

Audit Committee

Agenda

Meeting reference: Audit 2021_22/04

Date: Tuesday 31 May 2022 at 5.00pm

Location: Boardroom (019)/Online

Purpose: Scheduled meeting

* Denotes items for approval or discussion.

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

	Agenda Items	Author	Led by	Paper
1	Welcome and Apologies		Chair	
2	Additions to the Agenda			
3	Declaration of a Conflict of Interest in any Agenda Item			
4	Minutes of the Meeting of Audit Committee held on 16 March 2022		Chair	Paper 1
5	Actions arising from previous minutes		Chair	
6	Compliance			
*6.1	Audit Action Plan – Progress Update	Project & Planning Officer	Vice Principal	Paper 2
*6.2	Internal Audit - Revised Timetable: Audit Action Plan 2021/22 – 2024/25	Henderson Loggie	Henderson Loggie	Paper 3
*6.3	External Audit - Annual Audit Plan Year ending 31 July 2022	EY	EY	Paper 4
*6.4	Strategic Risk Register	Clerk	Clerk	Paper 5
*6.5	Risk Appetite & Risk Register Model	Director of Finance	Director of Finance/ Clerk	Paper 6
7	FOI & Data Protection			
7.1	Freedom of Information & Data Protection – annual report	Clerk	Clerk	Paper 7
8	Date and time of next meeting: <ul style="list-style-type: none"> tbc 		Clerk	
*9	Review of Meeting (Committee to check against the Terms of Reference to ensure all competent business has been covered)		Chair	Paper 8

Audit Committee

DRAFT Minutes

Meeting reference: Audit 2021-22/03

Date: Wednesday 16 March 2022

Location: Online

Members present: Ann Irvine, Board Member
Fiona Martin, Board Member
Debbie McIlwraith-Cameron, Board Member
Graham Watson, Board Member

In attendance: Margaret Cook, Principal
Lorenz Cairns, Depute Principal
Veronica Lynch, Vice Principal
David Archibald, Henderson Loggie
Ian McCartney, Clerk to the Board

Apologies: Jim Crooks (Chair, Audit)
Madeleine Brown, Student Board Member
Stephen Reid, Ernst & Young
Rachel Wynne, Ernst & Young
Iain Wishart, Director of Finance

Chair: Ann Irvine

Minute Taker: Ian McCartney

Quorum: 3

MINUTES

Item		Action
1.	<p>Welcome and Apologies</p> <p>Chair welcomed everyone to the meeting and noted apologies.</p>	
2.	<p>Additions to the Agenda</p> <p>Principal requested that Committee be updated on a Banking Issue. This was agreed to be taken as Item 6.5</p>	
3.	<p>Declaration of Conflict of Interest in any Agenda Item</p> <p>There were no declarations of interest.</p>	
4a.	<p>Minutes of Meeting of Audit Committee, 29 November 2021</p> <p>The minutes were approved as an accurate record of the meeting.</p>	
4b.	<p>Minutes of Extraordinary Meeting of Finance & Resources and Audit Committees, 28 February 2022</p>	
5.	<p>Matters arising from previous minutes</p>	
	<p><u>Matters arising from 11 March 2021</u></p> <p><u>Ref 5 – Matters Arising</u> Action: Issues surrounding safe use of personal devices to be raised at next H&S Committee meeting</p> <p>Action Update: Reported at last H&S Committee meeting.</p> <p><u>Ref 12 – Review of Meeting</u> 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>Action Update: Clerk confirmed Code of Good Governance guidelines. ToR to be updated.</p> <p><u>Matters arising from 31 May 2021</u></p> <p><u>Ref 8.1 – Audit Action Plan</u> Action: Chair to inform joint Audit Chairs Committee re proposals for circulation and approval by Finance & Audit Committees.</p> <p>Action Update: Chair to confirm Deferred to next meeting.</p>	<p>Clerk</p> <p>Chair (Audit)</p>

	<p><u>Matters arising from 29 November 2021</u></p> <p><u>Ref 6.1 – Audit Action Plan</u> Action 1: Vice Principal to update Committee on progress with completion of Equalities actions.</p> <p>Action Update: Verbal update on Agenda</p> <p>Action 2: Director of Finance to provide Committee with report on completion timescales and context including Sarbanes-Oxley principles</p> <p>Action Update: DoF not in attendance; deferred to next Meeting</p> <p><u>Ref 6.2 – Compliance Template</u> Action: Principal to incorporate any comments received from Members and include comment on outstanding Equalities actions in final compliance report to Board</p> <p>Action Update: Complete</p> <p><u>Ref 6.3 – Review of Risk Register</u> Action 1: Risk 17 – Update register to reflect current position.</p> <p>Action Update: Complete, on Agenda</p> <p>Action 2: Risk 26 – Director of Finance to provide update to Committee on progress with integrated systems.</p> <p>Action Update: DoF not in attendance; deferred to next Meeting</p> <p>Action 3: Risk 29 - Review information provided on asset management risk.</p> <p>Action Update: Complete, on Agenda</p> <p>Action 4: SMT to undertake overall review and update of Risk Register to reflect current deadlines, mitigating actions and residual risks.</p> <p>Action Update: Complete, on Agenda</p> <p><u>Ref 6.4 – Annual Health & Safety Report</u> Action: Head of HR/OD to forward internal audit plan by e-mail to Members for information.</p> <p>Action Update: Not complete, to be provided by next meeting</p>	<p>Director of Finance</p> <p>Director of Finance</p> <p>Head of HR/OD</p>
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	Compliance	
6.1	<p>Audit Action Plan – Progress Update</p> <p>Vice Principal provided a verbal update on the latest position around the Audit Action Plan.</p> <p>Committee were advised that, of the original 116 actions, only 9 remain to be completed, with only 1 of these from the UHI Action Plan. This action concerns financial procedures and will be achieved via an Internal Controls Framework and is a work in progress.</p> <p>Other outstanding actions include work on the Business Continuity Plan, 2 actions around Equalities, condensing policies and procedures (a Short Life Working Group is leading this work) and 2 actions being progressed by the ICT Strategy Group.</p> <p>Chair thanked all involved in making such solid progress over the piece from what started as a mammoth undertaking.</p>	
6.2	<p>Strategic Risk Register</p> <p>Clerk presented Paper 3, noting that the update was provided by exception whilst work progressed on the new format of the Register to ensure Committee can be satisfied that risk was still being monitored. Updates or changes were listed against 9 risk references, and included 2 amendments to Residual Risk Scores.</p> <p>Chair queried whether International Instability noted in Risk 3 should also be applied to Risk 25 given the international nature of AST. Vice Principal noted that there may be some impact re fuel and energy prices that may have an impact. Clerk to update.</p> <p>Board Member noted some errors in risk score calculations. Clerk to correct.</p> <p>Board Member queried actions in Risk 17 being complete but Residual Risk remained high. Clerk noted that the work on Equalities Mainstreaming was only recently completed and a new Equality & Diversity Adviser only recently appointed, so it was felt prudent to allow for an element of delay in this area before assessing the risk score.</p> <p>Committee NOTED Paper 3.</p>	
6.3	<p>Internal Audit Action Plan 2021/22 - 2023/24</p> <p>Internal Auditor presented Paper 4, which incorporates both the proposed 3-year Audit Plan and scoping proposal for 2021/22 audit priorities.</p>	

	<p>Internal Auditor noted the intention to table the 2022/23 plan in the middle of the year rather than the current timescale to allow Audit Committee earlier opportunity to scrutinise. Committee welcomed this development.</p> <p>Board Member queried the late timing of Cyber Risk in the Plan, and the lack of Procurement within the Plan. Vice Principal noted that the UHI cyber incident had led to significant investment in security measures and it had been agreed to allow these some time to bed in before reviewing. Vice Principal further noted that a major exercise on Procurement had been completed within the last 12-18 months.</p> <p>Chair queried whether the Cyber Risk could be included within the work scheduled to take place around the Business Continuity Plan. Internal Audit advised that the 2 are closely connected as Business Continuity Plans move away from being about estates resilience to IT resilience, particularly post-COVID. However, Internal Auditor advised that the Cyber Risk area was a large piece of work and consideration should be given as to what would be required. Vice Principal added that the Cyber Security Audit Report prepared for UHI Audit Chairs may provide useful information in this regard, in particular ensuring consistency given the nature of shared services provided to the College.</p> <p>Committee AGREED to review the timing of the Cyber Risk element within the Audit Plan, and Internal Auditor would liaise with Principal to revise timetable.</p>	Principal/IA
6.4	<p>Internal Audit Report No: 2022/03 – Payroll Double Payment</p> <p>Internal Auditor presented Paper 5, noting that the report had already been tabled at UHI Audit Committee. Internal Auditor confirmed that the work done by the College to mitigate the risks was perfectly reasonable, and that the software issue on the system that caused the problem had now been switched off.</p> <p>Principal advised that the matter was deemed to be closed at UHI Court and updates on the final aspects of the remedial work were being regularly communicated to the UHI V-C.</p> <p>The Internal Audit Report on Payroll Double Payment was NOTED.</p>	
6.5	<p>Banking Issue</p> <p>Principal informed Committee that an issue in processing some fraud checks with a Board Member had resulted in the College's bank accounts being frozen for a day. The issue had been sorted quickly, however the matter requires to be reported under the terms of the College's Financial Memorandum with the Regional Strategic Body. The Principal had informed the Vice Chancellor of</p>	

	UHI directly. Committee NOTED this matter.	
7	FOI & Data Protection Quarterly Update Clerk advised Committee that FOI requests were very low over the last 6 months, and that full analysis would be provided to the next Audit Committee. Clerk further advised that the Request To Be Forgotten issue which had been regularly reported to Audit Committee over the last 2 years had now been concluded.	
8	Date & Time of Next Meeting • 31 May 2022, 5.00pm	
9	Review of Meeting Committee confirmed that the meeting had been conducted in line with its Terms of Reference.	

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

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

Status of Minutes – Open

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

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

The College may also be asked for information contained in minutes about living individuals, under the terms of the Data Protection Act 2018. It is important that fact, rather than opinion, is recorded.

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

Perth College UHI

Paper No. 2

Committee	Audit Committee
Subject	Audit Action Plan
Date of Committee meeting	31/05/2022
Author	Kirsty Campbell, Project & Planning Officer
Date paper prepared	24/05/2021
Executive summary of the paper	<p>Please outline the follow elements of this paper:</p> <ul style="list-style-type: none"> i) Purpose – what is it for ii) Impact – what are the intended outcomes iii) Course of Action – what happens next & by whom <p>This paper provides a by-exception update on the Audit Action Plan.</p> <p>Given the low numbers of outstanding actions, and the likely timescales for these actions to be completed, authority is sought to provide updates (where required) and notification of task completion to appropriate Committees</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	n/a
Action requested	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> For information <input type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)

Perth College UHI

<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>No</p> <p>Click or tap here to enter text.</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>n/a</p>
<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>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>No</p> <p>Click or tap here to enter text.</p>

Perth College UHI

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

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

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

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

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

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

and

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

Audit Action Plan By Exception Project Status Table May 2022								
Action Plan	Theme	Activity	Lead	Accountable	Anticipated Completion Date	Source	Current Status	May 2022 Update
Finance								
Finance	3. Manual Processes	Implement a documented set of financial procedures for the Finance Team	FD	VPEE	Oct-22	UHI Action Plan: 2.70	In progress	
Procurement	3. Manual Processes	Implement greater supplier management systems	FD/FinAssst	VPEE	Dec-21	VPEE	Complete-Monitoring	This is ongoing work to work through the processes. FD and Procurement meet every 2 weeks to discuss and progress.
Governance and Board of Management								
Governance & BOM	3. Manual Processes	Review Business Continuity Plan	FD/ Clerk to BOM	P&CE	Dec-22	VPEE	Partial completion	Updated at time of Covid and cyber incident. Going forward, the Clerk to BOM and Finance Director are working on a more comprehensive review and its linkage in with the college's Risk Register.

Equalities Mainstreaming								
Equalities	2. Compliance	Clarify and implement role of Equality Champions	HROD, E&D	DP	Jun-22	Internal Audit 2018/06: R7	Complete	EDI Champions now operational and remit for role now in place
Equalities	2. Compliance	Embed equality actions are built into self-evaluation and operational objectives processes Direct academic team focus to courses with >25%	SMT/PP O/E&D	DP	Jun-22	Internal Audit 2018/06: R3	In progress	New EDI Adviser now appointed and will take forward through discussion with SDDs
Health and Safety								
Health & Safety	2. Compliance	Conduct hazard surveys in all areas to identify missing Risk Assessments	HROD	DP	Apr-22	Internal Audit 2013/07: R1	Partial completion	Majority done and will be completed by end of April 2022
Policies and Procedures								
Policies & Procedures	2. Compliance	Rationalise and combine the number of college policies and procedures	FD/Quality Manager	APC	Jun-22	APC/VPEE	Partial completion	Policies and Procedures now sit under the Finance Director and a risk approach has been scoped to take this work forward.

Communications								
Communications	4. Culture	Develop a Communications Strategy for internal and external stakeholders	VPEE/Marketing	VPEE	Dec-22	VPEE	Partial completion	This is an action on the ICT Strategy and Digital Transformation implementation plan - phase one will be completed with the launch of the new PerthHUB in June 2022 and a SLWG has been identified to work on the Communications
Communications	3. Manual Processes	Take forward staff Intranet Project	PPO	VPEE	Jun-22	VPEE	Partial completion	PerthHUB will launch at the June Staff Conference, Friday 17 June 2022.

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: 24 May 2022



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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

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	November 2022
Audit Committee Meeting:	December 2022
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

Audit Assignment:	Payroll
Priority:	Medium / High
Fieldwork Timing	September 2022
Audit Committee Meeting:	December 2022
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

Audit Assignment:	Building Maintenance
Priority:	Medium / High
Fieldwork Timing	October 2022
Audit Committee Meeting:	December 2022
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	June 2022
Audit Committee Meeting:	September 2022
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	August 2022
Audit Committee Meeting:	September 2022
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

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

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.



Internal Audit Annual Plan 2021/22

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

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Fieldwork Timing	November 2022
Audit Committee Meeting:	December 2022
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.



Internal Audit Annual Plan 2021/22

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

**Annual Audit Plan
Year ending 31 July 2022**

**Audit Committee
31 May 2022**



Building a better
working world

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About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Auditor General for Scotland has appointed us as external auditor of Perth College ("the College") for financial years 2016/17 to 2020/21. As a result of the impact of COVID-19 our appointment was extended by a further 12 months to include the financial year 2021/22. We undertake our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

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

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

Complaints

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

1. Executive summary

Our key contacts:

Stephen Reid
Partner
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Rachel Wynne
Manager
Rachel.Wynne@uk.ey.com

Our independence

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

Purpose of this report

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

This Annual Audit Plan, prepared for the benefit of College management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 July 2022, the sixth and final year of our appointment. In preparing this plan, we have updated our understanding of the College through planning discussions with management, review of relevant documentation and committee reports, and our general understanding of the environment in which the College is operating.

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

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

Scope and Responsibilities

This Annual Audit Plan covers the work that we plan to perform to provide you with our opinion on whether the Group and College financial statements (the financial statements) give a true and fair view of the Group and College’s affairs as at 31 July 2022 in accordance with applicable law and the financial reporting framework. We also report on the regularity of transactions, as required by the Scottish Funding Council.

