

Audit Committee

Agenda

Meeting reference: Audit 2021_22/03

Date: Wednesday 16 March 2022 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			
4a	Minutes of the Meeting of Audit Committee held on 29 November 2021		Chair	Paper 1
4b	Minutes of the Extraordinary Meeting of the Finance and Resources & Audit Committees held on Monday 28 February 2022		Chair	Paper 2
5	Actions arising from previous minutes			
6	Compliance			
*6.1	Audit Action Plan – Progress Update		Vice Principal	Verbal
*6.2	Strategic Risk Register – Exceptions Update	Clerk	Clerk	Paper 3
*6.3	Internal Audit Action Plan 2021/22 – 2024/25	Henderson Loggie	Henderson Loggie	Paper 4
*6.4	Internal Audit Overpayment Report	Henderson Loggie	Henderson Loggie	Paper 5

7	FOI & Data Protection			
7.1	Freedom of Information & Data Protection quarterly update		Clerk	Verbal
8	Date and time of next meeting: <ul style="list-style-type: none"> Tuesday 31 May 2022, 5:00pm 	Clerk		
*9	Review of Meeting (Committee to check against the Terms of Reference to ensure all competent business has been covered)			Paper 6

Audit Committee

DRAFT Minutes

Meeting reference: Audit 2021-22/01

Date and time: Monday 29 November 2021 at 5.00pm

Location: Online

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

In attendance: Margaret Cook, Principal
Lorenz Cairns, Depute Principal (Academic)
Veronica Lynch, Vice Principal (External)
Iain Wishart, Director of Finance
Katy Lees, Head of HR & Organisational Development
David Archibald, Henderson Loggie
Rachel Wynne, Ernst & Young
Patrick O'Donnell, Staff Board Member

Apologies: Grace Scanlin, Ernst & Young
Stephen Reid, Ernst & Young
Andrew Comrie

Chair: **Jim Crooks**

Minute Taker: Trudy Guthrie

Quorum: 3

Summary of Historic Action Items			
Ref	Action	Responsibility	Time Line
	<u>Carried Forward from Meeting of 11 March 2021 and meeting of 29 November 2021</u>		
5	Matters Arising Issues surrounding safe use of personal devices to be raised at next H&S Committee meeting; Original action to be clarified and progressed as appropriate.	Head of HR & OD	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; Principal to confirm completion of action.	Principal	Next Meeting
	<u>Carried forward from Meeting of 31 May 2021 and meeting of 29 November 2021</u>		
8.1	Audit Action Plan Chair to inform joint Audit Chairs Committee re proposals for circulation and approval by Finance & Audit Committees.	Chair	Next Audit Chairs Meeting

Summary of Current Action Items			
Ref	Action	Responsibility	Time Line
6.1	Audit Action Plan Update Committee on progress with completion of Equalities actions.	Vice Principal	Next meeting
6.1	Audit Action Plan - Documenting Finance Processes Provide Committee with report on completion timescales and context including Sarbanes-Oxley principles.	Director of Finance	Next meeting
6.2	Code of Good Governance – Compliance Template Incorporate any comments received from Members and include comment on outstanding Equalities actions in final compliance report to Board.	Principal	Next Board Meeting
6.3	Review of Risk Register Risk 17 – Update register to reflect current position.	Principal	Next Board Meeting
6.3	Review of Risk Register Risk 26 – Provide update to Committee on progress with integrated systems.	Director of Finance	Next meeting

6.3	Review of Risk Register Risk 29 - Review information provided on asset management risk.	Director of Finance	Next Board meeting
6.3	Review of Risk Register SMT to undertake overall review and update of Risk Register to reflect current deadlines, mitigating actions and residual risks.	Principal	Next Board meeting
6.4	Annual Health & Safety Report Forward internal audit plan by e-mail to Members for information.	Head of HR & OD	Post-meeting

MINUTES

Item		Action
1.	<p>Welcome and Apologies</p> <p>Chair welcomed everyone to the meeting and noted apologies.</p>	
2.	<p>Declaration of Conflict of Interest in any Agenda Item</p> <p>There were no declarations of interest.</p>	
3.	<p>Minutes of Meeting of Audit Committee, 4 October 2021</p> <p>The minutes were approved as an accurate record of the meeting.</p>	
4.	<p>Matters arising from previous minutes</p>	
	<p><u>Ref 6.1 – Audit Action Plan</u></p> <p>Vice Principal (External) drew attention to page 16 of the Plan and advised that we are now sitting at 93% of actions complete since last reporting period. Took Committee through the remainder of the items which still need actioning including the Comms Strategy which will now be moved to an April 2022 completion date. Head of HR & OD advised that a new EDI advisor will be starting on 20th December. A change of wording would be made on p19 of the report regarding training having taken place (this had been agreed by the Chair in consultation with a member of the Committee and Vice Principal (External))</p>	
	<p><u>Matters arising from 11 March 2021</u></p> <p><u>Ref 5 – Matters Arising</u></p> <p>Action 1: Head of HR & Organisational Development to compare KPIs in H&S Annual Report with other Academic Partners</p> <p>Action Update: Complete; Head of HR&OD confirmed other APs did not have a specific report; report had been reduced and modified.</p> <p>Action 2: Issues surrounding safe use of personal devices to be raised at next H&S Committee meeting</p> <p>Action Update: Deferred to next meeting; original action to be clarified and progressed as appropriate.</p> <p><u>Ref 12 – Review of Meeting</u></p> <p>Action: Clerk to update Terms of Reference to clarify that membership of F&GP Committee precludes membership of Audit Committee, and vice versa.</p>	<p>Head of HR</p>

	<p>Action Update: Deferred to next meeting; Principal to confirm and report back.</p> <p><u>Matters arising from 31 May 2021</u></p> <p><u>Ref 8.1 – Audit Action Plan</u> Action 1: Director of Finance to compose a paper outlining proposals for circulation and approval by F&GP and Audit Committees.</p> <p>Action Update: Complete; report on financial procedures on agenda.</p> <p>Action 2: Chair would inform joint Audit Chairs Committee re proposal reference above.</p> <p>Action Update: Deferred to next meeting.</p> <p><u>Ref 8.2 – Review of Risk Register</u> Action 1: Clerk to liaise with HR Manager re mandatory training around Health & Safety (Risk 17) and update accordingly.</p> <p>Action Update: Risk register on agenda; action transferred to current actions.</p> <p>Action 2: Clerk to update Risk 26 based on discussion around integrated HR/Finance/Payroll systems</p> <p>Action Update: Risk register on agenda; Perth College in discussions with Inverness and Moray Colleges re integrated Financial and HR systems; no plan to use Tech One system used by EO; action transferred to current actions.</p> <p>Action 3: Clerk to revise risks around Asset Management (Risk 29) based on Audit Report.</p> <p>Action Update: Risk register on agenda; action transferred to current actions.</p>	<p>Principal</p> <p>Chair</p>
<p>4.</p>	<p>Audit Action Plan – Progress Update</p> <p>DA of Henderson Loggie presented this summary of work completed in 2021. He reiterated to the Committee that he is independent from the College which complies with the Public Standards Body. Discussed two reports which have significant issues and require improvement, these are the Asset Management Report and the Staff Skills Report. The Committee discussed how these can be improved and appreciated that this will not be able to looked at until next year. Also discussed progress and updated what has been done around implementing the recommendations from areas highlighted for improvement last year. DA stated he</p>	

