

Audit Committee

Agenda

Meeting reference: Audit 2022-23/02

Date: Monday 12 December at 6.00pm

Location: Boardroom (Braham Room 019)

Purpose: Scheduled meeting/Joint meeting with Finance & Resources Committee

* 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
	Joint Meeting with Finance & Resources Committee			
1	Joint Welcome & Apologies		Chairs of F&R and Audit Committees	
2	Declaration of a Conflict of Interest in any Agenda Item			
*3	Draft Perth College Group Report & Financial Statements for the Year ended 31 July 2022	Vice Principal Operations	Vice Principal Operations	Paper 1
*4	Draft External Audit Annual Report 2021-22	External Auditors	External Auditors	Paper 2
*5	Draft Internal Audit Annual Report 2021-22	Internal Auditors	Internal Auditors	Paper 3
*6	Draft Audit Committee Annual Report to the Board of Management	Clerk	Clerk	Paper 4
	Scheduled Audit Committee Business			
7	Additions to the Agenda		Chair	
8	Declaration of a Conflict of Interest in any Agenda Item		Chair	
9	Minutes of the Meeting of Audit Committee held on 19 October 2022		Chair	Paper 5
10	Actions arising from previous minutes		Chair	

	Agenda Items	Author	Led by	Paper
11	Reporting & Compliance			
*11.1	Strategic Risk Register (transition to Enterprise Risk Management)	Vice Principal Operations	Vice Principal Operations	Paper 6
12	Audit Plans, Reports & Updates			
12.1	IA Report 2022/07 – Payroll	Internal Auditor	Internal Auditor	Paper 7
12.2	IA Report 2022/08 – Buildings Maintenance	Internal Auditor	Internal Auditor	Paper 8
12.3	IA Report 2022/09 – Quality	Internal Auditor	Internal Auditor	Paper 9
12.4	IA Report 2022/10 – Follow Ups	Internal Auditor	Internal Auditor	Paper 10
12.5	IA Report 2023/02 – Student Activity Data 2021/22	Internal Auditor	Internal Auditor	Paper 11
12.6	IA Report 2023/03 – Student Support Funds	Internal Auditor	Internal Auditor	Paper 12
*12.7	IA Report 2023/01 – Draft Annual Internal Audit Plan 2022/23	Internal Auditor	Internal Auditor	Paper 13
13	FOI & Data Protection			
13.1	Freedom of Information & Data Protection quarterly update	Clerk	Clerk	Paper 14
14	Date and time of next meeting: <ul style="list-style-type: none"> • Monday 13 March 2023, 5pm 	Clerk		
*15	Review of Meeting (Committee to check against the Terms of Reference to ensure all competent business has been covered)			Paper 15

Perth College UHI

Paper No. 1

Committee	Joint Meeting F&R & Audit Committees
Subject	Draft Perth College Financial Statements for the year ended 31 July 2022
Date of Committee meeting	12/12/2021
Author	Henry Nicholson, Financial Accountant
Date paper prepared	07/12/2022
Executive summary of the paper	<p>Purpose:</p> <p>In line with the College's Financial Memorandum, the College is required to prepare its Annual Financial Statements for endorsement by the Finance and General Purposes Committee and for approval by the Board of Management prior to submitting these to the Regional Strategic Body and to the Scottish Funding Council.</p> <p>Impact:</p> <p>These statements provide an assessment of the College's financial position for the year ending 31 July 2022. These have been complete in compliance with the Account's Direction for Colleges and with the Code of Good College Governance.</p> <p>Course of Action:</p> <p>This paper is provided for consideration and endorsement. These statements will then be forwarded to the Board of Management for consideration and approval.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Consultation has been undertaken with the Finance team, SMT and the college's external auditors EY.

Perth College UHI

<p>Action requested</p>	<p><input type="checkbox"/> For information</p> <p><input checked="" type="checkbox"/> For discussion</p> <p><input checked="" type="checkbox"/> For endorsement</p> <p><input type="checkbox"/> Strongly recommended for approval</p> <p><input type="checkbox"/> Recommended with guidance (please provide further information, below)</p>
<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes</p> <p>This is a requirement of governance within the Financial Memorandum. These Financial Statements will be submitted to the Regional Strategic Body and SFC following approval by the Board of Management.</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>Financial Sustainability</p> <p>Compliance</p> <p>Risk Management</p> <p>Strategic Reputation</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>

Perth College UHI

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

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

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

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

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

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>
and http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf



University of the
Highlands and Islands
Perth College

Report and Financial Statements for the Year Ended 31 July 2022

Also available in large print (16pt)
and electronic format.

Ask Student Services for details.

www.perth.uhi.ac.uk

Perth College is a registered Scottish charity, number SC021209.

Contents

Key Management Personnel and Professional Advisers

Key Management personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in the year ended 31 July 2022:

Name	Position
Dr Margaret Cook	Principal & Chief Executive and Accounting Officer
Lorenz Cairns	Depute Principal
Veronica Lynch	Vice Principal – External Engagement
Catherine Etri	Vice Principal – Academic
Iain Wishart	Vice Principal - Operations

External Auditor	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EB
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Internal Auditor	Henderson Loggie The Vision Building 20 Greenmarket Dundee DD1 4QB
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Bankers	Royal Bank of Scotland 12 Dunkeld Road Perth PH1 5RB Bank of Scotland 10-16 King Edward Street Perth
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Solicitors	Thorntons Solicitors 17-21 George Street Perth PH1 5JY
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Contents

	Page
Performance Report	
Performance Overview	
Principal & Chief Executive's Statement on performance	1
Statement of Purpose and Activities	5
Key Risks & Uncertainties	7
Performance Analysis	
Key Performance Indicators	9
Student Numbers	10
Financial Results	10
Payment performance	13
Treasury Policies and Objectives	14
Estates Strategy	14
Climate Change	15
Digital Strategy	15
Equality & Diversity	16
Other non-financial matters	17
Accountability Report	
Remuneration & Staff Report	
Remuneration report	21
Staff numbers and costs	26
Sickness Absence Data	27
Policies in relation to disabled persons	27
Other employee matters	29
Health & safety	30
Trade unions	32
Employment issues	33
Corporate Governance Report	
Directors report	35
Statement of responsibilities of the members of the Board of Management	40
Governance Statement	40
Parliamentary Accountability Report	48
Independent Auditors Report	49
Annual Accounts	
Statement of Comprehensive Income	54
Statement of Changes in Reserves	55
Balance Sheet	56
Cashflow Statement	57
Notes to the Financial Statements	58
Appendix 1 – 21/22 Accounts Direction	84

Performance report

Performance Overview

The Performance Report provides an overview of UHI Perth's performance in the academic year to 31 July 2022 covering:

- The Principal's Performance Statement;
- a statement of the purposes and activities of the College;
- the key issues and risks that could affect the College in delivering its strategic plan; and
- a performance analysis, financial review for the year, key risks affecting the College and social matters

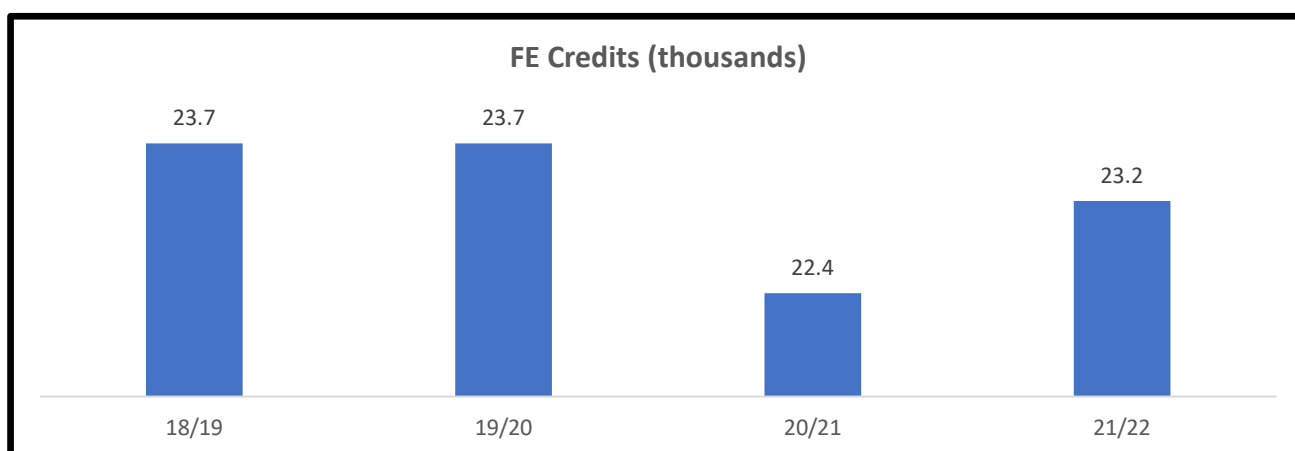
Principal's Performance Statement

Academic Year 2021/22

In the year when UHI Perth celebrated its fiftieth year in our Brahan building we achieved some excellent results. Staff and students again demonstrated dedication, resilience, commitment and innovation and a big thank you to you all.

Despite the continued challenges set by COVID-19 the college recorded an Adjusted Operating Position (AOP) surplus of £272,000. Good cost control was the key to this performance. The 2021/22 academic year saw a fall of just over 360 full-time equivalents (FTE's) which had a negative impact on our income. However, most of this downside was offset by:

1. Higher Further Education credits compared with 2020/21, by over 770 credits. The chart below shows that our credits in 2021/22 are close to pre COVID-19 numbers.
2. Strong managing agents numbers; and
3. Higher international student numbers. UHI Perth had more International students on-campus than 2020/21, a reflection of the evolving COVID-19 transition, and our Transnational Education (TNE) numbers were up by over 80%.



Performance report

Performance Overview

Other notable improvements in our KPI's were the NSS Overall Satisfaction score which improved by over 7% and the SSES Overall Satisfaction score which improved by 8%.

Our average staff FTE number increased very slightly in 2021/22 and required careful management to align with the movement in student numbers across the different categories. Our management of staff FTE's was an important contributor to our financial performance.

UHI Perth also received its formal report from Education Scotland which included positive comments around sector leading practice and we achieved the highest score possible.

The Outlook

While COVID-19 restrictions have lifted the outlook for 2022/23 is very challenging. There are many areas of uncertainty than could have a significant, negative, impact on the financial sustainability of the college. These risks include:

- HE student numbers.
- A “flat cash” funding outlook.
- National Bargaining outcomes.
- Job Evaluation.
- Inflation and especially the cost of energy.
- The continued impact on our commercial businesses.

The Senior Management Team and Board of Management will continue to monitor and managing these risks very carefully.

A New Strategy

An exciting development in 2021/22 was the completion and launch of our strategy for 2022 – 2027.

Our vision is to empower our learners to achieve their full potential through a transformational student experience.

Our strategy was developed over four pillars:

1. College Growth and Ambition
2. Excellence in Learning and the Learner Experience
3. Partnerships and Collaboration
4. Sustainability

Performance report

Performance Overview

And supported by six values:

1. Student Centred
2. Innovative
3. Ambitious
4. Respectful
5. Inclusive
6. Collaborative

Our strategy sets out the key strategic objectives of UHI Perth and had a significant level of input from our staff.

We understand that our strategy will need to be dynamic and evolve; as circumstances change, we will adapt.

Our strategic aims drive forward the Highlands and Islands Regional Outcome Agreement as well as ensuring full participation in Perth & Kinross Single Outcome Agreement Measures and Community Planning priorities.

The college works in partnership with relevant local and regional stakeholders to ensure the provision of high-quality curricula and sector engagement within the Regional Skills Assessment area of Tayside, but also shares common overall goals with the Regional Skills Assessment of the Highlands and Islands.

Areas of commonality between the Highlands and Islands Regional Outcome Agreement and the UHI Perth strategy:

- The need to increase the quantity and quality of local jobs
- To create a culture of employer investment
- To meet the skills needs of employers, including a need for workplace progression routes and pathways
- A need for flexible skills provision

The Tay Cities Deal incorporating Dundee, Angus, Perth and Kinross and North Fife, is taking forward regional investments to focus on inclusion, innovation and connectedness ensuring delivery of a smarter and fairer region. Within the Tay Cities Deal, the college is working on key projects in engineering, aviation, hospitality, creative industries, and digital resilience.

Performance report

Performance Overview

Regional Context of Our Strategy:

UHI Perth is one of the largest partners in the University of the Highlands and Islands (UHI).

UHI is an integrated university encompassing both further and higher education and part of a new breed of tertiary institutions, the only one in Scotland and one of only a few in Europe.

A diverse and flexible partnership serving their communities and connected to their needs offering flexible and supported learning from access level to PhD.

UHI have 31,000 students at the heart of the partnership and routinely exceeds student activity targets and surpasses many sector benchmarks of performance.

Summary

In summary 2021/22 delivered some excellent performance despite a number of challenges. The performance was delivered by the dedication, resilience, commitment and innovation of our staff and students. The outlook is very challenging but with careful monitoring, control and agility, supported by our new strategy, it should allow us to manage our financial sustainability.

This report provides a reliable reflection of our progress in 2021-22. In the face of the significant challenges facing Scotland's Colleges we maintained our focus on delivering an excellent student experience.

The members present their report and the audited financial statements for the year ended 31 July 2022.

Dr Margaret Cook

Principal & Chief Executive

Performance report

Performance Overview

Purposes and Activities

Legal Status

The Board of Management was established under the Further and Higher Education (Scotland) Act 1992 for the purposes of managing and conducting Perth College.

The Office for National Statistics reclassified colleges as part of Central Government for National Accounts purposes since 1 April 2014.

The College is correctly registered with the Office of the Scottish Charity Regulator (“OSCR”) for charity status and is recognised by HM Revenue & Customs as a charity for tax purposes.

The College is one of the 13 Academic Partners within the University of the Highlands and Islands (“UHI”) and forms part of the UHI FE Regional Strategic Body for reporting purposes to Scottish Funding Council (“SFC”).

UHI Perth is one of the largest partners in the University of the Highlands and Islands (UHI).

UHI is an integrated university encompassing both further and higher education and part of a new breed of tertiary institutions, the only one in Scotland and one of only a few in Europe.

A diverse and flexible partnership serving their communities and connected to their needs offering flexible and supported learning from access level to PhD.

UHI has 31,000 students at the heart of the partnership and routinely exceeds student activity targets and surpasses many sector benchmarks of performance.

UHI Perth deliver courses at its main campus in Perth and in secondary schools across Perth and Kinross. We support work-based learning across a wide area, as well as collaborating with UHI in the ongoing development of its use of digital technology, providing access to expertise and curricula across Perth and Kinross, the Highlands and Islands and to our national and international partnerships.

The City of Perth is located within 50 miles of 90% of Scotland’s population, in the local authority of Perth and Kinross. The population of Perth and Kinross in 2021 was 151,900, a 0.1% increase from 2016. Unemployment rates are at 3.4% and its five year business survival rate is higher than the Scottish average. The 2021 Annual Participation Measure showed that 93.6% of 16–19-year-olds were in education, employment or training and personal development. UHI Perth is proud to serve the needs of its local area, as well as the wider Highlands and Islands Region and beyond.

UHI Perth provides a broad curriculum base with access to study at SCQF levels 2 to 12 in areas of local, regional, and national need in subjects grouped into five sector areas:

- Business, Management, Computing and Leisure;
- Creative and Cultural Industries;
- Science, Technology, Engineering and Maths;
- Applied Life Sciences; and
- Centre for Mountain Studies

Performance report

Performance Overview

UHI Perth also delivers a range of Modern Apprenticeship programmes supported by Skills Development Scotland (SDS), industry bodies and a range of commercial Vocational Qualifications (VQ).

School-college partnership provision is linked to relevant vocational pathways, and includes Foundation Apprenticeships in Business, Creative and Digital Media, Early Years, Engineering and Health Care.

Our Vision

Our vision is to empower our learners to achieve their full potential through a transformational student experience.

Our Values

To realise our vision we focus on our four pillars:

1. College Growth and Ambition
2. Excellence in Learning and the Learner Experience
3. Partnerships and Collaboration
4. Sustainability

and six core values

1. Student Centred
2. Innovative
3. Ambitious
4. Respectful
5. Inclusive
6. Collaborative

Key priorities

Our strategic aims drive forward the Highlands and Islands Regional Outcome Agreement as well as ensuring full participation in Perth & Kinross Single Outcome Agreement Measures and Community Planning priorities.

The college works in partnership with relevant local and regional stakeholders to ensure the provision of high-quality curricula and sector engagement within the Regional Skills Assessment area of Tayside, but also shares common overall goals with the Regional Skills Assessment of the Highlands and Islands.

Performance report

Performance Overview

Key Risks & Uncertainties

The Board of Management has responsibility for overseeing that the College identifies, mitigates and monitors strategic risk. The Audit Committee has delegated authority from the Board of Management to manage this process on their behalf.

The College operates a Strategic Risk Register which identifies the most significant risks to the College and also includes “common risks” as set out by the Executive Office of UHI. The Vice Principal of Operations is responsible for developing and managing the College Strategic Risk Register while the Senior Management Team (SMT) are responsible for ensuring that appropriate risk mitigation actions are implemented to address significant risks to the College’s operations and strategic objectives.

The Audit Committee receives an updated Strategic Risk Register on a quarterly basis. While many areas of risk are reviewed, the central focus for UHI Perth and across the sector are the current, heightened, risks to financial sustainability.

Many significant events including Brexit, the cost of COVID-19 and war in a part of Europe are starting to have a significant impact on the economy and College sector. The most recent Financial Forecast Return submitted to the Scottish Funding Council (SFC) highlighted the following risks:

1. **SFC Funding:** At the time of writing, it has been proposed that no additional funding will be available in the sector for the foreseeable future, referred to as “flat cash”. This is a significant risk to the financial sustainability of the college as it could be difficult to cover increases in staff costs and non-staff costs in the future. Risks that could affect cost increases are set out below.
2. **Student Numbers:** Post Brexit and COVID-19, the College have been impacted by falling Higher Education student numbers. We believe that this is due to universities changing their entry requirements which has increased their student numbers. This is a significant risk to the funding entitlement of the College now and in the future.
3. **Inflation:** While inflation has been stable and low for a number of years, there has now been a significant increase in inflation. This will impact our non-staff costs, especially energy costs. Significant increases in prices will result in demands for salary increases to meet inflationary pressure which will have a significant increase in our staff costs.
4. **Job Evaluation:** For several years there has been an exercise to review salary levels paid across the sector, all the way back to 2017. Funds have been made available by the SFC but any outcome in excess of the funds made available by the SFC will need to be met by the colleges. In addition to any potential income it has been indicated that if the exercise is not concluded in 2022/23, SFC funding support will be withdrawn leaving colleges to fund the full cost.

Performance report

Performance Overview

Key responses that are being taken by the College to mitigate the threat to financial sustainability include:

1. UHI 2024. Seven major initiatives have been initiated by the Executive Office of UHI. As noted above the current risks are not unique to UHI Perth and threaten the sector. UHI Perth are fully committed to and involved in these initiatives to manage the risks posed to our financial sustainability.
2. Board of Management Review: In addition to UHI 2024, UHI Perth's Board of Management will be carrying out a detailed review of the College so that actions can be taken, as required, to ensure the financial sustainability of the College.

Enterprise Risk Management

In 2021/22 the UHI Perth started transitioning away from our traditional Strategic Risk Management process to a framework of Enterprise Risk Management. Our new process will merge the latest risk management frameworks outlined by the Committee of Sponsoring Organisations (COSO) and ISO30001. Our new ERM framework will go live in 2022/23.

Performance report

Performance Analysis

Non-Financial Performance

Key Performance Indicators

Key Performance Measure	2021/22	2020/21		Percentage change
HE Recruitment FTEs	1,696.8	2,062.6	↓	Down 18%
FE Recruitment Credits	23,205	22,429	↑	Up 3%
NSS Overall Satisfaction	85%	77.4%	↑	Up 10%
SSES Overall Satisfaction	90%	82%	↑	Up 10%
Positive Destinations - FE	79%	79%	→	unchanged
Staff turnover	19%	13%	↑	Up 46%
Staff absences days per head	8.9	4.5	↑	Up 98%
Staff CPD days per employee	4.73	3.8	↑	Up 24%
Percentage of permanent teaching staff with Teaching Qualification in Further Education (TQFE)	56%	55%	↑	Up 2%
Number of staff delivering papers to conferences	4	1	↑	Up 300%
No of staff publications	3	6	↓	Down 50%

As discussed in the Principal's report and in the Student numbers section below HE Recruitment FTE's are down. This is considered to be due to the changes in university recruitment.

FE Recruitment credits fell in 2020-21 due to lockdown. As discussed in the principal's report we have now returned to pre covid numbers in 2021/22.

We have seen an increase turnover within our staff profile within 2021/22. We saw an increased number of staff taking retirement or voluntary severance as well as moving to another organisation for career development. Salary was not quoted as a significant factor.

The increase in staff absence is considered to be a return to normal following the Covid Pandemic and is expected to increase again in future years. This is discussed in more detail under Sickness Absence Rates.

The increase in staff with TQFE is because the normal amount of training was reduced in 2020-21 because lockdown. This meant that there was not sufficient training resource to maintain the previous level of the TQFE in the academic staff. This has now returned to normal so the KPI has increased back to where it was previously.

The number of staff delivering papers at conferences has increased again following the lifting of lockdown.

Performance report

Performance Analysis

Student Numbers

In a highly challenging recruitment environment, Perth College has seen an increase in FE credits and has reduction in HE Undergraduate and Postgraduate FTE's. As set out in our key risks & uncertainties the reduction in HE numbers is considered to be due to universities changing their entry requirements which has increased their student numbers and impacted on College numbers.

Perth College achieved over 100% of its FE Credits, 83% of its HE Undergraduate FTE's and 72% of its Postgraduate FTE's. The credits are set out in more detail below:

	Year ended 31 July 2022			Year ended 31 July 2021		
	Actual	Target	Variance	Actual	Target	Variance
Further Education credits	23,205	23,114	91	22,429	24,084	(1,655)
Undergraduate HE FTE's	1,696.8	2,046	(349.2)	2,062.6	1,992	70.6
Postgraduate FTE's	43.2	60.9	(17.7)	51.8	49.1	2.7

Financial Performance

Financial Results

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 2019 ("SORP"): 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2021/22 Government Financial Reporting Manual (FReM) and in accordance with applicable Accounting Standards.

They conform to the 2021/22 Accounts Direction for Scotland's Colleges ("the 2021/22 Accounts Direction") and other guidance issued by the SFC.

Perth College has achieved an operating deficit of £2.3m (2020/21 deficit of £1.6m) for the year ended 31 July 2022.

	Year ended 31 July 2022	Year ended 31 July 2021
	£'000	£'000
Operating deficit	(2,329)	(1,646)
Variance from prior year	(683)	382
Adjusted operating position	272	997
Variance from prior year	(725)	1,642

UHI Perth prepared budgets for the year ended 31 July 2022 suggesting that financial performance would fall behind prior year but achieve a breakeven AOP position with additional savings. With good cost controls we were able to achieve a positive AOP.

Performance report

Performance Analysis

Due to uncertainties around clawbacks and the timing of other income, we were unable to redeploy the AOP saving to other areas. Budgets for the year ended 31 July 2023 are considered to be more challenging.

The College recognises the risks posed by an increasing cost base, particularly staff costs, against changing demand and reduced central funding.

The current operating and funding model in place across the UHI partnership places a material risk on financial sustainability. The complexities of delivery across the region and accounting for this create a sizeable challenge in terms of efficient delivery and management.

Following their reclassification as central government bodies from 1 April 2014, colleges are also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.

Cash Budget for Priorities

Colleges have now each been given a fixed cash budget for priorities which must be spent on agreed government priorities. The College's spend of its cash budget for priorities, and the impact on the operating position for the academic year, is set out in the tables below.

	2021/22	2020/21
	£'000	£'000
Table of cash budget for priorities spend		
Revenue Priorities		
2015-16 pay award	117	117
Estates capital development	308	304
Total impact on operating position	425	421
Capital Priorities		
Unfunded pension payments	104	108
Total Capital	104	108
Total cash budget for priorities spend	529	529

The Statement of Comprehensive Income ("SOCl") presents the financial performance during the accounting period in accordance with the SORP.

The Adjusted Operating Position ("AOP") is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution.

The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. All adjustments should be cross-referenced to the relevant note in the financial statements.

Performance report

Performance Analysis

Adjusted operating Position

The adjusted operating position of Perth College, as set out below, has decreased from a surplus of £1.0m to a surplus of £0.3m. The reasons for this are discussed in more detail in the Financial Performance.

	2021/22 £000	2020/21 £000
Adjusted Operating Position		
Surplus/(deficit) before other gains and losses	(2,329)	(1,646)
Add Back:		
Depreciation - net of deferred capital grant release (Note 1)	1,187	1,177
Pension adjustment – Net Service Cost (Note 2)	1,416	1,410
Pension adjustment – Net Interest Cost (Note 3)	102	164
Deduct:		
CBP allocated to loan repayments and other capital items (Note 4)	(104)	(108)
Adjusted Operating Surplus/(Deficit)	272	997

Note 1: Depreciation does not have an immediate cash impact on the institution and, in any case, capital expenditure will largely be funded by government or ALF grants so the charge is taken out.

Note 2: The adjustments to the pensions charge represent the net service cost (i.e. the present value of projected benefits resulting from employee service in the current year less cash contributions paid).

Note 3: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.

Note 4: Cash Budget for Priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted. Loan repayments should only be adjusted where CBP has been used to fund them.

Financial Ratios

Our goal is to optimise financial stability through innovative and careful management. Every effort will be made to maximise the efficient and effective use of funds to support the academic aims and objectives of the College within the constraints of central government accounting rules. Scottish Government budgeting and accounting requirements require the College to at least break even on both an operational and resource basis in each fiscal year and to minimise cash balances.

Performance report

Performance Analysis

The following table gives a summary of key financial and other operating ratios:

	2021/22	2020/21
Operating Surplus/(Deficit) as % of Total Income	(8.51%)	(6.17%)
Non SFC Income as % of Total Income	35.46%	32.95%
Current Assets: Current Liabilities	1.13	1.04
Staff Costs as a % of Total Income	80.21%	80.78%
Ratio of days cash to total expenditure	46.9 days	51.7 days
Trade creditor days	36 days	29 days

There have been improvements in most of the ratios above in line with expectations.

The non SFC income percentage has increased due to the return of income from our commercial businesses and the reduction in HE main grant received from SFC.

Cash Flows and Liquidity

Days cash has decreased from 51.7 days to 46.9 days. This is primarily due to lower student support and childcare balances being held for repayment to SFC compared to prior year.

UHI Perth maintained a positive cash flow during the year. Liquidity has increased from 1.04 to 1.13. This increase is due to a reduction in current liabilities due largely to the reduction in student support funds held to be paid back to SFC.

Payment Performance

The College has a policy of paying its suppliers within 30 days of invoice unless other separate terms are in place, and excluding invoices held in dispute. Where possible, and in line with Scottish Government guidance, invoices are paid in the next available payment run following posting to the finance system. Creditor days (trade creditors divided by other operating expenditure) 36 days (2020/21: 29 days).

The increase in trade creditor days is due to the increased trade creditors balance at 31 July which has resulted from continued improvements in the time taken to receive invoices from suppliers and post them into the finance system

67% of invoices by value and 71% of invoices by number were paid within 30 days of invoice date. The average number of days for invoices paid within 30 days was 17 days. These figures do not exclude invoices in dispute or other invoices delayed for reasons outside our control.

We have introduced a “No PO, No Pay” approach during the year which has been communicated to all our suppliers in 2021/22 and we anticipate this further improving payment performance in future years.

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Performance report

Performance Analysis

Treasury Policies and Objectives

The College has a separate treasury management policy in place and defines treasury management as the management of the organisation's cash flows, its banking and investment transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

Estates Strategy

The College continued to monitor and maintain the estate in line with the College's Strategic Plan 2016-21 and the new overall college strategy developed during the year. In year ended 31 July 2022 UHI Perth continued to develop and improve energy efficiency by carrying out upgrades to our mechanical and electrical equipment, such as boiler replacements and LED lighting, thus continuing to reduce our carbon footprint.