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

Our Financial Statement Audit

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

- ▶ whether they give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the Group and College's affairs as at 31 July 2022 and its surplus or deficit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Ireland; and
- ▶ whether they have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

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

Materiality

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

Planning Materiality	Tolerable Error	Nominal amount
£560,000	£280,000	£28,000
2% of the Group's gross prior year expenditure	Materiality at an individual account level	Level that we will report misstatements to committee

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

Wider Scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Governance and transparency; and
- ▶ Value for money.

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

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

For 2021/22, we consider it to remain appropriate to consider all four wider scope audit dimensions.

Audit Risk Dashboard

Key Financial Statement Risks

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

Wider Scope Risks

<p>Financial Sustainability: Medium Term Financial Position</p>	<p>The consequences of the global pandemic on the College's education and financial plans have become clearer during 2021/22. The financial environment in which the College operates was already challenging, and the Covid-19 pandemic has resulted in further, significant financial pressures, and creates a risk that the College will not be able to develop viable and sustainable financial plans due to external factors. While additional funding was previously awarded to ease immediate pressures, the future outlook remains unclear.</p> <p>For 2021/22 and beyond, particular pressures are being observed in respect of student numbers, a trend observed across the sector which may result in significant clawback of grant funding. Uncertainty remains around future pay settlements with negotiations ongoing while inflationary pressures have led to a higher cost base.</p> <p>The College anticipates a breakeven position for 2021/22, however, the impact of challenging student numbers, together with inflationary pressures and national pay bargaining will make the financial position more difficult to sustain in the medium to longer term. We consider that the current levels of funding and rising costs create a risk that the College will not be able to develop sustainable medium term financial plans.</p>
<p>Financial Management: Financial controls and capacity</p>	<p>The College finance team has had a period of stability over the last eighteen months, however additional pressures continue to be felt through the impact of working from home on a small team with limited contingency and less sophisticated online systems and processes compared to some institutions.</p> <p>The double salary payment made in October 2021 highlighted the importance of ensuring that improvements are made to financial processes and controls to prevent further similar incidents. Our work in this area will draw upon the changes and improvements made by the College in relation to finance processes and controls.</p>

2. Sector developments

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

Financial sustainability in the sector

In June 2021, the Scottish Funding Council (SFC) released their latest report as part of a three phase review considering the future coherence and financial sustainability of colleges and universities. This was subsequently updated in a further report in March 2022. The review considers how best the SFC can fulfil its mission of securing coherent provision by post-16 education bodies, and the undertaking of research. The review covered future provision, delivery, outcomes and targets, funding models, and support for research activity across the college and university sector in Scotland.

The updated analysis reflected on the impact of Covid-19 on the sector. The analysis noted that colleges managed the impact of Covid-19 more positively than anticipated, assisted by the one-off £15 million SFC grant to colleges, no recovery of funds for shortfalls against outcome agreement targets (where the shortfall related to Covid-19), additional capital funding, discretionary funds, enhanced flexibility in drawdowns, and the Coronavirus Job Retention Scheme (CJRS) lowering staff and other operating costs. However, it noted that there were still challenges around longer-term financial sustainability.

It noted that key risks and challenges for the sector included cost pressures from cost of living pay awards, self-funding of staff restructuring, the continuing Covid-19 pandemic, the UK's exit from the European Union, backlog estates maintenance and modernisation of the ICT/digital capabilities of the colleges, the cost of staff restructuring and efficiencies made and the subsequent impact on the student experience, student outcomes, and college staff.

The final funding announcement for academic year 2021/22 highlighted that:

- ▶ The SFC's revenue budget increased by 10.8% (£70.2 million), which has resulted in an increase to teaching funding (£40 million), student support funding (£2.6 million) and other funding (£13 million).
- ▶ Student activity (credit) volume has increased by 3.6%.
- ▶ Capital funding decreased by £2 million.
- ▶ A one-off value of £10 million has been allocated to allow students whose studies were disrupted by Covid-19 to complete their courses in AY 2021-22.

We will continue to review the full impact of the 2021/22 funding announcement on the College's financial performance as part of our work on financial management.

2022/23 Budget

The SFC announced the indicative funding allocations for the Academic Year 2022/23 on 24 March 2022. The indicative funding allocations set out are based on the Scottish Government's draft budget 2022/23 announcement on 9 December 2021, which was approved by the Scottish Parliament on 10 February 2022. The approved Scottish Budget 2022/23 set a College Resource (Revenue) budget for the financial year 2022/23 of £675.7 million, maintained from the 2021/22 budget.

The SFC provides indicative funding allocations to help colleges plan for the forthcoming academic year, with final funding allocations to be published by the end of May 2022. The SFC's indicative funding announcement notes that:

- ▶ The SFC's revenue budget for 2022/23 has decreased by 1.9% (£13.1 million) from AY 2021/22;
- ▶ Teaching funding has been increased by 1.9% (£9.6 million);
- ▶ Student support funding has reduced by 4% (£5.6 million), and there is additional student support contingency funding of £2 million set aside;
- ▶ The other programme funding budget, which includes national sector-wide services and strategic projects, has decreased by £10.5 million;
- ▶ Student activity (credit) volume for the sector is unchanged from the baseline AY 2021-22 target of 1.73 million credits; and
- ▶ Capital funding has increased by £41 million (121.7%), with sector-wide capital maintenance increasing by 6.1% (£1.8 million).

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

3. Financial Statement Risks

Introduction

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

Audit Opinion

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

- ▶ whether they give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the Group and College's affairs as at 31 July 2022 and its surplus or deficit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Ireland; and
- ▶ whether they have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

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

Climate Change Reporting

Public interest in climate change is increasing. Scotland has set a legally binding target of becoming net zero by 2045, five years earlier than the rest of the UK, and has set several interim targets including a 75 per cent reduction in greenhouse gas emissions by 2030. In March 2022, Audit Scotland published a [briefing](#) (available on Audit Scotland's website) to draw out key themes and recommendations for public bodies in Scotland. The recommendations were compiled from a series of key reports, including those from Scotland's Climate Assembly and Committee on Climate Change.

The College was a signatory to the Universities and Colleges Climate Commitment for Scotland and, as a public body, is required to participate in mandatory climate change reporting under the Climate Change (Scotland) Act 2019. In our view climate-related risks and disclosures are likely to be increasingly relevant in the preparation and audit of the financial statements and we will therefore support management's improvements and reporting in this area.

Audit Approach

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

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the College.
- ▶ Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit and Risk Committee reporting appropriately addresses matters communicated by us to the committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- ▶ Maintaining auditor independence.
- ▶ Substantive tests of detail of transactions and amounts. For 2021/22 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Materiality

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

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

Materiality Level	Rationale
Group Planning Materiality £560,000	Planning materiality (PM) - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For planning purposes, materiality for 2021/22 has been set at £560,000. This represents approximately 2% of the Group's gross expenditure in 2020/21.
Tolerable Error £280,000	Tolerable error (TE) - materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set it at £280,000 which represents 50% of planning materiality.
Summary of Audit Differences £28,000	Summary of Audit Differences (SAD) Nominal amount - the amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. The Code requires that auditors report at no more than £250,000. We have set it at £28,000, which represents 5% of planning materiality.

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

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

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

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

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

Going Concern compliance with ISA 570

We outlined in our 2020/21 reporting to the committee the impact that the Covid-19 pandemic has continued to have on the further education sector, and the increased levels of uncertainty within the forecasts used as part of the College's going concern assessment. As a result, since 2019/20, we have placed additional focus on significant judgements made to conclude whether events or conditions indicate that a material uncertainty existed that may cast significant doubt on the College's ability to continue as a going concern. The judgements made determined the appropriate disclosures to be made in the financial statements, and allowed us to consider the impact on our audit opinion.

A revised auditing standard relating to our work on going concern, ISA 570, requires:

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

As in prior years, due to the anticipated continuation of service provision, the going concern basis of accounting will continue to be appropriate for the College.

Covid-19 - Impact on the reporting process

Audit Scotland has set its reporting deadline for colleges in 2021/22 at 31 December 2022, recognising that any deadlines are secondary to the primacy of audit quality and ensuring completeness of work regardless of the environment in which audit takes place.

We have outlined the planned timing for the key deliverables of the audit process in Appendix D. We intend to take a hybrid approach to the 2021/22 audit with a blend of on-site and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit in 2021/22 under review.

Significant Risks

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

Significant Risk - Risk of fraud in income and expenditure recognition

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

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

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

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

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

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

Work we will undertake:

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

Fraud Risk - Misstatement due to fraud or error

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

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

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

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

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

We will report our findings in these areas to you within our 2021/22 Annual Audit Report.

Inherent Risk - Valuation of Property, Plant & Equipment

The Group's property portfolio totalled £40.6 million as at 31 July 2021 (2019/20 £41.8 million), with the major elements of this being in respect of land and buildings. Land and buildings are revalued to fair value with a full revaluation taking place at least every five years.

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

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

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

Given the significance of the balance within the financial statements, and the number of assumptions that are made in the valuation, we assign a higher inherent risk to property, plant and equipment. The impact of the pandemic on the use of assets and future plans means that we place significant scrutiny on management's assessment of impairment.

We do not, however, at this stage, have any specific concerns in relation to management's approach to property valuations.

Our approach will focus on:

- ▶ analysis of the source data and inquiries as to the procedures used by management's specialist to establish whether the source data is complete
- ▶ assessment of the reasonableness of the assumptions and methods used, including their compliance with the SORP
- ▶ consideration of the appropriateness of the timing of when the specialist carried out the work
- ▶ assessment of whether the substance of the specialist's findings are properly reflected in the financial statements
- ▶ assessment of the potential for impairment across the College estate that has not been reflected in the financial statements
- ▶ assessment of whether the categorisation and therefore basis of valuation of assets is appropriate
- ▶ assessment of the College's backlog maintenance estates plans, including consideration of whether backlog maintenance expenditure in the year has been correctly accounted for as capital or revenue expenditure.

Inherent Risk - Valuation of Pension Liabilities

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

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

TPF is accounted for as a defined benefit scheme. The net pension liabilities on the balance sheet arising from participation in the scheme at 31 July 2021 were £6.8 million (2019/20: £12.6 million).

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

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

Our approach will include:

- ▶ obtaining an actuarial report at the year end date for the scheme and considering the reasonableness and consistency of assumptions underpinning such reports, in light of guidance available
- ▶ performing substantive testing on the verification of the pension assets, by engaging with the auditor of Tayside Pension Fund in line with the assurance protocols laid out by Audit Scotland for IAS 19
- ▶ engage our actuarial specialists to assess the work of the actuary (Barnett Waddingham), including the assumptions they have used and their assessment of the liability due to recent legal rulings including McCloud and Goodwin
- ▶ performing testing over asset valuations to ensure they are appropriately valued
- ▶ review and test the accounting entries and disclosures made within the College's financial statements in relation to pensions ensuring compliance with the SORP.

Other audit considerations

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

Accounting Framework: Updated SFC Accounts Direction

The SFC's Accounts Direction is published annually in July and provides colleges with guidance on disclosure requirements for the financial statements. We will work with management during 2021/22 to ensure the correct application of any new requirements.

Use of specialists

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

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

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

Internal audit

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

Cyber Security

As outlined by Audit Scotland within their report *Fraud and Irregularity Report 2020/21*, the Covid-19 pandemic has brought significant challenges across the public sector as bodies have sought to continue to deliver services during extremely difficult times. In such emergency situations, existing controls may be compromised and it can be difficult to put in place robust controls for new processes. It was recommended that auditors should ensure appropriate governance structures are in place for the prevention and detection of fraud and that appropriate reviews and amendments to controls have taken place in light of remote working and that those controls are sufficiently strong.

The report highlights that there has been an increase in cybercrime, as more public sector staff connect remotely, including the use of various online video conferencing services for meetings which pose security issues. The report also highlights an increase in phishing emails and scams which, if accessed, allow fraudulent access to public sector systems. We will review management's assessment of whether internal controls at the College are sufficiently robust to mitigate the risk of cyber attacks.

Other audit responsibilities

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

Anti-money laundering

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

Data analytics

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

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

Group audit

The Group consists of the following organisations:

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

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

Air Service Training (Engineering) Limited (AST Ltd), delivers aeronautical engineering courses for both the aviation industry and individual students. AST Ltd are audited by Armstrong Watson, and we will issue them with group audit instructions outlining the procedures required to support the group audit opinion.

4. Wider Scope Dimensions: Risk assessment and approach

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

- ▶ Financial Management;
- ▶ Financial Sustainability;
- ▶ Governance and Transparency; and
- ▶ Value for money.

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

For 2021/22, we consider it to remain appropriate to consider all four wider scope audit dimensions.

Basis for risk assessment

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

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

Financial Management

The financial management dimension considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.

In our 2020/21 Annual Audit Report, we concluded that the College has an established budget setting and monitoring framework which includes presentation of financial updates to the Board, Finance and General Purposes Committee and Audit Committee throughout the year. Improvements had been made to the presentation of financial information.

Financial Management continued

However, we also noted that there were opportunities to improve financial controls and capacity within the finance team, with the recent double salary payment demonstrating the importance of a strong control environment.

Our work will continue to consider financial reporting and monitoring in addition to how internal control arrangements are being adapted and monitored to respond to hybrid working arrangements.

Financial controls and capacity

The College finance team has had a period of stability over the last eighteen months, however additional pressures continue to be felt through the impact of working from home on a small team with limited contingency and less sophisticated online systems and processes compared to some institutions.

The double salary payment made in October 2021 highlighted the importance of ensuring that improvements are made to financial processes and controls to prevent further similar incidents. Our work in this area will draw upon the changes and improvements made by the College in relation to finance processes and controls.

Financial Sustainability

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

In 2020/21, the College prepared a three-year financial forecast for the period 2021 to 2024 and submitted these to the SFC in the form of the template Financial Forecast Return ('FFR'). The forecast is based on assumptions provided by the SFC in addition to College specific assumptions for areas such as other income and staff numbers, as included within the College's Budget 2021/22.

Medium Term Financial Planning

The consequences of the global pandemic on the College's education and financial plans have become clearer during 2021/22. The financial environment in which the College operates was already challenging, and the Covid-19 pandemic has resulted in further, significant financial pressures, and creates a risk that the College will not be able to develop viable and sustainable financial plans due to external factors. While additional funding was previously awarded to ease immediate pressures, the future outlook remains unclear.

For 2021/22 and beyond, particular pressures are being observed in respect of student numbers, a trend observed across the sector which may result in significant clawback of grant funding. Uncertainty remains around future pay settlements with negotiations ongoing while inflationary pressures have led to a higher cost base.

The College anticipates a breakeven position for 2021/22, however, the impact of challenging student numbers, together with inflationary pressures and national pay bargaining will make the financial position more difficult to sustain in the medium to longer term. We consider that the current levels of funding and rising costs create a risk that the College will not be able to develop sustainable medium term financial plans.

Governance and Transparency

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

In our 2020/21 Annual Audit Report we concluded that the College had in place the key requirements for good governance, and concluded that these key features of good governance remained in place and were operating effectively throughout the Covid-19 lockdown. However, it was noted that the absence of the Board Secretary for part of the year has resulted in delays in some governance activities being performed including the timely publication of Board and Committee minutes on the College website. We concluded that the Annual Governance Statement materially complied with the SFC's 2020/21 Accounts Direction.