	met with members of the SMT to draft a 3 year strategic plan and will bring this to the next meeting.	DA
5.	Internal Audit Annual Report 2020-21	
6.	Internal Audit Reports	
6.1	<p>Internal Audit Report No: 2021/06 – Student Recruitment & Retention</p> <p>DA of Henderson Loggie stated that an overall high level of recruitment and retention has been maintained after the recovery from the cyber incident. Students are engaging with their studies well and are happy with the revised way of working. Procedures need to be reviewed along with a couple of minor recommendations. The Chair asked about the absence of the central monitoring process. Board member wanted further discussion about retention rates of students in the college and would appreciate an update. Depute Principal (Academic) updated the Board with recent results from detailed information and advised that we are currently at 92% of our target for this year. Depute Principal (Academic) to ask DL to share this data with this Committee. The Principal advised that the Governance for all these areas is very much a focus. A discussion also took place around how we monitor recruitment and retentions in Board Inductions.</p>	Depute Principal (Academic)
6.2	<p>Internal Audit Report No: 2021/07 – Follow Up Reviews</p> <p>DA of Henderson Loggie stated that good progress has been made. Partially implemented reviews will be picked up as part of future follow up reviews, in particular the Procurement Report is Jan 2022 and the Health & Safety risk assessments should also be completed on Jan 2022. DA reassured the Committee that work is continuing and is close to completion. Director of Finance advised that they should hit the time frame regarding procurement changes but is keen to ensure this is done to the highest standard.</p>	
6.3	<p>Internal Audit Report No: 2021/08 – Staff Skills Report – November 2021</p> <p>DA of Henderson Loggie advised that this is a very detailed report and from his perspective he would split recommendations into two groups. The first relates to weaknesses in page 4 of the report. The second is the system issue which was flagged and shown to have a loss of functionality. Recommended an independent overview to make sure the programme re training needs is then carried out. Head of HR & OD advised that workforce planning has always been carried out outside the system. In terms of CPD we have seen it harder this last year due to the upgrade to CIPHR and</p>	

	resulting loss of functionality. HR are creating an organisational training plan which will help us move in the right direction. Head of HR & OD stated that HR will be starting the tender process for a new HR system in January 2022. All discussed potential risks if a new system is not in place by the end of next year. A further discussion took place regarding concerns with funding for the new system.	
6.4	Internal Audit Report No: 2022/01 – Student Activity Data DA of Henderson Loggie took the Committee through the report in detail and stated it is a positive report with only a couple of minor recommendations. The recurring issues will be followed up next year.	
6.5	Internal Audit Report No: 2022/02 – Student Support Funds DA of Henderson Loggie advised there were a couple of minor issues around EMA and this was just stated in the covering letter.	
13	Date & Time of Next Meeting • 9 March 2022, 5.00pm	
14	Review of Meeting Committee confirmed that the meeting had been conducted in line with its Terms of Reference.	

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Status of Minutes – Open

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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 2018? **Yes** **No**

Joint F & R & Audit Committee

DRAFT Minutes

Meeting reference: Joint F & R & Audit Committee 2021-22/01

Date and time: Monday 29 November 2021 at 5.00pm

Location: Online

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

In attendance: Margaret Cook, Principal
Lorenz Cairns, Depute Principal (Academic)
Veronica Lynch, Vice Principal (External)
Iain Wishart, Director of Finance
Katy Lees, Head of HR & Organisational Development
Grace Scanlin, Ernst & Young
David Archibald, Henderson Loggie
Rachel Wynne, Ernst & Young
Patrick O'Donnell, Board Staff Member
Brian Crichton, Chairman, Board of Management

Apologies: Grace Scanlin, Ernst & Young
Stephen Reid, Ernst & Young
Andrew Comrie

Chair: **Jim Crooks**

Minute Taker: Trudy Guthrie

Quorum: 3

MINUTES

Item		Action
1.	<p data-bbox="277 315 1126 383">Proposed Risk Management Framework Combining the Balanced Scorecard</p> <p data-bbox="277 423 1230 824">Director of Finance took the Committee through this proposal in detail. He stated that the Audit on the College accounts will start on January 10th when Ernst & Young will come into Perth College. He advised that the reason this is later than normal is due to unusual circumstances including Brexit etc. The Director of Finance discussed the documents in detail and gave an example of how this combination works in practice and how this could influence the Risk Management Framework going forward. He also shared a presentation on the Balanced Scorecard and took the Board through it in detail followed by the Risk Register document and how the two processes could work together.</p> <p data-bbox="277 864 1230 969">All discussed at length and the direction of travel on these documents and processes was agreed and the Director of Finance was tasked with taking this initiative forward.</p>	
2.	<p data-bbox="277 1021 756 1055">Double Salary Payment Update</p> <p data-bbox="277 1095 1214 1458">The Director of Finance presented a comprehensive document of how the incident had arisen and been addressed. He highlighted that £76k is still to be collected from over 50 people and Head of HR & OD has been writing to these individuals in relation to this. Director of Finance will send the Bank a paper and questions outlining Perth College's position. The Bank will come along to speak to the Board on the 13th December. All discussed how this double salary payment happened and concerns and implications around this. It was agreed that AST would also be invited to this meeting.</p> <p data-bbox="277 1498 1230 1603">The Principal advised the Committee that the UHI Court has asked for an internal audit to take place re this incident and a formal process will now take place.</p> <p data-bbox="277 1644 1222 1749">The Chairman of the Board asked The Director of Finance to pass on his appreciation to all concerned in addressing the issue so promptly.</p> <p data-bbox="277 1789 1238 2007">The Chairman asked if the Joint Committees of Audit and F&R were content that we commission our own internal audit service to conduct an investigation into the incident? Henderson Loggie agreed to undertake the work. For clarity UHI are asking that Perth College UHI commission and undertake the audit and then report back to them on the findings.</p>	

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Do the minutes contain items which may be contentious under the terms of the Data Protection Act 2018? **Yes** **No**

Extraordinary Meeting of Finance & Resources and Audit Committees

DRAFT Minutes

Meeting reference: F&GP_Audit 2021-22/EM

Date and time: Monday 28 February 2022 at 5.00pm

Location: Online

Members present: Jim Crooks, Chair, Audit Committee
Craig Ritchie, Chair, Finance & Resources Committee
Michael Buchanan, Board Member
Brian Crichton, Board Member
Andrew Comrie, Board Member
Heather Cormack, Board Member
Ann Irvine, Board Member
Debbie McIlwraith-Cameron, Board Member
Margaret Cook, Principal & Chief Executive
John Dare, Staff Board Member
Todor Pavlov-Kennedy, Student Board Member
Madeleine Brown, Student Board Member

In attendance: Derek Waugh, Co-opted Member, Finance & Resources Committee
Veronica Lynch, Vice Principal (External)
Iain Wishart, Director of Finance
Henry Nicholson, Financial Accountant
David Archibald, Henderson Loggie
Stephen Reid, Ernst & Young
Rachel Wynne, Ernst & Young
Ian McCartney, Clerk to the Board of Management

Apologies: Graham Watson, Board Member
Fiona Martin, Board Member
Lorenz Cairns, Depute Principal (Academic)

