this report.</p>	<p>We agree that a more comprehensive solution is required. We will contact a number of other Colleges and develop a solution that falls in line with current best practice in the sector.</p> <p>To be actioned by: Director of Finance</p> <p>No later than: 31 December 2022</p>		
			<table border="1"> <tr> <td>Grade</td> <td>2</td> </tr> </table>	Grade	2
Grade	2				

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Perth College UHI

Corporate Planning / Regional Outcome Agreement

Internal Audit Report No: 2021/05

Draft issued: 21 May 2021

Final issued: 25 May 2021

LEVEL OF ASSURANCE

Good

Contents

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Level of Assurance

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

Gradings are defined as follows:

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.

Action Grades

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



Management Summary

Overall Level of Assurance

Good	System meets control objectives.
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Risk Assessment

The Strategic Risk Register was updated in February 2021 and this review focused on the controls in place that support mitigation actions to deliver a developing a successful and sustainable organisation.

Background

As part of the Internal Audit programme at the College for 2020/21 we have carried out a review of the Corporate Planning framework in place and how this links in to the Regional Outcome Agreement. Our Audit Needs Assessment, issued in November 2017, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Overall, the review confirmed that an effective process is in place to ensure operational plans are developed to aid delivery of the College's strategic objectives and the priorities set out in the Regional Outcome Agreement (RoA).

Scope, Objectives and Overall Findings

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

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

Objective	Findings			Actions already underway
	1	2	3	
<p>The objective of this audit will be to obtain reasonable assurance that systems are sufficient to ensure effective financial controls are in place in relation to:</p>				
<p>1. The corporate planning process was adequately planned and challenged for robustness.</p>	Good	0	0	
<p>2. Linkages between the Strategic Plan, the Regional Outcome Agreement and operational plans are clearly defined and communicated.</p>	Good	0	0	
<p>3. Operational plans are robust and include detailed prioritised action plans.</p>	Good	0	0	1
<p>4. The Strategic Plan, Regional Outcome Agreement and operational plans are being appropriately monitored and controlled, including through the use of key performance indicators.</p>	Good	0	0	0
<p>5. There is effective linkage between planning and budgeting at all levels.</p>	Good	0	0	0
<p>Overall Level of Assurance</p>	<p>Good</p>	<p>0</p>	<p>0</p>	<p>1</p>
		<p>System meets control objectives.</p>		

Audit Approach

As part of our audit, we reviewed documentation and held discussions with key staff involved in the setting of operational objectives and plans to assess how effectively they align with the college's strategic objectives.

Summary of Main Findings

Strengths

- There are clearly defined operational priorities in place which link to the Strategic Plan and the RoA for the College;
- These plans take account of the current situation the College is operating in within due to the impact of the Covid-19 Pandemic;
- A defined approach is in place for College teams to develop operational plans, with guidance and support available for their completion;
- These plans are subject to review and approval by the SMT to ensure they support the delivery of the overall college objectives and strategy for the academic year;
- The approved individual team operational plans are collated into the overall College annual operating plan;
- Effective monitoring of the agreed plans is in place to assess their delivery, with the use of a Balanced Score Card to report progress against the Key Performance Indicators (KPIs) on a quarterly basis to SMT, key governance committee's including the Academic Affairs and Audit committee, as well as to the Board;
- The team operational plans are subject to a mid-year review to assess performance against the agreed plans and where required put in place remedial actions to address underperforming areas;
- The annual budget process supports the delivery of the operational plans; and
- On a quarterly basis the Finance team provide departments, SMT, the Finance and General Purposes Committee and the Board with quarterly financial reports.

Opportunities for Improvement

The audit did not identify any control weaknesses, but we have identified the following area where process improvements may be obtained:

- Guidance should be provided on how to develop specific and measurable deliverables within the planning process.

Acknowledgements

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

Main Findings and Action Plan

Objective 1: The corporate planning process is adequately planned and challenged for robustness.