The College's Annual Governance Statement continued to disclose weaknesses in internal control, although we continue to note progress against the Board's improvement plan with 93% of actions now being either complete or partially complete.

Our work for the year will consider:

- ▶ A targeted follow up review to assess progress against the improvement action plan, reflecting the necessity of changes in priorities to reflect the pandemic;
- ▶ How the College has ensured that appropriate support arrangements are in place for the Board Secretary to ensure the continuation of key governance activities;
- ▶ Reviewing the College website to ensure it is updated in a timely manner with key publications including Board and Committee minutes;
- ▶ If the Annual Governance Statement within the financial statements is complete and reflects key matters arising during the year; and
- ▶ Progress against prior year audit recommendations from both internal and external audit, including the College's arrangements for ensuring these are monitored and reported on a routine basis.

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

Value for money

In our 2020/21 Annual Audit Report we concluded that the College had continued to review the effectiveness of balanced scorecard reporting, with further improvements planned for 2021/22 as part of a revised risk management framework incorporating the balanced scorecard. Improvements had been in relation to procurement processes but further changes were required to ensure compliance with the relevant guidance and best practice.

The Strategic Plan for 2016-21 was published in June 2016, outlining four strategic objectives within a balanced scorecard to review performance against. The College's performance against target was maintained in 2020/21 in comparison to 2019/20 with only 40% of performance measures meeting target.

The College Board considers regular updates against the Strategic Plan throughout the year.

Our work for the year will consider whether:

- ▶ The College has arrangements to ensure value for money through the use of public funds, including a robust procurement framework that is used by all employees and is subject to regular scrutiny;
- ▶ Performance information is published on the College website in a timely manner;
- ▶ The College has progressed in the development of an updated Strategic Plan;
- ▶ The College has realised the improvements planned for 2021/22 with regard to the revised risk management framework; and
- ▶ A robust governance process is in place for the operation of the College's severance scheme during 2021/22, including compliance with SFC guidance.

Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit Committee

D - Timing and deliverables of the audit

E - Audit fees

F - Additional audit information

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including Audit and Risk Committees or equivalent) in monitoring these arrangements.

Financial Statements and related reports

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- ▶ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.
- ▶ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- ▶ maintaining proper accounting records.
- ▶ preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- ▶ Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Financial Position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified
- ▶ compliance with any statutory financial requirements and achievement of financial targets
- ▶ balances and reserves, including strategies about levels and their future use
- ▶ how they plan to deal with uncertainty in the medium and longer term
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

Best Value

The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

Appendix B: Independence Report

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

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

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

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

Self review threats

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

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

Management threats

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

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

Other threats

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

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

Appendix C: Required Communications

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter - audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Annual Audit Report</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	<p>Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Risk Committee responsibility 	<p>Annual Audit Report</p>

Required communication	Our reporting to you
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<p>Annual Audit Report or as occurring if material.</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Risk Committee may be aware of 	<p>Annual Audit Report or as occurring if material.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>Annual Audit Report</p>
<p>Representations</p> <p>We will request written representations from management and/or those charged with governance.</p>	<p>Annual Audit Report</p>
<p>Subsequent events</p> <p>Where appropriate, asking the Audit and Risk Committee whether any subsequent events have occurred that might affect the financial statements.</p>	<p>Annual Audit Report</p>
<p>Material inconsistencies and misstatements</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>Annual Audit Report</p>
<p>Fee Reporting</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>

Group Audits

Annual Audit Plan

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

Appendix D: Timing and deliverables of the audit

We deliver our audit in accordance with guidance from Audit Scotland. We will work with management and the committee secretariat to agree a timetable for the completion of the audit that ensures a smooth governance process.

	Audit Activity	Deliverable	Timing
APR	▶ Walkthrough Visit	Completion of internal documentation	May 2022
MAY	▶ Audit planning and setting scope and strategy for the 2021/22 audit	Annual Audit Plan	May 2022
JUN	▶ Review of reported frauds	Quarterly fraud return submission	Quarterly
SEP	▶ Year-end substantive audit fieldwork on unaudited financial statements	Audited Financial Statements	Oct - Nov 2022
OCT	▶ Conclude on results of audit procedures	Issue Annual Audit Report	Dec 2022
NOV	▶ Issue opinion on the College's financial statements	Submit Audit Scotland minimum dataset request	Dec 2022
DEC			
JAN			

Appendix E: Audit fees

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

Audit Fees	2021/22	2020/21
Component of fee:		
Auditor remuneration - expected fee	£19,290	£18,890
Additional audit procedures (see below)	£6,800	£8,400
Audit Scotland fixed charges:		
Pooled costs	£1,070	£1,220
Contribution to Audit Scotland costs	£960	£800
Total fee	£28,120	£29,310

The expected fee for each body, which for 2021/22 has been set centrally by Audit Scotland, and assumes that the College has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and supporting schedules, and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year and an unqualified audit opinion resulting from the audit.

Should any of these circumstances not be in place throughout the audit, it is expected that additional costs will be incurred through the course of the audit which will be subject to recovery in line with the agreed process and rates set out by Audit Scotland. Under this process, fees can be agreed between the auditor and audited body by varying the auditor remuneration by up to 20% above the level set, or more with the approval of Audit Scotland. As such we have included in the fee estimate for the year our current estimate of the costs related to additional work which can be reasonably estimated at this stage of our planning. The fee variation of £6,800 reflects our assumed additional work which will be required around the College's financial sustainability and financial management risks outlined in this report, the additional work from the inclusion of the financial management and value for money wider scope dimensions, the follow up work from outstanding areas of focus in prior years, and the requirement to reduce materiality on our audit due to our expectation of errors taking account of prior year audit differences. All fee variations would be agreed with management prior to finalisation of the audit. Should additional audit requirements arise we will raise these with management through the course of the audit and agree variations as appropriate, and report the final position to the Audit Committee with our annual audit report.

Appendix F: Additional audit information

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

Our responsibilities required by auditing standards

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

Purpose and evaluation of materiality

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

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

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

Audit Quality Framework / Annual Audit Quality Report

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

We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: [Quality of public audit in Scotland annual report 2020/21 | Audit Scotland \(audit-scotland.gov.uk\)](#)

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: [EY UK 2021 Transparency Report | EY UK](#)

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

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Perth College UHI

Paper No. 5

Committee	Audit
Subject	Strategic Risk Register
Date of Committee meeting	31/05/2022
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	24/05/2022
Executive summary of the paper	<p>This paper provides Audit Committee with an opportunity to scrutinise the full Risk Register and assess recent amendments.</p> <p>Committee members are asked to:</p> <ul 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 14 Risk 25</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	n/a
Action requested	<input checked="" type="checkbox"/> For information <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> For endorsement

Perth College UHI

	<input type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)
<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement? If yes, please provide details.</p>	<p>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? (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>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment? If yes, please give details:</p>	<p>Yes/No</p>

Perth College UHI

<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>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"/>

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					
1*	Active	Working in partnership to meet the needs of our local economy and beyond. Providing a progressive curriculum which meets economic and social needs and aspirations.	<p>Control over strategic environment</p> <p>Operations limited due to outcome of central or remote decision making reducing local impact and focus.</p> <p>Lack of understanding or clarity of the academic partnership within our external operating environment.</p> <p>Strategic Development</p>	<ul style="list-style-type: none"> • Collective reporting • Dilution of local need within decision making • Changes to Partnership structures/organisation. 	<ul style="list-style-type: none"> • Reduced student numbers. •Declining performance. • Loss of commercial potential. •SFC Coherence Review of Colleges & Universities •UHI Academic Partner discussions re internal structures 	Principal	4	4	16	<ul style="list-style-type: none"> • College Board of Management and Chair kept informed of arising issues. • UHI Vice Principal Further Education and Chair of Regional Strategy Committee made aware of issues. • SMT proactive in decision making forums. • Perth & Kinross CPP single outcome agreement embedded in ROA. • Create positive working relationships with Colleges Scotland, Scottish Government and SDS. <p>Engagement with Board members on key issues with regular discussions in appropriate Committees</p>	16	↔	<ul style="list-style-type: none"> • Continue to highlight as appropriate. • Continue to work on and implement recommendations of current Programme Board • Work proactively within partnership and beyond. • 7/10/21 Be proactive in discussions re. future integration • Review metrics for measuring local engagement 	Principal	7/10/21 Ongoing					
2*	Active	Working in partnership to meet the needs of our local economy and beyond.	<p>Achievement of Student Numbers</p> <p>Non-achievement of numbers.</p> <p>Low allocation of funded Student Numbers from the region.</p> <p>Adverse impact of Regional funding and allocation</p> <p>Low allocation of funded student numbers from the region</p> <p>Learner Experience</p>	<ul style="list-style-type: none"> • Lack of marketing focus • Intra regional competition • Curriculum offered does not meet demand • Slow conversion of application to acceptance • Impact of school profile and jobs market • Likely impacts of Brexit, eg ESIF, reduction in FTE funding <p>COVID-19 impact</p> <p>Extension of any further lockdown and its impact on the delivery models. Clear evidence of disengagement of FE learners when switch to online</p>	<ul style="list-style-type: none"> • Financial. • Reputation. • National appetite for increased funded numbers. •Reduction in EU students. •£3m funding not guaranteed • Implications for students without settled/pre-settled student status • Fall in enrolments related to UCAS 2nd choice institutions • Increase in SDS 16+ dataset remaining in school or going straight into employment 	Depute Principal Academic / Vice Principal External/ Associate Principal	4	4	16	<ul style="list-style-type: none"> •Curriculum Review completed. • Maintaining engagement with applicants. • Well informed with strong/robust evidence/business case for local demand. • Strong representation on PPF for FE and HE and on the Regional FE-Strategy Committee. • Clear understanding and management of criteria within the ROA. • Endorsement of Community Planning Partnership. • Liaise with adjoining regions, colleges and providers for out of region provision. • Strategic discussions with PKC Education Department on Schools/College volume. •Ensure student numbers align to strategic plans. • Effective marketing plan in place. • Student Number Planning using more robust data • EREP Action Plan Implementation – in suspension due to COVID 	16	↔	<ul style="list-style-type: none"> • Revised Marketing Strategy – transitioning to digital • Involvement with Tay Cities Deal (24 additional HE FTE places) • Implementation of effective messaging system • Identify courses with highest EU student cohorts. • Learner Journey Strategic Group implementation 	Vice Principal External	Ongoing					
										(4,4)									Associate Principal	Complete
																			Associate Principal	Completed
																			Associate Principal	Complete

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	
				Impact of grade inflation in SQA exams Increase in university funded places Increase in school remainers						Develop collaborative transitions programmes with schools Analyse gaps in regional labour markets and focus on mid semester/academic year opportunities to commence F/T or P/T learning programmes Review focus and strategy of recruitment campaigns						
3*	Active	Developing a successful and sustainable organisation.	International Student recruitment Lack of International student recruitment. Lack of RUK student recruitment. Sustaining International Partnerships Student recruitment behind targets International instability F&R	• UK Regulation Registration (UKVI) • In country adverse political environment • Availability of suitable product • Marketing and attraction strategy Insufficient resources in UHI to support development of international opportunities COVID-19 Ongoing conflict in Europe	• Loss of income. • Bad publicity. • Lack of student diversification Likely downturn in international recruitment Potential impact on foreign markets allied to Russia	Vice Principal External	5	4	20	• 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 (5.4)	↔	<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 Ongoing	
4*	Active	Developing a successful and sustainable organisation. UHI Common Risk	Institutional reputation The institution has a poor reputation. F&R	• Inequitable distribution of income across Partnership • Consistent poor student experience/performance • Breakdown in Partner and Staff relations	• Loss of income • Increased costs • Staff retention/recruitment • Student retention/recruitment. • Loss of accreditations. • Damage to reputation	Principal	3	4	12	• Heightened awareness of causes of poor reputation. • Heightened reinforcement of the value of Perth College. • Building trust with Partners. • Effective marketing of College and UHI. • Maintain communication via employer engagement. • Annual marketing and PR Plan in place.	8	↔	<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
				<ul style="list-style-type: none"> Technological innovation. Lack of Integrated Information Systems 						<ul style="list-style-type: none"> UHI Wi-Fi Service upgrade: Continue existing Wi-Fi network service until the new service has been proved through a pilot Bright Space consolidation -Staff training sessions available on demand VC Application change to Webex and MS teams. GDPR Training sessions: Awareness of issues around transferring data New Operational Planning Process Change tracker for Payroll Process Communicate changes to staff and students Opportunities/impetus presented by Scottish Government Digital Strategy Digital Poverty transition project ICT rolling programme transitioning from desktop renewal to RAM upgrade and staff laptop allocation. 	(3,3)		<ul style="list-style-type: none"> Implement agreed priorities from College Sector Digital Ambition Digital strategy 	Vice Principal	September 2021
7	Active	Developing staff to successfully deliver our Vision. UHI Common Risk	<p>(Senior) staffing levels</p> <p>Disruption to services/projects and/or partnership working resulting from loss of a key staff member.</p> <p>F&R</p>	<ul style="list-style-type: none"> Poor performance management of competence issues. Fast pace of curriculum development. Excessive demand on CPD. Lack of staff capability. Poor workforce planning. Affordability/cost of staff 	<ul style="list-style-type: none"> Inability to compete. Loss of business and reputation. Potential requirement to buy in specialist staff High staff turnover. Poor staff satisfaction. 	Principal	3	3	9	<ul style="list-style-type: none"> CPD reports to SMT re progress against CPD targets for professional reviews, mandatory training etc Prioritise an appropriate level of CPD investment linked to financial sustainability. Assessment Action Plan in place and monitored Maintain Healthy Working Lives accreditation Succession Planning Minimisation of single-person dependencies Cross training Recruitment of Director of Finance provides additional resilience on SMT Staff Survey completed and results distributed 	4 (2,2)	↔	<ul style="list-style-type: none"> Improve completion levels for Mandatory Training 7/10/21 Percentage of completion of all mandatory training improved across all topics compared with 12 months ago but still work to be done. 	Head of HR & OD	7/10/21 Ongoing
8 *	Active	Developing a successful and sustainable organisation. UHI Common Risk	<p>Research outputs</p> <p>Research outputs are sub-standard.</p> <p>Overall number of Research activities/outputs are small.</p>	<ul style="list-style-type: none"> Low numbers of staff with relevant skill-set to conduct research Lack of time permitted/incentives provided for research activities Research not 	<ul style="list-style-type: none"> Inability to identify and agree appropriate projects Research strategy not clear REF delay = impact on funding feeding through Small number Perth college staff contributing to UHI 	Principal	4	3	12	<ul style="list-style-type: none"> Annual Review of R&KE strategy. Develop relationships with wider UHI colleagues. Prioritise R&KE research activities where appropriate for REF income. Investigate SFC Innovation Funding and maximise Work with University SMT, Research Clusters and PKC Tay Cities Deal developments. 	9	↔	<ul style="list-style-type: none"> Link with KE specialists in UHI. Vision 2021 and City Development Plan implementation. Review EO funding streams for fostering and supporting research at AP 	Principal Principal Principal	7/10/21 Ongoing 7/10/21 Ongoing 7/10/21 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
			Insufficient momentum to build capacity in most curriculum areas. Learner Experience	integral part of staff contracts Inadequate support for bidding for research contracts • Funding methodology COVID-19	Education Unit of Assessment in REF Delay of Research Excellent Framework 2021 affects future funding levels					<ul style="list-style-type: none"> • Effective and purposeful operation of R&KE Committee and links to UHI structures. • Active & ongoing engagement with research organisations • Research Strategy updated and approved 	(3,3)				
9*	Active	Working in partnership to meet the needs of our local economy and beyond. Developing a successful and sustainable organisation.	Growth opportunities Missing viable opportunities for development and growth F&R	<ul style="list-style-type: none"> • Insufficient research. • Lack of horizon scanning. • Lack of ability to invest in opportunities. • Insufficient planning. • Being too risk averse. • Failing to develop at the required pace. • Funding allocations • Resource limitations • Changes to ESIF Funding. Impact of COVID-19 Increase in employment opportunities without any formal or vocational qualifications UHI Curriculum Review	<ul style="list-style-type: none"> • Loss of share of potential market/earnings. • Loss of reputation. • Miss the market. • Stagnation of product offering. • Missed opportunities for staff. • Missed opportunities for students. • Funding criteria changes. Uncertain future for development activities and appetite for external engagement post-Outbreak, including Tay Cities Deal Reduced opportunities due to post-COVID climate Divestment of courses not deemed sustainable by UHI SNLs which relate to continuing professional development and provision of apprenticeship or vocational programmes	Vice Principal External/ Associate Principal	4	4	16	<ul style="list-style-type: none"> • Effective new product development processes/reviews. • Clear review of product development processes / communication International and Home. • Collaborative UHI Partnership process in place. • Scanning and planning cycles and process communicated. • Collecting staff ideas by their involvement. • Encouraging a staff culture of enterprising behaviour. • Legislative change mapping for new courses. • Tayside RSA + H & I RSA to be used as baseline intelligence. • Flexibility in approval Cycle and proportionate responses. • Liaison with UHI re ESIF and LUPS. • Monitor and review international opportunities and costs. International Strategy. • Continuous collaboration with Learner Journey Strategic Group re school/college curriculum to achieve objectives re apprenticeships & employability • Contracting of Associates to overcome shortage of lecturing staff Perth College PLs and curriculum managers to participate in full in UHI curriculum review Analyse the impact of any divestment on PC programmes Reengage in face to face meetings with employers, professional bodies and associations.	16	↔	<ul style="list-style-type: none"> • Curriculum Review FE and HE - completed • Target international developments towards such areas where product is requested, e.g... Business Degrees • Schools Strategic Group to plan curriculum 2018-19 onwards • DYW Strategy Group implementation (Associate Principal on group, no longer separate SDS group) • PPF UHI Curriculum Plan 	Associate Principal	Completed
			Tay Cities Deal: Delay in final deal due to General Election leads to issues re: funding and market value Funds withdrawn elsewhere may result in										Enact Business Development Strategy following Board approval	Vice Principal External	Dec 2020
													Review presentation of financial reporting to reflect margins rather than revenues	Finance Director	Jan 2020
													Tay Cities Deal O maintain dialogue with strategic partners	Vice Principal External	Ongoing
													Final OBC submitted for approval	Vice Principal External	Feb 2021