As the current strategic plan is coming to an end the Estates function is carrying out a review to develop a forward estates strategy to ensure that the estate is fit for purpose in the 21st century. As part of this, future developments within the College estates programme include:

- A new estates strategy has been commissioned and the strategy will be based on the creation of a new carbon neutral campus. Faithful and Gould are the consultants who have been tasked with creating the new strategy which should be completed during 2023.
- Continuing to find ways to improve our carbon footprint.
- The development of the Perth based element of the Aviation Academy for Scotland on the College's Crieff Road Campus;
- Improving and re-purposing existing facilities to provide an integrated approach to the development and delivery of curriculum, research and wider stakeholder engagement within all areas. Examples include the delivery of a Sports Injury Clinic as well as a Beauty Therapy service, both run as student enterprises.

A key future industry development project is the Aviation Academy for Scotland, supported by the Tay Cities Deal. This is an industry partnership focussing on addressing the growth demand for skills required within the Aviation industry. The project is led by Perth College UHI in partnership with Tayside Aviation and Air Service Training. Should this project proceed from its current Outline Business Case stage towards being funded through the Tay Cities Deal, this capital investment of £5.96 million would be received, over a number of years, however this continues to be discussed with all parties involved.

Investment has been made in carbon and energy use monitoring, waste management monitoring, increasing environmental awareness with staff and students and engaging with stakeholders on sustainable development initiatives. During 2021/22, examples have included:

- Continued installation of more energy efficiency services including LED Lighting, energy efficient boilers and waste minimisation efforts;
- The College influences emissions beyond its corporate boundaries through educating its students and staff in sustainability and climate change issues. Education on sustainability issues is included within the curriculum.

Performance report

Performance Analysis

The College also confirms compliance with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009 which sets out the required content for the report to Scottish Government.

The College has reported every year since the 2015 Schedule became active, including the initial voluntary year in 2015/16. Perth College UHI is also an active participant in the Environmental Association of Universities and Colleges (EAUC).

Climate Change (Scotland) Act 2009

One of the College's Strategic priorities within its Regional Outcome Agreement is to deliver against the SFC National Performance Measures reduction in our gross carbon footprint.

UHI Perth continues to work towards carbon reduction and the carbon emissions figures are 1,646 tonnes of carbon dioxide equivalent ("tCO₂e") from 1,864 tCO₂e in 2015/16.

ICT Strategy

The ICT Department are focusing on themes to support the implementation of the ICT Digital Transformation Strategy to take the college and our stakeholders through a journey of digital confidence and competence that inspires and stimulates future thinking and innovation.

The themes are:

- Culture
- Service
- Sustainability
- Communication and Collaboration

Culture

By adopting a continual service improvement register the College is embracing an opportunity to map out where we are, where we want to be, how we will get there and prioritise our improvement activities and their impact.

By developing the 5-year ICT investment plan we ensure that we offer equality of access, allowing our staff and students to thrive in a digitally enabled environment.

Service

We have implemented the JISC Benchmark (Elevation) Tool to map Perth College ICT against the sector.

A program of works has begun to ensure that ICT services and facilities are designed to support our stakeholders by ensuring they are accessible, secure, and sustainable.

An infrastructure review has been undertaken and a new teaching room standard has been agreed with internal stakeholders for the duration of the ICT Strategy 2022 – 2025 that will allow our academics to dynamically deliver the curriculum in high quality, flexible and innovative environments.

Performance report

Performance Analysis

Sustainability

Through effective collaboration throughout the procurement cycle our suppliers are all committed to delivering benefits through improved value for money, improved goods, and services.

Our ICT hardware partner meet or exceed the minimum of Electronic Product Environmental Assessment Tool (EPEAT) Gold compliance.

A tripartite upcycling project has been established with Perth and Kinross Council, Academic Departments and the WEEE Centre to increase digital accessibility and skills to disadvantaged members of our community.

Communication and Collaboration

A key focus for the forthcoming year is the facilitation of digital solutions to enhance collaboration and communications that will allow our staff to work smarter using innovative flexible, secure, and accessible platforms, this is being achieved by embracing best of breed cloud systems, and scalable opportunities for shared ICT Services.

Equality & Diversity

Equality and Diversity Vision

At Perth College UHI we have a passion for achieving more, a passion to become the most inclusive college in Scotland.

Perth College UHI is currently working towards meeting the following general duties:

- Eliminating discrimination and other unlawful conduct;
- Advancing equality of opportunity.
- Fostering good relations.

Perth College's organisational equality outcomes 2021-2025 are:

- More learners than before are disclosing they are Care Experienced. These learners tend to have additional barriers which negatively impact attainment scores compared to their peers. We will work with the learners and other agencies to deliver interventions and support to narrow the attainment gap.
- There is an increase in learners disclosing mental ill health. These learners tend to have additional barriers impacting their attainment score compared to their peers. We will work with the learners and other agencies to deliver interventions and support to narrow the attainment gap.
- We recognise that there are gender imbalances across some areas of our curriculum, we will take active steps to promote accessibility of these programmes and challenge gender stereotyping.

Performance report

Performance Analysis

- We are committed to being an anti-racist organisation and will seek to eliminate racism in all of its forms throughout all parts of the College.
- The College has a declining proportion of staff disclosing a disability in comparison with the local population. We will look to ensure that our policies, processes and practices are supportive of recruiting and retaining disabled staff. We will focus on hidden disabilities and wellbeing at work.

A new Equality, Diversity and Inclusion Advisor was appointed by the College to lead on ensuring that the College delivers on these outcomes and also on our statutory reporting.

In October 2021 the output from the Board Lead Anti-Racism Short life Working Group was published following the work undertaken during 2020 and 2021. This output directly linked into one of our Equality Outcomes and is now monitored by our Equality, Diversity and Inclusion Committee.

Equality Reporting

We continue on our journey of ensuring the student and staff experience at the College is excellent. We continue to mainstream equality and diversity into all aspects of our operations and in doing so provide a learning and working environment which is founded on key principles of fairness, opportunities and respect for everyone.

Central to mainstreaming has been the gathering and consideration of further relevant data. This has involved assessing existing available evidence and also considering what other evidence may be available to help us make progress in further meeting the general equality duties.

Reporting on this work continues to demonstrate to our staff, students and other stakeholders that we are taking steps to further mainstream equality across the organisation and the progress that has been made.

Perth College has complied with its numerous statutory reporting requirements for the year ended 31 July 2022.

Perth College published one report and one action plan (available on our website):

- Anti-Racism Action Plan 2021
- Gender Pay Gap Report 2022

This report shows the College's progress in reducing our Gender Pay gap and the actions the College is looking to deliver on to deliver on its journey to become an Anti-Racist organisation.

Non-Financial Issues

Reputation

The College has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success in attracting students and developing and maintaining external relationships.

Performance report

Performance Analysis

The College has invested significantly in developing its reputation nationally with a particular focus on influencing policy and internationally by delivering quality programmes and by broadening the reach and strength of international partnerships.

Stakeholder Relationships

In line with other colleges and universities, the College has many stakeholders.

The College actively engages with Scottish Government ministers, senior civil servants and the SFC both independently and through Colleges Scotland to update progress on delivery against key national priorities as well as influencing future policy. This would include within policy areas of Skills Alignment Strategy, the Learner Journey Review and Developing the Young Workforce.

In order to ensure our curriculum continues to meet current and future regional and national industry needs, continued engagement with Skills Development Scotland and industry bodies across our curriculum teams and directly into businesses. The College's Foundation, Modern and Graduate apprenticeship delivery relies on these strong industry relationships to ensure skills demands are met and delivery compliance is achieved. The College had strong performance in these areas during the year ended 31 July 2022.

The College's relationship with Perth and Kinross Council and its other Tay Cities regional partners through the Tay Cities Deal HE/ FE Forum and the Tay Cities Skills Board, Perth Development Board, Perth and Kinross Community Planning Partnership and the Strategic Education Group has been crucial to ensuring the College continues to be well regarded for its influence in economic and social transformation.

This includes the role the College plays in ensuring there are suitable progression routes for all learners from the Senior Phase pathways through to vocational, degree and postgraduate provision.

The College's role as one of the largest partners within UHI ensures that influence impacts the full Highland's region with the range of networked provision delivered by the College or hosted in Perth campus.

In partnership with our staff, trade unions and HISA, a greater focus on the student experience remains a high priority to the College. We are committed to investing in the Student Experience which is now a core part of our forward strategy and we are delighted to see the focus has begun and continues to show results.

Additional areas of focus are:

- a greater variety of student support and social groups.
- Use of digital accessibility funding to improve the digital experience for our students
- An ICT strategy that supports the aspiration to be a student-centred, digitally enabled college.

Alongside this, continued discussions have taken place with Trade Unions to ensure the health and safety and wellbeing of all staff groups. This included those staff working from home as well

Performance report

Performance Analysis

as those staff undertaking essential on campus services to students. Discussions with Trade Unions in relation to non-filling of vacancies or realigning roles where vacancies arise, as well as the identification of areas for savings within the College's 2022/23 budget.

Human Rights

The College as part of the University of the Highlands and Islands partnership has published a Slavery and Human Trafficking Policy Statement as required by the Modern Slavery Act 2015. This statement is reviewed annually and the actions from it implemented in all purchasing activity by requiring all new suppliers to confirm that they have "effective procedures in place to comply with the Modern Slavery Act 2015" before any transaction can take place.

Details of our requirements have been incorporated into the College's Standard Terms and Conditions upon which all purchase orders and local contracts are based. These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities and Colleges ("APUC"), Scottish Procurement and Crown Commercial Service ("CCS").

Where modern slavery, human rights or workforce matters are identified as a potential risk in contracting for goods and services, relevant and proportionate requirements are included within our specification of requirements and appropriately probing questions are asked of bidders to demonstrate compliance with applicable laws, regulations and policies such as International Labour Organisation standards.

As a Scottish Living Wage Foundation accredited employer we also endeavour that all on-site contractors are paid at least the Real Living Wage, as set annually by the Living Wage Foundation. This has also applied to our catering contract.

There have been no complaints of any breaches of human rights within our supply chain.

Anti-Corruption and Bribery Matters

For regulated procurement, all suppliers are required to confirm that they are "in full compliance with and support the Bribery Act 2010" before any transaction can take place. Details of our anti-corruption requirements are stated in the College's Standard Terms and Conditions upon which all purchase orders and local contracts are based.

These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities and Colleges ("APUC"), Scottish Procurement and Crown Commercial Service ("CCS").

The College has a Fraud Prevention Policy and Response Plan which is included in our review plan and clearly details the requirements for staff members to adhere to as well as advising on how to report suspected breaches.

Perth College also participates in the National Fraud Initiative and has recently submitted datasets for the 2022/23 Exercise. Results of this exercise will be available and reviewed according to the prescribed timetable.

Our procurement and financial transaction processes ensure a clear separation of duties between requestors, budget approvers and payees to mitigate against potential risk or fraudulent activity.

Performance report

Performance Analysis

These processes are being continually reviewed to ensure they are fit for purpose and achieving their aims.

We acknowledge the weaknesses arising from our use of the purchase order system and have already implemented improvements to the process. In spite of these weaknesses the finance processes still require approval limits and segregation of duties which mitigate the risks as described above. We are currently implementing further changes to our purchase order process

There have been no complaints of any breaches of corruption or bribery within our supply chain.

Disclosure of Information to Auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditor is aware of the information.

Approved by order of the members of the Board of Management on XX December 2022 and signed on its behalf by:

Dr Margaret Cook
Principal & Chief Executive

Accountability Report

Remuneration and Staff Report

The Accountability Report has three sections and is signed by the Chair and the Principal:

1. The Remuneration and Staff report;
2. The Corporate Governance report; and
3. The Parliamentary Accountability report

Remuneration and Staff Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2021/22 Government Financial Reporting Model (FReM) issued by HM Treasury.

The report sets out the remuneration and accrued pension benefits of the Senior Management Team members of the College. Other than the Principal, no other member of the Board is remunerated.

The report also provides information on the number of College employees (including Senior Management Team members) whose total actual remuneration was £60,000 or more. This information is disclosed in salary bandings of £10,000 above £60,000. The following report has been prepared in accordance with the aforementioned Regulations.

All information disclosed in the tables in this report has been audited by the College's external auditor and all other sections of the Remuneration Report are reviewed to ensure they are consistent with the financial statements.

Remuneration arrangements

Senior Management Team

The Remuneration Committee makes recommendations to the Board of Management on the service arrangements and remuneration of the Principal and determines the service arrangements and remuneration of the other senior post holders.

Accountability Report

Remuneration and Staff Report

Remuneration of the Senior Management Team is as set out in Note 8 to the financial statements. In addition, the following table provides details of the remuneration and pension interests of senior management.

Name	Role	12 months ended 31 July 2022		
		Salary £000	Pension Benefit £000	Total £000
Margaret Cook	Principal	115-120	30-35	150-155
Lorenz Cairns	Depute Principal	85-90	20-25	105-110
Catherine Etri ¹	Vice Principal – Academic	55-60	-	55-60
Veronica Lynch	Vice Principal – External Engagement	85-90	50-55	135-140
Iain Wishart	Vice Principal - Operations	70-75	20-25	95-100
		12 months ended 31 July 2021		
Margaret Cook	Principal	110-115	25-30	135-140
Lorenz Cairns	Deputy	80-85	35-40	120-125
Catherine Etri	Associate Principal	65-70	30-35	100-105
Veronica Lynch	VP External engagement	80-85	45-50	125-130
Iain Wishart	Director of Finance	65-70	20-25	90-95

Senior Management Team members listed above are enrolled in either the STSS or LGPS pension schemes. These are both defined benefit schemes.

The pension benefits set out in the table above reflect the change in value of pension for each individual (less contributions paid by the individual). These pension benefits include additional pension accrued within the year, and any changes to the value of pension earned in all previous years as a result of salary increases. The pension amounts were higher in the year to 31 July 2022 due to salary increases for incremental progression and the cost-of-living increase. There had been no incremental progression in the year ended 31 July 2021 which is why the pension benefit was lower in that year.

The pension amounts in the table above do not represent the pension contributions paid for the staff listed. The actual amount of pension contribution paid for senior post holders is shown in Note 8 of these financial statements.

¹ Catherine Etri reduced from 1.0 FTE to 0.8 FTE during the year which resulted in a negative pension benefit figure because of the reduction in her CETV in a final salary scheme. She has since returned to 1.0 FTE so there will be a corresponding Pension benefit change next year.

Accountability Report

Remuneration and Staff Report

Higher Paid Employees

The following table shows the salary bandings of staff whose salary was in excess of £60,000.

Salary Band £000	2021/22 Number of staff	2020/21 Number of staff
60-70	3	6
70-80	1	0
80-90	2	2
100-110	0	0
110-120	1	1

Compensation for loss of office

Four employees left under a voluntary severance scheme during the year and one left on a departure agreed with SFC. In total they received a compensation payment of £91,206. No employees left under compulsory redundancy terms.

The table below summarises the exit packages by cost band.

Exit package cost band	Number of voluntary redundancies	Number of other departures agreed (including any compulsory redundancies)	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000 to £25,000	3	1	4
£25,000 to £50,000	1	0	1
Total number of exit packages	4	1	5
Total cost (£'000)	75	16	91

Accountability Report

Remuneration and Staff Report

Pay Multiples

The College is required by the FreM to disclose the relationships between the remuneration of the highest paid official and the 25th, 50th and 75th percentile of remuneration of their workforce.

	2021/22	2020/21
	£	£
Median Remuneration	38,256	37,637
Mid-Point of Banded Remuneration of Highest Paid Official	117,500	112,500
Median Pay multiple	3.1	3.0
25th percentile pay ratio	24,462	23,361
25th percentile pay multiple	4.8	4.8
50th percentile pay ratio	38,526	37,637
50th percentile pay multiple	3.1	3.0
75th percentile pay ratio	43,357	42,537
75th percentile pay multiple	2.7	2.6

Accrued pension benefits

Pension benefits for Employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which is externally funded and contracted out of State Earnings-Related Pension Scheme and the Local Government Pension Scheme (LGPS), Tayside Pension Fund.

Prior to 1 April 2015 both STSS and LGPS were final salary pension schemes. This meant that pension benefits were based on the final year's pay and the number of years that the person had been a member of the scheme. From 1 April 2015 both pension schemes became Career Average Revalued Earnings (CARE) schemes.

A CARE scheme means that pension benefits are now built up using an accrual rate of 1/57th of annual pensionable pay for STSS and 1/49th of annual pensionable pay for LGPS. Benefits built up prior to April 2015 will be protected and continue to be calculated on final pensionable pay.

The scheme's normal retirement age is now linked to the members own State Pension Age.

Contribution rates are set annually for all employees and are based on salary bandings. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on

Accountability Report

Remuneration and Staff Report

account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued within the relevant scheme and may not be reflective of their total Local Government service or current appointment.

In considering the accrued pension benefits figures the following contextual information should be considered:

- i. figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- ii. accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Senior Management Team Pension

Pension benefits are provided to Senior Management Team on the same basis as all other staff. The accrued pension benefits for Senior Management Team members are set out in the table below, together with the pension contributions made by the College:

Name	Accrued pension at age at 31 July 2022	Accrued lump sum at pension age at 31 July 2022	Real increase in pension 1 August 2021 to 31 July 2022	Real increase in lump sum 1 August 2021 to 31 July 2022	CETV at 31 July 2021	CETV at 31 July 2022	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Margaret Cook	10-15	0-5	0-2.5	0-2.5	117	160	43
Lorenz Cairns	30-35	90-95	0-2.5	2.5-5	699	752	53
Catherine Etri ²	20-25	65-70	-	-	644	547	-
Veronica Lynch	30-35	30-35	2.5-3	0-2.5	458	510	52
Iain Wishart	0-5	0-5	0-2.5	0-2.5	21	44	23

² Catherine Etri reduced from 1.0 FTE to 0.8 FTE during the year which resulted in a negative pension benefit figure because of the reduction in her CETV in a final salary scheme. She has since returned to 1.0 FTE so there will be a corresponding Pension benefit change next year.

Accountability Report

Remuneration and Staff Report

Gender Split for Perth College Board of Management and Senior Management Team

The table below sets out the gender split of the Board of Management of Perth College based on all members who sat on the board during the year ended 31 July 2022.

Margaret Cook (Principal of UHI Perth) is the only member of the Senior Management Team who also sits on the Board and is included in the Gender Split of both the Senior Management Team and Staff Board Members.

Non-Executive Board Members are comprised of Independent and Student members.

Board of Management				Senior Management Team	
Non-Executive Board Members		Staff Board Members			
Male	Female	Male	Female	Male	Female
47%	53%	67%	33%	40%	60%

Staff Numbers and Costs

The table below sets out for UHI Perth. The below figures do not include staff costs for the subsidiary, Air Service Training (Engineering) Limited which has 32 FTE on permanent contracts and 1 FTE on temporary contracts. A full breakdown of staff numbers is set out in Note 6 of these accounts.

	Year ended 31 July 2022			Year ended 31 July 2021
	Permanent Staff	Other staff	Total	Total
Wages & Salaries (£'000)	13,508	1,261	14,769	14,587
Social Security Costs (£'000)	1,373	128	1,501	1,438
Other Pension Costs (£'000)	4,069	380	4,450	4,479
Total staff costs (£'000)	18,950	1,770	20,720	20,504
Average number of FTE	332	31	363	361

Based on headcount, the College employed 300 females (61%) and 195 males (39%) as at 31 July 2022.

Accountability Report

Remuneration and Staff Report

Sickness Absence Rates

The following table provides the total sick days lost, average sick days per head and percentage of working time lost for the years ended 31 July 2022 and 2021:

	Year ended 31 July 2022				Year ended 31 July 2021			
	Total sick days	Average sick days per head	% working time lost	Total sick days	Average sick days per head	% working time lost	Total sick days	% working time lost
Total	3,220	8.9	3.42%	2,263	4.50	2.24%		

The cumulative sickness absence rates for the College for 2021/22 have increased compared to the year ended 31 July 2021 from 2.24% of working time lost to 3.42% of working time lost.

The reduced level of average sick days in the year ended 31 July 2021 can be partially attributed to the COVID-19 pandemic and a similar decrease in sickness absence levels was seen across the Education sector with staff either not being ill due to lack of contact with other people or the ability to work from home meant they were continuing to work despite not being well.

When comparing current levels to the year ended 31 July 2020, total sick days of 3,220 (2020: 4,049) is less, but the average sick days per head of 8.9 (2020: 7.9) is higher (7.9 (2020) compared to 8.9 (2022), which corresponds to the reduction in FTE from 398 in 2020 to 363 in 2022.

Policies in relation to disabled persons

The College Equality and Diversity Policy sets the principles and values of equality and diversity for the College. These are implemented through the College's Equality Outcomes and associated action plan which are aligned to the College Regional Outcome Agreement as well as the policies and procedures that guide the way in which people behave. Progress against the Equality Outcomes is reported on the Perth College website:

<https://www.perth.uhi.ac.uk/about-us/policies-regulations-and-guidelines/equality-diversity-and-inclusion/>

The policy is also implemented through a number of policies and procedures that concern the experience of staff and students. These include:

- Gender Pay Gap Report 2022
- Mainstreaming Equality, Equality Outcomes, and Workforce and Students Profile 2021

The College also carries out an internal assessment of our Disability Pay Gap and the College is looking at engaging with the Disability Confident Scheme which encourages employers to think differently about disability and take action to improve how we recruit, retain and develop disabled people. There are a number of other initiatives which are being proposed for 2022-23 to support this area of work.

Accountability Report

Remuneration and Staff Report

Recruitment and Selection

Perth College strives to be an excellent employer by adopting a principle of diversity and inclusivity in order to attract the highest calibre of staff in pursuance of Perth College's overall Vision and Values.

This principle includes a positive approach towards disability and ensuring that people with disabilities receive the necessary support through the recruitment and selection process. This includes the provision of any additional support required by candidates to ensure fair and equal participation throughout the process.

Applicants are also asked during the recruitment process if they require Perth College to make any reasonable adjustments to support them in the recruitment process giving due regard to their particular aptitudes and abilities.

Perth College also commits to ensuring that vacancies are advertised in a wide variety of digital and other outlets and are worded in such a way as to attract candidates from as wide a cross section of society as possible.

Professional Development

All employees are encouraged to participate in development activity to develop their qualifications and skills.

Employees are also expected to participate in the Colleges Professional Review Scheme and undertake any staff development and training necessary for the full performance of their duties. The College also provides financial support for a number of employees to undertake qualifications relevant to their roles.

Perth College continues to aim to meet the requirement to ensure a minimum entitlement of six days (pro rata) continuing professional development (CPD) to all employees. This is to be provided in manner which is meaningful to all staff and ensures CPD adds value to the individual, team and UHI Perth.

Redeployment and Occupational Health

Perth College is committed to ensuring that if employees become disabled during their employment with the College that we look at redeployment and training opportunities to retain their services within the College.

Employees make regular use of the Occupational Health service provided by Perth College UHI through management referrals to allow Perth College, and employees, to make informed decisions about any reasonable adjustments that Perth College may be able to support.

Perth College UHI has also worked with Access to Work to ensure adaptive equipment and training are provided to support employees who have a disability as defined by the Equality Act 2010. This scheme is actively utilised to support staff to remain at work.

Perth College UHI also has a contract with a local Counselling Service which offers staff the confidential opportunity to access up to six free counselling sessions in a 12 month period. If required additional counselling sessions are then agreed by the College

Accountability Report

Remuneration and Staff Report

Other employee matters

Equal Pay

The College reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value.

The College will ensure that all pay practice applies equally to all staff and is best practice. The College will communicate pay practice to help members of staff develop understanding of how pay is determined; undertake equal pay audits in accordance with any legal obligations; provide guidance and support to managers where they make decisions on pay and benefits for staff; and work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

The work of the National Job Evaluation Scheme for Support Staff within Colleges is still underway and no outcomes have yet been published. Until decisions and outcomes are known, the College continues to use its internal job evaluation scheme.

The furlough scheme was utilised as much as possible during the Covid-19 national lockdowns to support the College to allow them to continue to pay the full salaries of employees during the lockdown periods or until they were able to return to work.

Work Life Balance

The College recognises that members of staff have priorities outside of their employment and that it is important for the wellbeing of all staff that there is balance between work and home life. The College also recognises that members of staff will have differing requirements at different points in their working life and the range of Family Friendly/Flexible Working Policies and Procedures aims to ensure that an appropriate balance between work and home life can be achieved throughout a member of staff's employment at the College.

Following the lifting of lockdown the college has followed a hybrid working model. This remains in place and is under review with a view to adopting a longer-term policy. There are also staff who have agreed flexible working arrangements in place and the College has allowed formal flexible working requests from day one of employment and also allowed staff to submit two requests during the year which exceeds statutory requirements.

Where staff work from home they are required to undertake Home Working Assessment and Display Screen Assessments to ensure that the home working is undertaken in a safe environment

The Senior Management team, in consultation with trade unions agreed to additional holiday entitlement for all employees during the year.

Conduct

The College promotes and lives up to the principals within its Equality and Diversity Policy of: Treating people with respect; Encouraging, maintaining and promoting good relations; Applying policies, procedures and processes fairly and with due regard to every individual; Welcoming the differences between each person and value the contribution that they make to the cultural and social wellbeing of the College's working and learning environment.

Accountability Report

Remuneration and Staff Report

Exit

Members of staff will be treated fairly in circumstances where there is a reduction in the need for certain types of roles which saw the College implement a voluntary severance scheme during 2021/22 and in the application of disciplinary procedures where dismissal may be an outcome. The College also saw a small number of staff leave through ill-health retirement.

Health and Safety

The Board of Management of Perth College attaches the greatest importance to safeguarding the health, safety and welfare of staff, students, visitors and others who use the premises, and regards the promotion of health and safety measures as a mutual obligation for management and employees at all levels.

It is the commitment of the College to act within the requirements of the Health and Safety at Work etc Act 1974 and subsequent legislation, and to ensure that the health, safety and welfare of all staff, students, visitors and others who may be affected by our undertakings is safeguarded, so far as it reasonably practicable.

To meet these criteria, the College will:

- Regard legal compliance as the lowest acceptable standard of management with regard to health and safety;
- Identify hazards, assess risks and manage those risks;
- Provide appropriate information, instruction, training and supervision;
- Provide and maintain equipment and a working environment that are, so far as is reasonably practicable, without risks to health and safety;
- Consult with employee representatives on health and safety matters; and
- Provide adequate funding and resources to meet Policy needs.

In order to effectively manage Health and Safety, the College Board of Management devolves policies and procedures through the Principal and Chief Executive to the Senior Management Team, to the Directors and Managers of Curriculum and Professional Services Managers, and their staff, all of whom are responsible for managing Health and Safety.

The College requires that all staff, students and visitors co-operated in regarding safe working as a prime objective, by working within established procedures.

Overall responsibility for the practical implementation of this Policy lies with the College Principal and Chief Executive.

The College holds the Gold Award standard for Healthy Working Lives, evidencing our commitment to our staff, however this award overseen by Public Health Scotland has now been withdrawn.

Accountability Report

Remuneration and Staff Report

The College's duty to consult on Health and Safety matters with trade unions and staff is structured through a Health and Safety Committee. The Committee meetings are scheduled four times over the curriculum year. These meetings are chaired by the Head of HR & Organisational Development and made up of the College Management, representatives of each recognised union and staff representatives.

Four sub-groups of this committee were in place for the period ending 31 July 2022, these being Covid-19 response group, Health and Wellbeing for Staff, Stress Management, Policies and Procedure Review Group. The Covid-19 response group was paused at the end of this period due to the normalisation of Covid-19 into daily lives and practices but will be reinstated if needed.