The current Strategic Plan in place covers a five-year period 2016-21 and would normally form the basis for the annual college operational plans. However, due to the impact of the Covid-19 Pandemic this has resulted in a change of focus into a short-term survival mode for the college. While the Strategic Plan will be updated to align with the UHI Strategic Plan, which is currently in the process of being updated. The College has been required to pivot and adapt to the current environment caused by the impact of the pandemic and, as a result, the College's SMT has agreed that the focus for operational planning priorities should concentrate on the drive toward achieving sustainability by selecting one of the following three interlinked objectives:

- Planning for recovery;
- How to contribute to the economic sustainability of our College; and
- How to contribute to our journey to excellence with an initial focus on sustainability.

Both the Academic and Professional teams have chosen one of these objectives to focus on in creating their forward plans. These individual plans will be collated to complete an initial draft Operational Plan for the College. For the Academic teams these will also include the curriculum plans, which will detail forecasted Higher Education (HE) and Further Education (FE) student numbers to achieve the Scottish Funding Council (SFC) credit funding levels.

Corporate Planning / Regional Outcome Agreement Planning

Objective 1: The corporate planning process is adequately planned and challenged for robustness. (continued)

The Project and Planning team is responsible for the co-ordination of the College's annual operational planning cycle and for the provision of planning guidance to managers at all levels. Clear planning guidance has been developed, together with an Operational Plan template. This template links the agreed operational objectives for the forthcoming academic year with input from each teams' self-evaluation of performance against the agreed operational plan for the academic year in question. All teams complete the planning template detailing the following information:

- Objective – What is the objective the team will lead on;
- Activities – what the teams will do;
- Purpose – what are the activities that will be undertaken;
- By When – defined timelines for their delivery;
- How will the impact be measured? – Identifying the way in which actions can be measured throughout the academic year 2021-22;
- Owner(s) – for the delivery of the agreed activity; and
- Dependencies – Other areas/teams/individuals that will be required to help achieve the agreed activity.

The Project and Planning Officer maintains a spreadsheet to monitor the completion and return of the planning templates for each team to ensure that all are completed as required. Completed planning templates are reviewed by SMT during a series of meetings, which allow the teams to discuss their plans and suggest areas for improvements. Once the plans are completed, they are consolidated to form the College Operational Plan, which is approved by the SMT. The process to complete the Operational Plan for the 2021/22 academic year is currently ongoing.

Overall, we found that the College's planning process accords with good practice as follows:

- There are formal links from the current strategic objectives to operational plans;
- These plans take account of the current situation the College is operating within due to the impact of the Covid-19 Pandemic; and
- There is a process in place to review and approve the Operational Plans developed by teams to ensure that they support the delivery of the College operational plans and the overarching strategic aims for the academic year.

Corporate Planning / Regional Outcome Agreement Planning

Objective 2: Linkages between the Strategic Plan, the Regional Outcome Agreement and operational plans are clearly defined and communicated.

Operational Plans and Strategic Plan

The impact of the Covid-19 pandemic has resulted in a specific focus around financial sustainability as the College, and the wider economy, develops a pathway to recovery from the pandemic. However, this emphasis on sustainability is not a brand new theme, as it is included as an enabling plan for the delivery of the UHI 2015-20 strategy. In addition, within the current College Strategic Plan 2016-21, financial sustainability is included as a key target for the delivery of one of a number of key objectives.

Therefore, while there is a current, understandable, focus on recovery from the impact of the pandemic, it should be noted that financial sustainability has been a key element of both the current UHI and College strategies. As both of these strategies are due update it is likely that financial sustainability will continue to be a core component within both of these strategies.

Operational Plan to RoA

There are no explicit links between the Operational Plan and the RoA. However, the requirements of the RoA are taken into account when strategic and operational plans are being developed. As the Operational Plans also contain estimates of expected student numbers, these will align to the current RoA requirements.