Ref	Risk Status	Strategic Category	RISK AREA, Risk Description & Primary Sub-Committee	Causes	Impacts/ Evidence	Owner	Likelihood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	CURRENT ACTION PLAN			
													Actions to minimise risk TO DO	Action Owner	Completion Date	
										<ul style="list-style-type: none"> Perth College PLs and curriculum managers to participate in full in UHI curriculum review Clarity about the student learning strategy and format for learning 						
11*	Active	Providing a progressive curriculum which meets economic and social needs and aspirations. UHI Common Risk	<p>Regional curriculum plan</p> <p>Regional curriculum plan and delivery not aligned to local demand.</p> <p>Learner Experience</p>	<ul style="list-style-type: none"> Fragmented ownership. Lack of planning. Over ambitious change in delivery methodology. Wrong blend between online and face to face. ESIF changes Not fully within gift of PC UHI, need others/UHI to contribute UHI curriculum strategy proposals <p>COVID-19</p>	<ul style="list-style-type: none"> Lose students. Financial risk through reallocation. Students choose another provider. Poor retention and achievement. Disputed ownership/ responsibility for failings. <p>PKC Learner Strategy now recommenced</p>	Associate Principal	3	3	9	<ul style="list-style-type: none"> Influence/engage with development. Meetings arranged with UHI Deans & subject network leaders Keep in touch/listen to student views. Active engagement in SMCT, QAEC and PPF. UHI to commission research on impact of changed delivery methodologies. Work with UHI, SDS and local stakeholders to enhance demand analysis. Regional Outcome Agreement development and implementation. Depute now sits on SMCT. Vice Principal now sits on EPSC. Associate Principal now sits on PPF Curriculum Review complete In liaison with PKC re Learner Strategy Continuous review of FE Curriculum Associate Principal on UHI HE/ FE Curriculum Review groups 	9 (3.3)	↔	<ul style="list-style-type: none"> Proactively engage in implementation of UHI Strategic Plan. <p>UHI Curriculum Review</p>	SMT UHI	Ongoing March 2022	
12*	Active	Developing a successful and sustainable organisation.	<p>Business Continuity</p> <p>Threat to Business Continuity</p> <p>Audit</p>	<ul style="list-style-type: none"> Major incident. Pandemic. Major fire. Terrorist Activity. Cyber Incident UHI ICT loss of service. Radicalisation 	<ul style="list-style-type: none"> College closure. Reduced/loss of service. Potential financial implications, eg fines imposed by ICO 	Principal	5	5	25	<ul style="list-style-type: none"> Annual Reviews of Business Continuity Plan. Fibre ring installed. ICT Risk Register developed and dynamic review. Live ICT shutdown test. Desktop exercise with CMT successfully completed. UHI wide live exercise concluded All actively involved in Single Policy Work Environment. Significant increase in input to the UHI L&T Review documentation. Business Continuity Plan reviewed around Coronavirus Resilience team formed and meeting regularly Regular Partnership-wide crises management meetings 	20 (5,4)	↔	<ul style="list-style-type: none"> Review non-COVID Business Continuity Plans to absorb learning from recent approaches/ Solutions and cyber incident Review protocols re back-up systems utilised to identify at-risk non-Cloud systems following cyber incident Complete transition of data from network to cloud platforms Encourage staff to identify and report cyber risk incidents 	Clerk ICT Manager ICT Manager SMT	July 2022 7/10/21 Complete Apr 2024 7/10/21 Complete May 2024 7/10/21 Ongoing July 2024	

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
13*	Active	Developing a successful and sustainable organisation.	<p>Shared services</p> <p>Lose control of critical processes and systems through Shared Services</p> <p>Shared Service Model controlled by UHI EO and UHI Finance & General Purposes and University Court.</p> <p>F&R</p>	<ul style="list-style-type: none"> Insufficient planning. Inadequate backup. Poor training and inadequate communications. Loss of control of direct employees. Reduced service level. Additional cost. Lag in service improvement. Loss of control over capital investment. 	<ul style="list-style-type: none"> Disruption to business systems and student learning. Increased costs. 	Principal	3	3	9	<ul style="list-style-type: none"> Involved in thorough planning. Members of the LIS Shared Service Board. Member of the Shared Service Programme Board. Maintain Perth College input into development of shared services. 	9 (3,3)	↔	<ul style="list-style-type: none"> Agree principle of Service Level Agreements with UHI Access SLA from LIS to ensure clarity of central functions and local ICT responsibilities Proactive within commissioning board. 	SMT Vice Principal SMT	7/10/21 Ongoing 7/10/21 Complete June 2024 7/10/21 Ongoing
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. Drastic increase in fuel and energy costs 	<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	20	<p>Continued development of cashflow forecasting model</p> <p>AOP Surplus reported in 2020/21 accounts</p>	15 (3,5)	↔	<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	Ongoing – will evolve and develop over next 9 months. Ongoing – in place from September 2021 Ongoing – in place from Jan 2021 Ongoing – new process from Jan 2021, live from Aug 2021
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>	<ul style="list-style-type: none"> No ERM strategy in place. Existing controls not tested regularly. Risk not identified, therefore controls not in place. Staff have not been trained in risk identification and control development. <p>COVID-19</p>	<ul style="list-style-type: none"> Significant events occur where no controls are in place. Significant events occur where controls are in place. 2020/21 External Audit Report stresses need for improved systems due to current reliance on manual inputs <p>Financial impact of reduced student numbers, delayed</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 (3,5)	↔	Design an ERM strategy and implement a system of control e.g. SOX 404 or ISO31000	Director of Finance	Dec 2021

Ref	Risk Status	Strategic Category	RISK AREA, Risk Description & Primary Sub-Committee	Causes	Impacts/ Evidence	Owner	Likelihood	Impact	Gross Risk	Actions to minimise risk IN PLACE	Residual Risk	Trend	CURRENT ACTION PLAN			
													Actions to minimise risk TO DO	Action Owner	Completion Date	
					Consultation process, commercial income, etc Additional COVID-related costs (IT, PPE, etc)											
17	Active	Developing a successful and sustainable organisation.	Statutory compliance Non-compliance of Statutory Health and Safety Legislation and Equality Legislation Audit	<ul style="list-style-type: none"> Introduction of amendments to existing legislation or new unforeseen and unplanned legislation. Failure to comply with Equalities Duties and contingent statutory reporting 	<ul style="list-style-type: none"> Introduces financial and staffing resources to administer. Legal Action. Risk to Business Continuity. Financial fines. Reputational damage. <p>2020/21 External Audit Report stresses need for improved back-up governance arrangements re Board Secretary absence</p>	Depute Principal Academic	5	4	20	<ul style="list-style-type: none"> Produced and implemented a detailed Health and Safety Operational Risk Management Register. Updated quarterly and reviewed by Audit Committee every 6 months. Produce Annual Report on Health and Safety. Equalities Outcomes and Mainstreaming Report – Action Plan completed. Regular review of HSE publications, website and notifications. Health and Safety Management System annual review Equality & Diversity lead appointed July 2019, with specific initial focus on statutory reporting requirements Improvement in Mandatory Training stats – 90% Completion Rate target established New reporting mechanisms for Health & Safety Increase in prevalence of risk assessments across organisation COVID Response Group codified as sub-committee of H&S Committee 	16 (4,4)	↔	<ul style="list-style-type: none"> Plans in place to enforce completion of Compulsory H&S training <p>New E and D officer appointment</p>	Head of HR	Completed October/ November 2021	
18	Active	Developing a successful and sustainable organisation.	Brexit Implication of outcome of EU Referendum Leading to: Loss of EU Funding. Decrease in overseas (EU) students. Loss of EU national staff.	<ul style="list-style-type: none"> Lack of numbers. Students wishing to study within EU Economic and fiscal uncertainty over EU exit. Staff uncertainty 	<ul style="list-style-type: none"> Reduced numbers of students/staff Loss of commercial potential. Loss of EU funding Withdrawal of EASA accreditation for pre-Brexit AST qualifications 	Principal	5	4	20	<ul style="list-style-type: none"> Keep up to date with info flow. Lobby through Colleges Scotland and Universities Scotland to increase funding to compensate. Understanding the status of EU residents. Use next two years productively as planning. Look at opportunities, e.g. Increased fees. Scottish Government Extension of free tuition for EU students Trend analysis for student targets 	15 (5,3)	↔	<ul style="list-style-type: none"> Scottish Government looking to protect Erasmus + programme <p>Target replacement EU funding sources</p>		7/10/21 Ongoing 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	
			F&R							• AST lobbied appropriate bodies within UK/EU to seek legislative change						
19	Active	UHI Common Risk	HE student numbers College does not achieve allocated HE student number targets Learner Experience	Failure to recruit sufficient students due to various factors such as: over ambitious PPF target, poor marketing, curriculum gaps, poor NNS results etc. Impact of COVID-19 Delivery methods Grade inflation associated with SQA qualifications Increase in university places	Reduction of income from UHI, regional student number target at risk resulting in possible claw back to SFC from UHI in year or reduction in future years grant. Financial impact of reduced student numbers	Depute Principal Academic / Associate Principal	5	4	20	○Review curriculum to ensure robust and up to date complete ○Continue close partnership working within UHI. ○Ongoing dialogue with PPF and academic partners. ○Plan, monitor and review student numbers/applications. • Improved marketing has reduced curriculum gap • Improved NSS scores • Trend analysis for student targets	20 (5,4)	↔	• Implementation of Curriculum Review complete and continuous review in process UHI Curriculum Review 1st phase September 2021	Associate Principal UHI, Depute and Associate Principal	Complete Ongoing	
20	Active	UHI Common Risk	FE student numbers College does not achieve allocated FE Credit targets. Learner Experience	Failure to recruit sufficient students due to various factors such as: over ambitious target, curriculum gaps, ineffective marketing and engagement with local schools/ employers. Impact of COVID-19 No curriculum linkage to regional skills assessment Failure to produce an ROA Increase in school returners Increase in employability opportunities	Reduction of income from UHI, regional student number target at risk resulting in possible claw back to SFC from UHI in year or reduction in future years grant. Financial impact of reduced student numbers Potential for specific courses to be paused/ Discontinued	Depute Principal Academic / Associate Principal	5	4	20	○Review curriculum to ensure robust and up to date complete ○Develop external partnerships with schools. DYW and employers – Associate Principal sits on DYW Strategy Group. ○Plan, monitor and review student numbers/applications.	20 (5,4)	↔	• Implementation of Curriculum Review Continue progress made with partnerships developed through Learner Journey Strategy Group Focus marketing activities on p/t FE courses Ensure curriculum meets demand linked to increased unemployment rates UHI curriculum review	Depute Principal Academic Associate Principal	Complete Ongoing Jan 2022 October 2021 - ongoing September 2021 – 1 st phase	