Co-Chairs: **Jim Crooks, Craig Ritchie**

Minute Taker: Ian McCartney

Quorum: Finance & Resources = 4; Audit = 3

MINUTES

Item		Action
1.	<p>Welcome and Apologies</p> <p>Chair (Audit) welcomed everyone to the meeting.</p>	
2.	<p>Declaration of Interest in any Agenda Item</p> <p>There were no declarations of interest.</p>	
3.	<p>Draft Perth College Group Report and Financial Statements for the Year ended 31 July 2021</p> <p>Director of Finance introduced Paper 1, expressing thanks to all involved in producing the accounts, in particular Henry Nicholson, Financial Accountant.</p> <p>Director of Finance presented summary headlines of the Income Statement, noting the Adjusted Operating Profit (AOP) of in excess of £1m was close to that estimated within the management accounts presented throughout the year. Some significant additional funding received from the Scottish Funding Council had more than off-set losses in Commercial income, and a number of cost areas had shown reduced expenditure due to COVID; indeed in some instances expenditure had been reduced to almost zero. Director of Finance noted that differences in AOP between final and management accounts was due to accounting adjustments in line with College policies, including taxation.</p> <p>Director of Finance advised that, while the accounts showed an underfunding of the LGPS pension fund of £(6.8)m, the triennial Funding Valuation actually showed that the fund was in surplus by £2.4m. The difference between the Accounting Valuation and the Funding Valuation was due to the different purposes of these valuations but the discount rate was the principal reason for the difference in value. Director of Finance explained that the Accounting valuation uses a discount rate based on AA Corporate Bonds while the Funding Valuation uses a discount rate based on the actual make-up of the fund which is heavily weighted in equities. The Accounting Valuation must use the AA Corporate Bond rate to be compliant with FRS102/IAS19.</p> <p>Chair of Audit asked whether the same issues in the Pension Provision held true for the Teachers Pension Fund. Director of Finance advised that the teaching staff pension is a defined contribution pension and therefore doesn't have any reporting requirements in the accounts. Financial Accountant further advised that the Scottish Public Pensions Agency could not provide</p>	

	<p>disaggregated information to individual organisations.</p> <p>Chair of Finance & Resources noted that the information provided was entirely consistent with that seen elsewhere; both valuations were doing different jobs and accounting approaches had been set to be consistent in approach.</p> <p>Chair of Board stated that no issues were being advised from the Pension Trustees that would require Perth College to review overall contribution rates in the short term.</p> <p>Director of Finance advised that both the Trustees and the Actuary were comfortable with the positions being expressed, and that no challenge had been received from the Pensions Regulator.</p> <p>Co-opted Member of Finance & Resources asked for clarification on a large movement in Creditors. Director of Finance noted the breakdown of changes since 2019/20 provided in Notes 18 and 19 and advised that certain items such as unspent Student Support Funds had to be paid back, and that there was a much higher rate of accruals in deferred income relating to areas such as Childcare Support Funds and Student Rent.</p> <p>Chair of Finance & Resources had been prompted by a Board Member not able to attend to draw attention to the increase in Senior Staff Emoluments, and noted that the accounts did not clarify the addition of the Director of Finance to the Senior Management Team for part of the financial year, leading to the figures standing out.</p> <p>It was agreed that the Financial Statements be amended to include reference to the addition of the Director of Finance to Note 8.</p> <p>Chair of Audit noted that, while the Internal Audit Report for 2020/21 had previously been approved at the Audit Committee of November 29th 2021, there was some reference in the Financial Statements and the External Auditors' Annual Report of a post year-end Internal Audit Report into Payroll Double Payment, and the Internal Auditor was invited to provide a summary of the Report.</p> <p>Internal Auditor noted that a report had been commissioned into Payroll Double Payments arising in October 2021, and the ensuing report had also been shared with the Regional Strategic Body. The report raised 2 actions for the College around the reporting of progress to UHI on recovery of overpayments, and to ensure that reporting requirements laid out in the Financial Memorandum between Perth College and UHI are met.</p> <p>Internal Auditor advised that, while there were control weaknesses within system, it was important to recognise the speed of response by the College in addressing the matter and that subsequent testing of new controls had proven positive.</p>	<p>Financial Accountant</p>
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	<p>Chair of Audit further noted that, following appropriate consultation with the Chair of the Board, the Report had been shared with the Joint Chairs of Audit across UHI, however no response had yet been received on this matter.</p> <p>Chair of Board requested that the External Audit Report recognised the Double Payment issue as a post-year end event to aid understanding of non-experts in Audit practices.</p> <p>Board Member noted that Directors Report identified Board departures since end of reporting year but did not include new starts. Chair of Audit requested that this oversight be amended, suggesting an additional table to cover post-year end updates.</p> <p>The Report & Financial Statements were ENDORSED subject to amendments noted, and would be presented to the Board for final approval.</p>	Financial Accountant /Clerk
4.	<p>External Audit Annual Report 2019-20</p> <p>External Auditor presented Paper 2 in draft form for both committees to consider in the execution of their governance responsibilities. While noting there were still some items outstanding within the report, following conclusion of these items it was intended to report an unqualified opinion, whereupon the report will be presented to Audit Scotland and published on their website.</p> <p>External Auditor noted that differences were set out in the appendices, however there were no issues of materiality to report. External Auditor further noted contentment around the assumptions around Pensions being reasonable.</p> <p>On the matter of Going Concern, External Auditor advised that the College was by default a Going Concern but that work had taken place with the College's Senior Management Team to ensure that appropriate disclosures and procedures were in place.</p> <p>External Auditor noted significant challenges across the College Sector in relation to financial sustainability, and had highlighted risks around key items of financial management within the Report, resulting in a Red rating.</p> <p>External Auditor added that an Amber rating had been advised for Governance & transparency, predominantly due to the absence of the Board Secretary role for an extended period, and Value For Money.</p> <p>External Auditor completed presentation by advising that the Differences noted on pages 37 and 38 had both received Management Responses.</p> <p>Chair of Audit noted appreciation in notes re financial sustainability</p>	

	<p>being largely out of the control of the College.</p> <p>Chair of Finance & Resources queried whether Red RAG rating on Financial Management was based on previous Audit Report, or had been influenced by recent issues such as the Payroll Double Payments. External Auditor advised that the rating took into account the degree of progress and actions ongoing on previous reports, noting the challenges around resources within the Finance department and the amount of manual processes still required. The Payroll Double Payments issue therefore did not affect the Red RAG rating.</p> <p>Chair of Board expressed interest in the Report's comments around FFR, particularly given the position that the College is in effect a Going Concern until the Scottish Government states otherwise. Chair of Audit reinforced this comment, noting the position that the College is in a position to develop its own FFR outside of the wider process required by SFC, however such a position would require to be very realistic.</p> <p>Board Member commented on the Red RAG rating around Financial Management, noting that in an environment based predominantly on manual processing, errors are likely to be made and that there should be scope for extra control mechanisms to be brought in under any system-based control environment.</p> <p>External Auditor concluded by confirming that, following completion of outstanding items, the Accounts will be presented as unqualified. External Auditor noted that the Group Accounts were still to be completed pending submission of these from AST's external auditors.</p> <p>The External Audit Annual Report 2020-21 was ENDORSED.</p>	
<p>5</p>	<p>Audit Committee Annual Report to the Board of Management</p> <p>Vice Principal summarised Paper 3, noting the statutory requirement in the Financial Memorandum to provide this Report, which would be taken forward to the Board for their approval.</p> <p>The Report provides a summary of activity and reports provided to Audit Committee throughout the year, and External Audit processes and Value For Money considerations are also included.</p> <p>Vice Principal noted that Appendix 3 summarised the key changes which had occurred throughout the year.</p> <p>Co-opted Member of Finance & Resources queried whether the Audit Needs Assessment was connected to the Estates Strategy. Vice Principal noted that the Estates Strategy was at the very early stages of development, and that the Audit Needs Assessment was reflective of current circumstances rather than future requirements,</p>	

	The Audit Committee Report to the Board of Management was APPROVED .	
6	<p>Code of Good Governance Checklist</p> <p>Clerk to Board of Management presented Paper 4 for information, noting the checklist is designed to provide Board Members with reassurance that the College is fully compliant with the Code of Good Governance, and highlighting 3 areas of ongoing work around uploading of Board papers, updating of Equality & Diversity Policies, and negotiations around the Staff Governance Standard.</p> <p>Student Board Member suggested corrections around B1 relating to Student membership on this committee, and B5 around the HISA Perth Comms Intern role no longer being in place. Clerk will update these items.</p> <p>Chair Audit queried how monitoring of the Staff Governance Standard. Clerk noted that this would take place via Finance & Resources Committee as it is a staffing matter, however, due to the compliance element, it would also seem appropriate for updates to also be tabled at Audit Committee. Clerk to liaise with Head of HR & Organisational Development to ensure timely reports are received.</p> <p>Joint Committees NOTED the Code of Good Governance Checklist.</p>	<p>Clerk</p> <p>Clerk</p>
7	<p>Dates & Times of Next Meetings</p> <p>Dates of next meetings were confirmed as:</p> <ul style="list-style-type: none"> • Extraordinary Board - Monday 07 March 2022 @ 5:00pm • Finance & Resources – Monday 14 March 2022 @ 5:00pm • Audit – Wednesday 16 March 2022 @ 5:00pm. 	