Communication

The Strategic Plan 2016-2021 is available to all staff, students and any interested parties on the intranet and via the College website.

Guidance is in place and provided to the team managers detailing the agreed business priorities and how to complete the plans with the relevant information as outlined above under Objective 1. As part of this process, team managers discuss and agree with their staff the business priorities to be reflected in the forward plans. Once the plans have been approved the team managers are also responsible for communicating the agreed plans to their staff.

Corporate Planning / Regional Outcome Agreement Planning

Objective 3: Operational plans are robust and include detailed prioritised action plans.

As part of our audit testing, we sampled a selection of team plans and examined them to ensure that they link to the agreed operational priorities and had been completed in line with the required guidance. We reviewed the initial draft 2021/22 Operational Plans prepared for the following teams:

- Student Experience - Admissions
- The International Team; and
- Learning and Teaching Enhancement.

Our testing confirmed that the required operational planning templates have been completed in line with the agreed process and that all the plans objectives are aligned to planning for the college's financial sustainability. In addition, the plans, have clearly defined timelines, and owners identified for the delivery of planning objectives and activities, as well as identifying key dependencies for the delivery of these plans.

These draft plans are reviewed by SMT and once approved are included within the College's combined Operational Plan.

Corporate Planning / Regional Outcome Agreement Planning

Objective 3: Operational plans are robust and include detailed prioritised action plans. (continued)					
Observation	Risks	Recommendation	Management Response		
<p>A key element of our audit testing was to ensure that the proposed Operational Plans are defined in such a way that progress can be tracked readily. Normally this would be achieved by setting out measurable outcomes that would be defined in line with the following approach known as (SMART):</p> <ul style="list-style-type: none"> • S - Specific; • M - Measurable; • A - Achievable; • R - Relevant; and • T - Timebound. <p>However, the review of the draft plans listed above did not identify any defined or measurable targets in place. In addition, while the plans do identify dependencies required to deliver the planned objectives and activities, they do not document the assessed risks associated with failure of these interdependencies and the impact of failure on the successful delivery of the plans.</p>	<p>Operational plans do not deliver resulting the college not achieving its stated objectives.</p>	<p>R1 Guidance should be provided to managers on how to develop specific and measurable deliverables as part of the operational planning process. In addition, the dependency risks should also be identified, and mitigating actions set out within the Operational Plans.</p>	<p>Review guidance given to teams on how to set SMART objectives and update prior to Operational Planning process;</p> <p>Roll out to Managers through CMT and the Professional Services Group.</p> <p>To be actioned by: Deputy Principal via Project & Planning Officer</p> <p>No later than: 31 December 2021</p>		
			<table border="1"> <tr> <td>Grade</td> <td>3</td> </tr> </table>	Grade	3
Grade	3				

Corporate Planning / Regional Outcome Agreement Planning

Objective 4: The Strategic Plan, Regional Outcome Agreement and operational plans are being appropriately monitored and controlled, including through the use of key performance indicators.

Our audit reviewed the approach in place to monitor and report on progress in the following areas.

Strategic Plan

The College maintains a balanced scorecard, which allows monitoring and reporting against an agreed suite of KPIs. This balanced scorecard tracks performance against the KPIs identified within the Strategic Plan and contains information on the current performance against the agreed metrics, detailing areas where target performance levels are being achieved, maintained or are being missed.

Progress against the KPIs contained within the balanced scorecard is tracked on a quarterly basis and is reported and discussed at the College's SMT, key governance forums (including the Academic Affairs Committee and Audit Committee) as well as the Board. For the next academic year 2021/22, the suite of KPIs which will be incorporated into the balanced scorecard have been aligned with the College's objectives described above under objective 1.