													CURRENT ACTION PLAN		
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	Actions to minimise risk TO DO	Action Owner	Completion Date
21	Active	UHI Common Risk	Statutory Compliance Non-compliance with relevant statutory regulations. Audit	Lack of awareness of relevant laws and penalties. Management failures. E.g. UK GRPR (Data and Information Security), Health and Safety Regulations, PREVENT legislation etc.	Failure to meet appropriate legislative standards likely to result in significant reputational damage and/or possible legal action. Additional scrutiny from statutory bodies such as Auditor General, HSE, OSCR, Information Commissioner, etc	Depute Principal Academic	4	3	12	<ul style="list-style-type: none"> ○ Robust governance policy. ○ Robust management policies, procedures and systems in place. ○ Dedicated Health & Safety officer. ○ IT/Data Protection staff in place. ○ Mandatory staff training. ○ Close working relationship within UHI. ⊖ Policies & procedures produced and published, including Model Publication Scheme and Privacy Notices • Work with/respond to ICO and OSIC to minimise risk of breaches where appropriate 	9 (3,3)	↔	<ul style="list-style-type: none"> • Continuous update and reinforcement of GDPR policies and procedures. Ensure compulsory training is conducted across organisation Introduce mandatory cyber and information security training to increase awareness of cyber risks Information security embedded in all job roles Review Work From Home practices around remote access of sensitive data Review protocols re back-up systems utilised to identify at-risk non-Cloud systems following cyber incident 	Principal Head of HR Head of HR SMT Head of ICT Head of ICT	Ongoing Completed but ongoing monitoring December 2021 December 2021 Aug 2021 Apr 2021
22	Active	UHI Common Risk	Governance Governance Failure. Audit	Governing body does not have an appropriate balance of skills and experience. Role of a governor/director is onerous and it is difficult to attract a broad range of high calibre individuals to serve for non-remunerated roles. Board members not provided with enough support or information to fully discharge their responsibilities	Challenge to recruit new Board Members High turnover of Board Members Action Plans arising from recent Audits are not sufficiently monitored and reported Failure to comply with Code of Good Governance	Chair, BoM	3	3	9	<ul style="list-style-type: none"> ○ Recruitment process robust, transparent and open. ○ Skills matrix approach in place. ○ Networking/proactively encouraging diversity of applicants ○ Robust Action Plan falling out of various Audit Reports produced • Board External Effectiveness Review completed June 2020 • Successful recruitment & induction of new Board Members summer 2020 • Review of Committee membership summer 2020 • Code of Good Governance Compliance Checklist reviewed Oct 2020 • Successful recruitment of new Board Members winter 2021 • Reallocation of Committee positions completed Jan 2022 	3 (1,3)	↔	<ul style="list-style-type: none"> Audit Action Plan in place with robust monitoring system Board Effectiveness Review Action Plan 	Chair BoM Clerk	Ongoing Completed
23	Active	UHI Common Risk	Student Experience Poor Student Experience	Poor college estate. Dispersed campus with	Poor performance in national student satisfaction surveys.	Depute Principal Academic	4	3	12	<ul style="list-style-type: none"> ○ Partnership approach with HISA ○ Continuous student engagement, feedback and dialogue. 	12	↔	<ul style="list-style-type: none"> • Commission of Conditions Survey & prioritisation of required work 	Head of Estates	Completed Completed

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
			Learner Experience	<p>limited facilities for social interaction.</p> <p>Technology failures.</p> <p>Limited teaching/library resources.</p> <p>Societal issues around Digital Poverty</p> <p>Cyber-Security Incident</p> <p>Poor recruitment & development of student-facing staff</p> <p>COVID-19</p>	<p>Reputational damage.</p> <p>Impact on ability to recruit future cohorts.</p> <p>Risk to core income streams.</p> <p>Impact on students of Cyber-Security response measures on risk minimisation of systems, eg restrictions on availability of hardware and software affected</p> <p>Likely down-turn in Survey scores due to lack of contact time from March 2020</p>					<p>OOngoing Estate Maintenance and minor Refurbishments</p> <ul style="list-style-type: none"> • Completion of Scottish Government information survey around COVID local outbreak responses • Student Survey re VLE/Brightspace conducted and shared with SDDs • Significant investment re availability of laptops and WiFi access for students during COVID (versus potential limitations caused by Cyber-Security incident response measures) • Improved CPD (Per Risk 7) 	(4,3)		<ul style="list-style-type: none"> • Commission tender process for Estates Strategy • Action Plan re outcomes of VLE/Brightspace Survey to be devised 	<p>Head of Estates</p> <p>Head of L&T</p>	Aug 2022
24	Active	UHI Common Risk	<p>Data protection</p> <p>Institutional, personal and sensitive data is corrupted, lost, stolen or misused or services are disrupted through malicious and illegal activities by external individuals or bodies.</p> <p>F&R</p>	<p>Poor IT security measures. Equipment with security holes. Poor patching regime. Anti-virus is not up-to-date/comprehensive. Firewalls are configured incorrectly. Coordinated DDOS attack on university infrastructure. Increasing number of security alerts. DDOS attacks on UK academic institutions up to 527 in 2015 - Janet CSIRT. Increase in cyber-attacks such as ransomware reported in national media.</p>	<p>Information Commissioner fine of up to £500k. Adverse press coverage. Loss of confidence by regulators, stakeholders and HE sector. Ransomware encryption has been detected on UHI network.</p>	Principal	3	4	12	<p>OFirewalls and filters updated regularly.</p> <p>OAnti-virus software on all corporate devices.</p> <p>OUHI protocols applied and adhered to.</p> <p>OPasswords changed regularly.</p> <ul style="list-style-type: none"> • Dual authentication processes rolled out 	12	↔	<ul style="list-style-type: none"> • Monitoring of UHI wireless network hardware and process Review Work From Home practices around remote access of sensitive data Review protocols re back-up systems utilised to identify at-risk non-Cloud systems following cyber incident Embed data and information security within all job roles 	<p>ICT Manager</p> <p>ICT Manager</p> <p>ICT Manager</p> <p>SMT</p>	<p>7/10/21 Ongoing</p> <p>7/10/21 Complete Aug 2021</p> <p>7/10/21 Complete April 2021</p> <p>7/10/21 Ongoing December 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
25	Active	Developing a successful and sustainable organisation	Commercial subsidiary Financial failure of commercial subsidiary International instability F&R	Deterioration in economic viability of subsidiary Dramatic increases in fuel and energy costs Ongoing conflict in Europe COVID-19	Reduction in profitability Potential impact on international markets 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 	12 (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 Salaries Double Payment recorded Nov 2021	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 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 	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
28	Active	Developing a successful and	Procurement	Internal processes not suitably robust	Contracts register incomplete	Director of Finance	4	3	12	<ul style="list-style-type: none"> APUC provision of remote services from November 2018 	6	↔	<ul style="list-style-type: none"> Compliance with relevant areas of Audit Action Plan 	Director of Finance	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	
					<p>affects future funding levels (Ref 8)</p> <p>PKC Learner Strategy delayed post-COVID (Ref 11)</p> <p>Uncertain future for development activities and appetite for external engagement post-Outbreak, including Tay Cities Deal (Ref 9)</p> <p>Financial impact of reduced student numbers, delayed Consultation process, likely reduction of international income/AST surplus/etc (Ref 15, 19,20)</p> <p>Poor outlook for AST due to worldwide collapse in aviation market (Ref 25)</p>											

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

Paper No. 6

Committee	Audit Committee
Subject	Risk Appetite & Strategic Risk Register Review
Date of Committee meeting	31/05/2022
Author	Iain Wishart, Director of Finance
Date paper prepared	25/05/2022
Executive summary of the paper	<p>Please outline the follow elements of this paper:</p> <ul style="list-style-type: none"> i) Purpose – what is it for ii) Impact – what are the intended outcomes iii) Course of Action – what happens next & by whom <p>This paper provides a summary of the Risk Appetite exercise undertaken at the recent Board Development event, and seeks endorsement of Audit Committee for the Risk Appetite arrived at.</p> <p>In addition, this section of the Agenda will be given over to a presentation as to how the Risk Appetite will work with the new Risk Register framework which will link to the KPIs derived under the Strategic Planning process.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	n/a
Action requested	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> For information <input checked="" type="checkbox"/> For discussion <input checked="" type="checkbox"/> For endorsement <input type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)

Perth College UHI

<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>No</p> <p>Click or tap here to enter text.</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>n/a</p>
<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>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>No</p> <p>Click or tap here to enter text.</p>

Perth College UHI

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

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

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

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

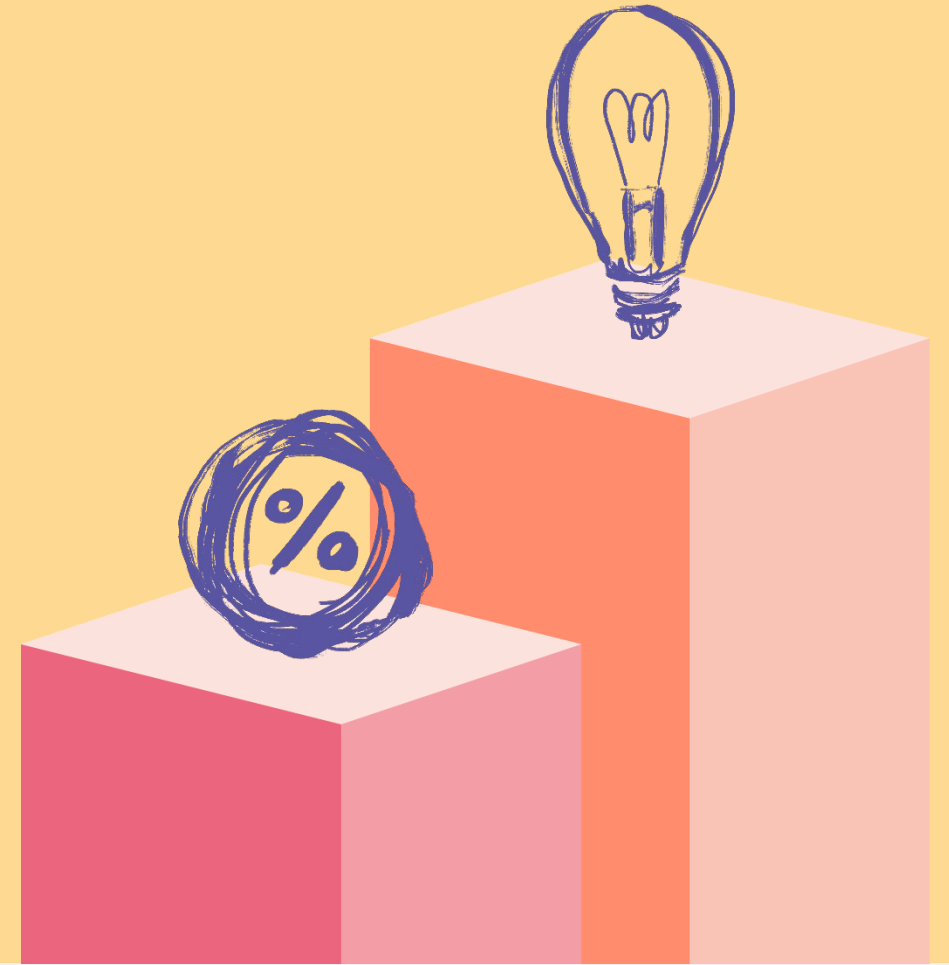
Further guidance on application of the exclusions from Freedom of Information legislation is available via:

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

and

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

Perth College UHI Risk Appetite Session



19 April 2022



Agenda

Time	Activity	Responsible Individual/s
17.00	Welcome	
17.05	1. Setting the Scene	David Archibald & Iain Wishart
17.10	2. Benefits of setting a risk appetite	David Archibald
17.30	3. Group Discussions – Discuss the risk appetite score for each of the agreed Orange Book risk categories	David Archibald
18.30	4. Plenary session to agree on the risk appetite for each of the agreed risk categories	David Archibald
19.30	Finish	

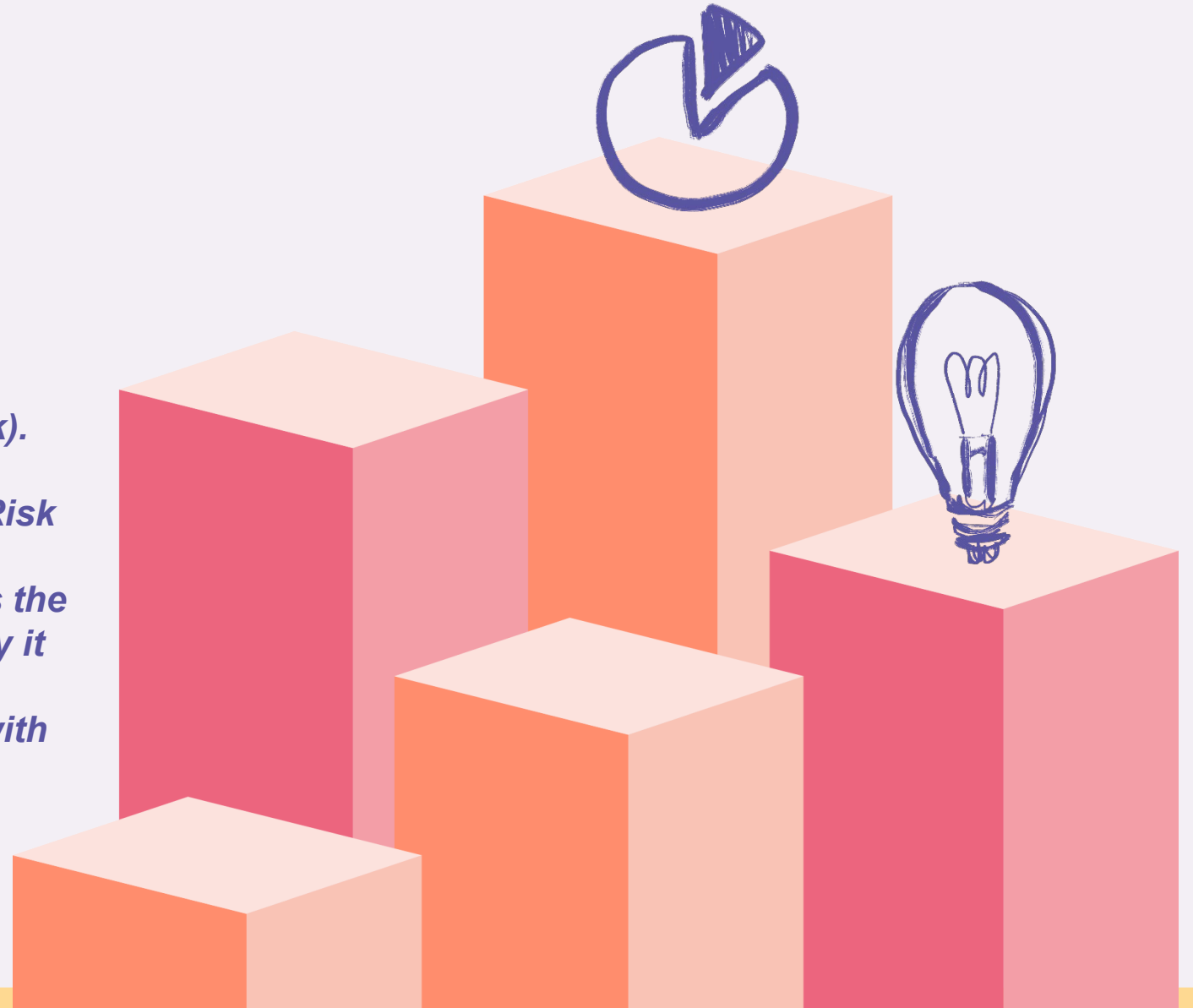


Setting the Scene

Risk appetite

“Risk appetite is the overall level of risk exposure that an organisation is prepared to accept. (Source: HM Treasury – Orange Book).”

“It is a responsibility of the Board to define Risk Appetite and then ensure implementation. Establishing the risk appetite therefore helps the Board (and management) to consider the way it responds to risks, and what it is prepared to undertake or not.” (Source: Getting to Grip with Risks).



Benefits of Setting a Risk Appetite

What is the purpose of setting a Risk Appetite?

“By determining the amount of risk it is prepared to accept the Board is able to improve organisational control, enhance decision-making, revitalise performance, recognise how to reduce risks and make better decisions on the deployment of resources to the delivery of the business objectives.”

The above quote is drawn from the HM Treasury guidance ‘*Thinking about Risk - Managing your Risk Appetite: A practitioner’s guide*’ which describes a framework for setting an organisation’s risk appetite. This is the risk appetite assessment model which we will be utilising this evening.