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

Committee	Audit
Subject	Risk Register – Exceptions Update
Date of Committee meeting	16/03/2022
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	09/03/2021
Executive summary of the paper	<p>This paper provides Audit Committee with an opportunity to scrutinise and assess recent amendments to the Strategic Risk Register by exception.</p> <p>Committee members are asked to:</p> <ol style="list-style-type: none"> i. Review the suggested amendments; ii. Discuss the appropriateness of each Risk; iii. Review the currency of the Action Plan; iv. Assess the impact of mitigations; <p>Updates within the document have been highlighted in red.</p> <p>There have been amendments/additions to actions and/or Residual Risk scores in the following areas:</p> <p>Risk Reference 3 re international instability;</p> <p>Risk Reference 4 re UHI/Perth College branding;</p> <p>Risk Reference 14 re 2021/22 accounts AOP;</p> <p>Risk Reference 15 re External Audit recommendations;</p> <p>Risk Reference 17 re External Audit recommendations;</p> <p>Risk Reference 22 re new Board Member appointments;</p> <p>Risk Reference 25 re AST (Residual Risk decreased);</p> <p>Risk Reference 26 re Internal Audit report re Salary Overpayments (Residual Risk increased);</p> <p>Risk Reference 30 re COVID restrictions.</p>

Perth College UHI

<p>Consultation</p> <p>Please note which related parties, stakeholders and/or Committees have been consulted</p>	<p>n/a</p>
<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>Yes/ 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/No</p> <p>Without continual review of the risk register there are potential implications that significant risks are not mitigated.</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>

Perth College UHI

<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/No</p>
<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>Yes/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>Yes/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/No</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"/>

Perth College UHI

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

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

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
3*	Active	Developing a successful and sustainable organisation.	<p>International Student recruitment</p> <p>Lack of International student recruitment.</p> <p>Lack of RUK student recruitment.</p> <p>Sustaining International Partnerships</p> <p>Student recruitment behind targets</p> <p>International instability</p> <p>F&R</p>	<ul style="list-style-type: none"> UK Regulation Registration (UKVI) In country adverse political environment Availability of suitable product Marketing and attraction strategy <p>Insufficient resources in UHI to support development of international opportunities</p> <p>COVID-19</p> <p>Ongoing conflict in Europe</p>	<ul style="list-style-type: none"> Loss of income. Bad publicity. Lack of student diversification <p>Likely downturn in international recruitment</p> <p>Potential impact on foreign markets allied to Russia</p>	Vice Principal External	5	4	20	<ul style="list-style-type: none"> Student Testimonials. Closer links with the curriculum areas. Working with UHI VP International and External Engagement Explore combined product offering between College and AST. Delivery of Trans National Education Protection of UKVI Student Licence Review opportunities for employing staff in market New International Strategy Approved by Board Strategy is connected to UHI Sustainability Pan Recruitment data resulting from Chinese website being monitored within International Strategy Growth in new markets, eg Icelandic MBA 	20	↔	<ul style="list-style-type: none"> Deepen and establish new relationships Review delivery models inc commercial subsidiary Develop exchange opportunities for students and staff Enhance comms-and social channels Review of EU fee policy Engage with UHI re development of UHI International Strategy Collaborate with rest of Scottish College sector re bidding for vocational education options Capitalise on opportunities arising from Chinese website 	Vice Principal External	ongoing ongoing Ongoing Ongoing Complete ongoing Ongoing
4*	Active	Developing a successful and sustainable organisation. UHI Common Risk	<p>Institutional reputation</p> <p>The institution has a poor reputation.</p> <p>F&R</p>	<ul style="list-style-type: none"> Inequitable distribution of income across Partnership Consistent poor student experience/ performance Breakdown in Partner and Staff relations Confusion of brand identity re. Perth and UHI Adverse publicity Negative external perceptions due to internal processes (eg Consultation) 	<ul style="list-style-type: none"> Loss of income Increased costs Staff retention/ recruitment Student retention/ recruitment. Loss of accreditations. Damage to reputation Evidence of increased FOI requests on sensitive issues Increase in referrals to ICO related to College activity 	Principal	3	4	12	<ul style="list-style-type: none"> Heightened awareness of causes of poor reputation. Heightened reinforcement of the value of Perth College. Building trust with Partners. Effective marketing of College and UHI. Maintain communication via employer engagement. Annual marketing and PR Plan in place. <p>Agreement in principle reached with UHI re approach to UHI Branding and retention of Perth College name therein.</p>	8	↔	<p>Review, update and implement communications and PR strategy</p> <p>UHI Unified Branding Market Testing and Implementation</p>	Principal	7/10/21 Target completion now Jan 2022. March 2022

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
14*	Active	Developing a successful and sustainable organisation.	<p>Financial sustainability</p> <p>Unable to achieve a breakeven Adjusted Operating Profit (AOP) on a sustainable basis.</p> <p>F&R</p>	<ul style="list-style-type: none"> Significant fall in income. Staff costs + non-staff costs are higher than income. Local consequences of National bargaining Occurrence of event on disaster recovery plan. 	<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. 	Director of Finance	<p>Ongoing – will evolve and develop over next 9 months.</p> <p>Ongoing – in place from September 2021</p> <p>Ongoing – in place from Jan 2021</p> <p>Ongoing – new process from Jan 2021, live from Aug 2021</p>
15*	Active	Developing a successful and sustainable organisation. UHI Common Risk	<p>Internal controls</p> <p>Internal controls do not exist or are not effective in preventing a significant issue/event.</p> <p>F&R</p>	<p>No ERM strategy in place.</p> <p>Existing controls not tested regularly.</p> <p>Risk not identified, therefore controls not in place.</p> <p>Staff have not been trained in risk identification and control development.</p> <p>COVID-19</p>	<p>Significant events occur where no controls are in place.</p> <p>Significant events occur where controls are in place.</p> <p>2020/21 External Audit Report stresses need for improved systems due to current reliance on manual inputs</p> <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	<p>Number of relevant policies in place.</p> <p>Regular Internal Audit programs.</p> <p>Annual External Audit.</p>	15	↔	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.	<p>Statutory compliance</p> <p>Non-compliance of Statutory Health and Safety Legislation and Equality Legislation</p>	<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 	<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. 	16	↔	<ul style="list-style-type: none"> Plans in place to enforce completion of Compulsory H&S training New E and D officer appointment 	Head of HR	<p>Completed</p> <p>October/ November 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
			external individuals or bodies. F&R	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.							(3,4)		utilised to identify at-risk non-Cloud systems following cyber incident Embed data and information security within all job roles	SMT	7/10/21 Complete April 2021 7/10/21 Ongoing December 2021
25	Active	Developing a successful and sustainable organisation	Commercial subsidiary Financial failure of commercial subsidiary F&R	Deterioration in economic viability of subsidiary COVID-19	Poor outlook due to worldwide collapse in aviation market	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 • AST reported profit of +£190k in 2020/21 annual accounts 	15 (3,4)	↓	<ul style="list-style-type: none"> • 2020/21 Business Plan reviewed once return dates are confirmed • Implement robust cashflow forecasts 	Vice Principal External Finance Director	Complete Ongoing
26	Active	Developing a successful and sustainable organisation	Payroll Failure of payroll systems & procedures results in non-compliance with standards Audit	Lack of integrated HR, Payroll and Finance systems	Recorded instances of erroneous NI payments Incorrect reporting of pensions liabilities and tax payments arising from erroneous NI payments Staff dissatisfaction with issue and/or steps taken to rectify 2020/21 External Audit Report stresses need for improved systems due to current reliance on manual inputs	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 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 	9 (3,3)	↑	<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