Typical Health and Safety performance topics being discussed would include accident trends, training compliance, inspection reports and issues raised over the period covered.

The Health, Safety and Welfare Advisor ensures there are regular departmental audits with associated actions plans and these are all brought for review to the Health and Safety Committee. From January 2022 to the end of July 2022, 12 audits were undertaken incorporating 17 areas of the College.

There were no external Health and Safety audits undertaken within the College within this time, however our nursery had an unannounced inspection by the Care Inspectorate in October 2021 which resulted in grades at level 4 or 5 in the areas inspected which is a significant improvement from previous audits.

Our priority is, and continues to be, to provide and maintain a safe work environment. We have provided training to increase the number of competent risk assessors, given direction and support for undertaking or refreshing our mandatory related online training and provided some of our management with accredited Health and Safety qualifications.

With the near return to normal for work and study, activity on site has increased but not to pre-pandemic levels. This resulted in the number of Accident and Incident occurrences increasing when compared to the previous year but remains lower than the year ending 31 July 2020.

Four additional members of the Corporate Management Team were enrolled on their Institute of Occupational Safety and Health (IOSH) Managing Safety programme.

An additional 10 staff have completed the General Risk Assessor training. This now gives a total of 80 competent assessors.

44 staff have completed the Mental Health First Aid training which teaches people how to identify, understand and help someone who may be experiencing a mental health issue.

Six staff have qualified or requalified as competent First Aiders after successful attendance at a British Red Cross First Aid at Work course and 10 staff have completed Emergency First Aid at Work widening our capability across the Campus to respond to incidents and accidents. We have also followed recommendations to conduct First Aid Refresher Training to maintain skills and confidence with 14 of our first aiders.

Following the "normal" resumption of business and the requirement to transport students for events such as Duke of Edinburgh Award, external sports activities and educational visits, we

Accountability Report

Remuneration and Staff Report

have had 11 staff attend MiDAS training. MiDAS is the Minibus Driver Awareness Scheme. It is a scheme that promotes a UK wide standard for the assessment and training of minibus drivers and is viewed as best practice. The scheme aims to enhance minibus driving standards and safe operation of minibuses.

Two members of the Estates teams also refreshed their training as Legionella safety competent persons.

Trade Unions

The College recognises two Trade Unions, EIS-FELA and UNISON. The relationships with each are governed by the appropriate Recognition and Procedure Agreements augmented with regular informal discussions with senior staff including the Head of HR & Organisational Development.

We are an active member of the Employer's Association to support National Bargaining dialogue, discussion and agreement. All of this highlights our commitment to partnership working and a no surprises relationship based on openness and transparency from management and the recognised Trade Unions.

Trade union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
7	6.52

Percentage of time spent on facility time

Percentage	Number of employees
0%	
1-50%	7
51-99%	
100%	

Percentage of pay bill spent on facility time

Total cost of facility time:	£25,739
Total pay bill:	£20,719,155
Percentage of the total pay bill spent on facility time:	0.12%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	100%
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Accountability Report

Remuneration and Staff Report

Employment Issues

Perth College has published its commitment to equal pay within these financial statements which reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value. To achieve this, Perth College commits to:

- Ensure that all pay practice applies equally to all staff and is best practice;
- Communicate pay practice to help members of staff develop understanding of how pay is determined;
- Undertake equal pay audits in accordance with any legal obligations;
- Provide guidance and support to managers where they make decisions on pay and benefits for staff; and
- Work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

Perth College also has a commitment to equality and diversity as demonstrated in the principles adopted by it which are:

- Treating people with respect;
- Encouraging, maintaining and promoting good relations;
- Applying policies, procedures and processes fairly and with due regard to every individual;
- Welcoming the differences between each person and value the contribution that they make to the cultural and social wellbeing of the College's working and learning environment; and
- Perth College also has an Equality, Diversity and Inclusivity Committee which monitors progress on equality matters and is a forum for consultation about matters which affect staff and students.

The majority of the Perth College's staff are female (61%) with men representing 39% of the workforce.

The College has a Professional Review process which includes a Career Long Professional Learning (CLPL) element to support the development of both Academic and Professional services staff, and an allocated CPD budget to support other professional development activities.

For Academic staff, a new Professional Review process was implemented during the year ending 31 July 2022 which was developed to meet the College's requirement for General Teaching Council for Scotland registration for lecturing staff. This required professional dialogue discussions between staff members and their line managers to be undertaken in a coaching style and all managers of academic staff undertook training to give them these skills.

Accountability Report

Remuneration and Staff Report

The College has a robust framework of policies and procedures which support the employment lifecycle. These include recruitment, induction, to be family friendly, encourage flexible working, discipline and grievance issues, promote health and wellbeing, absence, capability and exit.

Accountability Report

Corporate Governance Report

Overview

The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.

- The Corporate Governance report includes:
- a Directors' Report
- a Statement of Responsibilities of the Members of the Board of Management
- a Governance Statement

Directors Report

The Board of Management

The members who served on the Board of Management during the year and up to the date of signing the financial statements were as follows:

Name	Date of Appointment/ (resignation)	Status	Committees Served to 31 Dec 2021	Committees Served from 01 Jan 2022
Brian Crichton	15 June 2016 Appointed as Chair 20 August 2018 Resigned as Chair 30 September 2022	Independent Member	Chairs' (chair); Finance & General Purposes; Remuneration;	Chairs (chair); Finance & Resources; Remuneration
Graham Watson	7 August 2020 (appointed Interim chair 1 October 2022)	Independent Member	Audit	Air Service Training (chair); Audit (until 1 October 2022); Chairs; Remuneration
Dr Margaret Cook	1 August 2017	Principal and Chief Executive	Academic Affairs (chair); Air Service Training; Chairs'; Engagement; Finance & General Purposes	Learner Experience (chair); Air Service Training; Chairs'; Engagement; Finance & Resources
Michael Buchanan	3 January 2022	Independent Member	n/a	Finance & Resources; Strategic Development
Andrew Comrie	24 September 2018	Independent Member	Academic Affairs; Audit	Finance & Resources; Strategic Development (chair); Chairs; Remuneration
Heather Cormack	7 August 2020	Independent Member	Finance & General Purposes	Finance & Resources; Strategic Development
Jim Crooks	15 June 2016	Independent Member	Audit (chair); Chairs'; Remuneration	Audit (chair); Chairs; Remuneration
Sheena Devlin	14 January 2019	Independent Member	Academic Affairs;	Learner Experience; Strategic Development

Accountability Report

Corporate Governance Report

Name	Date of Appointment/ (resignation)	Status	Committees Served to 31 Dec 2021	Committees Served from 01 Jan 2022
Jenny Hamilton	3 January 2022	Independent Member	n/a	Learner Experience; Strategic Development
Katrina Hodgson	20 August 2019	Independent Member	Engagement; Finance and General Purposes	Air Service Training Chairs; Remuneration; Strategic Development
Deborah Hutchison	1 November 2017 (31 October 2021)	Independent Member	Engagement (Chair); Finance and General Purposes	n/a
Ann Irvine	15 June 2017 (31 July 2022)	Independent Member	Audit; (Deputised as Chair of Audit for 2 meetings)	Audit
Fiona Martin	7 August 2020	Independent Member	Audit	Audit; Learner Experience
Debbie McIlwraith Cameron	3 January 2022	Independent Member	n/a	Audit
Craig Ritchie	24 September 2018 (5 August 2022)	Independent Member	Air Service Training Finance & General Purposes (Chair);	Air Service Training; Finance & Resources
Linton Scarborough	7 August 2020 (21 October 2021)	Independent Member	Air Service Training; Finance & General Purposes	n/a
Charlie Shentall	15 June 2017 (31 October 2021)	Independent Member	Air Service Training (chair); Chairs'	n/a
Derek Waugh	1 September 2022	Independent member	n/a	Finance & Resources
John Dare	14 June 2018	Staff Member	Engagement Finance & General Purposes	Finance & Resources; Strategic Development
Patrick O'Donnell	10 November 2020	Staff Member	Academic Affairs	Learner Experience; Audit
Madeleine Brown	1 July 2021 (30 June 2022)	Student Member	Audit	Learner Experience; Audit
Todor Pavlov-Kennedy	1 July 2021	Student Member	Academic Affairs; Finance & General Purposes	Finance & Resources; Learner Experience; Strategic Development
Liam Fowley	1 July 2022	Student member	n/a	Audit; Learner Experience

Graham Watson was appointed as interim chair on 1 October 2022. He was previously chair of the audit committee but is not sitting in that role whilst he has the interim chair role.

Accountability Report

Corporate Governance Report

Board Member – Committee Attendance

Name	Board	Academic Affairs	AST	Audit	Chairs	Engagement	F&GP/ F&R	Learner Exp.	Strat Dev
Brian Crichton	5/5				4/4		4/5		
Michael Buchanan	3/3						2/3		2/2
Andrew Comrie	4/5	1/2			3/3	1/1	2/4		2/3
Heather Cormack	4/5						4/5		3/3
Jim Crooks	5/5			4/5	4/4				
Sheena Devlin	5/5	0/2				0/1		0/2	1/3
Jenny Hamilton	2/3							1/2	1/2
Katrina Hodgson	5/5		3/3			1/1	1/1		3/3
Debbie Hutchison	0/1				1/1	1/1	0/1		
Ann Irvine	4/5	1/2		5/5				0/2	
Fiona Martin	4/5	0/2		4/5				0/2	
Debbie McIlwraith-Cameron	3/3			2/2					
Craig Ritchie	4/5		3/5		4/4		5/5		
Linton Scarborough	0/1		0/1				0/1		
Charlie Shentall	0/1		1/1		1/1				
Graham Watson	4/5			4/5	2/3				
John Dare	2/5					1/1	2/5	4/5	2/3
Patrick O'Donnell	4/5	1/2						1/2	
Todor Pavlov-Kennedy	5/5	2/2				0/1	4/5	2/2	2/3
Madeleine Brown	3/5			4/5					
Margaret Cook	5/5	2/2	4/4		3/4	1/1	5/5	1/2	3/3
Miranda Landale (Co-Opted Committee Member)	n/a	1/2				0/1		1/2	
Derek Waugh (Co-Opted Committee Member)	n/a						3/3		

Accountability Report

Corporate Governance Report

It is the Board of Management's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board of Management complies with the internal control guidance published by the Turnbull Committee and the good practice in the Guide for Board Members in the College Sector 2015 issued by Scotland's Colleges.

The Board of Management is provided with regular information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Management meets at least four times a year.

Full minutes of all Board and Board sub-Committee meetings, except those deemed to be confidential by the Board, are available on the College website or from the Clerk to the Board at:

Perth College UHI
Crieff Road
Perth PH1 2NX

Register of Members Interest

The Clerk to the Board maintains a register of financial and personal interests of the Board members and Senior Management Team. The Register is available for inspection at the above address or on the College website:

<https://www.perth.uhi.ac.uk/about-us/college-management-structure/meet-the-board/register-of-interests/>

All Board members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to an independent Clerk, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

Formal agendas, papers and reports are supplied to Board members in a timely manner, prior to meetings. Briefings are also provided on an ad hoc basis.

The Board of Management has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment.

Board members are required to self-evaluate collectively as Board and as individually as Board members. The self-evaluation process includes consideration of the performance of the Chair and individual Committee Chairs and of the collective effectiveness of the Board of Management, and individual reflection on their adherence to the Nine Principles' of Public Life.

There is a clear division of responsibility in that the roles of the Chair and Principal are separate.

Accountability Report

Corporate Governance Report

Information Management

There were no significant data breaches during the year.

Appointments to the Board of Management

From 1 August 2014, the authority for appointments to the Board of Management of Perth College resides with the University of the Highlands and Islands and must be made in accordance with Ministerial Guidance on Board Appointments.

The Board of Management ensures that a process is in place to provide appropriate induction training to new Board of Management members and new Board members are expected to undertake induction training.

Members of the Board of Management are appointed for an initial term of office not exceeding four years and may be reappointed.

Accountability Report

Corporate Governance Report

Statement of Responsibilities of the Members of the Board of Management

The Board of Management are required to present audited financial statements for each financial year.

In accordance with the Further and Higher Education (Scotland) Act 1992 the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for ensuring that proper accounting records are maintained which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the relevant Government Financial Reporting Model (FReM) and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the SFC and the College's Board of Management, the Board, through its Chief Executive, the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Board of Management is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on a going concern basis, unless it is inappropriate to presume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- ensure that funds from the SFC, including those derived through the Regional Strategic Board, are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud; and
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

Accountability Report

Corporate Governance Report

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative areas;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance Committee. In line with future improvements these need to be reviewed; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management, and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Approved by order of the member of the Board of Management on XX December 2022 and signed on its behalf by:

Graham Watson
Interim Chair

Accountability Report

Corporate Governance Report

Governance Statement

Statement of Corporate Governance and Internal Control

Perth College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2022.

From 1 August 2014, Perth College was assigned to the University of the Highlands and Islands (UHI) as its Regional Strategic Body (RSB) and the provisions of the Post-16 Education (Scotland) Act 2013 commenced for the College. As an assigned college, the Board is accountable to the RSB.

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the main principles of the 2016 Code of Good Governance for Scotland's Colleges. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

The Board conducts its business through a number of committees. Each committee has formally constituted terms of reference, which are reviewed on a regular basis.

Following an internal review of committees, the Board opted to amend the committee structure to improve business alignment, with the following changes:

Until 31 December 2021	From 1 January 2022
Audit Committee	Audit Committee
Chairs Committee	Chairs Committee
Remuneration Committee	Remuneration Committee
Finance & General Purpose Committee	Finance & Resources Committee
Academic Affairs Committee	Learner Experience Committee
Engagement Committee	Strategic Development Committee

In addition, the Board of Management holds development planning days and training evenings during the course of the year for the purposes of training, self-evaluation and development. The Board is supported by an Independent Clerk.

Audit Committee

The Audit Committee comprises at least four non-executive members of the Board of Management (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Audit Committee meets four times a year and provides a forum for reporting by the College's external and internal auditors, who have access to the Committee for independent discussion, without the presence of College Management.

Accountability Report

Corporate Governance Report

The Audit Committee advises the College on the appointment of the internal auditor and the auditor's remuneration. The Audit Committee establishes the College's risk tolerance and monitors risk.

The College's internal auditor monitors the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input. They report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and the internal auditor undertakes periodic follow-up reviews which are reported to the Audit Committee to ensure such recommendations have been implemented.

The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the SFC and Audit Scotland as they affect the College's business and monitors adherence to the regulatory requirements.

Finance and Resources Committee (“the Finance Committee”)

The Finance Committee comprises four non-executive members of the Board of Management and the Principal. The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Finance Committee meets at least four times a year and, among other matters, recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to approved budgets.

The Finance Committee monitors the College's financial and business perspectives. It approves all key financial decisions, approves the annual budget, considers the financial statements and recommends for approval, oversees the system of financial control and delegated authority. It also considers any other matters relevant to the financial duties of the Board including estates strategy.

Remuneration Committee

The Remuneration Committee comprises of the Chair, the Vice Chair and the Chair of each of the Standing Committees. The committee is responsible for making recommendations to the Board on the remuneration and benefits of the Principal and Senior Management Team.

The details of the remuneration of senior post-holders for the year ended 31 July 2022 are set out in Note 8 of these Financial Statements.

Corporate Strategy

The Board of Management is responsible for the overall strategic development of the College and is the guardian of its vision and values. Strategic development takes place annually with the Board of Management and College Senior Management Team at a full day to consider strategic direction and challenges. This is supported by horizon scanning and futures work and has led to the development of strategic plans underpinned by operational plans. Progress against the agreed strategic priorities in the plan is monitored through a balanced scorecard approach by the appropriate Board committees on a regular basis.

Accountability Report

Corporate Governance Report

Scope of Responsibility

The Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Management has delegated the day-to-day responsibility to the Principal, as Chief Executive Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets of Perth College including those derived from the Regional Strategic Body. The Principal is also responsible for reporting to the Board of Management any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Perth College for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

Principal Risks and Uncertainties

The College's Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Senior Management Team monitors key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms embedded within the operational units and reinforced by risk awareness in operational planning.

The Senior Management Team and the Audit Committee also receive regular reports from Internal Audit and Health, Safety and Environmental monitoring functions that include recommendations for improvement. Internal Audit concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal audit plan approved and amended by the Audit Committee.

The internal auditor has direct access to the Chair of the Audit Committee and issues an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

The Audit Committee considers risk at each Committee Meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by the College Senior Management Team.

Accountability Report

Corporate Governance Report

The Board of Management receive reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

The Risk and Control Framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Management;
- Regular reviews by the Board of Management of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

Perth College appoints an Internal Audit Service, which operates in accordance with the requirements of the SFC's mandatory requirements.

The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit Committee.

The Internal Auditor provides the Audit Committee with a report on internal audit activity within the College. These reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

The internal auditor has direct access to the Chair of the Audit Committee and issues an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

UHI Perth's Internal Auditors gave the following opinion in their Annual Report to the Board of Management and Principal on the Provision of Internal Audit services for 2021-22 (the Internal Audit Report):

"In our opinion, with the exception of the follow up issues described in paragraph 1.11, the College has adequate and effective arrangements for risk management, control, and governance. This opinion has been arrived at taking into consideration the work we have undertaken during 2021/22 and in previous years since our initial appointment."

Accountability Report

Corporate Governance Report

The follow up issues referred to in the Internal Audit opinion are discussed in more details under Significant control issues and weaknesses below.

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditor.
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
- The comments made by the College's external auditor in their management letters and other reports.

The Board of Management has been advised on the implications of the review of the effectiveness of internal control by the Audit Committee, which oversees the work of the internal auditor.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments.

The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Audit Committee considers risk at each Committee meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by the College Senior Management Team. The Board of Management receives reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception.

At its 12 December 2022 meeting, the Audit Committee carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Senior Management Team and the internal auditor and taking account of events since 31 July 2022. A further review will be performed by the Board of Management on 22 December 2022.

Significant Control Issues/Weaknesses

In the year ending 31 July 2022 one significant control weaknesses was identified. A further four weaknesses had already been identified in 2020/21 which still require actions beyond 31 July 2022. These weaknesses are identified in the table below and will be monitored in an action plan reported through the Audit Committee.

Area	Issue	Action
Financial management	On 26 October 2021 a duplicate payment of the college payroll was made. Despite efforts to stop the payment it could not be stopped.	The system control was implemented as soon as the issue occurred and the control continues to operate effectively.

Accountability Report

Corporate Governance Report

Area	Issue	Action
	<p>The issue arose an inputting error and from the ability for a single user to load and submit BACS payments.</p> <p>Had the BACS system required a separate user to submit the BACS payment, it would not have been made.</p>	<p>99% of the funds recovered at 31 July 2022.</p> <p>The follow up review has been undertaken and received a rating of satisfactory.</p> <p>Management consider this issue to be resolved.</p>
Asset Management	There is no complete asset register in place	There are separate fixed asset and IT registers. Work is ongoing to update the registers. This is now expected to be completed by July 2023.
Asset management	No comprehensive guidance in place to support the asset management process	Financial regulations have been reviewed and agreed by the board. Work is ongoing to produce detailed accompanying guidance
Asset management	No regular asset verification in place	Work is ongoing to implement these procedures
Staff Skills Profile, Staff Productivity and Performance	The HR system, CIPHR is no longer fit for purpose which has resulted in an increase in manual processes.	The tender process for a replacement of CIPHR has been commenced and a preferred supplier has been identified.

Going Concern

The Board of Management confirms that they consider the College to be a going concern as described in the Code of Good Governance for Scotland's Colleges 2016 (section C.1.3) and that the financial statements have been prepared on this basis as set out in Note 1 of these financial statements.

Impact of Covid-19

During lockdown in the UK all Board and Committee meetings continued as scheduled, using Microsoft Teams to meet virtually rather than in College. Since lockdown was lifted meetings have continued to operate using a hybrid of online and face to face to allow greater flexibility and efficiency.

Board members had previously been issued with College iPads, and were quickly adapted to using Microsoft Teams, with support offered from the Digital Services Team to provide training and resolve any technical issues.

The Board's External Effectiveness Review took place in June 2020 and continues to inform changes in how the Board meets moving forward. The next review will take place within three to five years of the previous review.

Accountability Report

Parliamentary Accountability Report

Parliamentary Accountability Report

We have no matters to report.

Approved by order of the members of the Board of Management on XX December 2022 and signed on its behalf by:

Graham Watson
Interim Chair

Dr Margaret Cook
Principal and Chief Executive

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Perth College and its group for the year ended 31 July 2022 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statements of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, and Consolidated Statement of Cash Flow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2022 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is six years. We are independent of the college and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the College. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability

Independent auditor's report to the members of the Board of Management of Perth College, the Auditor General for Scotland, and the Scottish Parliament (continued)

of the college and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the college and its group. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the ability of the college and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the college and its group.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the college;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

Independent auditor's report to the members of the Board of Management of Perth College, the Auditor General for Scotland, and the Scottish Parliament (continued)

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the audited part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Other information

The Board of Management is responsible for other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the members of the Board of Management of Perth College, the Auditor General for Scotland, and the Scottish Parliament (continued)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

**Independent auditor's report to the members of the Board of Management of Perth College,
the Auditor General for Scotland, and the Scottish Parliament (continued)**

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Stephen Reid, for and on behalf of Ernst & Young LLP

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

Date:

Ernst & Young is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Perth College
Consolidated and College Statement of Comprehensive Income for the year ended
31 July 2022

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group £000	College £000	Group £000	College £000
Income					
Funding council grants	2	17,664	17,664	17,900	17,900
Tuition fees and education contracts	3	5,977	4,201	5,687	4,139
Other grants and contracts	4	206	206	226	226
Other income	5	3,524	3,635	2,884	2,935
Total Income		27,371	25,706	26,697	25,200
Expenditure					
Staff costs	6	21,953	20,720	21,566	20,504
Other operating expenses	9	6,255	6,000	5,295	5,129
Depreciation	13	1,454	1,424	1,427	1,404
Interest and other finance costs	10	1	-	1	-
Total Expenditure		29,663	28,144	28,289	27,037
Surplus/(Deficit) before tax		(2,292)	(2,438)	(1,592)	(1,837)
Taxation	11	37	-	54	-
Surplus/(Deficit) for the year	12	(2,329)	(2,438)	(1,646)	(1,837)
Unrealised surplus on revaluation of land and buildings and Assets held for resale	30	4,509	4,509	-	-
Actuarial gain/(loss) in respect of pension schemes	22-23	7,649	7,649	7,351	7,351
Total Comprehensive Income / (Expenditure) for the year		9,829	9,720	5,705	5,514

The Statement of Comprehensive Income is in respect of continuing activities.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 29 provides detail of the adjusted operating position on a central government accounting basis and presents the underlying surplus for the year.

Perth College
Consolidated and College Statement of Changes in Reserves for the year ended
31 July 2022

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £000	College £000	Group £000	College £000
Income & Expenditure Reserve				
Balance at 1 August	5,501	5,309	(869)	(869)
Surplus from the income and expenditure account	(2,329)	(2,438)	(1,645)	(1,838)
Other comprehensive (expenditure) /income	8,380	8,380	7,350	7,351
Transfers from revaluation reserve	665	665	665	665
Balance at 31 July	12,217	11,916	5,501	5,309
Revaluation Reserve				
Balance at 1 August	23,745	23,745	24,410	24,410
Impact of Revaluation	4,509	4,509	-	-
Transfer from Income & Expenditure reserve	(665)	(665)	(665)	(665)
Balance at 31 July	27,589	27,589	23,745	23,745

Perth College
Consolidated and College Balance Sheets as at 31 July 2022

	Notes	31 July 2022		31 July 2021	
		Group £000	College £000	Group £000	College £000
Non current assets					
Tangible fixed assets	13	43,837	43,633	40,635	40,501
Investments	14	-	20	-	20
Total non current assets		43,837	43,653	40,635	40,521
Current assets					
Stock		6	-	3	-
Trade and other receivables	15	3,052	2,531	2,397	1,883
Cash and cash equivalents	16	3,625	3,439	3,803	3,651
Total Current assets		6,683	5,970	6,203	5,534
Creditors – amounts falling due within one year	17	(5,897)	(5,301)	(5,973)	(5,382)
Net Current Assets / (Liabilities)		786	669	230	152
Total assets plus current assets / (liabilities)		44,623	44,322	40,865	40,673
Creditors – amounts falling after more than one year	18	(4,817)	(4,817)	(4,771)	(4,771)
Provisions					
Pension provision	19	(731)	(731)	(6,848)	(6,848)
Total net assets / (liabilities)		39,075	38,774	29,246	29,054
Unrestricted reserves					
Income & Expenditure reserve	31	12,217	11,916	12,349	12,157
Pension reserve	19	(731)	(731)	(6,848)	(6,848)
Revaluation reserve	30	27,589	27,589	23,745	23,745
Total reserves		39,075	38,774	29,246	29,054

Perth College
Cashflow Statement for the year ended 31 July 2022

	Notes	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Cash flow from operating activities			
Surplus / (Deficit) for the year		(2,330)	(1,646)
Adjustment for non-cash items			
Depreciation	13	1,454	1,427
Deferred capital grants released to income	2	(266)	(250)
(Increase) / Decrease in stocks		(3)	14
Decrease / (Increase) in debtors	15	718	(311)
(Decrease) / Increase in creditors	17-18	(20)	1,491
(Decrease)/ Increase in provisions		-	(84)
Pension costs less contribution payable		1,532	1,587
Taxation		37	54
Gain on sale of fixed assets included in SOCI		(1)	(2)
Adjustment for investing or financing activities			
Interest receivable	5	-	-
Interest payable	9	1	1
Taxation paid	11	(37)	(54)
Net cash flow from operating activities		1,085	2,227
Cash flows from investing activities			
Deferred capital grant	20	320	213
Payments made to acquire fixed assets	13	(147)	(288)
Sale of fixed assets		-	125
		173	50
Cash flows from financing activities			
Interest received	6	-	-
Interest paid	10	(1)	(1)
Amounts borrowed		-	-
Repayments of amounts borrowed	18	-	(3)
Net cash outflows from investing and financing activities		(1)	(4)
Increase in cash and cash equivalents in the year	16	(178)	2,274
Cash and cash equivalents at beginning of the year		3,803	1,529
Cash and cash equivalents at end of the year		3,625	3,803

1. Statement of Accounting Policies and estimation techniques

Basis of preparation

In accordance with the FReM, the College has prepared its financial statements on a going concern basis as we have not been informed by the Scottish Government through the Scottish Funding Council of the intention for dissolution without transfer of services or function to another entity of the Higher and Further Education provision within Perth and Kinross.

The uncertainty as to the future impact on the financial performance and cashflows of the College, as a result of inflation and economic environment, has been considered as part of the College's adoption of the going concern basis in these financial statements and in developing a financially sustainable financial plan. These financial statements have been prepared on a going concern basis which the Board of Management believe to be appropriate for the reasons outlined below.

The activities of Perth College are over 65% funded by the Scottish Government through the Scottish Funding Council (SFC) to provide Higher and Further Education. The Board of Management and the SMT are responsible for ensuring that these funds are used to meet this purpose and the operations within the College to achieve this support ensuring financial sustainability for the College.

The College recorded a deficit of £2.3 million before other gains and losses during the financial year and total comprehensive income of £9.8 million. The College reported an adjusted operating surplus of £0.3 million after accounting for technical pension adjustments of £1.5 million, net depreciation adjustments of £1.2 million and cash budget for priorities of £0.1 million. Cash decreased by £0.2 million during the year.

At 31 July 2022, the College held no borrowings. The College is reporting a net asset position in these financial statements of £39 million. This includes a pension liability of £0.7 million for the College's share of the Tayside Local Government Pension Scheme (LGPS).

The College has updated the financial forecast for the next 12 months in line with the assumptions provided by the Scottish Funding Council which included assuming Colleges taking relevant actions to balance their underlying positions each year. Challenges around meeting credit targets means the College will potentially have funding clawed back by SFC and is taking steps to mitigate this.