Group Discussion 1 – Setting the Risk Appetite

Challenge

To establish the collective Board of Management view on the risk appetite level for each of the selected 11 risk categories drawn from the HM Treasury Orange Book guidance.

The Task

We will spend 60 minutes collectively assessing each of the agreed risk categories for Perth College against the HM Treasury risk appetite framework to arrive at a risk appetite score for each risk category of between 1 and 5.

Group Discussion 1 – Setting the Risk Appetite

Selected risk categories:

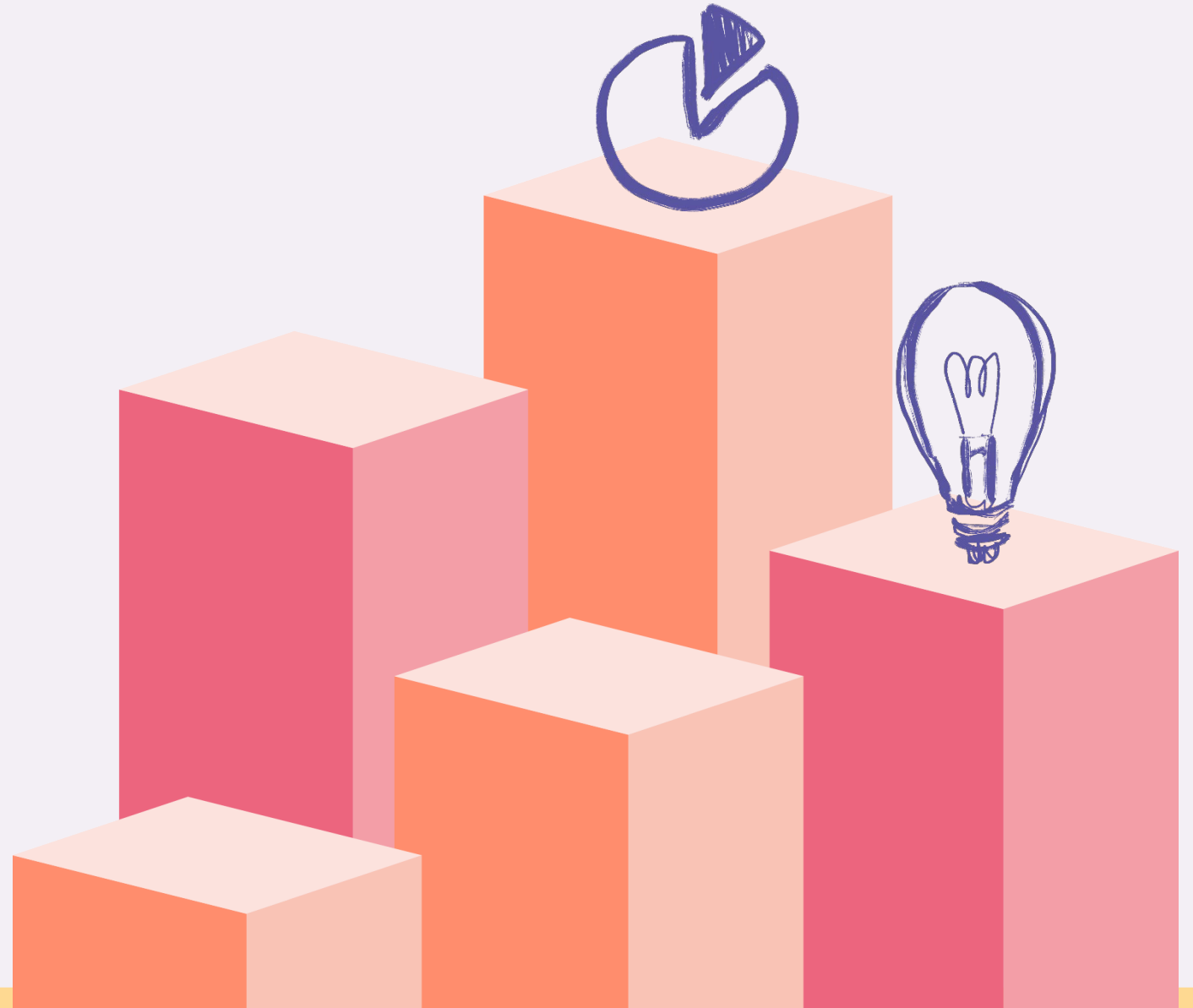
1. Governance
2. Legal
3. Operations
4. Property
5. Technology
6. Financial
7. Commercial
8. People
9. Data and Information Management
10. Reputational
11. Security

Group Discussion 2 – Non Orange Book Category – Environmental and Social Responsibility

Averse	Minimal	Cautious	Open	Eager
<p>All legislative requirements must be complied with and zero appetite for decisions that would have any negative impact on the College environmental or social responsibility (ESR) progress or reputation. ESR opportunities must be placed ahead of college performance.</p>	<p>All legislative requirements should be complied with and decisions should avoid, where possible, actions that could have any negative impact on ESR status/progress. ESR opportunities should be considered when making decisions.</p>	<p>Legislative requirements should be complied with if/when there is funding. Decisions should only take legislative compliance into consideration.</p>	<p>Legislative requirements should be complied with if/when there is funding. Decisions should prioritise College performance ahead of ESR opportunities.</p>	<p>Legislative requirements should be complied with if/when there is funding. Decisions should prioritise College performance with no requirement for further ESR opportunities to be considered.</p>



**Recap and next
steps**



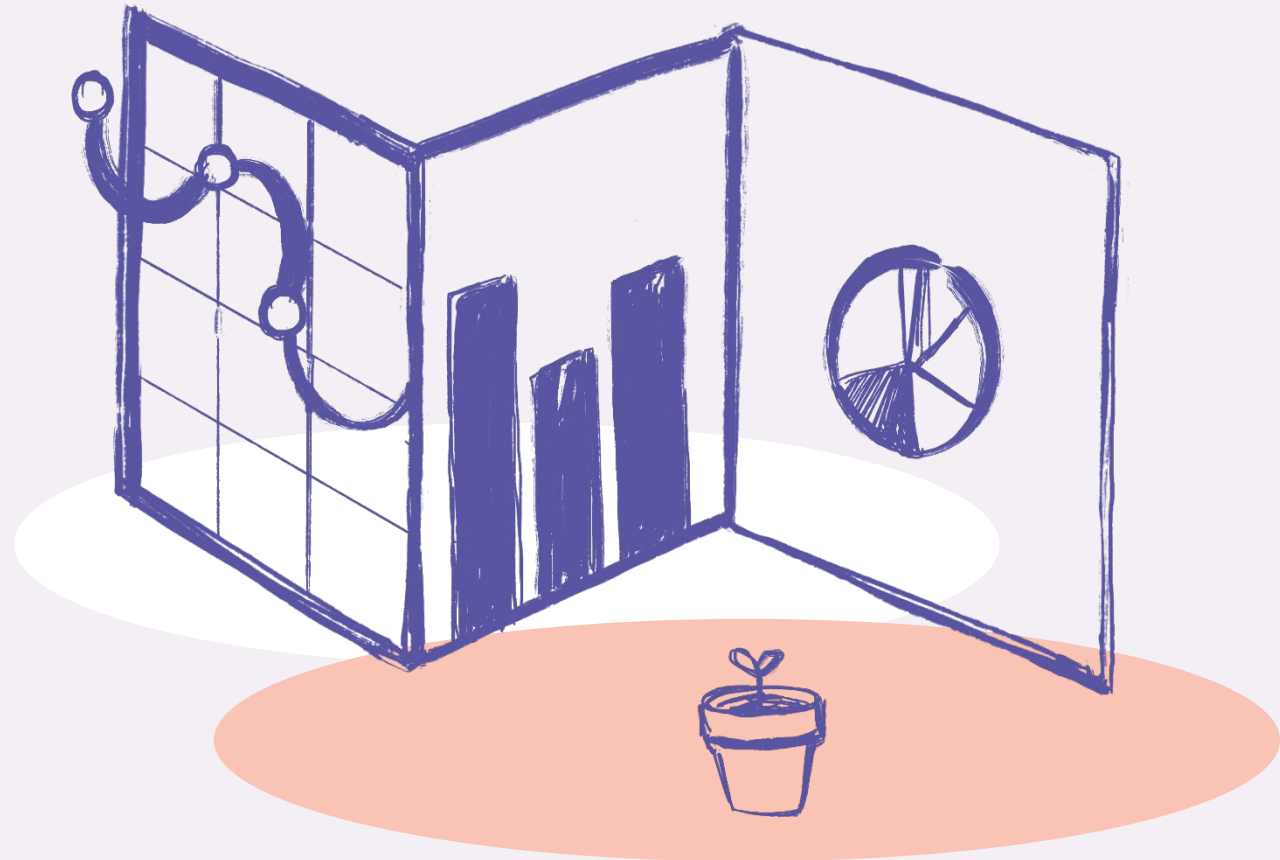
Any Questions?

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Government
Finance
Function

Risk Appetite Guidance Note

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1. Introduction

- 1.1. [The Orange Book – Management of Risk, Principles and Concepts](#) (2020) advises ‘the Board should determine and continuously assess the nature and extent of the principal risks that the organisation is exposed to and is willing to take to achieve its objectives – **its risk appetite** – and ensure that planning and decision-making reflects this assessment. Effective risk management should support informed decision-making in line with this risk appetite, ensure confidence in the response to risks, transparency over the principal risks faced and how these are managed’. This guidance has been developed by risk practitioners in the public sector to support colleagues in implementing effective risk management arrangements, aligned with the [Orange Book](#) principles.
- 1.2. Public sector organisations cannot be culturally risk averse and be successful. Effective and meaningful risk management in government remains more important than ever in taking a balanced of risk and opportunity in delivering public services. Risk management is an integral part of good governance and corporate management mechanisms. An organisation’s risk management framework harnesses the activities that identify and manage uncertainty, allows it to take opportunities and to take managed risks not simply to avoid them, and systematically anticipates and prepares successful responses. A key consideration in balancing risks and opportunities, supporting informed decision-making and preparing tailored responses is the conscious and dynamic determination of the organisation’s risk appetite.
- 1.3. This guidance has been developed to provide key considerations for organisations to apply when formalising and strengthening their existing practices to support and inform decision-making.
- 1.4. Whilst there is wide-ranging guidance on the development of risk appetite statements, much of it is focused on the financial services sector. Clear and helpful risk appetite statements are more easily developed in organisations which can apply consistent units of measure to inputs and outcomes and can look at aggregated portfolio risks in these units, such as £x. Just as there are different approaches taken to the development of risk appetite statements in the private sector, development in the public sector requires a considered approach to reflect that public services realise value to diverse timeframes and utilise varied units of measure to assess public value in their outcomes.
- 1.5. The concept of risk appetite is further challenged in public sector organisations by the need to demonstrate, often over a spending period, that public funds achieve value for money. Risk appetite helps organisations establish a threshold of impacts they are willing and able to absorb in pursuit of objectives, which may include but is not limited to financial loss. This concept of calculated risk and acceptable loss may be difficult to reconcile with the nature of many public services. If properly applied and maintained, however, understanding risk appetite results in improved organisational health, as trade-offs are made allowing resources to be prioritised and allocated where most needed to support the management of risks to achieving objectives, whilst maintaining performance and demonstrating value for money (see 6.5 and 6.6 below).

1.6. The good practice guidance outlined in this document can be used to direct decision-making at the point investment and prioritisation choices are made, as well as in management's periodic reviews of risks and performance. The good practices detailed in this guide have been gathered from experience across the Civil Service risk management community. They have been tested through practical application and have been proven especially beneficial in times of heightened uncertainty and rapid change, such as the Covid-19 pandemic, when decisions need to be made quickly and often with incomplete information.

1.7. This guide should be considered alongside the [Orange Book](#) and other associated good practice guides. These documents can be accessed via [Gov.uk](#) or [OneFinance](#).

1.8. The Government Finance Function is grateful to all involved in the production of this guide. A full list of contributors is provided at [Annex B](#). Particular thanks is given to Simon King from the Ministry of Defence, who chaired the working group that developed this guidance.

2. Assumptions

2.1. This guide has been developed to support organisations to implement the concepts and principles outlined in the [Orange Book](#). The information provided in this guidance is framed around the assumption that an organisation's risk framework aligns with the [Orange Book](#).

2.2. To maximise the benefit of this guidance, organisations should recognise the following:

- While desirable, it is often not possible to manage all risks at any point in time to the most desirable level, but the discipline and approach set out in this guidance provide a means to manage risks to a tolerable level
- Outcomes cannot be guaranteed when decisions are made in conditions of uncertainty
- It is often not possible, and not financially affordable, to fully remove uncertainty from a decision or in the design and application of control activities
- Decisions should be made using the best available information and expertise
- When decisions need to be made urgently, the information relied upon and the considerations applied to it should, as in the normal course of business, be retained
- The risk culture must embrace openness, support transparency, welcome constructive challenge and promote collaboration, consultation, co-operation and continual improvement

2.3. The best available evidence should be used to inform all decisions and this guidance recognises that organisations may have areas of risk which are data-rich, can apply automated scientific judgement or are dependent on the subjective judgement of the best available experts. Each organisation should adopt the most appropriate approach for its needs.

3. What is risk appetite?

3.1. Risk appetite as a concept is often referenced in organisations, without clearly defining what it is. Similarly, the terms risk appetite and risk tolerance are often used interchangeably. It is equally true that many organisations already apply the principles contained in this guidance without necessarily fully acknowledging them as part of a risk management framework where risk appetite is actively considered in decision-making.

3.2. When referenced in this guide, risk appetite will be referred to as a concept. Within this concept, we will refer to optimal risk and tolerable risk positions using the following definitions:

- **Optimal risk position:** the level of risk with which an organisation **aims** to operate.
- **Tolerable risk position:** the level of risk with which an organisation is **willing** to operate.

The diagram below demonstrates the interaction between these concepts.