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		
					Salaries Double Payment recorded Nov 2021					<ul style="list-style-type: none"> 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 							
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>Relaxation of various Covid measures permitted from March 2022</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</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 Relaxation of various COVID measures permitted from March 2022 	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	7/10/21 Ongoing Immediate		
											(5,4)						

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	
					(Ref 11) Uncertain future for development activities and appetite for external engagement post-Outbreak, including Tay Cities Deal (Ref 9) 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 UHI

Strategic Plan 2021 to 2024 and Internal Audit Annual Plan 2021/22

Internal Audit Report No: 2022/04

Draft issued: 9 March 2022

Final issued:



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1. Introduction

- 1.1 The purpose of this document is to present for consideration by management and the Audit Committee the annual operating plan for the year ended 31 July 2022. The plan is based on the proposed allocation of audit days for 2021/22 as set out in the Internal Audit Strategic Plan 2021 to 2024. The preparation of the Strategic Plan involved dialogue with senior management, the Chair of the Board and the Chair of the Audit Committee.
- 1.2 A copy of the Internal Audit Strategic Plan is included at Section 2 of this report.
- 1.3 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment to be undertaken during 2021/22, together with the proposed audit approach. These have been arrived at following discussion with a range of senior managers across the SMT and CMT to prepare the initial draft. The outline scopes will be refined and finalised after discussion with responsible managers in each audit area prior to each audit.
- 1.4 Separate reports will be issued for each assignment with recommendations graded to reflect the significance of the issues raised. In addition, audit findings will be assessed and graded on an overall basis to denote the level of assurance for the area reviewed and therefore the priority that should be given to each report.
- 1.5 There is an expectation by external auditors that some element of review is included in the internal audit programme each year in relation to core financial systems; budgetary processes and controls. This has been taken into consideration in formulating the Strategic Plan.
- 1.6 Value for Money (VFM) is an integral part of all audits and has been mentioned at key points within this ANA. Specific VFM reviews will be carried out in areas agreed with management and the Audit Committee although VFM is considered as an integral part of any audit work that we are undertaking.
- 1.7 We will draw on the experience within our team to provide input on the use of a wide range of business improvement tools, including the use of lean systems and methodologies, where this is appropriate and relevant to the specific audit assignment.
- 1.8 For discussion purposes, at Section 2 we have included proposed coverage for the three years commencing 2021/22 which has been determined from the ANA process. This takes into account previous internal audit coverage and other sources of assurance available to the College.
- 1.9 At Section 3 we have included high-level outline scopes for each of the proposed areas to be covered in the 2021/22 internal audit programme. The activity for the Credits; Bursary, Childcare and Hardship Funds; and EMA audits, has already been reported to the Audit Committee at the November 2021 meeting. The Payroll Double Payment review has also been completed but has been included for completeness.
- 1.10 Separate reports will be issued for each assignment. Recommendations are graded in each report to reflect the significance of the issues raised.
- 1.11 We can confirm that our audit service complies with Public Sector Internal Audit Standards (PSIAS).



2. Strategic Plan 2021 to 2024

The Strategic Plan covers the financial years 2021/22 to 2023/24. Audit days have been allocated to the categories identified from our review of key risk areas to produce a rolling programme of work. Frequency of visits, the number of days allocated, and the position in the audit cycle has been determined with reference to the combined risk factors identified in the ANA, and previous internal and external audit coverage.

Audit Methodology

In all cases the audit work involves:

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



Strategic Plan 2021 to 2024 (Continued)

Proposed Allocation of Audit Days

	Category	Priority	Planned 21/22 Days	Planned 22/23 Days	Planned 23/24 Days
Reputation					
<i>Publicity and Communications</i>	Gov	M			
<i>Health and Safety / Wellbeing</i>	Gov	H			5
Student Experience					
<i>Curriculum</i>	Perf	M			
<i>Quality</i>	Perf	M	5		
<i>Student support</i>	Perf	M			
<i>Student recruitment and retention</i>	Fin/Perf	M/H			
<i>Student welfare – Duty of Care</i>	Perf	M			
<i>Students Association</i>	Gov	L/M			
Staffing Issues					
<i>Staff recruitment and retention</i>	Perf	M			
<i>Staff development</i>	Perf	M			
<i>Payroll</i>	Fin	M/H	5		
<i>Teaching staff utilisation</i>	Perf / Fin	M			
Estates and Facilities					
<i>Building maintenance</i>	Fin/Perf	M/H	4		
<i>Estates strategy / capital projects</i>	Fin/Perf	M			
<i>Space management / room utilisation BPR</i>	Perf	H		5	
<i>Asset / fleet management</i>	Perf	M			
Financial Issues					
<i>Budgetary control</i>	Fin	M			
<i>Student invoicing and debt management</i>	Fin	M			
<i>General ledger</i>	Fin	L			
<i>Procurement and creditors / purchasing – Sustainable procurement</i>	Fin	M/H		5	
<i>Debtors / Income</i>	Fin	M/H	4		
<i>Cash & Bank / Treasury management</i>	Fin	M			
<i>Fraud Prevention, Detection and Response</i>	Fin	M			4
<i>Financial sustainability</i>	Fin	H			



Internal Audit Annual Plan 2021/22 - DRAFT

Proposed Allocation of Audit Days

	Category	Priority	Planned 21/22 Days	Planned 22/23 Days	Planned 23/24 Days
Commercial Issues					
<i>Business Development</i>	Fin/Perf	M			
<i>External Activities</i>	Gov/Fin/Perf	M			
Organisational Issues					
<i>Risk Management</i>	Perf	M/H			5
<i>Business Continuity</i>	Perf	M		5	
<i>Corporate Governance</i>	Gov	M			
<i>Corporate Planning</i>	Perf	M			
<i>Performance reporting / KPIs</i>	Perf	M/H		4	
<i>Partnership Working (incl. Regional Engagement)</i>	Gov/Perf	H	5		
<i>Equalities</i>	Gov	L/M			
<i>Environmental Sustainability</i>	Gov/Perf	M			
Information and IT					
<i>Cyber security</i>	Perf	M/H			5
<i>Data protection / records management</i>	Gov	H		5	
<i>FOI</i>	Gov	M			
<i>ICT and Digital Transformation Strategy implementation (with specific focus on digital capability)</i>	Perf	M/H			4
<i>Licencing</i>	Perf	L			
Other Audit Activities					
Credits Audit	Required		5	5	5
Bursary, Childcare and Hardship Funds Audit	Required		4	4	4
EMA Audit	Required		1	1	1
Management and Planning)			3	3	3
External audit / SFC)					
Attendance at Audit Committee)					
Follow-up reviews			2	2	2
Payroll Double Payment			5		
Audit Needs Assessment			2		
Total			45	39	38
			====	====	====

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

BPR = Business process review



3. Outline Scope and Objectives

Audit Assignment:	Quality
Priority:	Medium
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	5

Scope

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

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

In responding to these principles, each college was required to produce an Evaluative Report and an associated Enhancement Plan. These describe the methodology and approaches taken to evaluation and the context in which the evaluation was carried out. Evidence gathered is used to evaluate the accuracy and appropriateness of the college-devised Evaluative Report, Enhancement Plans and associated proposed grading outcomes. Submitted reports are subject to independent scrutiny and endorsement procedures. Individual college reports and associated endorsement statements are published on the Education Scotland website.