Any clawback will put significant pressure on the college's cash position and, based on the potential clawbacks the College currently forecasts that there will be significant challenges that depend on the timing of any clawbacks. There has been no confirmation of timing or amount from SFC.

College management have considered various scenarios in assessing on future financial performance and cashflows. The ability to deliver dual-mode teaching mitigates risk in this respect against any further government enforced restrictions.

The Board of Management and the Finance Committee have had full sight of the financial forecasts as well as the underlying assumptions and scenarios. These forecast positions will remain fluid and will be regularly reviewed by the College. Mitigating actions underway in support of financial sustainability:

- Ongoing engagement with SFC and other external agencies within the education landscape to support economic recovery and secure funding sources through the College to provide education and training activities to individuals and businesses.
- Review of the non-staff cost base to identify areas where savings can be achieved.
- Ongoing drive for efficiencies and realisation of "invest to save".
- Researching alternative delivery approaches.
- Tight management of payroll costs.

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the Accounts Directions issued thereunder by the Scottish Funding Council, which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), and the relevant Government Financial Reporting Model (FReM).

The statements have also been prepared in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS102).

Perth College has taken advantage of the exemptions provided in Paragraph 1.12 of FRS 102 and Paragraph 3.3 of the 2019 FE HE SORP and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the Perth College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements have been prepared under the historic cost convention modified by the revaluation of fixed assets.

Basis of consolidation

The consolidated accounts include the financial statements of Perth College and its subsidiary undertaking made up to 31 July 2022. Intra group sales and profits are eliminated fully on consolidation.

Non-current assets - Tangible fixed assets

Land and buildings

Land and buildings are measured using the revaluation model and assets are revalued to fair value. Where appropriate Depreciated Replacement Cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used.

Perth College has a policy of ensuring a full revaluation takes place at least every five years with an interim valuation in year three of each five year cycle such that the fair value is not materially different to the current value. Due to the increases in costs associated with building projects the college has undertaken a desktop indexation exercise which has resulted in an increase in the valuation of the buildings on the Crieff Road site. The increase in valuation and write back of

depreciation charged since the last valuation have been transferred to the revaluation reserve. Depreciation and impairment losses are subsequently charged on the revalued amount over the remaining life of the assets.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. Government grants are credited to a deferred capital grant account and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Non-government grants are released to income when performance related conditions have been met. The deferred income is allocated between creditors due within one year and those due after more than one year.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred. They are not depreciated until they are brought into use.

Assets held for sale

Assets held for sale are accounted for at fair value less costs of disposal and disclosed separately within current assets. They are not depreciated.

Equipment

Equipment purchased as part of a capital building project is capitalised and depreciated over its useful economic life. Individual items of equipment purchased with values greater than £5,000 are capitalised at cost if deemed to have a minimum economic useful life of 3 years and not regarded as a repair to existing assets. Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment	Between 3 and 10 years
Computer equipment	Between 4 and 5 years

Where equipment is acquired with the aid of specific government grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Rental costs in respect of operating leases are charged to expenditure at the cost incurred during the year. Leasing arrangements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets held under hire purchase contracts, which have the characteristics of finance leases, are depreciated over their useful economic lives.

Investments

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value.

Recognition of Income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from tuition fees is recognised in the period to which it relates. Income from donations is included to the extent of the relevant expenditure incurred during the year. Recurrent grants from the SFC are recognised in the period to which they relate.

Capital grants from SFC or other government bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets, under the accrual method as permitted by FRS102.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Accounting for post-employment benefits

The College participates in 2 multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). Perth College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as permitted by FRS102, applies multi-employer exemption and accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise.

Professional Services staff may join the Local Government Pension Scheme (LGPS) which is administered by Dundee City Council. The fund is a defined benefit scheme, providing benefits

based on a career average revalued earnings (CARE) basis, which is contracted out of the State Earnings-Related Pension Fund.

The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. Qualified actuarial valuations are obtained annually and are updated at each balance sheet date.

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other comprehensive income.

In line with FRS102 where the calculation results in a net asset, recognition of the asset is limited to the extent to which UHI Perth is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. UHI Perth has assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus at 31 July 2022 is not recognised in line with the requirements of FRS 102. Therefore the share of assets not recognised is £5.3m. The unfunded pension liability cannot be netted off against the unrecognised asset so there is a net defined benefit liability of £731k.

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Stocks

Stocks are items held for resale and are stated at the lower of their cost or net realisable value. Where necessary provision is made for obsolete, slow moving and defective stocks.

Cash and Cash Equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial Liabilities and Equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the year.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company, Air Service Training (Engineering) Limited is subject to corporation tax and VAT in the same way as any other commercial organisation. Air Service Training (Engineering) is part of the Perth College VAT group.

Tax relief is available on Air Service Training (Engineering) Limited's profits that are gift aided to the College.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle

the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

Revaluation reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from revaluation reserve to the Income and Expenditure reserve together with any surplus or deficit on disposal.

Agency arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College's Statement of Comprehensive Income.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

Other key sources of estimation uncertainty

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Land & Buildings are subject a quinquennial valuation supplemented by an interim professional valuation in year three in line with the requirements of the FReM. Furthermore, an annual review of land & buildings is undertaken by estates with reference to the condition and ongoing use Land & Buildings.

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2020 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from

the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

In line with FRS102 where the calculation results in a net asset, recognition of the asset is limited to the extent to which UHI Perth is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. UHI Perth has assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus at 31 July 2022 is not recognised in line with the requirements of FRS 102. Therefore the share of assets not recognised is £5.3m. The unfunded pension liability cannot be netted off against the unrecognised asset so there is a net defined benefit liability of £731k.

Post Balance Sheet Events

There are no Post Balance Sheet Events.

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
2. Funding Council grants				
SFC FE recurrent grant (including fee waiver)	8,476	8,476	9,162	9,162
University of the Highlands and Islands recurrent grant	7,344	7,344	6,576	6,576
FE Childcare funds (note 30)	260	260	287	287
Release of government capital grants	266	266	250	250
Other SFC grants	736	736	1,364	1,364
Other University of the Highlands and Islands grants	582	582	261	261
	17,664	17,664	17,900	17,900

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
3. Tuition Fees and education contracts				
UK Higher Education Students	2,944	2,944	3,484	3,484
UK Further Education Students	268	268	221	221
	3,212	3,212	3,705	3,705
Management of Skills Development Scotland Contract	989	989	434	434
Tuition fees of subsidiary	1,776	-	1,548	-
	5,977	4,201	5,687	4,139

4. Other grants and contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Research Grants	187	187	226	226
Other grants and contracts	19	19	-	-
	206	206	226	226

5. Other income

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Residences and catering	815	815	265	265
Other income generating activities	1,591	1,605	1,267	1,267
Other income	1,118	1,215	1,054	1,216
Furlough income	-	-	298	187
	3,524	3,635	2,884	2,935

Perth College
Notes to the Financial Statements for the year ended 31 July 2022

6. Staff costs

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and Salaries	15,838	14,769	15,514	14,587
Social security costs	1,615	1,501	1,529	1,438
Other pension costs	4,500	4,450	4,523	4,479
Total staff costs	21,953	20,720	21,566	20,504

All severance costs were approved by the Senior Management Team

Total staff costs split as follows:

Teaching departments - teaching staff	11,119	11,119	11,121	11,120
Teaching departments - other staff	1,901	1,901	1,561	1,561
Teaching departments - AST staff	743	-	609	-
Teaching support services	1,693	1,203	1,928	1,476
Administration and central services	2,942	2,942	2,895	2,895
Premises	886	886	786	786
Other income generating activities	609	609	652	652
Other income	528	528	427	427
Charge in relation to defined benefit pension	1,532	1,532	1,587	1,587
	21,953	20,720	21,566	20,504

Analysed as:

Staff on indefinite contracts	18,754	17,550	18,795	17,817
Staff on temporary contracts	1,667	1,638	1,184	1,100
Charge in relation to defined benefit pension	1,532	1,532	1,587	1,587
Teaching support services	21,953	20,720	21,566	20,504

6. Staff Numbers

The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
Teaching departments - teaching staff	185	185	171	171
Teaching departments - other staff	7	7	7	7
Teaching support services	21	21	24	24
Administration and central services	107	107	104	104
Premises	25	25	25	25
Subsidiary (AST) staff	29	-	27	-
Other	18	18	30	30
	392	363	388	361
Analysed as:				
Staff on indefinite contracts	360	332	365	340
Staff on temporary contracts	32	31	23	21
	392	363	388	361

7. Higher paid staff

£'000	Year ended 31 July 2022		Year ended 31 July 2021	
	Number of senior post holders	Number of other staff	Number of senior post holders	Number of other staff
60-70	-	3	2	4
70-80	1	-	-	-
80-90	2	-	2	-
90-100	-	-	-	-
100-110	-	-	-	-
110-120	1	-	1	-
	4	3	5	4

Perth College
Notes to the Financial Statements for the year ended 31 July 2022

8. Senior post holder emoluments	Year ended 31 July 2022	
	Group	College
	£000	£000
Senior post holders are defined as the principal (or chief executive) and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the institution relating to the appointment and promotion of staff who are appointed by the board of governors.		
The number of senior post-holders including the principal was	5	5
Senior post-holder emoluments are made up as follows		
Salaries	419	414
Pension Contributions	87	86
	506	500
The above emoluments include amounts payable to the Principal (who is also the highest paid senior post holder of		
Salary	119	111
Pension Contributions	27	25
	146	136

9. Other operating expenses	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Teaching Departments	871	910	452	613
Teaching support services	684	684	829	829
Administration and central services	1,233	1,233	1,145	1,145
Premises costs	1,927	1,705	1,715	1,490
Other income generating activities	251	179	240	138
Residences and catering	908	908	454	454
Other income	121	121	173	173
Other expenses – childcare grant	260	260	287	287
	6,255	6,000	5,295	5,129
Other operating expenses include:				
Auditors remuneration				
External audit	36	28	60	45
Internal Audit	24	24	14	14
Other services from external audit	2	-	5	-
Operating leases				
Hire of plant and machinery	42	42	94	94
Hire of other assets	114	-	117	-

10. Interest payable

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Repayable within 5 years, not by instalments	1	-	1	-
	1	-	1	-

11. Taxation

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Taxation of subsidiary	37	-	54	-
	37	-	54	-

12. (Deficit)/Surplus on continuing operations for the year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
College's (Deficit)/Surplus for the year	(2,438)		(1,837)	
(Deficit)/Surplus generated by subsidiary undertaking	108		191	
	(2,330)		(1,646)	

Perth College
Notes to the Financial Statements for the year ended 31 July 2022

13. Tangible Fixed Assets (Group)			
	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2021	41,216	5,661	46,877
Additions	-	147	147
Disposals	-	-	-
Revaluation	1,897	-	1,897
At 31 July 2022	43,113	5,808	48,921
Depreciation			
At 1 August 2021	1,306	4,936	6,242
Charge for the year	1,306	148	1,454
Disposals	-	-	-
Revaluation	(2,612)	-	(2,612)
At 31 July 2022	-	5,084	5,084
Net Book Value			
At 31 July 2022	43,113	724	43,837
At 31 July 2021	38,604	724	39,328
<p>Land & Buildings were not revalued during the year but an indexation process has been undertaken in line with changes in the RICS rebuild rates to ensure that any material change in valuation of land & buildings is accounted for. This exercise resulted in an increase in net book value of £4.5m.</p> <p>Inherited Land and buildings with a net book value of £5.7M have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.</p>			

Perth College
Notes to the Financial Statements for the year ended 31 July 2022

13. Tangible Fixed Assets (College)	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2021	41,216	4,964	46,180
Additions	-	47	47
Disposals	-	-	-
Revaluation	1,897	-	1,897
At 31 July 2022	43,113	5,011	48,124
Depreciation			
At 1 August 2021	1,306	4,373	5,679
Charge for the year	1,306	118	1,424
Disposals	-	-	-
Revaluation	(2,612)	-	(2,612)
At 31 July 2022	-	4,491	4,491
Net Book Value			
At 31 July 2022	43,113	591	43,633
At 31 July 2021	38,604	520	39,124

14. Investments	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £000	College £000	Group £000	College £000
Investment in subsidiary company	-	20	-	20
	-	20	-	20

The college owns 100% of the issued ordinary £1 shares of Air Service Training (Engineering) Limited, a company incorporated in Great Britain and registered in Scotland.

The principal business activity of Air Service Training (Engineering) Limited is the provision of training and education in the field of aeronautical engineering.

In the year to 31st July 2022, the Company made a profit after taxation of £110,001 which resulted in a net asset position of £320,749 at 31 July 2022. No gift aid donation was made to UHI Perth by AST.

15. Trade and other receivables

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Trade Debtors	406	242	501	117
Amounts owed by Subsidiary	-	21	-	89
Prepayments & accrued income	2,646	2,268	1,896	1,677
	3,052	2,531	2,397	1,883

16. Cash and cash equivalents

	At 31 July 2021	Cash Flows	At 31 July 2022
	£000	£000	£000
Cash and cash equivalents	3,803	(178)	3,625
At 31 July 2022	3,803	(178)	3,625

17. Creditors – amounts falling due within one year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Trade creditors	560	424	417	358
Other creditors	401	391	329	321
Obligations under finance leases	4	4	4	4
Other taxation and social security	478	391	406	326
Accruals and deferred income	4,045	3,682	3,992	3,548
Deferred income – capital grants	270	270	262	262
Unspent student support funds	139	139	563	563
	5,897	5,301	5,973	5,382

18. Creditors – amounts falling due after more than one year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Deferred income - capital grants	4,813	4,813	4,767	4,767
Obligations under finance leases	4	4	4	4
	4,817	4,817	4,771	4,771

Perth College
Notes to the Financial Statements for the year ended 31 July 2022

19. Pension provision

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August	6,848	6,848	12,612	12,612
Actuarial (Gain)/Loss in Year	(11,932)	(11,932)	(7,351)	(7,351)
Less Actuarial gain not recognised under FRS102	4,823	4,823	-	-
Pension Service Cost in Year	1,532	1,532	1,587	1,587
At 31 July	731	731	6,848	6,848

The provision is solely in relation to defined benefit obligations relating to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 21.

20. Deferred capital grants included within creditors

	Government	Non-Government	Total
	£000	£000	£000
Balance at 1 August 2021			
Land & Buildings	4,456	-	4,456
Equipment	574	-	574
	<u>5,030</u>	<u>-</u>	<u>5,030</u>
Cash received			
Land & Buildings	-	110	110
Equipment	47	-	47
	<u>47</u>	<u>110</u>	<u>157</u>
Reclassified from deferred income			
Land & Buildings	-	163	163
Equipment	-	-	-
	<u>-</u>	<u>163</u>	<u>163</u>
Released to income & expenditure account			
Land & Buildings	(155)	-	(155)
Equipment	(111)	-	(111)
	<u>(266)</u>	<u>-</u>	<u>(266)</u>
At 31 July 2022			
Land & Buildings	4,301	273	4,574
Equipment	510	-	510
	<u>4,811</u>	<u>273</u>	<u>5,084</u>

21. Defined benefit obligations

	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
Total pension cost for the year		
Scottish Teachers' Superannuation Scheme: contributions paid	1,915	1,864
Local Government Pension Scheme:		
Contributions paid	911	947
FRS102 charge	1,532	1,587
Charge to the Statement of Comprehensive Income	2,443	2,534
Total pension cost for year within staff costs	4,358	4,398

The College's employees belong to two principal post-employment benefit schemes: the Scottish Teachers' Superannuation Scheme (STSS) and Tayside Superannuation Scheme, the Local Government Pension Scheme (LGPS), which is managed by Dundee City Council. Both are multi-employer defined-benefit schemes.

Scottish Teachers Superannuation Scheme

(a) UHI Perth participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions

(b) UHI Perth has no liability for other employers' obligations to the multi-employer scheme.

(c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme

(d)(i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the (name of body) is unable to identify its share of the underlying assets and liabilities of the scheme.

(iii) The employer contribution rate for the period from 1 April 2021 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

(iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

Perth College
Notes to the Financial Statements for the year ended 31 July 2022

(v) UHI Perth's level of participation in the scheme is x% based on the proportion of employer contributions paid in 2020-21."

Local Government Pension Scheme (Tayside Superannuation Fund)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contributions made (including unfunded) for the year ended 31 July 2022 were £1,211k, of which employer's contributions totalled £911k and employee's contributions totalled £300k. The agreed contribution rates for future years are 17% for employers and range from 5.5% to 11.2% for employees, depending on salary.

21. Defined benefit obligations (continued)		
	As at 31 July 2022	As at 31 July 2021
	£000	£000
Principal actuarial assumptions		
The following information is based upon a full actuarial valuation of the fund at 31 March 2021 updated to 31 July 2022 by a qualified independent actuary.		
Discount rate	3.40%	1.60%
Pension increases	2.80%	2.80%
Salary increases	3.80%	3.80%
Inflation assumption (CPI)	2.80%	2.80%
Commutation of pensions to lump sums	0.00%	50.00%
Assumed life expectations from age 65 are		
Retiring today		
Males	19.0	18.9
Females	22.3	22.2
Retiring in 20 years		
Males	20.4	20.3
Females	23.9	23.8
The Fair value of the College's estimated share of assets in the scheme at the balance sheet date		
	£'000	£'000
Equities	29,097	30,371
Gilts	1,045	2,179
Other bonds	5,466	5,092
Property	4,955	3,796
Cash	825	939
Alternatives	28	28
Total fair value of scheme assets	41,416	42,405
Actual return on Scheme assets	(1,242)	7,053
The return on the Fund for the year to 31 July 2022 is estimated to be -2.92%		

21. Defined benefit obligations (continued)	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
The amount included in the balance sheet in respect of the defined benefit pension scheme is as follows:		
Fair value of scheme assets	41,416	42,405
Present value of scheme liabilities	(7,133)	(48,392)
Present value of unfunded liabilities	(731)	(861)
Less share of assets not recognised under FRS102	(4,283)	-
Net pensions liability	(731)	(6,848)
Amounts recognised in the Statement of Comprehensive Income in respect of the scheme are as follows:		
Amounts included in staff costs		
Current service cost	2,327	2,357
Finance charges	102	164
Admin expenses	14	13
Total	2,443	2,534
Amount recognised in Other Comprehensive Income		
Return on Fund assets in excess of interest	(1,923)	6,607
Other actuarial gains/(losses) on assets	-	2,236
Change in financial assumptions	16,485	(2,670)
Change in demographic assumptions	-	1,033
Experience gain/(loss) on defined benefit obligation	(2,630)	145
Changes in effect of asset ceiling	-	-
Less share of assets not recognised under FRS102	(4,283)	-
Amount recognised in Other Comprehensive Income	7,649	7,351
Movement in net defined benefit/(liability) during the year		
Net defined benefit /(liability) in scheme at 1 August	(6,848)	(12,612)
Movement in year:		
Current service cost	(2,322)	(2,356)
Past service cost	(5)	(1)
Employer contributions	911	947
Net interest on the defined liability	(102)	(164)
Administration expenses	(14)	(13)
Actuarial gain or loss	11,932	7,351
Less share of assets not recognised under FRS102	(4,283)	-
Net defined benefit/(liability)	(731)	(6,848)
<p>In line with FRS102 where the calculation results in a net asset, recognition of the asset is limited to the extent to which UHI Perth is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. UHI Perth has assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus at 31 July 2022 is not recognised in line with the requirements of FRS 102. Therefore the share of assets not recognised is £5.3m. The unfunded pension liability cannot be netted off against the unrecognised asset so there is a net defined benefit liability of £731k.</p>		

21. Defined benefit obligations (continued)	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Asset and liability reconciliation		
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	49,253	45,585
Current service cost	2,322	2,356
Interest cost	783	610
Change in financial assumptions	(16,485)	2,670
Change in demographic assumptions	-	(1,033)
Experience loss on defined benefit obligations	2,630	(145)
Estimated benefits paid net of transfers in	(840)	(991)
Past service Costs, including curtailments	5	1
Contributions by Scheme participants and other employers	300	308
Unfunded pension payments	(104)	(108)
Defined benefit obligations at end of period	37,864	49,253
Changes in fair value of Fund assets		
Fair value of Fund assets at start of period	42,405	32,973
Interest on assets	681	446
Return on assets less interest	(1,923)	6,607
Other Actuarial Gains/Losses	-	2,236
Administration expenses	(14)	(13)
Contributions by employer including unfunded	911	947
Contributions by Scheme participants and other employers	300	308
Estimated benefits paid plus unfunded net of transfers in	(944)	(1,099)
Fair value of Fund assets at end of period	41,416	42,405

22. Summary pension note

	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
The analysis of amounts charged to the Statement of Comprehensive Income (SOCl) is as follows		
Charged to staff costs		
Current service cost	(2,322)	(2,356)
Past service cost	(5)	(1)
Total charged to staff costs	(2,327)	(2,357)
Credit/charge for net return on pension scheme		
Interest income	681	446
Interest cost	(783)	(610)
Net interest charges	(102)	(164)
Credit/charge to other comprehensive income		
Return on assets	(1,923)	6,607
Other experience	(2,630)	1,178
Gains and losses arising on charges in financial assumptions	16,485	(2,670)
Less movement in Actuarial gain not recognised under FRS102	(4,283)	-
Actuarial Gain/(Loss)	7,649	5,115
Total charge to the SOCl	5,220	2,594
Analysis of the movement in deficit during the year		
Deficit in scheme at the start of the year	(6,848)	(12,612)
Service costs	(2,327)	(2,357)
Employer contributions	911	947
Net interest costs	(102)	(164)
Administration expenses	(14)	(13)
Actuarial gain/(loss)	11,932	7,351
Less movement in Actuarial gain not recognised under FRS102	(4,283)	-
Deficit in scheme at the end of the year	(731)	(6,848)

The actuaries considered the impact of new legal rulings impacting the liabilities in the fund. In relation to the new Goodwin judgement, the actuaries included a high-level assessment within their covering report but did not allow for the impact within the FRS102 report. Based on the most recent estimate, the employer's liabilities of the College would increase by approximately 0.1% as a result of the Goodwin judgement. The actuaries, and management do not consider this to be material for the financial statements.

23. Post balance sheet events

There are no post balance sheet events to report

24. Capital commitments

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Commitments contracted for at 31 July	397	397	143	143
	397	397	143	143

25. Lease obligations

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:				
Land and buildings				
Expiring within one year	110	-	110	-
Expiring within two and five years inclusive	110	-	220	-
Other				
Expiring within one year	15	15	23	23
Expiring within two and five years inclusive	7	7	10	10
	242	22	363	33

26. Related party transactions

Company	Member(s)	Position in organisation	Sales (£)	Purchases (£)
Colleges Scotland	Dr Margaret Cook	Director	30,301	-
APUC Limited	Dr Margaret Cook	Director	761	75,516
Perth & Kinross Council	Sheena Devlin	Executive Director	183,565	244,080
			<u>214,627</u>	<u>319,596</u>

Due to the nature of the College's operations and the composition of the Board of Management (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisations in which a member of the board of governors or the Senior Management Team may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Transactions during the year with organisations in which a member of the Board of Management may have a material interest are noted below:

The Perth College Development Trust 2004 (The Development Trust) was established to provide financial and other assistance for Perth College and its students. There are therefore transactions between the two entities. Perth College nominates Trustees to the board of the Trust and administers the Trust on a day-to-day basis.

Dr Margaret Cook and Brian Crichton are Trustees of The Development Trust. On this basis, The Development Trust accounts should be consolidated with the accounts of Perth College. For the year ended 31 July 2022, The Development Trust had net income of £16,489 and Net Assets of £65,130. Perth College have therefore decided not to consolidate the accounts on the basis of materiality.

27. Bursaries and other student support funds

					Year ended	Year ended
	Bursary	FE		Other	31 July 2022	31 July 2021
	£000	Hardship	EMA	£000	Total	Total
		£000	£000	£000	£000	£000
Balance brought forward	449	59	24	31	563	41
Allocation received in year	2,163	130	73	140	2,506	2,970
Expenditure	(1,810)	(84)	(96)	(177)	(2,167)	(2,432)
Repaid to SFC/UHI (Clawback)	(702)	(59)	-	-	(761)	(15)
Balance carried forward	100	46	1	(6)	141	564

Represented by:

Repayable to SFC/UHI as clawback	100	46	1	-	147	564
Other amounts				(6)	(6)	-

Bursary funds, Higher Education Hardship, Further Education Hardship and Education Maintenance Allowances (EMAs) are available solely for students; the college acts only as a paying agent. The income and related disbursements are therefore excluded from the Income and Expenditure Account.

Perth College
Notes to the Financial Statements for the year ended 31 July 2022

28. Childcare funds

	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
Balance brought forward	241	80
Allocation received in year	370	526
Expenditure	(260)	(288)
Repaid to SFC/UHI (Clawback)	(241)	(77)
Balance carried forward	110	241
Represented by:		
Repayable to SFC/UHI as clawback	50	108
Retained by College for students	60	133

The income and related disbursements are included in the Income and Expenditure Account.

29. Government non-cash allocation for depreciation

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(2,330)	(2,438)	(1,646)	(1,837)
Add back: Non-cash allocation for depreciation	1,454	1,424	1,427	1,404
Deferred capital grant	(266)	(266)	(250)	(250)
Operating surplus/(deficit) on Central Government accounting basis	(1,142)	(1,280)	(469)	(683)

30. Revaluation reserve

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August	23,745	23,745	24,410	24,410
Disposal	-	-	-	-
Revaluation	1,897	1,897	-	-
Write back of depreciation on revaluation	2,612	2,612	-	-
Transfer to income and expenditure account	(665)	(665)	(665)	(665)
At 31 July	27,589	27,589	23,745	23,745

31. Income and Expenditure reserve

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August	12,348	12,158	11,743	11,744
Surplus/Deficit for the year	(2,328)	(2,439)	(1,647)	(1,838)
Transfer from revaluation reserve	665	665	665	665
Transfer from pension reserve	1,532	1,532	1,587	1,587
At 31 July	12,217	11,916	12,348	12,158

ACCOUNTS DIRECTION FOR SCOTLAND'S COLLEGES 2021/22

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2021-22 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2022.
5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council

18 July 2022

Perth College UHI

Paper No. 2

Committee	Joint F&R/Audit Committee Meeting
Subject	Perth College Draft Annual External Audit Report 2021/22
Date of Committee meeting	12/12/2022
Author	Ernst & Young – External Auditors
Date paper prepared	07/12/2022
Executive summary of the paper	<p>Purpose:</p> <p>In line with the College’s Financial Memorandum, the External Auditor is required to provide a report to the Audit Committee and to the Board of Management in relation to their audit of the College’s Financial Statements. This report is provisional pending final review ahead of its approval at the Board of Management.</p> <p>Impact:</p> <p>This report is presented to provide an assessment of the adequacy and effectiveness of the College’s system of internal control, it’s compliance with the Account’s Direction and with the Code of Good College Governance.</p> <p>Course of Action:</p> <p>The final version of this report will be completed and will then be forwarded to the Board of Management for final approval .</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Consultation has been undertaken with the Finance team, SMT and the College’s external auditors (EY).