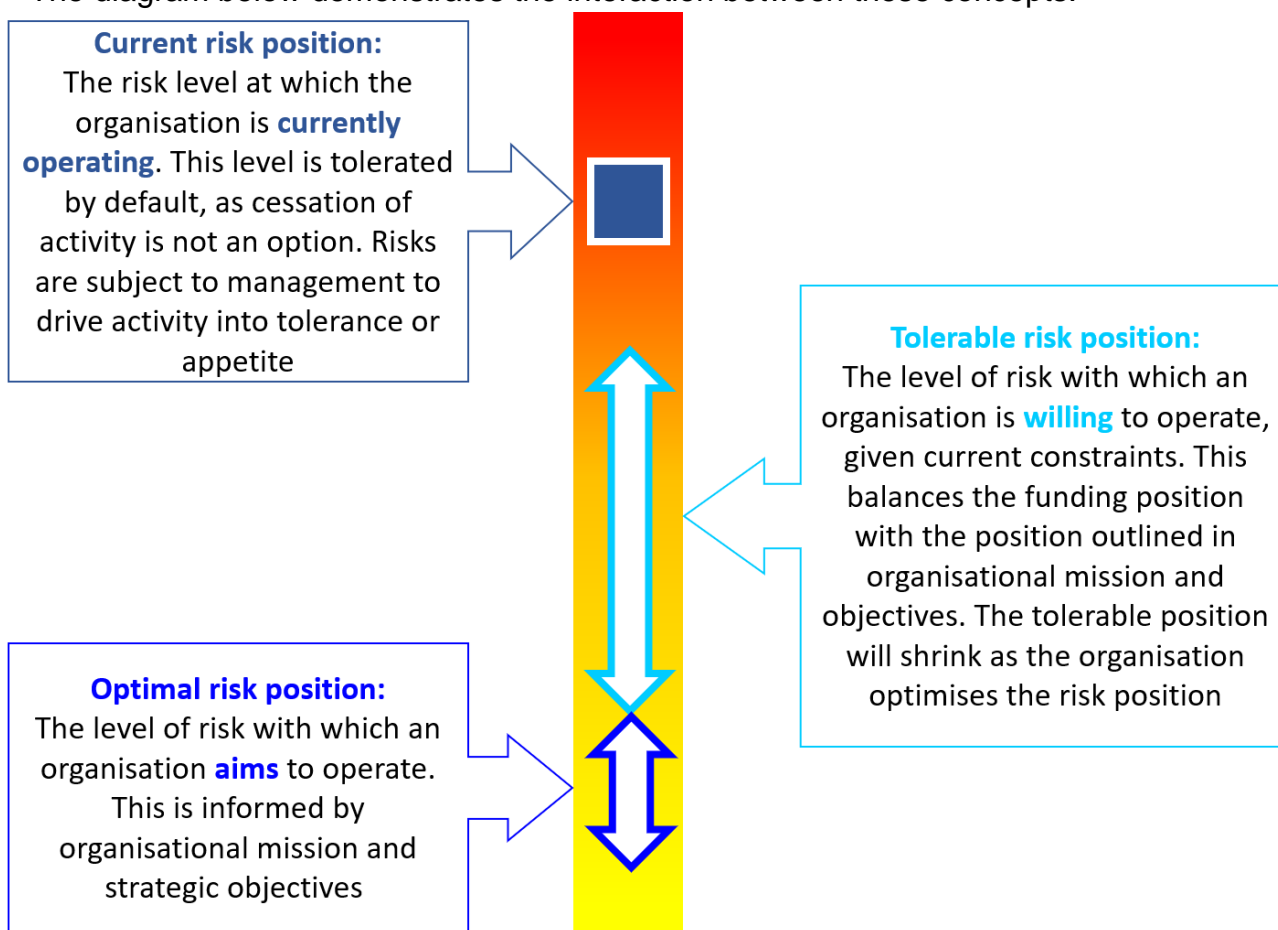


Figure 1.

Please note: The definition of tolerable risk in this guide relates specifically to an organisational position. A tolerable risk position should not be confused with tolerating a risk, by choice, as a risk response: An organisation may be tolerating a risk which sits within the tolerable or optimal positions. Each organisation will have its own scale of risk acceptance and this guide is not suggesting that a risk appetite or tolerance position must be set to a low / green position on local risk assessment scales.

4. Why is risk appetite important?

- 4.1. Risk appetite provides a framework which enables an organisation to make informed management decisions. By defining both optimal and tolerable positions, an organisation clearly sets out both the target and acceptable position in the pursuit of its strategic objectives. The benefits of adopting a risk appetite include:
- Supporting informed decision-making
 - Reducing uncertainty
 - Improving consistency across governance mechanisms and decision-making;
 - Supporting performance improvement
 - Focusing on priority areas within an organisation
 - Informing spending review and resource prioritisation processes.

5. Risk appetite development

- 5.1. When developing its risk appetite, an organisation needs to consider the norms of the environment and the sectors in which it operates, its own culture, as well as governance and decision-making processes.
- 5.2. The application of a more technical and quantitative approach, utilising specialised terms, can be beneficial in some circumstances and within risk mature organisations. In organisations where the risk management culture is being developed and embedded, this approach may be counterproductive. In these instances, the application of simplified terminology may improve engagement, as colleagues may be more willing to participate in a process positioned as informed decision-making, rather than more formalised organisational risk management. People may be less inclined to engage with overly technical language about taking risks, but instead may be more comfortable and confident talking about making informed and balanced decisions. This may be more important in instances where there is clear uncertainty and/ or where the information available to inform the decisions is recognised as imperfect but the best available.
- 5.3. Those responsible for risk management should assess organisational maturity and develop an appropriate response which will deliver the benefits of a risk appetite approach to communicate expectations, inform decisions and enhance outcomes. This may be badged as a decision framework rather than a risk appetite statement, although the latter will continue to be referenced in this document.
- 5.4. The following principles should be considered and applied when developing an organisational approach to risk appetite:
- In addition to having an overarching risk appetite statement, organisations should develop statements which describe their attitude, at a point in time, to accepting risk in each of their areas of principal risk¹. These should include an optimal and tolerable position and should provide coverage and link to each of the organisation's principal risks. An example is provided in [Section I of Annex A](#). A list of the [Orange Book](#) recommended risk categories is provided in [Section II of Annex A](#)

¹ [The Orange Book – Management of Risk, Principles and Concepts](#) Annex 4 – Example Risk Categories. See also [Section II of Annex A](#).

- Organisations should determine their areas of principal risk in relation to their purpose, resources and the views of their stakeholders. It is recommended these areas are considered using the risk categories detailed in the [Orange Book](#)
- Risk appetite statements should:
 - provide a structure for an organisation to work within. When correctly applied, statements describe acceptable outcomes relating to decisions being taken. An example is provided in [Section III of Annex A](#)
 - drive thinking about results and outcomes the organisation seeks to realise, as well as about what would need to change if outcomes were not acceptable
 - describe the organisation's typical challenges and the basis on which different outcomes are justified
 - describe the organisation's acceptable behaviour in reasonable circumstances. In circumstances where a decision is to be made and there are no directly comparable situations, risk appetite statements can provide illustrative guidance that can be adapted, documented and applied
 - be set against a sliding scale, with descriptors which are relevant to the organisation. Illustrative examples are provided in [Section IV of Annex A](#). This scale should demonstrate and reinforce the range of outcomes that are acceptable in different situations, and should be separate² from scales used to assess the likelihood and impact of a risk
 - be dynamic and updated as necessary to reflect any significant changes in the context their organisations operate within, whether driven by societal, economic or political changes, for example
- While a single statement can be used to describe an organisation's current appetite for risk in a particular risk category, it may be useful to describe relevant specific areas within this. When speaking about financial risk, for example, it would help to explain the different approaches the organisation takes to fraud and propriety. See [Section III of Annex A](#) for examples
- Facilitated sessions engaging stakeholders, including Function leads as appropriate, are required to support the development of optimal and tolerance levels. This approach may range from in-depth processes involving wide ranging stakeholder engagement, to focused engagement with senior management. This guidance recommends direct senior engagement, focused on developing agreed descriptions of acceptable behaviours and outcomes, as an efficient approach which ensures buy-in at the senior level. Ultimately, the Board should determine and continuously assess its risk appetite and agree the descriptions
- Most organisations will already set a 'target' risk assessment which they aim to reach through combinations of improvements in existing controls and the introduction of new ones. If this target level of risk is aspirational and not connected to known activities that are already funded and in progress, or to plans with clear outcomes, actions and agreed funding, this may already represent the organisation's optimal position. However, if the target risk assessment only reflects what is currently achievable, the organisation's optimal position for a particular risk may be identified as lower or may be revealed to be higher in which case some of

² Risk assessment scales typically describe illustrative outcomes whereas a framework for informing decisions requires a greater future-focus and recognition of context around the decision.

the planned improvements can be stopped and the resources put to more effective use elsewhere

- Organisations should specify whether their appetite statements apply to a risk's inherent or residual assessment, the examples in the annex deliberately include both. If a particular risk appetite is expressed as wanting to avoid inherent risk, it is likely that decisions which have any uncertainty will need to be avoided. However, if the risk appetite is expressed in terms of residual risk, then decisions with uncertain outcomes can be taken, but will require assurances that the level of associated risk can be limited to that described
- In addition to the periodic review of individual and aggregated risk assessments, indicators can be developed to alert management to probable changes in a risk which
 - confirm that actions agreed to move a risk in a particular direction are having their intended effect
 - could prevent it from exceeding previously agreed tolerance levels; or prevent it from being managed to unnecessary levels beyond the optimal position

5.5. As organisations consider and maintain their risk appetite to reflect context and changing environmental factors, there may be circumstances, such as those experienced dealing with government's response to the Covid-19 crisis, when it becomes necessary to significantly alter the level, nature and balance of risks with which an organisation is willing to, or is required to, operate to deliver public services for a period of time. Where this occurs, it is important that there is openness and transparency of these decisions and arrangements, active monitoring and reporting of consequences and clarity over recovery actions. If necessary easement decisions are one-off exceptions, they should be documented and available for scrutiny. If the circumstances are expected to endure, if only temporarily, then the organisation should consider re-stating its optimal and tolerable positions for risk in these areas and reviewing this regularly.

6. How should risk appetite be applied?

- 6.1.** The [Orange Book](#) describes risk management as an essential part of governance and leadership, and fundamental to how an organisation is directed, managed and controlled at all levels. The application of an organisational risk appetite, subject to consideration at appropriate decision making and governance bodies, is necessary for this. Section A of the [Orange Book](#) describes the role of risk management within governance and leadership arrangements as follows: 'Risk should be considered regularly as part of the normal flow of management information about the organisation's activities and in significant decisions on strategy, major new projects and other prioritisation and resource allocation commitments'³. As part of decision-making, an organisation's considerations should include whether:
- Intended benefits justify the range of outcomes
 - The plausible outcomes are within the current appetite
 - Available resources can be reallocated, if necessary, to allow benefits to be realised within the stated appetite

³ [The Orange Book – Management of Risk, Principles and Concepts](#) Section A - Paragraph A5

- The consequences of taking a decision which could be outside the organisation's optimal or tolerable risk positions have been transparently accepted within the organisation's delegation framework
- 6.2.** As part of the organisation's planning processes, therefore, it should consider the degree of certainty with which available resources can realise strategic or policy outcomes and whether any gap is within its risk appetite. Similarly, if resources are being reallocated as investment is re-balanced, any change in performance levels or confidence over outcome delivery should be reviewed against its risk appetite.
- 6.3.** Risk appetite statements outlining optimal and tolerable positions are key enablers to communicating expectations and ensuring effective decision-making. They should be considered robustly and consistently across an organisation. In addition, their consideration may form evidence to inform and support Spending Review processes, as well as internal prioritisation, investment and budget allocation processes.
- 6.4.** To identify the category of risk appetite guidance which would be most appropriate to inform a decision being made, the following should be considered:
- The Orange Book example risk categories in [Section II of Annex A](#) suggest a useful taxonomy for organising risks and provide illustrative descriptions of underlying causes
 - The example risk statements, by category in [Annex A](#), again use the [Orange Book](#) categories but instead describe the levels of consequence or approach to control that an organisation might want to adopt
- 6.5.** The consequences of a decision being considered might be assessed as impacting several areas, perhaps even in a particular order, and require consideration of risk trade-offs between differing aspects. In this case the organisation would need to document what was considered, at the time, to inform the decision and the balance within the judgement made. For example, an organisation with a perceived high risk of service delivery failure might have an investment choice to make which would significantly reduce capacity in the resource budget. If this organisation has a very low (opposed/averse) appetite for risk in relation to annual resource limits and value for money, and a low (minimalist) overall appetite for risk to service delivery, its decision should, among other things, consider:
- The level of improvement in service delivery that is sought from the resources required and the effect of this on the level of risk exposure
 - Whether the realisation of benefits can be assured to support the value for money decision
 - Whether any increased costs that would be associated with remediating service delivery risk, represent appropriate value for money
 - The balance between managing resource risk and managing service delivery risk
 - Whether additional monitoring is able to be used to help manage any risk of increased financial pressure, if the investment is made, or the remaining risk to service delivery if the investment is not made

6.6. It is not always practical or affordable to fully manage risks to the level of an organisation's optimal position and the application of the principles in this guidance provide a pathway for doing so. When decisions are made outside of appetite (which increase risk beyond the optimal or tolerable positions), their justification and evidence should be recorded including, if appropriate, seeking Ministerial Direction. If a decision recognised as being outside of appetite is considered necessary, and is appropriately authorised and approved, it might be appropriate to require specific monitoring and assurance conditions to be set.

7. Review of risk outcomes

7.1. Within the public sector, the nature of the services provided, changing external demands and fiscal constraints mean it is neither feasible nor practical to fully prevent or mitigate all risks at any point in time.

7.2. Individual organisations may find, if they have meaningful assessments of the uncertainty they face, that they are required to carry more risk than is desired. In this case, as per Figure 1, an organisation must assess if the risk is within organisational tolerance levels, or whether active interventions are required to guide the organisation closer over time towards the optimal position, outlined in the appetite statements.

7.3. Risk appetite statements help to inform resource allocation at decision points, and additionally when the organisation periodically reviews its performance. The following principles should be applied in conducting this review:

- Organisations should consider what level of outcomes the best available performance information suggests they will achieve and how this informs their assessment of uncertainty and risk
- Organisations should periodically consider whether the latest assessment of its risks, both individually and aggregated into their exposure areas, is in line with its appetite for risk in those areas
- Risk appetite statements should not be re-baselined to change the perception of tolerated risks, but organisations should consider whether the assumptions behind their previous statements remain valid and whether the organisation might, of necessity, need to recognise an increased optimal risk position
- Organisations should consider how available resources can most effectively be reallocated to improve assessments of either individual risks or a category of risk, or a combination of both
- In choosing which risks or categories of risk to prioritise bringing back into or towards its optimal position, organisations will need to consider the difference that available resources can make on the impact, likelihood or the speed with which the effects of a risk event would be experienced, and which would most improve the deliverability of outcomes
- If no actions are being taken to improve the profile of a risk which is being tolerated outside of appetite, or there is no urgency for improvements to be realised, the organisation should consider⁴ whether this suggests its real appetite for the risk and

⁴ Other risk management processes detailed within the Orange Book will have provided assurance that the assessments of risk are accurate.

whether decisions to allocate resources to lesser risks should be reviewed. These considerations should be documented

- It is neither feasible nor practical to fully prevent or mitigate all risks and some, which are beyond the stated appetite, might at times need to be tolerated and actively monitored

8. Auditing risk appetite

8.1. As a key part of the risk management framework, and to inform an opinion on the adequacy and effectiveness of governance, risk management and internal control, it is likely that an organisation's internal auditors will want to review how its risk appetite statements were developed and how they are applied in practice within decision making and the design and operation of control activities.

8.2. It is recommended that organisations document the factors influencing the decisions they make to ensure transparency and be able to demonstrate the exercise of judgement in seeking to deliver value for money.

8.3. Internal auditors may want to review evidence of:

- The organisation's Board considering and agreeing to the risk appetite statements;
- The way the organisation sets out to make decisions: how it assures itself that it follows its own policy, records the context and information that was available at the time, and how the risk appetite statements and other factors were considered, including risk trade-offs;
- The nature and level of risk which management acknowledged was being accepted and how they set escalation parameters and monitoring arrangements to be assured that any conditions set were met; and
- The organisation periodically reviewing its risk appetite statements and that, when doing so, it documents that it had considered whether it had all the information necessary to support and enable this effectively.