The scope of this audit will be to review the steps to adapt quality arrangements during the COVID-19 pandemic; assess compliance with the College’s quality procedures by academic areas; and review the progress made by the college in implementing the actions identified within its Enhancement Plan.

Objectives

The objective of our audit will be to obtain reasonable assurance that:

- the College’s quality procedures have been adapted to reflect the impact of the COVID-19 on the planning and delivery of learning and teaching;
- the College’s quality procedures are being adhered to in key areas; and
- progress is being made with implementation of the actions identified on the College’s Enhancement Plan.



Audit Assignment:

Quality (Continued)

Our audit approach will be:

We will assess whether the above objectives have been met through discussion with the Depute Principal – Academic, the Associate Principal, and other managers involved in Quality Enhancement, and through review of relevant documentation.



Internal Audit Annual Plan 2021/22 - DRAFT

Audit Assignment:	Payroll
Priority:	Medium / High
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	5

Scope

This audit will consider the key internal controls in place over the College’s spend on staff costs of approximately £20m per annum. Our audit will cover the procedures in place within both the Human Resources and Payroll teams. This will cover the payment of staff expenses, with a focus on the way in which the new policy and procedures are being embedded.

Objectives

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

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

Our audit approach will be:

From discussion with Human Resources and Payroll staff, and review of procedures documentation, we will identify the key internal controls in place within the College’s human resources / payroll system and compare these with expected controls. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.

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



Internal Audit Annual Plan 2021/22 - DRAFT

Audit Assignment:	Building Maintenance
Priority:	Medium / High
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	4

Scope

This review will examine the extent to which College forward planning will support lifecycle maintenance for the College estate given the limitations on available funding.

Objectives

- the College has an Estates Maintenance Strategy in place which is aligned with the College’s strategic planning objectives and other relevant strategies;
- oversight of the Estates Maintenance Strategy, including review of implementation and funding risks, have been aligned to an appropriate committee reporting to the Board;
- progress made on lifecycle maintenance projects, and expenditure against budget, is monitored by management and an appropriate committee(s). The process includes arrangements to ensure value for money is achieved;
- regular condition surveys are undertaken, and other good quality information is available, to inform asset management decisions;
- plans are in place to maintain the College’s assets in good condition, as economically as possible, and in line with manufacturer’s warrant conditions, in order to meet changing and rising standards as far as they can be foreseen; and
- there is a comprehensive cyclical testing and maintenance programme that covers all items requiring regular testing or maintenance under the relevant legal and regulatory framework.

Our audit approach will be:

Through discussion with the Head of Estates, and review of documentation, we will then establish the systems and controls which have been put in place to ensure that these responsibilities are met. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.

Compliance testing will be carried out where necessary to ensure that the controls in place are operating effectively.



Audit Assignment:	Debtors / Income
Priority:	Medium / High
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	4

Scope

This audit will focus on the systems of internal control in place for income within the College in relation to commercial income generating activities, education contracts and other income. In addition, debt management and recovery procedures will be considered.

Objectives

The objectives of this review will be to ensure that:

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

Our audit approach will be:

From discussion with Finance and wider College staff we will identify the key internal controls in place in the above areas and compare these with expected controls. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.

Compliance testing will then be carried out where necessary to ensure that the controls in place are operating effectively.



Audit Assignment:	Partnership Working (including Regional Engagement)
Priority:	High
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	5

Scope

This audit will review of the adequacy and effectiveness of the processes and procedures for stakeholder mapping and planning and delivering partnership engagement. This will include specific review of the way in which the College engages with UHI (as Regional strategic Body) in identifying opportunities, planning and delivering partnership activity.

Objectives

The objectives of the audit will be to ensure that:

- There is a process in place to identify key external stakeholders and to align them with regional strategic objectives;
- There is regular dialogue between the College and external stakeholders (including UHI) to facilitate the delivery of regional priorities through partnership activity;
- Effective governance arrangements are in place for effective stakeholder/partnership working – specifically scrutiny and accountability arrangements;
- The College has agreed a set of measures and targets to track progress and demonstrate the impact of partnership activity; and
- There is a common understanding between the College and UHI of the collective resources required to deliver regional priorities through partnership activity and the College works effectively with stakeholders to direct funding, assets and staffing in a sustainable partnership framework.

Our audit approach will be:

We will apply where applicable Audit Scotland’s Best Value toolkit for Effective Partnership Working through discussion with the Depute Principal – Academic, the Vice Principal – External, the Director of Finance and also discussion with key external stakeholders (including UHI). We will supplement these discussions with a review of supporting information, and will form conclusions on the effectiveness of the College’s engagement with stakeholders in taking forward partnership working arrangements.



Internal Audit Annual Plan 2021/22 - DRAFT

Audit Assignment:	Credits Audit
Priority:	Required annual audit
Fieldwork Timing	September 2021
Audit Committee Meeting:	November 2021
Days:	5

Scope

Credits Audit Guidance, issued by SFC, requests that colleges obtain from their auditor assurances as to the reasonableness of procedures used in the compilation of the Credits related element of the student activity data for the academic year (FES return).

Objectives

To obtain reasonable assurance that:

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

Our audit approach will be:

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

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

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

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



Internal Audit Annual Plan 2021/22 - DRAFT

Audit Assignment:	Bursary, Childcare and Hardship Funds Audit
Priority:	Required annual audit
Fieldwork Timing	September 2021
Audit Committee Meeting:	November 2021
Days:	5

Scope

We will carry out an audit on the College's student support funds for the year ended 31 July 2021 and provide an audit certificate.

Objectives

The audit objectives will be to obtain reasonable assurance that:

- the College complies with the terms, conditions and guidance notes issued by the SFC and SAAS;
- payments to students are genuine claims for hardship, childcare or bursary, and have been processed and awarded in accordance with College procedures; and
- the information disclosed in each of the returns for the year ended 31 July 2021 is in agreement with underlying records.

Our audit approach will include:

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

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



Audit Assignment:	Education Maintenance Allowance (EMA)
Priority:	Required annual audit
Fieldwork Timing	September 2021
Audit Committee Meeting:	November 2021
Days:	1

Scope

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

Objectives

To obtain reasonable assurance that:

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

Our audit approach will be:

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



Internal Audit Annual Plan 2021/22 - DRAFT

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	2

Scope

This review will cover reports from the 2020/21 internal audit programme and reports from earlier years where previous follow-up identified recommendations outstanding.

Objectives

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

Our audit approach will be:

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



Audit Assignment:	Payroll Double Payment
Priority:	High
Fieldwork Timing	December 2021 / January 2022
Audit Committee Meeting:	March 2022
Days:	5

Scope

The scope of this review will include the issues raised in the letter dated 26 November 2021, which was issued by the Principal and Vice-Chancellor of UHI by email on 29 November 2021 to the Principal of Perth College UHI.

Objectives

The overall objective of this audit will be to provide assurances to the Audit Committee of Perth College UHI and to UHI, as Regional Strategic Body, *“that the issues that led to this weakness have been addressed and that the College recovers the money it has paid out in error”*.

The specific objectives of this review will be to obtain reasonable assurance that:

- A robust process for recovering the overpayment has been developed and invoked;
- The reasons for the double payment have been examined by the College and appropriate and timely steps have been taken to rectify any control weaknesses identified;
- Regular written updates have been provided to the Principal and Vice-Chancellor of UHI on progress in recovering overpayments;
- Reporting of the incident fulfils the requirements set out in the financial memorandum between Perth College UHI and UHI.