Perth College UHI

<p>Action requested</p>	<p><input type="checkbox"/> For information</p> <p><input checked="" type="checkbox"/> For discussion</p> <p><input checked="" type="checkbox"/> For endorsement</p> <p><input type="checkbox"/> Strongly recommended for approval</p> <p><input type="checkbox"/> Recommended with guidance (please provide further information, below)</p>
<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes</p> <p>An Annual External Audit report is a requirement of governance within the Financial Memorandum.</p> <p>This report will be published by Audit Scotland.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Compliance</p> <p>Risk Management</p> <p>Financial Sustainability</p> <p>Strategic Reputation</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>

Perth College UHI

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

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

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

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

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

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>
and http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf



Perth College

**Annual Audit Report to the
members of the Board of
Management and the Auditor
General for Scotland - year ended
31 July 2022**

12 December 2022



EY
Building a better
working world

Contents

Section	Auditor Responsibility	Page
Executive Summary	Summarise the key conclusions from our audit	03
Financial statements audit	Provide an opinion on audited bodies' financial statements Review and report on, as appropriate, other information such as the annual governance statement, performance report and remuneration report	05
Wider scope dimensions	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited body's: <ul style="list-style-type: none">▶ financial position and arrangements for securing financial sustainability▶ suitability and effectiveness of corporate governance arrangements▶ effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets	21
Appendices	Undertake statutory duties, and comply with professional engagement and ethical standards: Appendix A: audited body's responsibilities Appendix B: required auditor communications Appendix C: independence and audit quality Appendix D: summary of adjusted differences identified during the audit Appendix E: Action Plan including an update on prior year recommendations Appendix F: Timing and deliverables of the audit	36

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 2021/22. 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. This report is for the benefit of the College and is made available to the Auditor General for Scotland and Audit Scotland. 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.

Executive Summary: Key Conclusions from our 2021/22 audit

[We have issued an unqualified audit opinion on the Group and College's 2021/22 financial statements.]

We continued to review and update our risk assessment throughout the audit, including the materiality level applied. Our materiality levels were amended to reflect the increase in expenditure in 2021-22.

Financial Statements

[We have concluded our audit of the Group and College's financial statements for the year ended 31 July 2022.] [Five] audit adjustments were required to be made and there was one unadjusted differences that we were required to communicate. The draft financial statements and supporting working papers were provided in line with the agreed audit timetable, however some narrative sections were provided late. The financial statements and working papers were of a reasonable standard. Improvements have been made to the visual presentation of the statements, however further improvements could be made particularly in respect of the completeness of information included within the initial draft statements, including in respect of non-financial areas. We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate. We were satisfied that the disclosures reflect the College's compliance with the Code of Good Governance for Scotland's Colleges.

Going Concern

In accordance with the Government Financial Reporting Manual ('the FReM'), the College prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under a revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The College has concluded that there are no material uncertainties around its going concern status, however it has continued to include enhanced disclosures around its future financial position in the financial statements to reflect the impact of Covid-19 and inflationary pressures. AST (Engineering) Limited are anticipated to disclose a material uncertainty opinion in respect of going concern in its own financial statements, and work in respect of the implications for the Group audit opinion is ongoing.

Wider Scope

We summarise the conclusions we reached in response to our work on the wider scope dimensions below.

Financial Sustainability



The financial environment in which the College operates was already challenging, and the Covid-19 pandemic alongside the impact of the economic and geopolitical environments, including supply chain challenges, 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.

The College submitted a financial forecast return in October 2022 to the Scottish Funding Council. Applying assumptions which management believe to be most realistic, the FFR outlines a cumulative underlying operating deficit position over the five years of £17.2 million.

Management continue to explore options to deliver savings and grow income, however the scale of the challenge is significant and will require collaboration both within the College and other stakeholders including across the UHI partnership. Our assessment of red reflects the ongoing challenges facing colleges and the level of risk and uncertainty outside the College's control which could impact its ability to deliver savings and grow commercial income.

Financial Management



The College reported an adjusted operating surplus of £0.27 million, representing a decrease of £0.7 million compared to 2020/21. We were satisfied that the College's financial monitoring and reporting was clear and consistent throughout the year. The College has an established budget setting and monitoring framework which includes presentation of financial updates to the Board and Finance and Resources Committee throughout the year. We are satisfied that the core financial management arrangements were not materially impacted as a result of Covid-19 or other external pressures with clear financial reporting continuing throughout the year. Since 2019/20, we have highlighted that there are opportunities to improve financial controls and capacity within the finance team with the recent double salary payment demonstrated the ongoing need for improvement in financial management capacity and capability. Following this incident, no changes have been made to improve the finance team capacity which poses a significant risk to the College of further control weaknesses being exposed. This should be addressed as a matter of urgency by the College.

Governance & Transparency



The key features of good governance remain in place at the College and have been operating effectively throughout the year. A hybrid meeting structure was implemented, after seeking the views of members.

The College's Annual Governance Statement continues to disclose weaknesses in internal control, although we continue to note progress against the Board's improvement plan with 94% of actions now being either complete or partially complete however the pace of actions being closed down has slowed.

We note that the Remuneration Committee reviewed the Principal's salary in year with an increase being awarded however there was no clear evidence of consideration of the public sector policy when agreeing the revised remuneration.

Value for Money



2021/22 represented the final year of the College's current Strategic Plan and there has been significant focus from management and board members on the development of the new strategy during the year. Performance reporting has continued through use of the balanced scorecard and we note that performance has improved across 55% of the key performance indicators. From 2022/23, a new Enterprise Risk Management framework is being implemented and is aligned to delivery of the new strategic plan.

Public performance reporting is a key tool to enable stakeholders to assess the performance of the College. The College has not published a performance report on their website for the last 2 consecutive years. Both reports should be published as soon as possible and moving forward these should be made available on the website in a timely manner.



Introduction

Purpose of this report

In accordance with the Public Finance and Accountability (Scotland) Act 2000 (“the Act”), the Auditor General for Scotland appointed EY as the external auditor of Perth College (the College) for the five year period 2016/17 to 2020/21. Our appointment term was extended by a further 12 months, to financial year 2021/22. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

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

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

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the College employs best practice and where practices 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. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

As a result of the impact of Covid-19, Audit Scotland agreed to extend our appointment as external auditor of the College to 2021/22.

Scope and Responsibilities

The Code sets out the responsibilities of both the College and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan, which was presented to the College's Audit and Risk Committee in June 2022.

Our review and reassessment of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £0.56 million. We considered whether any change to our materiality was required, including due to the Group's 2021/22 financial performance. As a result of increased expenditure in year, our materiality for the Group was revised to £0.59 million.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. 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.

We updated our assessment of materiality based on the 2021/22 financial performance. Planning materiality was increased from £0.56 million to £0.59 million.

Overall Materiality	Tolerable Error	Nominal amount
£590,000	£295,000	£29,500
2% of the Group's operating expenditure	Materiality at an individual account level	Level that we will report to committee

As outlined in our Annual Audit Plan, based on considerations around the expectations of financial statement users and qualitative factors, we apply lower materiality levels to the audit of the Remuneration Report and Related Party Transactions.

Financial statement audit

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

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

We also review and report on the consistency of the other information prepared and published along with the financial statements. Our findings are summarised in Section 2 of this report.

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 findings are summarised in Section 3 of this report.



Financial Statements audit

Introduction

The financial statements provide the Group and College with an opportunity to demonstrate accountability for the resources that it controls, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted two areas that we identified as a significant risk of material misstatement or fraud risk:

- ▶ the risk of fraud in revenue and expenditure recognition (significant risk); and
- ▶ misstatements due to fraud or error (fraud risk).

Compliance with Regulations

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

The financial statements were prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council (SFC), the Charities and Trustees Investment (Scotland) Act and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Management provided draft financial statements at the start of the audit, in line with the agreed timetable. The financial statements had been updated for the new requirements as outlined in the SFC's 2021/22 Accounts Direction for colleges. However, some narrative sections of the financial statements were not fully complete. Management should ensure that a clear timetable is in place for production of a complete set of financial statements and that this is circulated including to and adhered to by staff outside the finance function who input to the financial statements.

The draft financial statements and supporting working papers were submitted for audit in line with planned timescales however some narrative sections had not been fully updated.

[Audit status]

Our audit work is substantially complete with the following areas of work ongoing:

- ▶ *Finalisation of the Manager and Partner review of audit work completed to date;*
- ▶ *Review of management's going concern assessment including assessment of the implications of the material uncertainty opinion for AST (Engineering) Limited; and*
- ▶ *Subsequent events procedures.*

Audit Outcomes

We identified [5] adjusted audit differences arising from the audit which have been reflected within the financial statements and [1] unadjusted difference. In addition, a late adjustment was made to the financial statements by management due to the third party valuation of the College estate being delivered late. The adjusted differences related primarily to balance sheet classifications, unfunded liability and prepayment/accruals errors. Our overall audit opinion is summarised on the following page.

Group financial statements

The College prepares group financial statements, consolidating the results of the College and its subsidiary undertaking, AST (Engineering) Limited.

We are satisfied that the consolidated financial statements have been prepared appropriately with inter-company transactions eliminated in line with accounting requirements.

Our communications with the component auditors note that the audit of the subsidiary financial statements is materially complete and expected to finalise in December 2022. *[We have received responses to our group audit instructions.] With the exception of the going concern matter above, no significant issues have been reported which impact the group.*

Our audit opinion

Element of opinion	Basis of our opinion	Conclusions
<p>Financial statements</p> <p>The financial statements provide a true and fair view of the state of affairs of the Group and College at 31 July 2022 and of the deficit for the year then ended.</p> <p>The financial statements are prepared in accordance with the financial reporting framework</p>	<p>We report on the outcomes of our audit procedures to respond to our assessed risk of misstatements, including significant risks within this section of our report. We did not identify any areas of material misstatement.</p> <p>We are satisfied that accounting policies are appropriate and estimates are reasonable.</p> <p>We have considered the financial statements against the financial reporting requirements, and additional guidance issued by the SFC and Audit Scotland.</p>	<p>[We issued an unqualified audit opinion on the 2021/22 financial statements for the Group and College.]</p>
<p>Going concern</p> <p>We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting</p>	<p>We conduct core financial statements audit work, including management's assessment of the appropriateness of the going concern basis.</p> <p>Wider scope procedures, including financial forecasts are considered as part of our work on financial sustainability.</p>	<p>[In accordance with the work reported in this report, our audit opinion is unqualified in this respect.]</p>
<p>Other information</p> <p>We consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit</p>	<p>We conduct a range of substantive procedures on the financial statements. Our conclusion draws upon:</p> <ul style="list-style-type: none"> ▶ Review of committee minutes and papers, regular discussions with management, our understanding of the College and the sector. 	<p>[We are satisfied that the annual report materially meets the core requirements set out in the Accounts Direction.]</p>
<p>Report on regularity of income and expenditure</p> <p>We are required to consider whether in all material respects the income and expenditure in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by Scottish Ministers</p>	<p>Our procedures include:</p> <ul style="list-style-type: none"> ▶ Understanding the applicable enactments and guidance issued by the Scottish Ministers ▶ Performed detailed testing of income and expenditure testing to ensure transactions are in line with enactments and guidance 	<p>[We are satisfied that in all material respects income and expenditure are regular.]</p>
<p>Matters prescribed by the Auditor General for Scotland</p> <p>Audited part of Remuneration Report has been properly prepared.</p> <p>The Performance Report and Annual Governance Statement are consistent with the financial statements and have been properly prepared.</p>	<p>We are required to report on whether the sections of the Remuneration and Staff Report, and Accountability Report have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.</p>	<p>[We have no matters to report.]</p>
<p>Matters on which we are required to report by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> ▶ adequate accounting records have not been kept; or ▶ the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or ▶ we have not received all the information and explanations we require for our audit 	<p>[We have no matters to report.]</p>

Significant and fraud audit risks

Risk of Fraud in expenditure recognition

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

As outlined in our audit planning report, we rebut the risk of improper recognition of SFC core grant funding because there is no judgement in respect of this income stream. With regards to expenditure, we rebut the risk of improper recognition of payroll expenditure.

Specific procedures relating to significant risks

We undertake specific, additional procedures over income and expenditure streams where we identified a significant risk, including:

- ▶ 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 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 additional Covid-19 related grant income; and
- ▶ 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.

Our conclusions

- ▶ Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.
- ▶ We identified 3 audit differences in respect of our detailed testing of income, expenditure and associated balance sheet accounts as set out in Appendix D.
- ▶ We have assessed the treatment of Covid-19 related income streams, including additional Covid-19 related grant income. We concur with management's accounting treatment for the revenue streams.

Risk of management override

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

Risk of Fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Testing on Journal Entries

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

We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transactions. In particular we considered:

- ▶ Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have an incentive to be manipulated;
- ▶ Journals entries made around year end; and
- ▶ Journals adjusting between income and expenditure accounts and capital accounts.

We identified no unusual journals which could not be explained by management or which indicated any additional risk of fraud.

Our conclusions

- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

Judgements and Estimates

ISA (UK) 540 on accounting estimates was issued in December 2019 and was applicable to the 2020/21 audit for the first time with a continuing focus in 2021/22. In particular, risk factors relevant to the public sector included the following examples for consideration by auditors:

- ▶ a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, such as liabilities relating to defined benefit pension schemes; and
- ▶ areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment).

Our procedures included:

- ▶ Testing management's process method, key assumptions, data;
- ▶ Testing management's process-estimation uncertainty;
- ▶ Considering evidence from events up to the report date; and
- ▶ Developing our own point estimate of the appropriate estimate.

We reviewed each significant accounting estimate for evidence of management bias as outlined above, including retrospective consideration of management's prior year estimates.

Management disclosed its assessment of the critical accounting judgements and key estimates in the financial statements.

Accounting Policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the College to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under the Further and Higher Education SORP 2019.

Our conclusions

- ▶ We did not identify any areas of significant estimation or judgement as part of our audit work where we disagreed with management over the accounting treatment.
- ▶ There were no significant accounting practices which materially depart from what is acceptable under the College's financial reporting framework.

Other Inherent Risk Areas

Our Annual Audit Plan highlighted additional areas of inherent risk. We identified no further areas of risk as part of our audit procedures. The results of our procedures on our inherent risk areas are summarised below.

Valuation of pension assets and liabilities

The College participates in two pension schemes: the Local Government Pension Scheme (Tayside Pension Fund) and the Scottish Teachers Superannuation Scheme (STSS). At 31 July 2022, the College's share of the local government pension scheme was originally a net asset totalling £6 million (2020/21: £6.8 million net liability). The actuary however had not allowed for the 2023 pension increase order which increases pensioner payments by CPI and a subsequent allowance of £1.72 million was made, reducing the net asset to £4.28 million. The pension asset has not been recognised within the College's financial statements in line with the College's accounting policy. This is on the basis that the asset is currently not anticipated to be recoverable either through refunds or reduced contributions.

The present value of the unfunded obligation in relation to early retirements agreed in previous years was £0.73 million (2020/21: £0.86 million).

Accounting for both schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the FRS 102 report issued to the College by the actuary. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach included:

- ▶ obtaining an actuarial report at the year end date for the scheme and considering the reasonableness and consistency of actuarial assumptions underpinning such reports in conjunction with our internal specialists;
- ▶ performing substantive testing on the verification of the pension assets. Specifically, we engage with the auditor of Perth Council Pension Fund in line with the assurance protocols laid out by Audit Scotland. We also analysed the fund's estimated asset position at 31 July 2022 from the prior year end against expectations based on equity and other market movements;
- ▶ developing our own point estimate for the College's liabilities in the Fund and comparing to the actuary's assessment;
- ▶ assessing the work of the actuaries in considering the impact of legal rulings impacting the liabilities in the fund; and
- ▶ reviewing the calculation of the College's valuation of future early retirement liabilities at 31 July 2022, including the integrity of the underlying pensioner data used by the actuary and College.

Our conclusions

- ▶ We assessed the reasonableness of the calculation of the College's share of the Fund's assets and liabilities and concluded these are consistent with our expectations. No issues were reported by the auditor of the Fund in respect of the Funds controls or reported asset position.
- ▶ Assumptions used by the actuary and adopted by the College are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.
- ▶ One adjustment was made in respect of the College's unfunded liability totalling £0.73million. Following adjustment, we are satisfied the unfunded liability has been calculated appropriately.

Valuation of Property, Plant and Equipment

The College's property, plant and equipment (PPE) portfolio totals over £42.4 million of assets (2021: £40.6 million). The valuation of these assets requires expertise and significant estimation. To meet the requirements of the accounting framework, the College values its property, plant and equipment on at least a 5 yearly cycle with regular desktop valuations in interim years.

For 2021/22, the College obtained a desktop valuation from their external valuer for land and buildings. The College's PPE totals £42.42 million, an increase of £1.8 million from 2020/21. This movement includes additions of £0.15 million, depreciation of £1.4 million, and a revaluation gain of £3.1 million.

Given the significance of the balance within the financial statements, the number of assumptions that are made in the valuation we assigned an inherent risk to the valuation of property, plant and equipment.

To address the inherent risk, our work focused on the following key areas:

- ▶ Considered the work performed by the College's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Sample tested key asset information used by the valuers in performing their valuation based on both size of asset value and our consideration of risk assigned to each valuation (e.g. floor plans to support valuations based on price per square metre).
- ▶ Ensured that the interim valuation has been appropriately reflected within the financial statements.
- ▶ Completed procedures designed to address the requirements of the revised ISA 540, as outlined earlier.

Our conclusions

- ▶ The valuation report for the College's estate was received late in the audit process. Our work in this area is therefore ongoing.
- ▶ One adjustment related to the College's valuation of assets in 2021/22 was made due to the late receipt of the valuation report from the College's valuer.
- ▶ We concluded that management has undertaken sufficient procedures in respect of valuation of the College estate.

Going concern

Under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained.

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. In accordance with the FReM, the College shall prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity.

However, under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of Covid-19, the ongoing cost of living crisis and inflationary pressures, we placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the College and its financial sustainability. Management's going concern assessment and associated disclosures cover the 12 month period from the date of approval of the financial statements to December 2023.

After completing its going concern assessment in line with the information and support provided through earlier discussions in the audit process, the College has concluded that there are no material uncertainties around its going concern status. We have outlined our consideration of the College's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern, focusing on:

- ▶ the completeness of factors considered in management's going concern assessment;
- ▶ the integrity and robustness of the underlying cash flow forecasts supporting future financial projections, in particular if the College projects to require financial support during the going concern assessment period; and
- ▶ the completeness of disclosures in the financial statements in relation to going concern and future financial performance in line with the requirements of the SFC 2021/22 Accounts Direction.

Our conclusions

- ▶ *[We are satisfied that it remains appropriate for the College's financial statements to be prepared on a going concern basis, in particular recognising the SFC and UHI's confirmation they would provide support in cash flow management should it be required through the going concern period.]*
- ▶ *We note that the auditors for the College's wholly owned subsidiary, AST (Engineering) Limited intend to issue a material uncertainty opinion in respect of going concern. We are currently assessing the implications for the Group opinion.*



Wider Scope dimensions

Introduction

We are required to reach conclusions in relation to the effectiveness and appropriateness of the College's arrangements for the four wider scope audit dimensions.

We apply our professional judgement to risk assess and focus our work on each of the wider scope dimensions. For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the College's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

- ▶ **Financial Sustainability:** Considers the medium and longer term outlook to determine if planning is effective to support service delivery.
- ▶ **Financial Management:** 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.
- ▶ **Governance and Transparency:** Considers the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information.
- ▶ **Value for Money:** Considers whether value for money can be demonstrated in the use of resources and the focus on continuous improvement.

Financial Sustainability

**Our overall
assessment:
Red**



The financial environment in which the College operates was already challenging, and the Covid-19 pandemic alongside the impact of the economic and geopolitical environments, including supply chain challenges, 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.

The College submitted a financial forecast return in October 2022 to the Scottish Funding Council. Applying assumptions which management believe to be most realistic, the FFR outlines a cumulative underlying operating deficit position over the five years of £17.2 million. Management continue to explore options to deliver savings and grow income, however the scale of the challenge is significant and will require collaboration both within the College and other stakeholders including across the UHI partnership. Our assessment of red reflects the ongoing challenges facing colleges and the level of risk and uncertainty outside the College's control which could impact its ability to deliver savings and grow commercial income.

The context for financial sustainability in the College sector

The Scottish Government's 'Resource Spending Review' was published on 31 May 2022 and sets out the high level parameters for resource spend within future Scottish budgets up to 2026-27. The plan is focused on how the Scottish Government will allocate funding to achieve their strategic outcomes and priorities:

- ▶ Tackling child poverty;
- ▶ Addressing the climate crisis;
- ▶ Securing a stronger, fairer, greener economy; and
- ▶ Delivering excellent public services.

The review sets out that there will be no increases to the Scottish Funding Council budget, who in turn provide funding to the College sector. While the spending review is not a finalised budget, it provides the sector with an indication of likely funding allocations. Colleges Scotland estimates that Colleges are facing a real terms budget cut of £51.9 million in 2022/23.

The Scottish Parliament's Finance and Public Administration Committee, as part of its pre-budget setting scrutiny for 2023/24, launched a call for views on Scotland's public finances and the impact of both the cost of living crisis and public service reform in August 2022. This consultation has included seeking views on the priorities within the Resource Spending Review and how the Scottish Government should respond to inflationary pressures and the cost of living crisis within its 2023/24 budget.

The Scottish Funding Council published their report, 'Financial Sustainability of Colleges and Universities in Scotland' in March 2022.

The Covid-19 pandemic led to increased reliance on SFC income across the College sector, which will create further challenges if flat cash settlements occur in future financial years.

This paper set out that the sector had managed the impact of Covid-19 more positively than originally anticipated however the longer term financial sustainability remains challenging. The sector collectively was expected to deliver a combined surplus of £16.7 million for 2020/21 with two colleges expected to report adjusted operating deficits.

However, colleges remain heavily dependent on SFC grant funding with this income accounting for 79% of total income at a sector level in 2020/21. This illustrates the reliance that colleges have on funding which is expected to reduce in real terms moving forward. For colleges to remain financially sustainable, growth in other income as well as reductions in their cost base will be required. The continued impact of Covid-19 has resulted in challenges for colleges to achieve their student recruitment and retention targets as well as other income targets.

The Scottish Government and SFC are starting to take forward the recommendations within the SFC review on the provision and sustainability of further and higher education and research across Scotland, published in June 2021. The current financial outlook stresses the importance of the recommendations within this review being implemented as early as possible. A further update is expected in 2023 when the Scottish Government is due to set out the future role of the college and university sectors.

The turbulent financial environment creates significant challenges for college's to be able to prepare robust financial plans.

Medium term financial forecasting

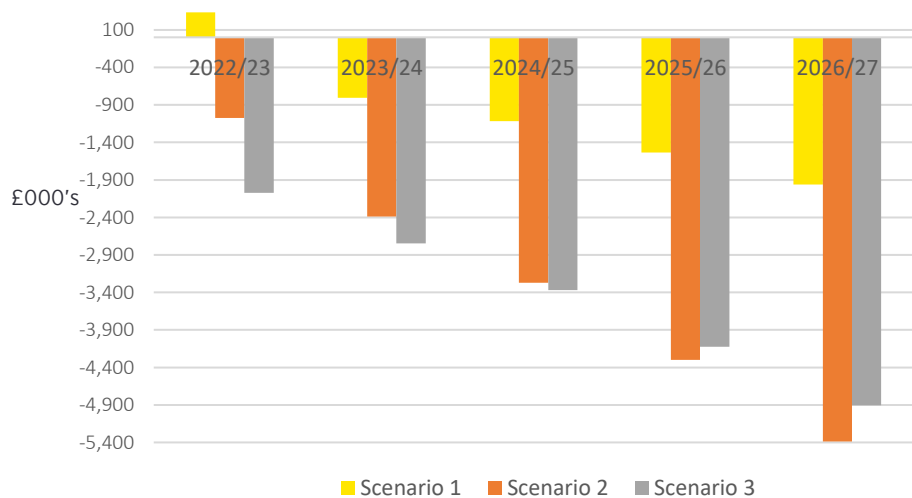
The College has prepared a five-year financial forecast for the period 2022 to 2027 and submitted this to the SFC in the form of the template Financial Forecast Return ('FFR'). The assumptions provided by the SFC were issued in August 2022 and therefore are not fully reflective of the current economic environment given the pace of change in areas such as inflation for both pay and non-pay costs. For example, the FFR assumes application of Scottish Government Public Sector Pay Policy with 2% pay awards assumed from 2023-24 onwards.

Three scenarios for the FFR were presented to the College's Board of Management in October 2022:

- ▶ Scenario 1, based on SFC assumptions.
- ▶ Scenario 2, based on assumptions agreed by the colleges Finance Directors' Group.
- ▶ Scenario 3, based on Perth College assumptions.

Each scenario presents a challenging outlook for the College as Exhibit 1 demonstrates. The cumulative underlying operating deficit across the 5-year period under worst case scenario (being scenario 3) is £17.215 million.

Exhibit 1: The College's FFR scenarios highlight the significant financial challenges facing the College in future periods and the significant savings and income growth required to deliver a balanced budget.



Source: Perth College Financial Forecast Return, October 2022

The College's forecasts recognise significant uncertainty in the current environment, particularly in relation to pay awards and inflation. Following several years of budget pressures, the College's ability to achieve savings both easily and quickly is challenging.

The College continues to consider areas where savings or income growth could be achieved, some of which may require more fundamental change. Two key reviews are currently being undertaken to support the College's financial sustainability:

- ▶ UHI 2024: Seven major initiatives have been initiated by the Executive Office of UHI. The current risks are not unique to UHI Perth and threaten the sector and therefore a collective approach across UHI is being progressed. The College are fully committed to and involved in these initiatives with a view to managing the risks posed to the College's financial sustainability.
- ▶ Board of Management Review: In addition to UHI 2024, the College's Board of Management will be carrying out a detailed review of the College so that actions can be taken, as required, to ensure the financial sustainability of the College.

Going concern cash flow forecasting

We outlined our work in respect of going concern earlier in this report. While the College has prepared its financial statements on a going concern basis as required by the FReM for a public body, it is required to consider its ability to meet liabilities as they fall due over the going concern assessment period to December 2023, being 12 months from the approval date for the financial statements.

As part of its financial forecasting arrangements the College has forecast its cash flow during this period, including testing a number of sensitivities which may be impacted by the current uncertainty around the 2022/23 and 2023/24 academic years as a result of pay and other inflationary pressures. As part of the FFR submission, the College has projected cashflows to 31 July 2023 with a closing balance of £3.9 million and £3.1 million to 31 July 2024.

While the College's FFR illustrates a strong cash position, this is based on Scenario 1 assumptions which are optimistic. Taking account of the significant risks to this position being achieved, the College will require a letter of support from SFC/UHI to confirm advances of funding will be made should they be required. On this basis, management has concluded that there is no plausible scenario where the College will require financial support to meet its liabilities during the going concern assessment period.

We note that the auditor's for the College's wholly owned subsidiary, AST Engineering Ltd intend to include a material uncertainty opinion in respect of going concern. Due to the College's central government classification, the College can provide limited support to AST and only through their commercial income activity. Taking this into account, we do not believe that this presents a risk to the College's ability to continue as a going concern, however as explained earlier in our report, we are evaluating the implications for the Group opinion.

Financial Management

**Our overall
assessment:
Green**



The College reported an adjusted operating surplus of £0.27 million, representing a decrease of £0.7 million compared to 2020/21. We were satisfied that the College's financial monitoring and reporting was clear and consistent throughout the year.

The College has an established budget setting and monitoring framework which includes presentation of financial updates to the Board and Finance and Resources Committee throughout the year. We are satisfied that the core financial management arrangements were not materially impacted as a result of Covid-19 or other external pressures with clear financial reporting continuing throughout the year.

Since 2019/20, we have highlighted that there are 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. Following this incident, no changes have been made to improve the finance team capacity which poses a significant risk to the College of further control weaknesses being exposed. This should be addressed as a matter of urgency by the College.

Financial performance and monitoring

The College reported a deficit of £2.33 million for the year (2020/21: £1.6 million). Following an actuarial gain of £4.5 million and a revaluation gain of £7.6 million, the College reported total comprehensive income of £9.8million (2020/21: £5.7 million). The College had an operating surplus after removal of non-cash accounting adjustments (relating to pension and capital accounting) of £0.27 million (2020/21: £0.99 million).

2021/22 was the second full financial year that the College had fully operated in the context of Covid-19 which continues to have an impact on student recruitment, retention and satisfaction. In addition, the ongoing economic and geopolitical uncertainty, including the cost of living crisis, has led to further financial challenges for the College. Particular challenges have been experienced in respect of higher education student numbers with 83% higher education undergraduate FTE's being achieved and 72% of its postgraduate FTE's being achieved. This resulted in a reduction of XX in income. The College was however able to improve upon the original budget position for 2021/22 by closely monitoring costs.