9. Further information

9.1. For more information, or to provide feedback on this guidance, please email GovFinance@hmtreasury.gov.uk.

9.2. Information on the development of [Orange Book](#) Good Practice Guides can be found on [OneFinance](#). Please refer to the [Heads of Risk Network pages](#) for the latest news.

Annex A: Risk appetite tools

The following tools have been developed by the Civil Service risk community to support the implementation of an organisational risk appetite.

- I. **[Example levels defined by risk appetite categories](#)**
- II. **[Orange Book example risk categories](#)**
- III. **[Example risk appetite description](#)**
- IV. **[Risk appetite scales](#)**

I. Example appetite levels defined by risk categories.

The following table provides a sample of risk appetites developed against a selection of the risk categories recommended in Annex 4 of the [Orange Book](#). A full list of the [Orange Book](#) recommended categories is provided in [Section II of Annex A](#).

Risk appetite level definition					
	Averse	Minimal	Cautious	Open	Eager
Strategy	Guiding principles or rules in place that limit risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 5+ year intervals	Guiding principles or rules in place that minimise risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 4-5 year intervals	Guiding principles or rules in place that allow considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 3-4 year intervals	Guiding principles or rules in place that are receptive to considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 2-3 year intervals	Guiding principles or rules in place that welcome considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 1-2 year intervals
Governance	Avoid actions with associated risk. No decisions are taken outside of processes and oversight / monitoring arrangements. Organisational controls minimise risk of fraud, with significant levels of resource focused on detection and prevention.	Willing to consider low risk actions which support delivery of priorities and objectives. Processes, and oversight / monitoring arrangements enable limited risk taking. Organisational controls maximise fraud prevention, detection and deterrence through robust controls and sanctions.	Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring arrangements enable cautious risk taking. Controls enable fraud prevention, detection and deterrence by maintaining appropriate controls and sanctions.	Receptive to taking difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements enable considered risk taking. Levels of fraud controls are varied to reflect scale of risks with costs.	Ready to take difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements support informed risk taking. Levels of fraud controls are varied to reflect scale of risk with costs.
Operations	Defensive approach to operational delivery - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority.	Innovations largely avoided unless essential. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
Legal	Play safe and avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge.	Want to be reasonably sure we would win any challenge.	Challenge will be problematic; we are likely to win, and the gain will outweigh the adverse impact.	Chances of losing are high but exceptional benefits could be realised.
Property	Obligation to comply with strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Recommendation to follow strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Requirement to adopt arrange of agreed solutions for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Consider benefits of agreed solutions for purchase, rental, disposal, construction, and refurbishment that meeting organisational requirements.	Application of dynamic solutions for purchase, rental, disposal, construction, and refurbishment that ensures meeting organisational requirements.
Financial	Avoidance of any financial impact or loss, is a key objective.	Only prepared to accept the possibility of very limited financial impact if essential to delivery.	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities.	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels.	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place).
Commercial	Zero appetite for untested commercial agreements. Priority for close management controls and oversight with limited devolved authority.	Appetite for risk taking limited to low scale procurement activity. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with demonstration of benefit / improvement in service delivery. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
People	Priority to maintain close management control & oversight. Limited devolved authority. Limited flexibility in relation to working practices. Development investment in standard practices only	Decision making authority held by senior management. Development investment generally in standard practices.	Seek safe and standard people policy. Decision making authority generally held by senior management.	Prepared to invest in our people to create innovative mix of skills environment. Responsibility for noncritical decisions may be devolved.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust rather than close control.

Risk appetite level definitions

	Averse	Minimal	Cautious	Open	Eager
Technology	General avoidance of systems / technology developments.	Only essential systems / technology developments to protect current operations.	Consideration given to adoption of established / mature systems and technology improvements. Agile principles are considered.	Systems / technology developments considered to enable improved delivery. Agile principles may be followed.	New technologies viewed as a key enabler of operational delivery. Agile principles are embraced.
Data & Info Management	Lock down data & information. Access tightly controlled, high levels of monitoring.	Minimise level of risk due to potential damage from disclosure.	Accept need for operational effectiveness with risk mitigated through careful management limiting distribution.	Accept need for operational effectiveness in distribution and information sharing.	Level of controls minimised with data and information openly shared.
Security	No tolerance for security risks causing loss or damage to HMG property, assets, information or people. Stringent measures in place, including: <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • Staff vetting maintained at highest appropriate level. • Controls limiting staff and visitor access to information, assets and estate. • Access to staff personal devices restricted in official sites 	Risk of loss or damage to HMG property, assets, information or people minimised through stringent security measures, including: <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • All staff vetted levels defined by role requirements. • Controls limiting staff and visitor access to information, assets and estate. • Staff personal devices permitted, but may not be used for official tasks. 	Limited security risks accepted to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • Vetting levels may flex within teams, as required • Controls managing staff and limiting visitor access to information, assets and estate. • Staff personal devices may be used for limited official tasks with appropriate permissions. 	Considered security risk accepted to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> • New starters may commence employment at risk, following partial completion of vetting processes • Permission may be sought for travel within FCDO restricted areas. • Controls limiting visitor access to information, assets and estate. • Staff personal devices may be used for official tasks with appropriate permissions. 	Organisational willing to accept security risk to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> • New starters may commence employment at risk, following partial completion of vetting processes • Travel permitted within FCDO restricted areas. • Controls limiting visitor access to information, assets and estate. • Staff personal devices permitted for official tasks
Project/Programme	Defensive approach to transformational activity - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority. Benefits led plans fully aligned with strategic priorities, functional standards.	Innovations avoided unless essential. Decision making authority held by senior management. Benefits led plans aligned with strategic priorities, functional standards.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Plans aligned with strategic priorities, functional standards.	Innovation supported, with demonstration of commensurate improvements in management control. Responsibility for noncritical decisions may be devolved. Plans aligned with functional standards and organisational governance.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust rather than close control. Plans aligned with organisational governance.
Reputational	Zero appetite for any decisions with high chance of repercussion for organisations’ reputation.	Appetite for risk taking limited to those events where there is no chance of any significant repercussion for the organisation.	Appetite for risk taking limited to those events where there is little chance of any significant repercussion for the organisation.	Appetite to take decisions with potential to expose organisation to additional scrutiny, but only where appropriate steps are taken to minimise exposure.	Appetite to take decisions which are likely to bring additional Governmental / organisational scrutiny only where potential benefits outweigh risks.

II. **Orange Book example risk categories**

The [Orange Book](#) recommends risks should be organised by taxonomies or categories of risk. Grouping risks in this way supports the development of an integrated and holistic view of risks. Annex 4 of the [Orange Book](#) provides the following example categories. These are not intended to be exhaustive. Failure to manage risks in any of these categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer and operational consequences.

Strategy risks – Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change).

Governance risks – Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.

Operations risks – Risks arising from inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.

Legal risks – Risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property).

Property risks – Risks arising from property deficiencies or poorly designed or ineffective/ inefficient safety management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.

Financial risks – Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.

Commercial risks – Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and /or failure to meet business requirements/objectives.

People risks – Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability,

industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.

Technology risks – Risks arising from technology not delivering the expected services due to inadequate or deficient system/process development and performance or inadequate resilience.

Information risks – Risks arising from a failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential.

Security risks – Risks arising from a failure to prevent unauthorised and/or inappropriate access to key government systems and assets, including people, platforms, information and resources. This encompasses the subset of cyber security.

Project/Programme risks – Risks that change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.

Reputational risks – Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.

III. Example risk appetite descriptions

The following example demonstrates how risk appetite statements may guide organisational activity and decision making.

A. Example organisational appetite summary

Our risk appetite has been defined following consideration of organisational risks, issues and consequences. Appetite levels will vary, in some areas our risk tolerance will be **cautious** in others, we are **open/hungry** for risk and are willing to carry risk in the pursuit of important objectives. We will always aim to operate organisational activities at the levels defined below. Where activities are projected to exceed the defined levels, this must be highlighted through appropriate governance mechanisms.

- **Reputational risks:** We have adopted a **cautious** stance for reputational risks, with a preference for safer delivery options, tolerating a cautious degree of residual risk and choosing the option most likely to result in successful delivery, thereby enhancing our reputation for delivering high quality, cost-effective services to the public.
- **Financial risks:** We have adopted a **cautious** stance for financial risks with reference to core running costs, seeking safe delivery options with little residual risk that only yield some upside opportunities. The Board will receive ongoing assurance through the annual governance statement that policies and procedures are in place in line with HMT guidance.
- **Information risks:** We have adopted a varied stance to information risk, to reflect the sensitivity of information as defined by Government Security Classifications (GSC). The Board will receive an annual assurance that guidance and procedures are in place and training undertaken by staff.
 - Tier 1 (Official/Official Sensitive): We have adopted an **open** stance, given the need for operational effectiveness with risk mitigated through careful drafting and/or limiting distribution;
 - Tier 2 (Secret): We have adopted a **minimal** stance to limit the potential damage from disclosure;
 - Tier 3 (Top Secret): We have adopted an **averse** stance where disclosure would lead to serious risks to national security, economic well-being, or widespread loss of life.
- **Personnel security risks:** We have adopted a **cautious** stance for personnel security risks, and a **cautious** stance for security risks to staff. This includes both staff within the UK and those travelling and based abroad. The Board will receive an annual assurance that appropriate travel advice and briefings are undertaken, and vetting, procedures and duty of care is in place.
- **Cyber risks:** We have adopted a **cautious** stance for cyber risks. The Board will have independent assurance, on service entry and in-life, on the risk of fraud and inadvertent or malicious corruption or modification of data on its IT systems.
- **Assets/Estates risks:** We have adopted **cautious** and **open** stances for assets and estates respectively, seeking value for money but with a preference for proven delivery options that have a cautious residual risk. This means that we use solutions for purchase, rental, disposal, construction, and refurbishment that ensure we protect the taxpayer from as much risk as possible, producing good value for money whilst fully meeting organisational requirements.

- **Business continuity risks:** We have adopted a **cautious** stance for incident management and business continuity risks. The Board will receive ongoing assurance from annual testing of business continuity plans.
- **Legal/Regulatory compliance risks:** We have adopted a **cautious** stance for compliance, seeking a preference for adhering to responsibilities, and safe delivery options with little residual risk. The Board will have annual assurance that compliance regimes are in place.

B. Example detailed thematic statement

Financial: The organisation's appetite for financial risk is operating within the risk tolerance position: **cautious**.

Our financial decisions are heavily scrutinised, with value for money being a key factor in decision making. We will accept risks that may result in some small-scale financial loss or exposure on the basis that these can be expected to balance out but will not accept financial risks that could result in significant reprioritisation of budgets. Our appetite for risks associated with business as usual activity is naturally lower than with our transformation activity. Within this our risk appetite is:

- **Averse** for financial propriety and regularity risks with a determined focus to maintain effective financial control framework accountability structures.
- **Averse** in terms of risks related to our qualification of accounts, associated process and deviation from reporting timetables.
- **Minimal** as to risk relating to breaching individual control totals.
- **Cautious** for risks related to our business partnering model.
- **Open** in relation to our budget spend with the intention that we should maximise the use of resource each year. We are prepared to over-programme by £Xm at the start of each year with this amount being actively monitored and managed, if necessary, to ensure it reduces at each quarter during the year.

IV. Risk appetite scales

The risk appetite scale examples provided below are based on successful practice collated from the Civil Service Risk Community

Example 1

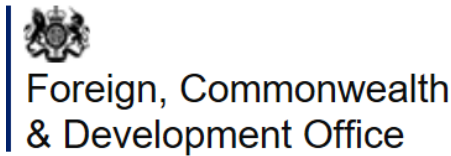
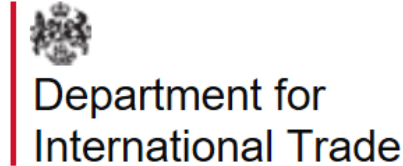
Risk Appetite	Description
Opposed	Avoidance of risk and uncertainty is key objective
Minimalist	Preference for safe options that have a low degree of inherent risk
Cautious	Preference for safe options that have a low degree of residual risk
Mindful	Willing to consider all options and choose one that is most likely to result in successful delivery
Enterprise	Eager to be innovative and to choose options that suspend previous held assumptions and accept greater uncertainty

Example 2

Risk Appetite	Description
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

Annex B: Acknowledgements

The Government Finance Function extends thanks to colleagues from the following organisations who were instrumental in compiling this guide.



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Perth College – Risk Appetite Summary

Risk Categories	Proposed Score
Governance	Open
Operations	Open
Legal	Cautious
Property	Open
Financial	Open
Commercial	Eager
People	Eager
Technology	Eager
Data & Information Management	Cautious
Security	Cautious
Reputational	Open
Environment & Social Responsibility	Open

Perth College UHI

Paper 7

Committee	Audit Committee
Subject	FOI & Data Protection Update – Year to May 2022
Date of Committee meeting	31/05/2022
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	24/05/2022
Executive summary of the paper	Summary of data relating to FOI requests received and data protection issues raised for the Academic Year to May 2022
Consultation How has consultation with partners been carried out?	Information provided in this paper is provided within quarterly statistics provided to the Scottish Information Commissioner
Action requested	<input checked="" type="checkbox"/> For information only <input type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input type="checkbox"/> For approval
Resource implications (If yes, please provide details)	No
Risk implications (If yes, please provide details)	Informs Risk Register
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	Informs Risk Register

Perth College UHI

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

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

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

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

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

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

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

Freedom of Information & Data Protection

Academic Year 2021/22 | Update to May 2022

1. Summary of Key Activities

2021/22 has shown what appears to be a dramatic reduction in FOI requests, with the majority of these being Trade Union enquiries into HR-related data.

The Request To Be Forgotten process has now been successfully concluded, with a total of 1,566 documents being retained from a total of over 6,000 documents searched, and in excess of 130,000 emails being deleted. Whilst it is possible that the Information Commissioners Office may contact the College at some point in the future due to the time taken to conclude the exercise, it is understood that appropriate mitigations have been made to account for these time factors.

There have been no reportable data breaches recorded this academic year.

2. Freedom of Information

a. Total Number of Requests – Year to Date

2021/22 YTD	2020/21 Full Year	2019/20 Full Year	2018/19 Full Year
15	28	28	39

b. Response Times

	Q1	Q2	Q3	YTD
Replied within Statutory Time	3	3	3	10
Late	0	0	0	0
To be completed*	0	0	0	5

*Includes requests received within last 2 weeks still being investigated by appropriate staff prior to responses being prepared

c. Request Topics

Type	
Academic-Related	0
Student-Related	1
Compliance	0
Financial	3
Estates	0
HR	8
Operational Management	3
TOTAL	15

d. Request Sources

Type	
Legal Representative	0
Campaigning Groups	0
Trade Union	7
Press & Media	1
External Business	2
Staff	0
Student	0
University Research	0
Unknown/Anonymous	5
TOTAL	15

3. Data Protection

a. Total Number of Requests – Year to Date

	2021/22 YTD	2020/21 Full Year	2019/20 Full Year	2018/19 Full Year
Subject Access Requests	5	6	6	10

b. Subject Access Request Information

5 SARs have been received this year related to:

- 2 requests by students requesting student records;
- 2 requests by staff members requesting correspondence relating to HR matters;
- a wider SAR request from a student which included some data retained by Perth College

Ian McCartney
24 May 2022

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.