Our audit approach will be:

Through discussion with relevant College staff, we will develop and document the circumstances which allowed the double payment to occur. We will then examine the actions taken in the immediate aftermath of the double payment, and the subsequent actions taken by the College to identify the reasons for the double payment and to improve the control environment to prevent a recurrence. We will then consider whether the current arrangements around payroll processing are adequate and undertake testing, where appropriate, to ensure that key controls are now working effectively. We will examine the steps taken by the College to recover overpayments and review the communication between the College and stakeholders, including the bank and UHI, regarding this double payment.

In the first instance we will produce a report for the Audit Committee of Perth College UHI, which will also be shared with the University (as requested in the letter dated 26 November 2021 from the Principal and Vice-Chancellor of UHI).



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Perth College UHI

Payroll Double Payment

Internal Audit report No: 2022/03

Draft issued: 22 February 2022

2nd Draft issued: 23 February 2022

Final issued: 23 February 2022



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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

Satisfactory	System meets control objectives with some weaknesses present.
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Risk Assessment

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

- Strategic risk 15 - Internal controls do not exist or are not effective in preventing a significant issue/event, current rated as a red risk.

Background

On 29 November 2021, a letter from the Principal and Vice-Chancellor of UHI (dated 26 November 2021) was emailed to the Principal of Perth College UHI. This letter requested that an internal audit be commissioned by the College to examine the circumstances surrounding a payroll double payment which occurred on 26 October 2021, and the steps taken to rectify the position.

On 26 October 2021, the College and AST payrolls were loaded onto BACS for payment to staff on 28 October 2021. A Finance Assistant at Perth College UHI loaded the AST payroll for payment through the AST bank account. Payments are loaded onto BACS through a third party provider, Automated Payment Transfer (APT). The Finance Assistant then utilised the same profile for the Perth College UHI payroll which resulted in the Perth College UHI payroll being loaded against the AST bank account in error. Both the main College bank account and the AST bank account are operated by RBS. This resulted in a duplicate salary payment to all Perth College UHI staff, at the end of October 2021. The original level of overpayment in salaries was £867,893.33.

Therefore, as part of the Internal Audit programme at Perth College UHI (the "College") for 2021/2022 we have conducted a review of the points raised in the letter from the Principal and Vice-Chancellor of UHI dated 26 November 2021.



Payroll Double Payment

Scope, Objectives and Overall Findings

The scope of this review focused on the issues raised in the letter dated 26 November 2021, which was issued by the Principal and Vice-Chancellor of UHI by email on 29 November 2021 to the Principal of Perth College UHI.

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

Objective	Findings		
	1	2	3
The objective of our audit was to:			
	No. of Agreed Actions		
1. A robust process for recovering the overpayment has been developed and invoked.	Good	-	-
2. The reasons for the double payment have been examined by the College and appropriate and timely steps have been taken to rectify any control weaknesses identified.	Good	-	-
3. Regular written updates have been provided to the Principal and Vice-Chancellor of UHI on progress in recovering overpayments.	Satisfactory	-	1
4. Reporting of the incident fulfils the requirements set out in the financial memorandum between Perth College UHI and UHI.	Requires Improvement	-	1
		-	1
Overall Level of Assurance	Satisfactory	System meets control objectives with some weaknesses present.	

Audit Approach

Through discussion with Director of Finance and the Finance Assistant, we documented the circumstances which allowed the double payment to occur. We then examine the actions taken in the immediate aftermath of the double payment, and the subsequent actions taken by the College to identify the reasons for the double payment and to improve the control environment to prevent a recurrence. This involved discussion with the Head of HR and Organisational Development. We then considered whether the current arrangements around payroll processing are adequate and undertook testing to ensure that key controls were now working effectively. We examined the steps taken by the College to recover overpayments and reviewed the communication between the College and stakeholders regarding this double payment.



Summary of Main Findings

Strengths

- The Director of Finance provided a 'Double Salary Payment Update' to the 29 November 2021 meeting of the College Audit Committee;
- The overpayment was entered onto a spreadsheet which has been maintained by the Financial Accountant and the two Finance Assistants, with input provided by the Head of HR and Organisational Development;
- Any repayments made by staff have been netted off against the running total on the spreadsheet and in the 'Employee advances' ledger code as staff have repaid the duplicate amounts paid;
- The spreadsheet is updated daily to reflect payments made through the College bank or to reflect cheques sent to the College by members of staff;
- The repayment process put in place involved input from the Head of HR and Organisational Development who had regular communication with trade unions regarding the wording of communications to staff;
- Almost all staff have responded positively to the communications from the College requesting repayment. In total 480 staff were affected by the salary overpayment and a total of 456 staff have now repaid their overpayment of salary. This leaves a total of 24 members of staff with outstanding balances due totalling £28,485.26;
- It is the intention that debt recovery action will continue to recover all of the outstanding amounts due by the end of the current financial year on 31 July 2022, with the exception of the staff on long term sick who will have longer term repayment arrangements;
- The College has now taken steps to remove the capability for any member of staff to load and authorise a payment through APT BACS. We conducted testing to confirm that the ability to load and authorise has been removed and obtained a screenshot of the error message which is now generated should a registered user attempt to load and authorise any payments; and
- All APT BACS payments are now authorised by either the Financial Accountant or the management accountant in order to maintain a segregation of duties. This will be built into procedural notes as part of the ongoing COSO activity to document financial control processes within the College.

Weaknesses

- It was noted that although monthly summary updates have been produced, only the December 2021 has been shared with the Principal and Vice-Chancellor and the Director of Corporate Services within UHI; and
- Although the Director of Finance did take steps to contact the Director of Corporate Services in the Executive Office of UHI (along with a number of other stakeholders), to advise of the double payment incident, the Principal of the College did not inform the Principal and Vice-Chancellor directly as described in the Financial Memorandum.

Acknowledgment

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



Main Findings and Action Plan

Objective 1 - A robust process for recovering the overpayment has been developed and invoked.

The Director of Finance provided a 'Double Salary Payment Update' to the 29 November 2021 meeting of the College Audit Committee. This paper advised that on 1 November 2021 *"The FD called the Relationship Manager and was told that the payment could not be reversed and that there were two options open to Perth:*

- 1. Ask staff to individually pay back the overpayment.*
- 2. Use the double payment as the December salary for staff".*

The Relationship Manager said that they were happy to offer their Debt Collection Service help if required".

The paper went on to explain that on 2 November 2021 *"After consultation with the Unions, it was agreed that we would ask staff to pay the money back and that if staff had any difficulties in doing so that they should contact us and we would deal with each case on an individual basis".*

The original level of overpayment in salaries was identified as £867,893.33. The overpayment was entered onto a spreadsheet which has been maintained by the Financial Accountant and the two Finance Assistants, with input provided by the Head of HR and Organisational Development. This amount has been journaled to a separate cost centre entitled 'Employee advances' in order to isolate the salary double payments. Any repayments made by staff have been netted off against the running total on the spreadsheet and in the 'Employee advances' ledger code as staff have repaid the duplicate amounts paid. The intention is that this balance will reduce to zero over time. The spreadsheet is updated daily to reflect payments made through the College bank or to reflect cheques sent to the College by members of staff. A download of the College bank account is examined daily to filter out any payroll related transactions.

The repayment process put in place involved input from the Head of HR and Organisational Development who had regular communication with trade unions regarding the wording of communications to staff. Almost all staff have responded positively to the communications from the College requesting repayment. In total 480 staff were affected by the salary overpayment and a total of 456 staff have now repaid their overpayment of salary. This leaves a total of 24 members of staff with outstanding balances due totalling £28,485.26. This remaining balance due represents just over 3% of the original salary overpayment.