In line with previous years, the College's financial performance was monitored throughout the year by management and the Finance and Resources. There is evidence of financial monitoring, reporting and planning by the Board and Finance and Resources Committee through the financial year, up to the approval of the 2022/23 budget and Financial Forecast Return.

Throughout 2021/22 management reported budget pressures and variances through its management accounting. These were significant in the year, however we are satisfied these related to the impact of Covid-19 and other pay and non-pay inflation pressures on College operations and additional funding awarded late in the financial year.

Systems of internal control

Within the Annual Governance Statement, the College has concluded that they have obtained assurance that the system of internal control was operating effectively during the year with no exceptions or issues identified. Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work has included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed.

We undertook an initial assessment of the financial control environment as part of our planning work in May 2022, and updated our understanding as part of the yearend audit. Our work did not identify any significant weaknesses in the College's systems of internal control. In particular, we have not identified any significant changes to the design and implementation of controls as a result of the impact of hybrid working arrangements.

Double salary payment and finance capacity

As reported in our 2020/21 annual report, in October 2021, the College and subsidiary AST (Engineering) Limited, made a double salary payment to their staff of approximately £0.867 million. The incident was promptly identified by the College and steps were taken to try and prevent the payment from being made however the bank were unable to stop the payment once initiated. An internal investigation was undertaken and a detailed report provided to the Joint Finance and Resources and Audit committee in November 2021. This included identified control improvements which management have now implemented such as segregation of BACs authorisation.

Throughout 2021/22, management have updated the Audit Committee on progress in recovering the monies due with the latest report in October 2022 outlining that 99.8% of funds have been recovered.

We highlighted in our prior year report that the incident highlighted the importance of the College's review of key financial processes and controls to prevent further such incidents. We noted that the review of financial processes should support further improvements in this area however it is noted that this will create additional pressures on an already stretched finance team. During 2021/22, capacity within the team has not improved and recruitment challenges have been encountered. Without increased capacity, the likelihood of further significant control errors occurring is high and could lead to further reputational damage to the College.

While we do note some improvements in process and controls, we also continue to note areas for further improvement, including areas of inefficiency and errors within financial accounting. The changes and improvements required will only be delivered once appropriate skills and capacity are in place within the finance team.

Following the double salary payment in October 2021, the importance of a strong control environment was emphasised. Since this date, the finance team capacity has not improved and therefore, there remains limited capacity to make improvements to financial controls and processes.

National Fraud Initiative (NFI)

NFI is a counter-fraud exercise co-ordinated by Audit Scotland and overseen by the Cabinet Office to identify fraud and error. The NFI exercise produces data matches by comparing a range of information held on public bodies' systems to identify potential fraud or error.

The College received matches for investigation and that the results of the investigation were recorded on the NFI system in line with the reporting timelines. We noted progress continued to be made by the College and that we had no matters to report.

Governance and Transparency

**Our overall
assessment:
Amber**



The key features of good governance remain in place at the College and have been operating effectively throughout the year. A hybrid meeting structure was implemented, after seeking the views of members.

The College's Annual Governance Statement continues to disclose weaknesses in internal control, although we continue to note progress against the Board's improvement plan with 94% of actions now being either complete or partially complete however the pace of actions being closed down has slowed.

We note that the Remuneration Committee reviewed the Principal's salary in year with an increase being awarded however there was no clear evidence of consideration of the public sector policy when agreeing the revised remuneration.

Annual Governance Statement

The College has demonstrated through the year that it has the key requirements for good governance. The key aspects of governance arrangements require to be disclosed in the Annual Governance Statement within the financial statements. We reviewed the governance statement against the requirements outlined in the SFC's 2021/22 Accounts Direction and our understanding of the College up to 31 July 2022.

This includes the requirements to conclude on the College's compliance with the 2016 Code of Good Governance for Scotland's Colleges, or to explain any areas of non-compliance. Our consideration of the governance statement has included:

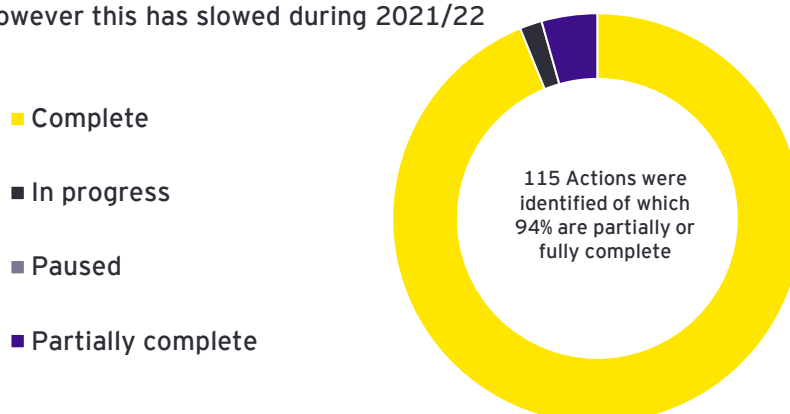
- ▶ Ensuring that the College has met all requirements of the SFC's 2021/22 Accounts Direction;
- ▶ Ensuring that the content of the statement is consistent with our understanding of the College's governance arrangements and any issues identified during the year; and
- ▶ Ensuring that the College has performed a self-assessment of compliance with the Code of Good Governance for Scotland's Colleges and that this assessment is reflected in the statement.

We were satisfied that it was consistent with both the governance framework, key findings from relevant audit activity and management's assessment of its own compliance with the Code of Good Governance for Scotland's Colleges.

Improvement Action Plan

The College responded to a number of external and internal audit reports in 2018/19 which identified a series of significant control weaknesses. As a result, the College developed a significant action plan to monitor progress both against audit recommendations and in further improvements identified by the Senior Management Team. As a result, 115 individual actions were identified. Progress against the action plan has been tracked by the College's planning and performance team and reported to the Audit committee. As Exhibit 1 notes, as at May 2022, 94% of actions are fully or partially complete.

Exhibit 2: Progress has been made against the Board's improvement plan however this has slowed during 2021/22



Source: Perth College Action Plan Monitoring Report, May 2022

Appendix E sets out our assessment of progress against the recommendations we made in prior year audits. We note good progress against each action and consider that this represents a significant achievement, particularly in light of the global pandemic and its impact on the sector more widely.

Governance Arrangements

Like all other public bodies in Scotland, the College moved to revised governance arrangements at the beginning of the UK lockdown period. Since March 2020, all Board and committee meetings continued as scheduled via remote working arrangements, and all relevant business continued to be considered as required. During 2021/22, the College has moved to a hybrid meeting structure for Committees and Board of Management meetings which is intended to continue moving forward.

Internal audit

[Internal audit's opinion for the year was based on its agreed audit plan for the year, as approved by the Audit Committee and presented to the Audit Committee in December 2022. For 2021/22, the internal auditor's opinion notes that [TBD].

Recommendation 1: The College should ensure that appropriate consideration is given to public sector pay policy in line with the requirements of the financial memorandum when considering senior management remuneration.

Principal Remuneration

During 2021/22, the College's remuneration committee commissioned a review of the Principal's remuneration. This was a desk-based benchmarking exercise of Principal salaries across the further education sector, taking account of staff numbers and income. Since the Principal's appointment in 2017, her salary had been uplifted in relation to cost of living increases. In May 2022, taking account of the findings of this exercise, the committee approved an increase to the Principal's salary of £8,500 or 7.71% to £120,000, from 1 September 2021. The review also proposed that the salary is reviewed on an annual basis moving forward. The financial memorandum between the College and both UHI and SFC states, 'the College must have regard to public sector pay policy set by the Scottish Ministers.' For 2021/22, public sector pay policy in Scotland limited increases for those earning £80,000 or more to £800. Our review of papers presented to the Remuneration Committee and committee minutes noted no evidence of consideration of public sector pay policy when the decision was made. The College should ensure that appropriate consideration is given to public sector pay policy in future when making senior management remuneration decisions and appropriate consultation occurs with SFC and UHI where this is not being followed.

Value for Money

Our overall assessment: Green



2021/22 represented the final year of the College's current Strategic Plan and there has been significant focus from management and board members on the development of the new strategy during the year. Performance reporting has continued through use of the balanced scorecard and we note that performance has improved across 55% of the key performance indicators. From 2022/23, a new Enterprise Risk Management framework is being implemented and is aligned to delivery of the new strategic plan.

Public performance reporting is a key tool to enable stakeholders to assess the performance of the College. The College has not published a performance report on their website for the last 2 consecutive years. Both reports should be published as soon as possible and moving forward these should be made available on the website in a timely manner.

Strategic Plan

The College's Strategic Plan 2016-21 was published in June 2016 which set out four strategic objectives covering:

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

During 2021/22, the College has developed a new Strategic Plan for the period 2022-2027. The development of the new strategy has involved collaboration with Board members, management and key stakeholders including staff. The revised strategy identified four pillars:

- ▶ College Growth and Ambition;
- ▶ Excellence in Learning and the Learner Experience;
- ▶ Partnerships and Collaboration; and
- ▶ Sustainability.

KPI reporting

We reviewed the College's approach to public reporting and note that the College has a dedicated area of the website for Performance Indicators and External Review. We note that the College has published the results for 2019/20, with its commentary in July 2021 however no data has yet been published for 2020/21 or 2021/22. The College should ensure that performance information is shared in a timely manner on their website to enable stakeholders to assess the College's performance.

The College should aim to publish performance information on their website on a more timely manner. We also note that the new Strategic Plan is not yet available on the College website.

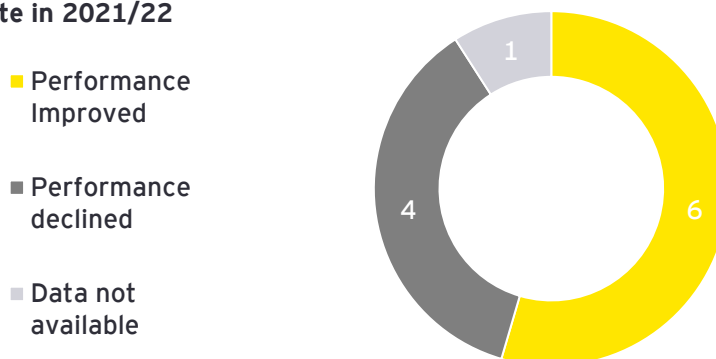
See Appendix E, prior year recommendation 2.

Performance Reporting

The College continues to report performance through the balanced scorecard to the Board throughout the year.

Exhibit 3 highlights that the College has improved performance against 55% of key performance indicators with 36% declining against prior year. This is in line with performance at the same point in 2020. A particular achievement for the College has been improvement in relation to student satisfaction from both the NSS survey and SSES. However, key areas for improvement relate to staff turnover and absence which should be focus areas for management moving forward. In a trend observed across the sector, the College has experienced a decline of 17.7% in higher education student numbers compared to 2020/21 which has resulted in a reduction in funding of £0.87million. The College continues to explore options to improve higher education recruitment however the scale of the challenge is significant and will create further pressures on the College's financial resources.

Exhibit 3: College improved performance in comparison to 2020/21 for the target set for 55% of the key performance indicators reported to date in 2021/22



Source: Perth College Financial Statements 2021-22, November 2022

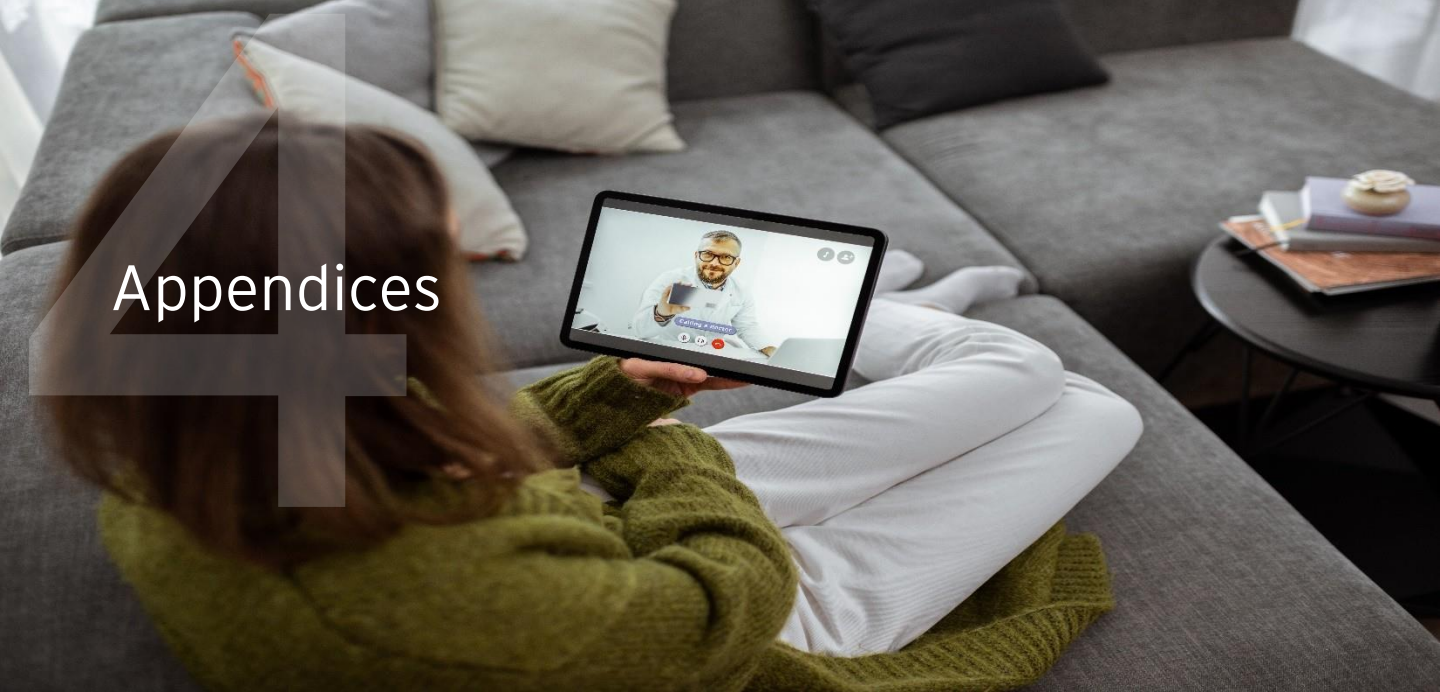
Risk Management framework

During 2021/22, the College started transitioning away from the existing strategic risk management process to a framework of Enterprise Risk Management. The new process will merge the latest risk management frameworks outlined by the Committee of Sponsoring Organisations (COSO) and ISO30001. The new ERM framework will go live in 2022/23.

A number of training and strategy sessions have been held with Audit Committee and Board members to support implementation of the revised approach.

Voluntary Severance Scheme

During 2021/22, 4 individuals left the College under voluntary severance agreements or redundancy with 1 other departure. We confirmed that the College had followed the procedures outlined within SFC's guidance for seeking approval for severance schemes and settlement agreements.



4 Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit Committee

D - Adjusted errors identified during the audit

E - Current and prior year recommendations

F - Timing and deliverables of the audit

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, risk and governance 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.

Standards of conduct / prevention and detection of fraud and error

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 and audit quality

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

Matters that we are required to communicate

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

There are no relationships from 1 August 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

We are not aware of any inconsistencies between the College's policy for the supply of non audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, Ernst & Young is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers and managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

Audit Fees

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

The expected fee for each body, set by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and 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.

Through the 2021/22 audit cycle we have discussed with management areas of the audit which required additional work beyond that usually expected for the College. 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. For these areas we have agreed the fee noted in the table above with management and Audit Scotland, based on the additional time required at the contracted Audit Scotland rates.

Matters that we are required to communicate

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

The EY 2022 UK Transparency Report can be accessed on our website at [EY UK 2022 Transparency Report | EY UK](#). This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular. This includes our Audit Quality Report.

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

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

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

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

Audit Quality Framework / Annual Audit Quality Report

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

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

The most recent audit quality report which covers our work at the College since appointment can be found at: [Quality of public audit in Scotland annual report 2021/22 \(audit-scotland.gov.uk\)](#)

Appendix C: Required communications

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the audit, risk and governance 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>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</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, risk and governance 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 ▶ A discussion of any other matters related to fraud 	<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>No significant matters have been identified.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Annual Audit Plan</p> <p>This Annual Audit Report - Appendix B</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This Annual Audit Report - no significant deficiencies reported</p>
<p>Subsequent events</p> <p>Where appropriate, asking the audit, risk and governance committee whether any subsequent events have occurred that might affect the financial statements.</p>	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>This Annual Audit Report</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit, risk and governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	<p>Annual Audit Report or as occurring if material.</p>
<p>Group audits</p> <ul style="list-style-type: none"> ▶ 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 	<p>Annual Audit Plan</p> <p>This Annual Audit Report</p>

Appendix D: Adjusted errors identified during the audit

This appendix sets out the significant adjustments processed as part of finalisation of the financial statements. There were 5 adjusted differences and 1 unadjusted audit differences identified above our reporting threshold.

Adjusted differences				
N o.	Description	Income and Expenditure Impact / £000's	Other Comprehensive Income	Balance Sheet Impact / £000's
1	<i>Prepayments Adjustment</i>	Dr Expenditure 17		Dr Creditors 128 Cr Prepayments (145)
2	<i>Deferred Income adjustment</i>			Dr Deferred Income 134 Cr Debtors (134)
3	<i>Counselling Deferred Income</i>	Dr SFC Income 35		Cr Deferred Income (35)
4	<i>Job Evaluation reclassification</i>			Dr Accrued Income 1,728 Cr Accrued Expenditure (1,728)
5	<i>Recognition of unfunded pension liability</i>		Dr Actuarial gains and losses (731)	Cr Pension liability 731

Unadjusted differences				
N o.	Description	Income and Expenditure Impact / £000's	Other Comprehensive Income	Balance Sheet Impact / £000's
1	<i>PO Accrual</i>	Cr Expenditure (176)		Dr Accruals 176

Appendix E: Action Plan, including an update on prior year recommendations

This action plan summarises specific recommendations included within the 2019/20 and 2020/21 Annual Audit Report and the latest status in respect of management's agreed actions as well as current year recommendations.

Classification of recommendations

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

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

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

No.	Findings and recommendation	Management response / Implementation timeframe
1	<p>The College should ensure that appropriate consideration is given to public sector pay policy in line with the requirements of the financial memorandum when considering senior management remuneration.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: We agree that we should clearly document our consideration of the public sector pay policy in line with requirements of the financial memorandum when considering senior management remuneration.</p> <p>Responsible officer: Chair of Remuneration Committee</p> <p>Implementation date: Immediately</p>

Prior year recommendations follow up

No.	Findings and recommendation	Original Management response	Update on status
1	<p>The College should ensure that the Board secretary has appropriate support to ensure governance activities continue as normal during any periods of absence.</p> <p>Minutes and papers of relevant Board and Committee meetings should be published on the College website in a timely manner.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response:</p> <p>We agree that the Board Secretary role should have a back-up to ensure governance activities continue as normal during any periods of absence. The College will identify and train a resource to provide back-up to the Board Secretary.</p> <p>Responsible officer:</p> <p>SMT</p> <p>Implementation date:</p> <p>August 2022</p>	<p>Improvements have been made in relation to the timeliness of publication of Board and Committee meeting minutes and papers on the College website however we note that the website is not fully up-to-date and therefore further improvements could be made to improve transparency.</p> <p>Our assessment: Ongoing</p>

No.	Findings and recommendation	Original Management response	Update on status
2	<p>The College should ensure that the annual performance report is published on the College website on a timely manner to ensure key stakeholders have access to performance information.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response:</p> <p>We agree that the annual performance report must be published on the College website in a timely manner. The College will develop a checklist of all documents that must be published with relevant deadlines and ensure that the checklist is completed each month. This checklist will also be reviewed at each Audit Committee meeting. The checklist will be in place from the May/June 2022 Audit Committee meeting.</p> <p>Responsible officer:</p> <p>SMT</p> <p>Implementation date:</p> <p>June 2022</p>	<p>We note that the College website continues to only show the 2019/20 performance report for key performance indicators. The College should ensure both the 2020/21 and 2021/22 reports are published as soon as possible. Moving forward the reports should be published in a more timely manner.</p> <p>Our assessment: Incomplete</p>
3	<p>We consider that the Finance Team overall has had insufficient knowledge and experience, particularly in financial accounting, since December 2018.</p> <p>We also note that there were a number of historical issues with financial systems and approaches that College appointments within Finance were unable to address.</p> <p>The College must review the capacity and capability within the finance team to ensure that skills gaps are addressed.</p> <p>The Board needs to urgently ensure that there are appropriate arrangements established to provide strategic financial leadership.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The structure and resourcing of the Finance Team has been an ongoing focus of SMT with additional resources being invested during 2018/19 provided to increase the capacity and broaden the experience in the department. All positions are now filled permanently with the exception of the Interim Head of Finance who was appointed on a fixed term contract to May 2020, pending a revised structure.</p> <p>Actions</p> <p>Structure review of Finance: Complete</p> <p>SMT recommendation for the appointment of a Director of Finance considered by the Remuneration Committee: Complete and approved</p> <p>Implement a CPD plan across the Finance Team: December 2020</p> <p>Responsible officer: Principal/ HoF Implementation date: December 2020</p>	<p>The finance team continues to face resourcing challenges and has experienced recruitment challenges. At present, the team carries key person dependency risks and is unable to deliver the improvements to processes and controls in a timely manner due to the team's capacity.</p> <p>Our assessment: Ongoing</p>

No.	Findings and recommendation	Original Management response	Update on status
4	<p>Our work has identified ongoing weaknesses in internal controls, including:</p> <ul style="list-style-type: none"> ▶ Reliance on paper based systems, which led to problems in relation to the retention of financial records. ▶ Lack of segregation of duties, including inadequate review of journal entries and lack of purchase orders. ▶ Financial systems that have not been kept up to date, including the payroll system, or are not fit for purpose, such as the fixed asset register. ▶ Significant delay in the transition to the Government Banking Service leading to the maintenance of unnecessary bank accounts. <p>The College must improve key financial controls to ensure that the weaknesses identified are addressed at pace.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The reliance on paper based systems is recognised as a key contributor to weaknesses in our internal controls. This has caused particular issues in relation to our payroll. This was identified by SMT who added this to the risk register and commissioned internal audit work to quantify the extent of the issue.</p> <p>Steps already taken include</p> <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. • Internal Audit commissioned to conduct evaluation of pensions and tax payments • Voluntary HMRC Disclosure made <p>Future Actions</p> <ol style="list-style-type: none"> 1. Develop transition plan towards electronic systems. Work underway towards consistent use of Purchase Orders: September 2020 2. Introduce quality monitoring of journal entries: February 2020 3. Complete bank transition: March 2020 4. Investment in a managed service for Ciph: Underway 5. Implement Fixed Asset Register: July 2020 <p>Responsible Officers: VP, HoF, HoHR&OD, HoEst</p> <p>Implementation date: September 2020</p>	<p>While progress is continuing to be made, we note that the review of key financial controls and processes is ongoing.</p> <p>Our assessment: Ongoing</p>

No.	Findings and recommendation	Original Management response	Update on status
5	<p>Staff costs within the Financial Forecast Return have been reduced to reflect the savings required to return a balanced position, rather than as a result of an effective workforce plan. In our view, the Financial Forecast Return does not provide a robust medium term financial plan. The College urgently needs to develop effective medium term financial planning. This should be supported by scenario planning and ongoing monitoring.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Actions</p> <p>Develop alternative scenarios, modelling and fiscal/ budget assumptions to more accurately forecast and monitor future financial impacts</p> <p>Undertake CMT and Board Development sessions on the creation of the FFR for 2021-26</p> <p>Responsible officer: HoF</p> <p>Implementation date: May - September 2020</p>	<p>The Board has considered the FFR, along with options to deliver a balanced adjusted operating position in the medium term. We do consider that there is scope for the College to develop their own medium term financial plan out with the FFR process particularly given the current economic environment.</p> <p>Our assessment: ongoing</p>
6	<p>The College has disclosed a number of significant weaknesses in procurement within its Governance Statement, including lack of competitive tenders for material contracts.</p> <p>The College must ensure that procurement weaknesses are addressed as a matter of urgency.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>SMT identified a weakness in this area and as a result took a number of corrective actions to ensure that appropriate systems and processes were addressed and that policies and procedures were up to date and communicated effectively to staff.</p> <p>SMT acknowledges the 2 areas of non compliance which were already in process of being addressed prior to the external audit being undertaken. These were a contract which is broader than a tendered service relationship and which had been in place since 2004 and which is subject to a current retender process. Secondly, a contract that required reporting to RSB which was undertaken retrospectively was non-compliant. This contract was funded through non-public funded sources</p> <p>SMT have already implemented a control system which includes:</p> <ul style="list-style-type: none"> ▶ APUC contract in place ▶ Revision of Procurement Strategy and Procedures ▶ Contracts register enabling forward planning of contract values, tenders and renewals ▶ Greater use of APUC Frameworks ▶ Implementing a consistent purchase order system ▶ Retendering of non-compliant contracts ▶ Discussions with RSB on rationales for exemptions to tender <p>Responsible officer: VP Implementation date: March - July 2020</p>	<p>We note that outstanding actions have been completed in year. No issues have been noted from the work performed.</p> <p>Our assessment: Complete</p>

Appendix F: Timing and deliverables of the audit

We deliver our audit in accordance with the timeline set by the College, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 2021/22 audit cycle.

	Audit Activity	Deliverable	Timing
MAR	▶ Walkthrough Visit	Completion of internal documentation	April 2022
APR			
MAY	▶ Audit planning and setting scope and strategy for the 2021/22 audit	Annual Audit Plan	April/May 2022
JUN			
SEP	▶ Year-end substantive audit fieldwork on unaudited financial statements	Audited Financial Statements	September/October 2022
OCT			
NOV	▶ Conclude on results of audit procedures	Issue Annual Audit Report	31 December 2022
DEC	▶ Issue opinion on the College's financial statements	Submit Audit Scotland minimum dataset request	31 December 2022

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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. 3

Committee	Joint F&R/Audit
Subject	Internal Audit Annual Report 2021/22
Date of Committee meeting	12/12/2022
Author	Henderson Loggie
Date paper prepared	07/12/2022
Executive summary of the paper	This paper constitutes the Internal Audit Annual Report for 2021/22 and is issued to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) Reporting Requirements, which states that “the College has responsibility for maintaining an effective internal audit activity”
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Consultation has been undertaken with SMT and appropriate department heads, and the College’s internal auditors (Henderson Loggie).
Action requested	<input 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)
Resource implications Does this activity/proposal require the use of College resources to implement? If yes, please provide details.	Yes/No

Perth College UHI

<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes</p> <p>An Annual External Audit report is a requirement of governance within the Financial Memorandum.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Compliance</p> <p>Risk Management</p> <p>Financial Sustainability</p> <p>Strategic Reputation</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>Yes/ No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p> <p>Click or tap here to enter text.</p>
<p>Island communities</p> <p>Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?</p>	<p>Yes/No</p> <p>If yes, please give details:</p> <p>Click or tap here to enter text.</p>

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Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?*	Yes

* 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

Perth College UHI

Annual Report to the Board of Management and the Principal on the Provision of Internal Audit Services for 2021/22

Internal Audit report No: 2022/11

Draft issued: 2 December 2022

2nd draft issued: 5 December 2022

Final issued: 7 December 2022



		Page
Section 1	Annual Report and Opinion	1 - 2
Section 2	Reports Submitted	3 - 4
Section 3	Summary of Results and Conclusions	5 - 20
Section 4	Time Spent - Budget v Actual 2021/22	21
Section 5	Proposed Operational Plan for 2022/23	22 - 24



Annual Report and Opinion

Introduction

- 1.1 We were re-appointed in July 2021 as internal auditors of Perth College UHI ('the College') for the period 1 August 2021 to 31 July 2024 by one year to 31 July 2021 (with the option for the institution to extend for a further two 12 month periods, subject to mutual agreement. This report summarises the internal audit work performed during 2021/22.
- 1.2 The annual operating plan was based on a comprehensive Audit Needs Assessment (ANA) and three-year Strategic Plan, which involved dialogue with senior management, the Chair of the Board and the Chair of the Audit Committee.
- 1.3 The work undertaken in the year followed that set out in the approved Annual Internal Audit Plan for 2021/22 (contained within Internal Audit Report 2022/04 – Strategic Plan 2021 to 2024 and Annual Internal Audit Plan 2021/22 (issued in May 2022).
- 1.4 The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each assignment is given at Section 3.
- 1.5 An analysis of time spent against budget is set out at Section 4.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.6 The College has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:
 - Confirm our independence;
 - Provide information about the year's activity and the work planned for next year in this report; and
 - Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.
- 1.7 Self-assessment is undertaken through:
 - Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
 - Ensuring compliance with best professional practice, in particular the PSIAS;
 - Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
 - Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
 - Annual completion of a checklist to confirm PSIAS compliance.