Regional Outcome Agreement:

Perth College UHI, as an integral part of UHI, contributes to the RoA'. At a UHI level this is overseen by the UHI Partnership Council which monitors the performance of each of the Academic partners. Internally within the College, progress against this contribution is closely monitored against the key SFC priorities. Progress against the agreed measures is captured and reported in the balanced scorecard reports and is also reflected in the statistics contained within the College's latest Evaluative Report and Enhancement Plan (EREP). In addition, to these measures progress against current RoA outcomes is also available from a number of independent sources, including annual student satisfaction surveys and annual validation of the College's SFC credits.

Operational Plans:

The agreed annual operational plans are normally subject to a formal review on a six-monthly basis, but due to the impact of the Covid-19 Pandemic this review did not take place in the current academic year 2020/21. This process is planned to be reintroduced for the next academic year 2021/22 and we have received assurances that as part of this 2021/22 review process the actual progress against planned will be assessed. Where required, actions should be taken to address any issues that arise or any changes to the plan as a result of changing circumstances or underperformance. In addition, where these Operational Plans contribute directly to the Balanced Scorecard KPIs the progress of these agreed actions will be captured within this process.

Corporate Planning / Regional Outcome Agreement Planning

Objective 5: There is effective linkage between planning and budgeting at all levels.

Annually College departments complete their budget templates detailing their bid for financial resources to deliver their operational objectives and plans. The College has updated its approach to the development of the budget, with each department now required to provide more detailed information in the elements that make up its budget bid including:

- Staffing costs, both permanent and agency including details of teaching hours;
- Non staff teaching costs;
- Goods and services costs;
- ICT costs;
- Overheads costs;
- Repairs and maintenance;
- Travel Costs; and
- Bids for capital expenditure in excess of £5,000.

The revised budget setting approach requires more detailed information to be supplied within the budget bid including detail around the expected teaching hours for staff. Support is available from the Finance team when departments are developing their budget bid and completing the template. For the next financial year budget holders are required to provide a monthly profile of their expected annual expenditure.

Submitted templates are reviewed by SMT to ensure that these plans support the delivery of operational and strategic objectives. As part of the review and approval process, SMT may invite the departments to provide a presentation to support their budget bid. Once the budgets are approved by SMT the College annual budget is prepared and submitted to the Board for approval.

During the financial year the Finance team provide departments with quarterly financial reports which are considered by SMT, the Finance and General Purposes Committee and the Board,. This reporting framework aligns with the reporting of the College's balanced scorecard process.

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Perth College UHI

Paper 9

Committee	Audit Committee
Subject	FOI & Data Protection Quarterly Update
Date of Committee meeting	31/05/2021
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	24/05/2021
Executive summary of the paper	Summary of data relating to FOI requests received and data protection issues raised for the Quarter to 30 April 2021
Consultation How has consultation with partners been carried out?	Information provided in this paper is provided within quarterly statistics provided to the Scottish Information Commissioner
Action requested	<input checked="" type="checkbox"/> For information only <input type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input type="checkbox"/> For approval
Resource implications (If yes, please provide details)	No
Risk implications (If yes, please provide details)	Informs Risk Register
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] 	Informs Risk Register

Perth College UHI

<u>Equality and diversity</u> Yes/ No If yes, please give details:	No
Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	No
<u>Data Protection</u> Does this activity/ proposal require a Data Protection Impact Assessment?	No
Status (e.g. confidential/non confidential)	Non-Confidential
Freedom of information Can this paper be included in "open" business?	Open Business

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

Further guidance on application of the exclusions from Freedom of Information legislation is available via:

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

Perth College UHI

and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Quarterly Freedom of Information & Data Protection Update

Academic Year 2020/21 | Quarter 3 | February – April 2021

1. Executive Summary

Quarter 3 saw FOI requests broadly in line with expectations, with Subject Access Requests showing a nil return, and one of two Data Breaches for the quarter resulted into a report being submitted to the Information Commissioner's Office (ICO).