Payroll Double Payment

Objective 1 - A robust process for recovering the overpayment has been developed and invoked. (Continued)

Some staff had requested that longer term repayment plans be put in place due to their individual financial circumstances. At the time of our audit fieldwork the Head of HR and Organisational Development had identified five members of staff who had left the employment of the College and one member of staff who had moved away. Four formal letters had been ignored by these staff. In addition, two members of staff had been identified as being on long term sick leave. A second letter was issued to these staff on 14 December 2021 advising that failure to repay the amounts due by 31 December 2021 would result in referral to a debt collection agency. It is the intention that debt recovery action will continue to recover all of the outstanding amounts due by the end of the current financial year on 31 July 2022, with the exception of the staff on long term sick who will have longer term repayment arrangements.

Based on the process described we are comfortable that the repayment arrangements put in place are robust and that the use of negotiated repayment plans and the use of external debt collection agencies, for those staff who continue to fail to effectively engage with the College, is an appropriate and proportionate way to recover as much of the remaining balance as possible.



Payroll Double Payment

Objective 2 - The reasons for the double payment have been examined by the College and appropriate and timely steps have been taken to rectify any control weaknesses identified.

As highlighted within the 'Double Salary Payment Update' produced by the Director of Finance, *"The Finance Assistant noticed the error and proceeded to make a correction. However, instead of going into the "Signed Submissions" screen to correct the error the Finance Assistant went to the "Home" screen and hit the "send to BACS" button. At this point a control should have been in place to prevent the Finance Assistant from being able to "send to BACS"."*

There are four licences held by Perth College UHI for the APT software. After the duplicate payment was made it was identified that three members of staff had the ability to load and approve a payment in APT BACS. Although it had been custom and practice for the Finance Assistant to load up the payroll payment into APT BACS and for the Management Accountant to authorise this payment, the system did not have a preventative control in place to maintain segregation of duties between the member of staff loading and authorising payment. It is our view that this is an inbuilt system weakness which should have been identified and rectified by the software supplier. However, the College has now taken steps to remove the capability for any member of staff to load and authorise a payment through APT BACS. We conducted testing to confirm that the ability to load and authorise has been removed and obtained a screenshot of the error message which is now generated should a registered user attempt to load and authorise any payments. This error message states that *"User does not have permission to send a submission for the selected profile: RBS PERTH COLLEGE GENERAL CSV."*

All APT BACS payments are now authorised by either the Financial Accountant or the management accountant in order to maintain a segregation of duties. This will be built into procedural notes as part of the ongoing COSO activity to document financial control processes within the College.

The College has also highlighted to the Audit Committee and to UHI Executive Office the perceived failure of the bank to react in a timely fashion to address the administrative error, which was brought to their attention prior to the payment being processed through the AST bank account. An invitation has been extended to the relationship manager to explain why the information provided by the finance assistant was not acted upon in order to prevent the duplicate payment which occurred and the need for the College to reimburse the AST bank account to rectify the overdrawn position created by the salary duplicate payment.

Therefore, it is our view that the College has taken steps to identify the reasons for the double payment and has taken appropriate and timely steps to rectify the control weaknesses which existed within the previous subsystem configuration within AST by removing the ability for a single member of staff to load and authorise payments.



Payroll Double Payment

Objective 3 - Regular written updates have been provided to the Principal and Vice-Chancellor of UHI on progress in recovering overpayments.

Observation	Risk	Recommendation	Management Response	
<p>The draft 'Double Salary Payment Update' prepared by the Director of Finance of Perth College UHI was shared with the Director of Corporate Resources in the Executive Office within UHI on 17 November 2021. This included the timeline to that date and set out next steps for recovering the balance of repayments due (which at that time stood at £102K). Following receipt of comments on the draft update paper from the Director of Corporate Resources on 18 November 2021 a final version of the update was shared with the Director of Corporate Resources by the Director of Finance on 23 November 2021. Further summary updates were produced by the Head of HR and Organisational Development after the December 2021 pay run and the January 2021 pay run which showed the balance due, and the amounts repaid since the previous update. In addition, it was noted that the steps being taken to recover the remaining balance was described in the summary updates produced. The December 2021 iteration of the summary update was shared with the Director of Corporate Resources in the Executive Office of UHI, and with the Principal and Vice-Chancellor of UHI. However, subsequent summary updates have not been shared.</p>	<p>The Principal and Vice-Chancellor of UHI may not be fully sighted on the outstanding balance due to be repaid or the steps being taken to recover these amounts</p>	<p>R1 We recommend that the monthly summary should be shared directly with the Principal and Vice-Chancellor of UHI, as well as the Director of Corporate Services, every month after each pay run.</p>	<p>We agree that the monthly summary should be shared directly with the Principal and Vice-Chancellor of UHI, as well as the Director of Corporate Services, every month after each pay run until all funds are recovered/resolved.</p> <p>To be actioned by: Principal and Chief Executive</p> <p>No later than: An updated report will be issued by the end of first week of each calendar month until all monies have been recovered/resolved.</p>	
			<p>Grade</p>	<p>3</p>



Payroll Double Payment

Objective 4 - Reporting of the incident fulfils the requirements set out in the financial memorandum between Perth College UHI and UHI.			
Observation	Risk	Recommendation	Management Response
<p>Paragraph 18 of Part 1 of the Financial Memorandum between the College and UHI (as Regional Strategic Body) states that “<i>The Chief Executive Officer of the College must inform the Regional Strategic Body’s Chief Officer without delay of any circumstance, that is having, or is likely to have, a significant adverse effect on the ability of the College to deliver its education programs, and other related activity, including delivery of its commitment to the Regional Outcome Agreement with SFC. He or she must also notify the Regional Strategic Body’s Chief Officer of any serious weakness, such as a significant or immediate threat to the College’s financial position, significant fraud or major accounting breakdown or any material non-compliance with this FM</i>”.</p> <p>Although the Director of Finance did take steps to contact the Director of Corporate Services in the Executive Office of UHI (along with a number of other stakeholders), to advise of the double payment incident, the Principal of the College did not inform the Principal and Vice-Chancellor directly as described in the Financial Memorandum.</p>	<p>The Principal and Vice-Chancellor of UHI may not be aware of a reportable incident in order to brief the SFC, in a timely fashion, as required of UHI as the Regional Strategic Body.</p>	<p>R2 We recommend that future incidents, which fulfil the circumstances set out within the Financial Memorandum, are reported without delay directly to the Principal and Vice-Chancellor of UHI.</p>	<p>We agree that future incidents, which fulfil the circumstances set out within the Financial Memorandum, are reported without delay directly to the Principal and Vice-Chancellor of UHI.</p> <p>To be actioned by: Principal and Chief Executive</p> <p>No later than: Each incident going forward.</p>
			<p>Grade 2</p>



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Membership

No fewer than 3 members of the Board of Management.

One place reserved by invitation for a Student Member of the Board, as nominated by HISA Perth.

One place reserved by invitation for a Student Member of the Board, to be determined by Staff Members of the Board

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

In attendance

Vice Principal (External)

Depute Principal (Academic)

Quorum

The Quorum shall be 3 members.

Frequency of Meetings

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

Objectives

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

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

Terms of Reference

Internal Control

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

Internal Audit

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

11. Ensuring good communication between the Committee and the internal auditors.
12. Responding appropriately to notification of fraud or other improprieties received from the internal auditors or other persons.
13. Reviewing the Risk Management Register.

External Audit

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

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

Value for Money

1. Establishing and overseeing a review process for evaluating the effectiveness of the college's arrangements for securing the economical, efficient and effective management of the college's resources and the promotion of best practice and protocols, and reporting to the Board of Management thereon.

2. Advising the Board of Management on potential topics for inclusion in a programme of value for money reviews and providing a view on the party most appropriate to undertake individual assignments considering the required expertise and experience.
3. Advising the Board of Management of action that it may wish to consider in the light of national value for money studies in the further education sector.

Advice to the Board of Management

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