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

- 1.8 External assessment is built into our firm-wide quality assurance procedures. Henderson Loggie LLP is a member of Prime Global, a global association of independent accountancy firms. Continued membership of Prime Global is dependent on maintaining a high level of quality and adhering to accounting and auditing standards in the provision of our services. Annual quality reviews are conducted to confirm our continuing achievement of this quality. The independent review conducted by MHA Macintyre Hudson in March 2019 included our internal audit service. Overall, the review confirmed that the firm's policies and procedures relating to internal audit were compliant with the PSIAS in all material respects.
- 1.9 In the intervening years between formal external assessment against PSIAS we conduct our own self-assessment annually. The result of our latest self-assessment, conducted in April 2022, confirms that our service is independent of the College and continues to comply with the PSIAS.

Significant Issues

- 1.10 All work conducted in 2021/22 assessed systems as either 'Good' or 'Satisfactory' and provided an unqualified audit opinion on College returns. There were no significant issues identifying major internal control weaknesses arising from our internal audit work. In general, procedures were operating well in the areas selected, but a few areas for further strengthening were identified and action plans have been agreed to address these issues.
- 1.11 We found that the College had made limited progress in implementing the internal audit recommendations followed-up as part of our 2021/22 Follow Up reviews. Only eight of the 29 recommendations followed-up were assessed as 'fully implemented'. Two recommendations were considered but not implemented, with 15 recommendations classified as 'partially implemented' and four categorised as 'little or no progress'.

Opinion

- 1.12 In our opinion, with the exception of the follow up issues described in paragraph 1.11, the College has adequate and effective arrangements for risk management, control, and governance. This opinion has been arrived at taking into consideration the work we have undertaken during 2021/22 and in previous years since our initial appointment.



Reports submitted

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2022/01	Student Activity Data (Credits) 2020/21	Audit opinion unqualified	3	-	-	3
2022/02	Student Support Funds 2020/21	Audit opinion unqualified	4	-	1	3
2022/03	Payroll Double Payment	Satisfactory	2	-	1	1
2022/04	Strategic Plan 2021 to 2024 and Annual Plan 2021/22	N/A	N/A	-	-	-
2022/05	Partnership Working	Satisfactory	4	-	1	3
2022/06	Income / Debtors	Satisfactory	2	-	-	2
2022/07	Payroll	Satisfactory	4	-	1	3
2022/08	Building Maintenance	Satisfactory	3	-	1	2
2022/09	Quality	Good	1	-	-	1
2022/10	Follow Up	N/A	19 of 29 recommendations will require further action	-	12	7

Overall gradings are defined as follows:

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



Annual Internal Audit Report 2021/22

Recommendation grades are defined as follows:

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



Summary of Results and Conclusions

Report No 2022/01 Student Activity Data 2020/21

Final Issued – November 2021

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

Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Price Group.

Our testing was designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to Credits Audit Guidance, COVID-19 related guidance at Annex D and the key areas of risk identified in Annex E.

Our report was submitted to the SFC on 10 November 2021. We reported that, in our opinion:

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

Three recommendations were identified from our audit testing for 2020/21 including: for courses that are other than full-time, ensure that the required date input into SITS is calculated as the day on which 25 per cent of the total calendar days between the course start and end have passed; ensure that Credits claimed for students are based upon the value of the units listed on the student course record, which reflect the activity delivered in the year, and not based upon a default tariff; Ensure that part-time fee waiver forms are completed at enrolment in order to evidence entitlement to part-time fee waiver.



Annual Internal Audit Report 2021/22

Report No 2022/02 – Student Support Funds 2020/21

Final Issued – November 2021

For the 2020/21 academic year two specific fund statements were required for audit:

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

The audit objectives were to ensure that:

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

We were able to certify the FE Discretionary Fund, FE and HE Childcare Fund and Bursary Return for the year and submit this to the SFC without reservation.

The following observations were made in the covering letter which accompanied our Auditors' Report to the SFC on the College's EMA Return:

- EMA is a weekly allowance requiring 100% of agreed attendance at all timetabled sessions (subject to the impact of COVID-19 during 2020/21) and the EMA Guidance and Processes issued by the Scottish Government in August 2020 confirms that attendance data, absence and other information must be retained by administrators as part of the audit trail. We make one observation in relation to student attendance checking during the period following a cyber-attack on the University of the Highlands & Islands in early March 2021, which impacted key systems and services across the UHI partnership including at Perth. Following the cyber-attack the College's normal attendance and engagement reports were not fully operational for some time. For EMA payments made during the period from March through to May 2021 the College's Student Funding Team did however check students' enrolment status in the SITS student records system and payments were stopped if students were shown as withdrawn. Management stressed to academic staff the need to notify Student Records staff of any students that were not attending / engaging in lessons.
- There was one further minor point noted from our audit work. Total EMA payments of £98,640 were made by the College in the year-ended 31 July 2021 compared with £98,700 included in the monthly returns and year-end statement. The difference of £60 relates to an overclaim made during the year, which the College has advised will be adjusted in the monthly EMA return for November 2021.



Report No 2022/03 – Payroll Double Payment

Final Issued – February 2022

Overall grade: Satisfactory

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

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

Strengths

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

The objectives of the audit were to gain reasonable assurance that:	
1. A robust process for recovering the overpayment has been developed and invoked.	Good
2. The reasons for the double payment have been examined by the College and appropriate and timely steps have been taken to rectify any control weaknesses identified	Good
3. Regular written updates have been provided to the Principal and Vice-Chancellor of UHI on progress in recovering overpayments	Satisfactory
4. Reporting of the incident fulfils the requirements set out in the financial memorandum between Perth College UHI and UHI	Requires improvement
Overall Level of Assurance	Satisfactory



Annual Internal Audit Report 2021/22

Report No 2022/03 – Payroll Double Payment (continued)

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

Weaknesses

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



Annual Internal Audit Report 2021/22

Report No 2022/04 – Strategic Plan 2021 to 2024 and Internal Audit Annual Plan 2021/22

Final Issued – May 2022

The purpose of this document was to present for consideration by management and the Audit Committee the annual operating plan for the year ended 31 July 2022. The plan was 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.

The outline scope, objectives and audit approach for each audit assignment to be undertaken, arrived at following discussion with the Director of Finance and consideration by other members of the College Senior Management Team, were set out in the report. The outline scopes were finalised after discussion with responsible managers in each audit area.



Report No 2022/05 – Partnership Working

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

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

Strengths

- The College has articulated its vision for partnership working both with the UHI and regional partners within its revised College Strategy. There is synergy with the revised Strategy with the UHI Corporate Strategy and regional outcome agreements.
- There are sub-strategies for Business Engagement and International Working. Academic leads are also in process of developing business engagement plans for their sectors.
- Management interviewed were involved and committed to partnership working. They value their partnership within UHI and the benefits from collaborations with the UHI and their fellow academic partners.
- External stakeholder interviews noted that the College’s Senior Management, Business Engagement, and International teams are committed to partnership working and regularly attend external regional forums, committees, and networking events.
- The College is a significant member of the Local Employability Partnership (LEP), and the Vice Principal for External Engagement is Chair.
- Feedback from UHI colleagues noted that the College’s Senior management are active within the UHI and help shape the tertiary education pathways and meet its Regional Outcome Agreement (ROA).

Final Issued – October 2022

Overall grade: Satisfactory

The objectives of the audit were to gain reasonable assurance that:	
1. There is a process in place to identify key external stakeholders and to align them with regional strategic objectives.	Good
2. There is regular dialogue between the College and external stakeholders (including UHI) to facilitate the delivery of regional priorities through partnership activity	Good
3. Effective governance arrangements are in place for effective stakeholder/partnership working – specifically scrutiny and accountability arrangements	Good
4. The College has agreed a set of measures and targets to track progress and demonstrate the impact of partnership activity	Good
5. 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.	Requires improvement
Overall Level of Assurance	Satisfactory



Report No 2022/05 – Partnership Working (continued)

Strengths

- There are programmes from the Tay Cities Deals that rely on effective partnership working between internal and external stakeholders. For example, the College is in the process of developing a hospitality academy in partnership with a number of hospitality and tourism employers across the Tay Cities Region including the prominent Gleneagles Hotel. In recognition of the industry needs to attract a more diverse workforce to the sector, the Hospitality Skills Programme will focus on attracting new talent to the industry through broader engagement with young people and with those keen to return to the workforce. Alongside this, the College has engaged with a number of hospitality employers to leverage its international partnerships to attract students from India, Nepal and China into the pathway. Discussions with external stakeholders from Skills Development Scotland and Perth and Kinross Council noted good awareness of the status of the programme.
- Where possible, the College documents the agreed vision, purpose, and objectives of the partnership. For example, the Tay Cities Hospitality Initiative has a Memorandum of Understanding established with the hotel. A Project Manager role is currently advertised to support the College to progress arrangements.
- The Highland and Islands Regional Outcome Agreement (ROA) 2021/22 contains details of key deliverables and actions, setting out how the ROA will be delivered with targets and milestones set to measure achievement. Achievement of outcomes is regularly reported and discussed at regional meetings.
- The Perth and Kinross Single Outcome Agreement 2013-2023 and Community Planning Partnership (CPP) sets local objectives for the area. The College has an active School Partnership programme with 11 school partnerships and outcomes are monitored by the Perth and Kinross Council's Community Planning Partnership Board.
- The College has been actively engaged with the development of the CPP Local Outcome Improvement Plan with key deliverables led by the College, particularly in relation to employability and skills outcomes.



Report No 2022/05 – Partnership Working (continued)

Strengths

- There are clear roles, lines of accountability and communication within the College governance framework that are operating effectively. There is a key management group – Curriculum Business Planning Group – that takes a strategic and operational role to monitor progress and identify risks. It is Chaired by the VP External Engagement and is attended by the VP-Operations and staff from Business Development, International and Senior Academic staff. Outcomes are reported to the CMT and externally to the UHI via the External Partnerships Steering Committee (EPSC).
- The College has worked with other UHI partners in recent years to ensure that College risks are also considered within the wider context of the UHI partnership. There is now greater visibility of partnership risks with a standard risk register format in use across the UHI and improved sharing of risk registers by partners. A revised risk register format linking back to the College Strategic KPI's is under development to embed further improvements and alignment back to the College Strategic Plan.

Weaknesses

- College management are not actively using the UHI Microsoft Dynamics CRM system to record relationships and to track commercial leads due to UHI Licensing, lack of transparency on the ownership of the data, as well as intraregional risk to the College in sharing potentially competitive information across the UHI. An agreement for use of Microsoft Dynamics CRM should be reached with UHI that is mutually beneficial to both parties. The use of the Raisers Edge system for alumni and philanthropic leads is utilised by Perth College with UHI as lead so a similar model could apply to the MS Dynamics system for mutual benefit.
- Resource to deliver on the College's strategic objectives particularly in relation to partnership working should be identified and succession planning for key roles. The associated risks for delivering on key strategic partnerships should also be identified and mitigating controls and actions identified for monitoring purposes, such as by the Curriculum Business Planning Group.



Report No 2022/05 – Partnership Working (continued)

Weaknesses

- The process for the UHI approving international commercial opportunities as slow and bureaucratic. The process can often take several weeks to months mainly due to a lack of resource within UHI and complex governance structures. As part of the review of shared services at UHI, the UHI partnership should agree the optimal reporting framework to streamline the UHI review and approval of commercial and international proposals raised by its academic partners, including Perth College UHI.
- The UHI and Perth College UHI management require to mutually agree the financial arrangements between parties. This agreement should be documented for transparency, such as an appendix to the terms and conditions set out in their Memorandum of Understanding. The agreement should also document the terms and conditions of the partnership, including decision making, intellectual property, copyright, data sharing and ownership of commercial and marketing data.



Report No 2022/06 – Debtors & Income

This audit focused on the systems of internal control in place within the College in relation to commercial income generating activities, education contracts, and other income. In addition, debt management and recovery procedures were also reviewed.

The table opposite notes the specific objectives for this review and records the results.

Strengths

- The College has up-to-date and comprehensive Financial regulations;
- The Finance Department team is responsible for managing the income and debtor processes and use the BluQube accounting system, which provides centralisation of the financial recording processes and allowing an audit trail to be retained against each student account that is linked to SITS, the student record database;
- Sales invoices are promptly and correctly raised to relevant customers;
- Credit notes are appropriately allocated and approved by the budget holders; and
- Our testing confirmed that the existing practices for debt recovery; the use of debt collection agencies; and write-off processes for bad debts were conducted in line with the Financial Regulations.

Weaknesses

- It was observed that there are no documented and formally approved procedure notes in place to guide staff, covering the processes for raising sales invoices, providing appropriate audit trail to credit notes and recover debts. We were advised that the procedural guidance for raising sales invoices is currently being drafted and that it is intended to be introduced later in financial year 2022/23. Therefore, management are aware of the issue and the weakness is being addressed. However, we have provided two recommendations, in relation to the contents of the new procedural guidance, which are intended to help shape the new procedures to ensure that they reflect current practice and to further strengthen existing controls.

Final Issued – October 2022

Overall grade: Satisfactory

The objective of this audit was to obtain reasonable assurance that:	
1. Invoices / claims are raised promptly in respect of income due to the college	Satisfactory
2. Credit notes are appropriately authorised before issue	Satisfactory
3. Adequate debt management and recovery procedures are in place and are consistently followed in practice	Satisfactory
Overall Level of Assurance	Satisfactory



Annual Internal Audit Report 2021/22

Report No 2022/07 – Payroll

This audit considered the key internal controls in place over the College’s spend on staff costs. Our audit reviewed the processes in place within both the Human Resources and Payroll teams. This covered the payment of staff expenses and additional hours.

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

Strengths

- Management has a strong awareness of the inefficiencies ingrained in the current payroll process and are in the process of procuring a new HR and Payroll system, which will reduce the level of manual intervention presently required by HR and Payroll teams;
- Despite the inefficiencies noted above, we confirmed that the payroll is processed in compliance with requirements and gross pay for the sample reviewed was paid accurately and on time;
- Starters and leavers are processed in line with College procedural requirements;
- Employee information retained on Ciphre aligns to the information recorded in employee records;
- There are audit trails for the calculations and reconciliations completed, providing assurance that all relevant checks and balances are being consistently undertaken by Payroll;
- Changes to employee standing data is being dealt with appropriately; and
- There is sufficient record keeping and audit trails in place to demonstrate segregation of duties between those providing information (HR), processing information (Payroll) and implementing the pay (Finance) and audit trails are retained to demonstrate that proper authorisation, processing and recording of payments was adopted.

Final Issued – December 2022 Overall grade: Satisfactory

The objectives of the audit were to gain reasonable assurance that:	
1. Correct calculation of gross pay and deductions	Good
2. Correct calculation of employer national insurance and superannuation contributions	Good
3. Part-time lecturers, overtime and staff expenses payments are properly authorised	Satisfactory
4. Approval and checking of changes to employee standing data	Good
5. Starters and leavers are properly treated and enter and leave the system at the correct dates	Requires improvement
6. Proper authorisation, processing and recording of payments	Good
Overall Level of Assurance	Satisfactory



Report No 2022/07 – Payroll (continued)

Weaknesses

- Recently revised SPPA percentages had not been updated on the Payrite system, resulting in employee contributions being incorrectly calculated for one of the 15 individuals sample tested. We confirmed that this had been an oversight by management. Adjustments were made in the October 2022 pay run. Compensating controls have subsequently been introduced to prevent recurrence and the recommendation was completed during the course of our audit fieldwork;
- The process for completing and processing timesheets is a manual one, leading to several inbuilt inefficiencies. As part of the procurement process for the new HR and Payroll System, management should explore the potential inclusion of a timesheet module which will automate the submission and approval of timesheets for effective and efficient review and processing by the HR and Payroll teams;
- Timesheets should be submitted at the end of each month worked. However, this is not always the case and staff we observed instances where staff are submitting timesheets several months late. Timesheet Guidelines should be documented and communicated to all SDDs, line managers and staff paid through timesheets to ensure awareness of cut off thresholds;
- The current process deployed by line managers, to communicate the start dates of new employees on the Contract Spreadsheet, is inefficient. This has resulted in several instances of employees working for several weeks without contracts due to the fact that due diligence checks were not in place. The process for communicating starter dates should be improved to ensure that any red flags are identified promptly by HR; and
- Record keeping arrangements for leavers should be strengthened to ensure that all relevant information, such as leaver forms or contract extensions, are routinely retained on file. Consideration should be given to the recording of file contents on a checklist, in the absence of automated controls typically found in a document management system.



Report No 2022/08 – Building Maintenance

This review has examined the extent to which the College’s forward planning would support lifecycle maintenance for the College’s estate, given the limitations on available funding.

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

Strengths

- The governance oversight of the Estates operational activities is assigned to the College’s Finance and Resource Committee (FRC). The Head of Estates provides updates at each FRC meeting, covering a range of topics, including the Strategy and master plan development. Updates on estates matters are also provided to the Board;
- A condition survey was undertaken across the entire College estate in February 2021, which was conducted by external consultants Faithful+Gould / Atkins Building Surveyors. This survey involved visual inspections, providing information in respect of physical condition of each building and all maintainable and replaceable assets. The results of the surveys informed the forward maintenance works, the maintenance backlog details, and provided updates to asset registers (which record details on the age, condition and remaining life of assets). For each survey conducted, we noted that a list of prioritised estimated costs for renewal of assets had been compiled; and
- Our testing confirmed that an effective cyclical maintenance inspection programme, including Water Hygiene (Legionella management), Intruder alarms, Electrical safety and Portable Appliances Testing, is in place to ensure ongoing statutory compliance under the legal and regulatory framework.

Final Issued – December 2022 Overall grade: Satisfactory

The objective of this audit was to obtain reasonable assurance that:	
1. The College has an Estates Maintenance Strategy in place which is aligned with the College’s strategic planning objectives and other relevant strategies	Satisfactory
2. Oversight of the Estates Maintenance Strategy, including review of implementation and funding risks, have been aligned to an appropriate committee reporting to the Board	Satisfactory
3. 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	Requires improvement
4. Regular condition surveys are undertaken, and other good quality information is available, to inform asset management decisions	Satisfactory
5. Plans are in place to maintain the College’s assets in good condition, as economically as possible, and in line with manufacturer’s warranty conditions, in order to meet changing and rising standards as far as they can be foreseen	Satisfactory
6. 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	Good
Overall level of Assurance	Satisfactory



2022/08 – Building Maintenance (continued)

Weaknesses

- We were advised that the Estates Strategy / Feasibility Study and master plan are currently being developed in order to provide a strategic overview of the College's Estate and bring together a broad range of information (at a specific point in the project lifecycle). The work in progress around the overarching Estates Strategy is reflected within the College's Strategy 2022-27, thus ensuring alignment between the Estates Strategy (and supporting plans) and the College's agreed strategic priorities. We have not raised a specific recommendation in relation to this finding as we recognised that management are aware of the position and the issue is being appropriately addressed;
- It was observed that the Estates updates provided to the FRC and to the Board do not include details on for completed statutory and reactive maintenance, projected costs for ongoing maintenance requirements and information on maintenance backlog. From discussion with the Head of Estates it was also found that the College does not have in place a facilities management software; and
- Whilst we confirmed that asset management decisions are informed by various inspections and condition surveys, it was observed that there is no longer-term proactive rolling programme of condition surveys and inspections at the College.



We carried out a follow-up review of the recommendations made in the following Internal Audit reports finalised during 2020/21, which included recommendations from earlier reports where previous follow-up identified that the recommendations were outstanding:

- Internal Audit Report 2021/04 – Asset Management
- Internal Audit Report 2021/05 – Corporate Planning
- Internal Audit Report 2021/06 – Student Recruitment and Retention
- Internal Audit Report 2021/07 – Follow Up 2020/21
- Internal Audit Report 2021/08 – Staff Skill, Staff Productivity & Performance Management

The College has made limited progress in implementing the recommendations followed-up as part of this review with eight of 29 (27%) recommendations being categorised as 'fully implemented', 15 (52%) of recommendations classified as 'partially implemented', and four (18%) categorised as 'little or no progress'. These 19 recommendations will be subject to follow-up at a later date.

Two of the recommendations have been categorised as 'Considered but not Implemented'

The first of these relates to action **R3** from report 2020/06 - Procurement and Creditors, which was followed up in 2020/21 as part of the previous report 2021/07 – Follow Up 2020/21. The recommendation relates to the undertaking of PECOS training for the Procurement Team. While this training was initiated, it has subsequently been put on hold due to the College decision to shift processing of purchases away from PECOS and to the finance system, bluQube. Training has been delivered on the new system, meaning the original recommendation is no longer applicable.

The second recommendation categorised as 'considered but not implemented' is **R1** from report 2021/08 – Staff Skills Profile, Staff Productivity and Performance Management. The original recommendation stated that "It is our view the current arrangements would be enhanced by the inclusion of the Head of HR and Occupational Development in the monthly meetings on the review of staffing establishment with Finance, Sector Development Directors and the Associate Principal which commenced in April 2021. However, it has subsequently been clarified that the inclusion of the Head of HR and Occupational Development in these particular monthly meetings would not be appropriate.

Our findings from each of the follow-up reviews has been summarised below:



Annual Internal Audit Report 2021/22

From Original Reports			From Follow-Up Work Performed				
Area	Rec. Priority	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	Not Past Agreed Completion Date	Considered But Not Implemented
2021/04 – Asset Management	3	-	-	-	-	-	-
	2	3	-	3	-	-	-
	1	1	-	1	-	-	-
Total		4	-	4	-	-	-
2021/05 – Corporate Planning	3	-	-	-	-	-	-
	2	-	-	-	-	-	-
	1	1	1	-	-	-	-
Total		1	1	-	-	-	-
2021/06 – Student Recruitment and Retention	3	-	-	-	-	-	-
	2	-	-	-	-	-	-
	1	3	2	1	-	-	-
Total		3	2	1	-	-	-
2021/07 – Follow Up 2020/21	3/A	-	-	-	-	-	-
	2/B	6	1	4	-	-	1
	1/C	3	1	2	-	-	-
Total		9	2	6	-	-	1
2021/08 – Staff Skill, Staff Productivity & Performance Management	3	-	-	-	-	-	-
	2	5	-	3	2	-	-
	1	7	3	1	2	-	1
Total		12	3	4	4	-	1
Grand Totals		29	8	15	4	-	2



Time Spent - Actual v Budget 2021/22

	Report number	Planned days	Actual days feed	Days to fee at Nov 2022	Days to spend / WIP	Variance
Student Experience						
<i>Quality</i>	2022/09	5	5	-	-	-
Staffing Issues						
<i>Payroll</i>	2022/07	5	5	-	-	-
Estates & Facilities						
<i>Building Maintenance</i>	2022/08	4	4	-	-	-
Financial Issues						
<i>Income / Debtors</i>	2022/06	4	4	-	-	-
Organisational Issues						
<i>Partnership Working</i>	2022/05	5	5	-	-	-
Other Audit Activities						
Credits Audit	2022/01	5	5	-	-	-
Bursary, Childcare and Hardship Funds	2022/02	4	4	-	-	-
EMA	2022/02	1	1	-	-	-
Management and Planning	2022/04	3	3	-	-	-
Follow-up reviews	2022/10	2	2	-	-	-
Payroll Double Payments	2022/03	5	5	-	-	-
Audit Needs Assessment	2022/04	2	2	-	-	-
Total		45	45	-	-	-
		=====	=====	=====	=====	=====



Proposed Operational Plan for 2022/23

- 5.1 Following our re-appointment as internal auditors for the period 1 August 2021 to 31 July 2024, a Strategic Plan was formulated, covering the three-year internal audit cycle from 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, and a review of various College documents, previous internal audit reports and the College's Strategic Risk Register.
- 5.2 The proposed annual operating plan, below, for 2022/23 reflects the allocation set out in Year 2 of the approved Strategic Plan 2021 to 2024.



Proposed Allocation of Audit Days

	Category	Priority	Planned 22/23 Days
Reputation			
<i>Publicity and Communications</i>	Gov	M	
<i>Health and Safety / Wellbeing</i>	Gov	H	
Student Experience			
<i>Curriculum</i>	Perf	M	
<i>Quality</i>	Perf	M	
<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	
<i>Teaching staff utilisation</i>	Perf / Fin	M	
Estates and Facilities			
<i>Building maintenance</i>	Fin/Perf	M/H	
<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	
<i>Cash & Bank / Treasury management</i>	Fin	M	
<i>Fraud Prevention, Detection and Response</i>	Fin	M	
<i>Financial sustainability</i>	Fin	H	



Proposed Allocation of Audit Days (continued)

	Category	Priority	Planned 22/23 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	
<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	
<i>Equalities</i>	Gov	L/M	
<i>Environmental Sustainability</i>	Gov/Perf	M	
Information and IT			
<i>Cyber security</i>	Perf	M/H	
<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	
<i>Licencing</i>	Perf	L	
Other Audit Activities			
Credits Audit	Required		5
Bursary, Childcare and Hardship Funds Audit	Required		4
EMA Audit	Required		1
Management and Planning)			3
External audit / SFC)			
Attendance at Audit Committee)			
Follow-up reviews			2
Payroll Double Payment			
Audit Needs Assessment			
Total			39
			=====



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Committee	Audit Committee
Subject	Audit Committee Annual Report to the Board of Management 2019/20
Date of Committee meeting	12/12/2022
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	07/12/2022
Executive summary of the paper	<p>Purpose:</p> <p>In line with the College's Financial Memorandum, the Audit Committee is required to produce an annual report to the Board of Management.</p> <p>Impact:</p> <p>This report is presented to the Board of Management primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control.</p> <p>Course of Action:</p> <p>Attached is the draft report for the Audit Committee's consideration and approval. This will then be forwarded to the Board of Management for consideration.</p>
<p>Consultation</p> <p>Please note which related parties, stakeholders and/or Committees have been consulted</p>	<p>This paper is for the Audit Committee's consideration and approval prior to submission to the Board of Management.</p>
Action requested	<input type="checkbox"/> For information <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input checked="" type="checkbox"/> Strongly recommended for approval <input type="checkbox"/>

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>Yes/ No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes/ No</p> <p>This is a requirement of governance within the Financial Memorandum.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Compliance</p> <p>Risk Management</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>Yes/ No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p> <p>Click or tap here to enter text.</p>

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>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

Audit Committee Annual Report to the Board of Management

Academic Session 2021-22

1 Introduction

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

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

This report covers the accounting period of 12 months to 31 July 2022.

The terms of reference of the Audit Committee are attached for information at **Appendix 1**. During the period under review the Committee met on 4 occasions: 04 October 2021, 29 November 2021, 16 March 2022 and 31 May 2022. Details of the membership of the Committee during this period are shown at **Appendix 2**.

2 Internal Audit

Henderson Loggie were re-appointed as the College's Internal Auditors in July 2016 for the period 1 August 2016 to 31 July 2020. An extension of this contract was implemented in March 2020 to enable completion of internal audits for the period to July 2021. This extension was implemented as a COVID related tender exemption.