The Quarter's main Data Protection activity centred around 3 separate investigations being conducted by the Office of the Scottish Information Commissioner (OSIC) following complaints submitted, all of which related to FOIs submitted by a single individual around a complex historic case. Conducting these investigations involves a considerable amount of time to ensure that the information submitted to OSIC is relevant and accurate, and in each case additional clarification was requested by OSIC. It is hoped that the information provided should conclude these investigations, and one complaint has subsequently been withdrawn.

The ongoing Request To Be Forgotten remains to be concluded. Whilst processes were discussed and resources put in place to commence local processing, this was impacted by the cyber security incident, resulting in a delay to the processing of emails and data files.

Board Members are advised the recent cyber security incident is not recorded on Perth College statistics as it is deemed to be a UHI breach.

2. Freedom of Information

a. Total Number of Requests – Year to Date

2020/21 Q1	2020/21 Q2	2020/21 Q3	2020/21 YTD	2019/20 Full Year	2018/19 Full Year
7	9	5	21	28	39

b. Total Number of Requests – Year-on-Year Comparison

2020/21 Q3	2019/20 Q3	2018/19 Q3
5	3	7

c. Request Topics

Type	Q3	YTD
Academic-Related	1	5
Student-Related	0	5
Compliance	1	2
Financial	0	1
Estates	0	2
HR	2	4
Operational Management	1	2
TOTAL	5	21

d. Request Sources

Type	Q3	YTD
Legal Representative	1	4
Campaigning Groups	0	3
Trade Union	1	2
Press	1	1
Staff	0	0
Student	0	2
University Research	2	3
Unknown/Anonymous	0	6
TOTAL	5	21

e. Response Times 2020/21

	Q1	Q2	Q3	YTD
Replied within Statutory Time	6	5	5	16
Late	1	3	0	4
To be completed	0	1	0	-

f. FOI Narrative

FOI requests remain broadly in line with 2019/20 figures.

One FOI request submitted in Quarter 2 remains incomplete due to a requirement to access hard-copy archive files, which has proved difficult to achieve under COVID restrictions. It is hoped to access this information as COVID restrictions are eased. The requester is aware of the situation and regular communication is in place.

3. Data Protection

a. Total Number of Requests – Year to Date

	2020/21 Q1	2020/21 Q2	2020/21 Q3	2020/21 YTD	2019/20 Full Year	2018/19 Full Year
Subject Access Requests	2	4	0	6	6	10
Data Breaches	3	3	2	7	13	13

b. Total Number of Requests – Year-on-Year Comparison

	2020/21 Q3	2019/20 Q3	2018/19 Q3
Subject Access Requests	0	1	2
Data Breaches	2	1	0

c. Subject Access Request Information

There were no SARs received in Q3.

d. Data Breach Information – Q3

Incident	Action Taken	ICO informed?
<p>Staff member failed to switch off recording of online class when class completed. Student revealed personal data, then recording posted online for class to access (max 12 students).</p>	<p>Recording taken offline then re-edited.</p> <p>Student contacted to inform of breach.</p>	<p>No – risk threshold not reached.</p>
<p>Email issued by Quality department containing a historic appeal letter (concerning a case from 2019) was issued to a student in error.</p> <p>The incorrect appeal letter contained outline information regarding grounds for appeal submitted, including oblique reference to medical conditions.</p>	<p>Primary recipient of data, plus additional recipients who the data was forwarded to, were contacted requesting deletion of data and confirmation of deletion requested.</p> <p>Despite an additional request, the primary recipient did not confirm deletion of email and attachments as they believe it advances their own case for appeal.</p> <p>Primary recipient advised that refusal to delete data may be deemed to be in contravention of Section 170 of the Data Protection Act 2018.</p> <p>College yet to receive further communication from the primary recipient.</p>	<p>Yes, as a precautionary measure due to perception of risk.</p> <p>No further action taken by ICO.</p>

Ian McCartney
24 May 2020