A subsequent tender process was implemented for the 3-year period to July 2025, whereupon Henderson Loggie were reappointed as the College's Internal Auditors.

A comprehensive Audit Needs Assessment (ANA) and three-year Strategic Audit Plan was presented to, discussed with and approved by, Audit Committee at the meeting held on 16 March 2022 based on consideration of areas of higher risk and need from a review of the College's Strategic Risk Register, and a review of previous internal audit coverage.

The agreed plan focused on the key strategic risks of reputation, student experience, staffing, Estates & Facilities, Finance, Commercial, Organisation and Information & IT, alongside required annual audits and follow-up reviews. It was agreed that the number of Internal Audit days be increased to better reflect current risk, and would total 122 days over the 3-year period of the Plan, with 45 days assigned to 2021/22.

The Annual Report of the Internal Auditors for 2021/22 was considered by the Audit Committee at its meeting on **12 December 2022**. In the 2021/22 Annual Report, Henderson Loggie state that:

“In our opinion, with the exception of the follow up issues described in paragraph 1.11, the College has adequate and effective arrangements for risk management, control, and governance. This opinion has been arrived at taking into consideration the work we have undertaken during 2021/22 and in previous years since our initial appointment.”

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

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2022/01	Student Activity Data (Credits) 2020/21	Audit opinion unqualified	3	-	-	3
2022/02	Student Support Funds 2020/21	Audit opinion unqualified	4	-	1	3
2022/03	Payroll Double Payment	Satisfactory	2	-	1	1
2022/04	Strategic Plan 2021 to 2024 and Annual Plan 2021/22	N/A	N/A	-	-	-
2022/05	Partnership Working	Satisfactory	4	-	1	3
2022/06	Income / Debtors	Satisfactory	2	-	-	2
2022/07	Payroll	Satisfactory	4	-	1	3
2022/08	Building Maintenance	Satisfactory	3	-	1	2
2022/09	Quality	Good	1	-	-	1
2022/10	Follow Up	N/A	19 of 29 recommendations will require further action	-	12	7

Recommendation grades are defined as follows:

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

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

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

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

3 External Audit

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

A draft external Audit Annual Report 2020/21 was reviewed at the Finance and Resources Committee on 12 December 2022 and will be reviewed by the Board of Management at a meeting on 22 December 2022, and by the Auditor General.

The draft Financial Statements including accounting policies, disclosures and the external auditor's opinion for the year ended 31 July 2022 were submitted to the Committee on 12 December 2022 and after full discussion were recommended for approval by the Board at a meeting on 22 December 2022.

The Corporate Governance statement included in the audited Financial Statements for the year ended 31 July 2022 was reviewed along with the Financial Statements.

4 Effectiveness of the Audit Committee

A 'Review of Meeting' item at the end of every agenda was continued by the Audit Committee throughout 2021/22. This was to enable members the opportunity to reflect on and discuss the effectiveness of the meeting. No concerns about the conduct of the meetings have been raised.

5 Value for Money

The College continues to work closely with Government forums and Advanced Procurement for Universities and Colleges (APUC) and follows the guidelines that have been developed to support the sector in line with best practice.

In response to a recognition of the need to improve procurements procedures, in November 2018 the College made the decision to buy-in direct support from APUC has contracted APUC to provide direct support in the development of more robust systems and processes. Initially, this was obtained via a remote support arrangement with the Head of Procurement – UHI Shared Service (APUC), however since July 2019 a member of APUC staff has been contracted to work directly for the College to take the project forward.

6 Review of the Effectiveness of Internal Control and Risk Management

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

- It is satisfied with the scope, frequency and quality of the reports received during the year.
- It is satisfied with the College's ability to respond to changes in the operating environment.
- It is satisfied with the scope and quality of senior level involvement in monitoring risks.
- It is satisfied with the extent and frequency of reports to the Board.
- It agrees that there had been no significant control failings or weaknesses identified during the year.
- It is satisfied with its public reporting processes.

It is recommended that an informal review of effectiveness is undertaken on an annual basis. During the financial year 2021/22, Audit Committee reviewed the internal Audit plan and took the decision to prioritise Audit days towards Payroll, Buildings Maintenance and Quality, as these were felt to be higher risk issues for the College.

7 Other Matters

The College Governance Manual, including the Terms of Reference for Board Sub-Committees, was fully reviewed during 2020 and the revised edition approved by the Board on 10 June 2020. Subsequent to this review, the title and/or nature of the 4 Standing Committees of the College were reviewed during 2021, and new Terms of Reference for each Committee were agreed.

In addition, Audit Committee reviewed the College's Code of Good Governance Compliance Checklist at its meeting on 04 October 2022, to provide comfort to Audit Committee that the College maintains its required levels of compliance.

8 Opinion and Conclusion

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

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

It is the opinion of the Committee that the Board of Management's responsibilities as described in the Responsibilities of the Board of Management Statement included in the financial statements for the year to 31 July 2022 have been satisfactorily discharged.

It is also the opinion of the Committee that compliance with the SFC audit requirements as incorporated in Financial Memorandum have been ensured, whilst noting the Disclosures detailed within Appendix 3.

Perth College UHI Audit Committee, 12 December 2022

AUDIT COMMITTEE

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 Staff 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 & Resources Committee, the Staff Board Member nominated to Finance & Resources Committee, and the Student Board Member nominated by HISA Perth to Finance & Resources Committee.
- No member of the Finance and Resources Committee shall also be a member of the Audit Committee.
- The Chair of the Board, the Principal and the Chair of the Finance and Resources 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.

Appendix 2 - Membership of the Audit Committee during the period 1 August 2021 – 31 July 2022

Jim Crooks (Chair)

Ann Irvine (Vice Chair)

Graham Watson

Fiona Martin

Madeleine Brown (resigned 30 June 2022)

PERTH COLLEGE

Audit Committee

Annual Assessment of Effectiveness of Internal Control

1 Introduction

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

2 Review of Reports Received During the Year

During 2021/22, the Audit Committee received the following internal audit reports from Henderson Loggie:

Audit Action Plan 2021/22-2024/25
2020/21 Student Activity Data
Student Support Funds 2020/21
Student Recruitment & Retention
Staff Skills
Payroll Overpayment
Follow-Up Reviews

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

During 2021/22, the Finance and Resources Committee and the Board received quarterly reports on income and expenditure against budget. Reports were also provided on assets and liabilities. Variance reporting was used to highlight areas of risk and compensating action was taken.

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

3 Changes During the Year

Changes and developments in the external operating environment which were substantive agenda items at the Committee meetings in 2021/22 are listed as follows:

1. SFC Funding: Continued limitations in funding for the College sector coalesced during 2021/22, and future funding restrictions will be applied in the sector for the foreseeable future. This is a significant risk to the financial sustainability of the college as it could be difficult to cover increases in staff costs and non-staff costs in the future.
2. Student Numbers: Post Brexit and COVID-19, the College have been impacted by falling Higher Education student numbers. It is believed that this is due to universities changing their entry requirements which has increased their student numbers. This is a significant risk to the funding entitlement of the College now and in the future.
3. National Pay Bargaining: While academic staff roles have been agreed nationally, the professional services job evaluation exercise remains ongoing and will continue into at least 2022/23. This is a significant risk for the college sector due to the loss of direct control over staffing costs, a major element of the College cost base.

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

4 Scope and Quality of Risk Monitoring

The Risk Register was reviewed quarterly then forwarded to Audit Committee for monitoring and oversight. Continuing and emerging risks were recognised as:

The continued impact of COVID-19 and its wider economic impact in relation to financial sustainability, student retention and wellbeing, continued financial uncertainty and sustainability, and International students; national pay bargaining; and ongoing discussions with UHI and Academic Partners

The College's actions in response to Strategic Risk Register discussions and actions are monitored by the Audit Committee and Board. An updated approach to Risk Monitoring is being implemented by assigning the monitoring of key risks to committees. These Risks will be linked to the Key Performance Indicators identified during the Strategic Planning process which resulted in a new Strategic Plan 2022-2027 being approved by the Board of Management in June 2022.

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

5 Communication to the Board and its Committees

Board Responsibility:

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

Response

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

Henderson Loggie were re-appointed as the College's Internal Auditors in July 2016 for the period 1 August 2016 to 31 July 2020. An extension of this contract was implemented in March 2020 to enable completion of internal audits for the period to July 2021. This extension was implemented as a COVID related tender exemption. A subsequent tender process was implemented for the 3-year period to July 2025, whereupon Henderson Loggie were reappointed as the College's Internal Auditors.

Audit Committee receives regular progress reports against the Internal Audit Action Plan at each scheduled meeting,

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

6 Control Failings or Weaknesses

During the year ending 31 July 2022, the following control weakness was identified as requiring action:

Area	Issue	Action
Payroll	<p>The College and subsidiary AST (Engineering) Limited, made a double salary payment to staff in the October 2021 payroll run.</p> <p>The incident was promptly identified by the College and steps were taken to try and prevent the payment from being made however the bank were unable to stop the payment once initiated.</p> <p>An internal investigation was undertaken and a detailed report provided to the Joint Finance and Resources and Audit committee in November 2021.</p>	<p>Control improvements were identified and implemented, eg segregation of BACS authorisation.</p> <p>A plan for recovering the monies was implemented, with 99.8% of funds having been recovered</p>

7 Effectiveness of Public Reporting Procedures

- Perth College UHI is committed to the principles of openness and accountability in all its activities. In response to our obligations under the Freedom of Information Act (Scotland) 2002, the College has adopted and will maintain the Model Publication Scheme for Scotland's Colleges.
- The Board is updated annually on the requests for information received under the Freedom of Information Act (Scotland) 2002 and Data Protection requests.
- The College completes and lodges a number of statutory returns to demonstrate appropriate use of public funds.
- Information about the Board and its members is available on the website, including the Register of Interests.
- Board of Management minutes and papers are published on the website.
- The Perth College Annual Accounts are published on the website. The Annual Accounts for Air Service Training (Engineering) Limited are lodged with Companies House.
- The Annual Report is published on the website. A hard copy is available to anyone who makes a request.

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

Audit Committee

DRAFT Minutes

Meeting reference: Audit 2022-23/01

Date: Wednesday 19 October 2022

Location: Boardroom (Braham Room 019)

Members present: Jim Crooks, Board Member
Fiona Martin, Board Member
Debbie McIlwraith-Cameron, Board Member
Derek Waugh, Board Member
Liam Fowley, Student Board Member

In attendance: Margaret Cook, Principal
Lorenz Cairns, Depute Principal
Veronica Lynch, Vice Principal (External)
Iain Wishart, Vice Principal (Operations)
Stuart Inglis, Henderson Loggie
Ian McCartney, Clerk to the Board

Apologies: Graham Watson, Interim Chair, BoM
David Archibald, Henderson Loggie
Stephen Reid, Ernst & Young
Rachel Wynn, Ernst & Young

Chair: **Jim Crooks**

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>Chair noted the late addition of an update paper regarding Duplicate Salaries, issued by the Head of HR & Organisational Development. It was agreed that this paper would be discussed as Item 12, with Items 12 and 13 on the agenda becoming Items 13 and 14 respectively.</p>	
3.	<p>Declaration of Conflict of Interest in any Agenda Item</p> <p>There were no declarations of interest.</p>	
4.	<p>Minutes of Meeting of Audit Committee, 31 May 2022</p> <p>The minutes were approved as an accurate record of the meeting.</p>	
5.	<p>Matters arising from previous minutes</p>	
	<p><u>Matters arising from 31 May 2022</u></p> <p><u>Ref 6.2 – Internal Audit – Audit Action Plan</u> Action: Internal Auditor to add additional column re previous review to provide assurance</p> <p>Action Update: Action not yet complete. Carry forward.</p> <p><u>Ref 6.5 – Risk Appetite & Risk Register Model</u> Action: Chair requested that additional information re the Monitoring Committee be added to Risk Register</p> <p>Action Update: Displayed within model presented under Item 8.1. Action complete.</p>	Internal Auditor
6.1	<p>Annual Health & Safety Report</p> <p>Depute Principal presented Paper 2, noting previous items for improvement that had been addressed, although some improvements were still required, including levels of mandatory training.</p> <p>Chair queried training benchmark figures. Depute Principal advised that these had been taken from the 2020 Audit Report. Chair noted that it was difficult to see progress within this table and requested</p>	

	<p>workshop to take managers through the process.</p> <p>Committee noted Paper 4.</p>	
7.2	<p>Balanced Scorecard</p> <p>Depute Principal presented a verbal update on the Balanced Scorecard, advising that staff teams were being tasked with generating plans for achieving KPIs within their areas, with Board receiving a concise version. It is intended that this will provide a full and meaningful Balanced Scorecard during Board Cycle 3.</p> <p>Chair queried whether the process by which the KPIs are being arrived at will result in something close to an operational plan for staff. Depute Principal advised that there is an expectation that the KPIs will be at the forefront of team meetings and staff conferences to ensure it is a living document.</p>	
8.1	<p>Strategic Risk Register</p> <p>Vice Principal (Operations) presented Paper 5, being a working example of the proposed new format for the monitoring of Strategic Risk.</p> <p>Following a query from a Board Member re the potential number of Risks being monitored, and the ratio of Risks shown being operational rather than strategic in nature, Vice Principal (Operations) clarified that Board will receive a summary of key risks related to the Balanced Scorecard. Chair expressed satisfaction around only the monitoring of those KPIs driving success.</p> <p>Board Member welcomed the interactivity of the model presented, and its usefulness once in use.</p> <p>Committee approved the approach adopted for monitoring Strategic Risk.</p> <p>Vice Principal (Operations) noted potential issues re Risk Appetite under the proposed model, and invited Committee to scrutinise levels of Risk Appetite. Committee agreed that this required additional review, which would take place once document was fully completed to provide focus for this discussion.</p>	
8.2	<p>Code of Good Governance – Compliance Template</p> <p>Clerk presented Paper 6, advising Committee of the “Partial” assessments against Code Standards A7 and C27.</p> <p>Clerk also advised on the work required for future compliance against Code Standards B7 and D1.</p>	

	<p>Board Member queried when KPIs would be published on website per Code Standard A7. Principal noted that some care is required in this area as some internal measurements may not be appropriate for public display. However, all statutory reporting areas are published in other areas of the website.</p> <p>Committee approved the draft Compliance Template.</p>	
8.3	<p>Staff Governance Standard</p> <p>Principal presented Paper 7 for information, noting the areas of contention and advising that further meetings with the trade unions were to be arranged.</p> <p>Committee noted Paper 7.</p>	
9.1	<p>Internal Audit Report – Partnership Working</p> <p>Internal Auditor presented Paper 8, and summarised main points with the report, and noted that an Audit Scotland toolkit was used to assist measurement.</p> <p>Although an area of Required Improvement was noted, overall the report was Satisfactory.</p> <p>Chair noted that 2 Extraordinary Board meetings had taken place which now superseded some elements of this report, including the invitation of the Chair of Court to future Board meetings.</p> <p>Committee approved Paper 8.</p>	
9.2	<p>Internal Audit Report – Debtors/Income</p> <p>Internal Auditor presented Paper 9, noting a positive report with minor recommendations, and that work was ongoing to achieve these recommendations.</p> <p>Committee approved Paper 9.</p>	
10	<p>FOI & Data Protection Quarterly Update</p> <p>Clerk presented a year-to-date update of FOI and Data Protection issues reported under Paper 10 for information. The report was noted by Committee.</p>	
11	<p>Minutes of Health & Safety Committee, 01 September 2022</p> <p>These minutes were noted by Committee.</p>	

12	<p>Duplicate Salaries Update</p> <p>Principal presented an update paper on the Duplicate Salaries incident, and noted pleasure at the rate that monies have been recovered. Principal also advised that a monthly report was still being provided to UHI on this issue.</p> <p>Chair thanked Principal for diligent approach to this matter, which had minimised any potential losses.</p> <p>Committee noted the update paper.</p>	
13	<p>Date & Time of Next Meeting</p> <ul style="list-style-type: none"> Monday 12 December 2022 @ 6pm (includes joint meeting with Finance & Resources Committee) 	
14	<p>Review of Meeting</p> <p>Committee confirmed that the meeting had been conducted in line with its Terms of Reference.</p> <p>Vice Principal (External) noted error regarding Vice Principal (Operations) within the Terms of Reference. Clerk to amend.</p>	Clerk

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

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

Status of Minutes – Open

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

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

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

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

Committee	Audit Committee
Subject	Transitioning to Enterprise Risk Management
Date of Committee meeting	12/12/2022
Author	Iain Wishart, VP Operations
Date paper prepared	06/12/2022
Executive summary of the paper	Describe why we would move to ERM, what ERM is and propose the role of the Board moving forward.
Consultation How has consultation with partners been carried out?	Update on prior papers on the same subject.
Action requested	<input type="checkbox"/> For information only <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input checked="" type="checkbox"/> For approval
Resource implications (If yes, please provide details)	Yes/ No Details the use and performance of resources
Risk implications (If yes, please provide details)	Yes/ No Risk Management Paper
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance 	Has a direct link to managing Strategic Risks

<ul style="list-style-type: none"> • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>This paper assists with risk management, compliance with legal duties and with the Code of Good College Governance.</p>
<p><u>Equality and diversity</u> Yes/ No If yes, please give details:</p>	<p>Click or tap here to enter text.</p>
<p>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)?</p>	<p>Yes/ No If yes, please give details: Click or tap here to enter text.</p>
<p><u>Data Protection</u> Does this activity/ proposal require a Data Protection Impact Assessment?</p>	<p>Yes/ No Set out any data protection aspects and whether a data protection impact assessment is needed</p>
<p>Status (e.g. confidential/non confidential)</p>	<p>Non-Confidential</p>
<p>Freedom of information Can this paper be included in “open” business?* -Yes</p>	<p>Papers should be open unless there is a compelling reason for them to remain closed. If a paper, or parts of a paper, are to remain closed the reason for that exemption must be specified – see reasons below</p>

* 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? Until the OBC and FBC are approved and funding awarded to begin the project. This would be for an estimated 12 months.

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

UHI Perth: Transitioning to Enterprise Risk Management (ERM)

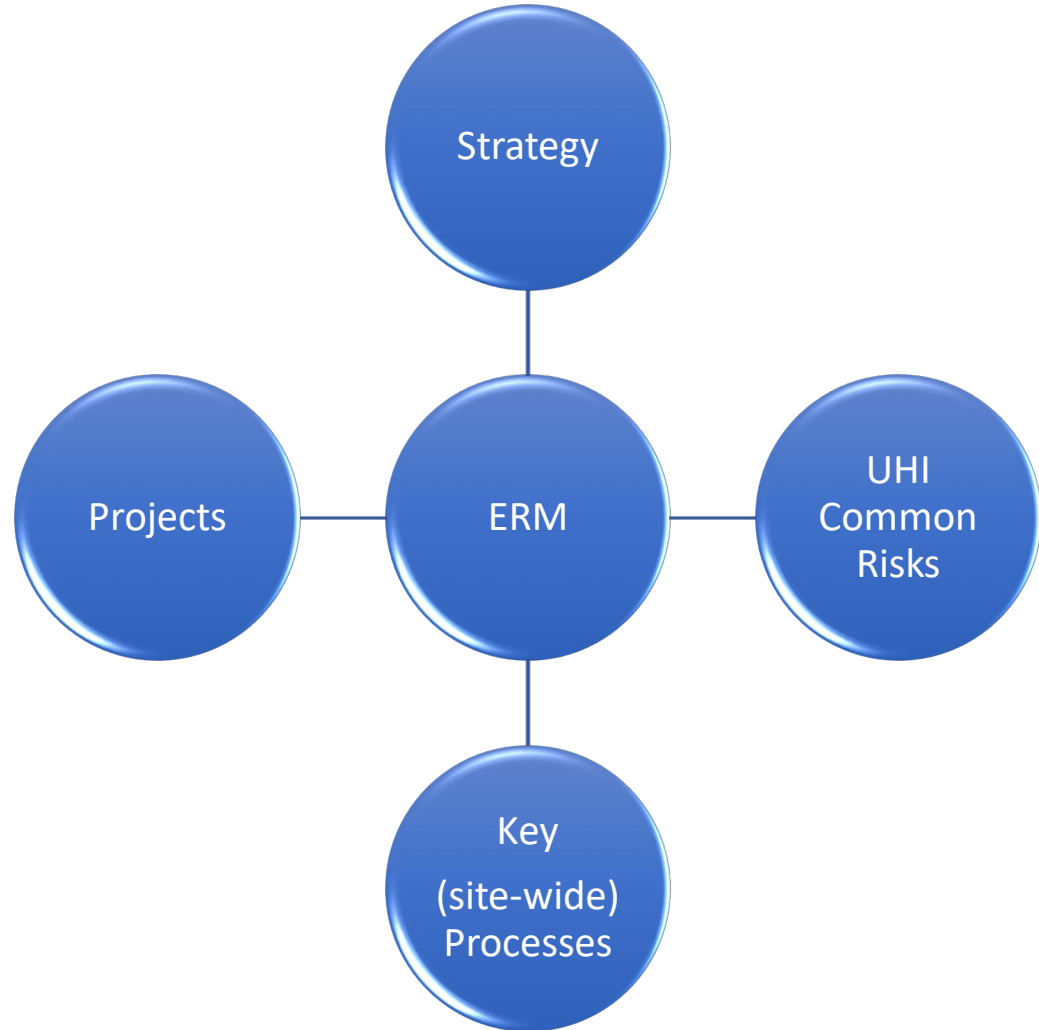


It has been proposed that we move away from the current “Strategic Risk Register” to Enterprise Risk Management (ERM). Why would we want to move away from the current Strategic Risk Register?

Weaknesses of the current strategic risk register process:

- Not aligned with our strategy.
- Does not appear to link risk actions with risks that could causes Events but rather a list of random actions. This results in us working at too high a level and finding it difficult to make progress.
- Doesn't consider risk response options.
- No review of control effectiveness.
- Does not link to Board risk appetite.
- Is not a circular process.
- Only focuses on what are considered to be strategic risks.
- Duplication of risks with different responses.
- Is not applied across the organisation.

ERM removes these weaknesses and provides an expansive framework that can be used across the organisation. The diagram on the right shows what the proposed ERM roll out would cover.



Before presenting the ERM process it is important that we deal with the introduction of risk appetite and how it applies to the proposed ERM coverage .

Strategy

“Strategic risks are, by definition, the risks of you not achieving your business strategy. This means that a business which fails to deal with its strategic risks faces failure if those risks eventually materialise.”

By applying the definition above we could apply a single strategic risk appetite score to all risks in this category. However, in classifying everything under one appetite score it ignores the type of risk e.g. Legal, Technology, Commercial etc for which the Board may have varying risk tolerances. Strategic objectives can fail due to a wide range of types of risk. Additionally, the Orange Book (which we have currently adopted for our risk appetite) defines strategic risk as follows:

“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).”

This definition appears to be about the risk of setting a poor strategy, executing poorly and also indicates that there are different types of risk.

As risk appetite plays a significant role in ERM, and based on the conundrum above, we will consider risk appetite further before moving on to the next ERM coverage.

Risk Appetite

Risk appetite provides a framework which will enable UHI Perth managers to make informed management decisions. By defining risk appetite scores the Board know that tolerances have been set and managers know when to elevate risk to the SMT and Board level.

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.

The risk categories we choose is up to the Board of Management. At the moment we have adopted the government Orange Book risk categories and classifications. These are set out over slides 4,5 and 6 and, on reflection, could be too complex for our usage/application.

Slide 7 & 8 presents one alternative from the Global Association for Risk Professionals which appears to be much simpler to understand and aligns with the scoring matrix shown. In this example the scoring is across a number of key risk categories so that if a manager was looking at, for example, a digital process or change and the Board had set their risk appetite at 4 then it gives the manager a set of clear parameters within which to measure risk.

The importance risk appetite scoring is that if a risk was determined to be higher than the risk appetite of the Board then it has to be elevated to Board level before progressing.

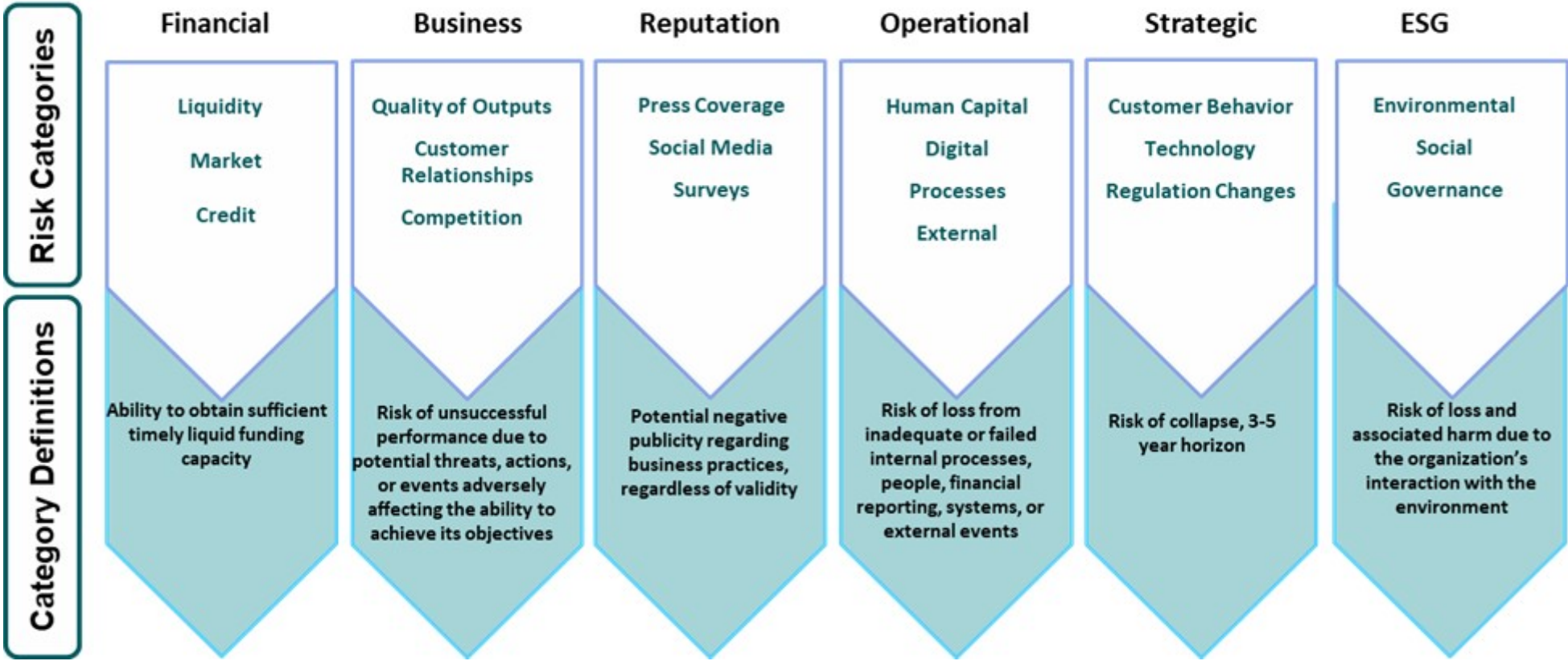
We need to be comfortable with the risk appetite and scoring as the more complex this is, the more work is required and it can become confusing to apply.

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 the 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.

	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	<p>No tolerance for security risks causing loss or damage to HMG property, assets, information or people. Stringent measures in place, including:</p> <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 	<p>Risk of loss or damage to HMG property, assets, information or people minimised through stringent security measures, including:</p> <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. 	<p>Limited security risks accepted to support business need, with appropriate checks and balances in place:</p> <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. 	<p>Considered security risk accepted to support business need, with appropriate checks and balances in place:</p> <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. 	<p>Organisational willing to accept security risk to support business need, with appropriate checks and balances in place:</p> <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.

Alternative Risk Appetite Model

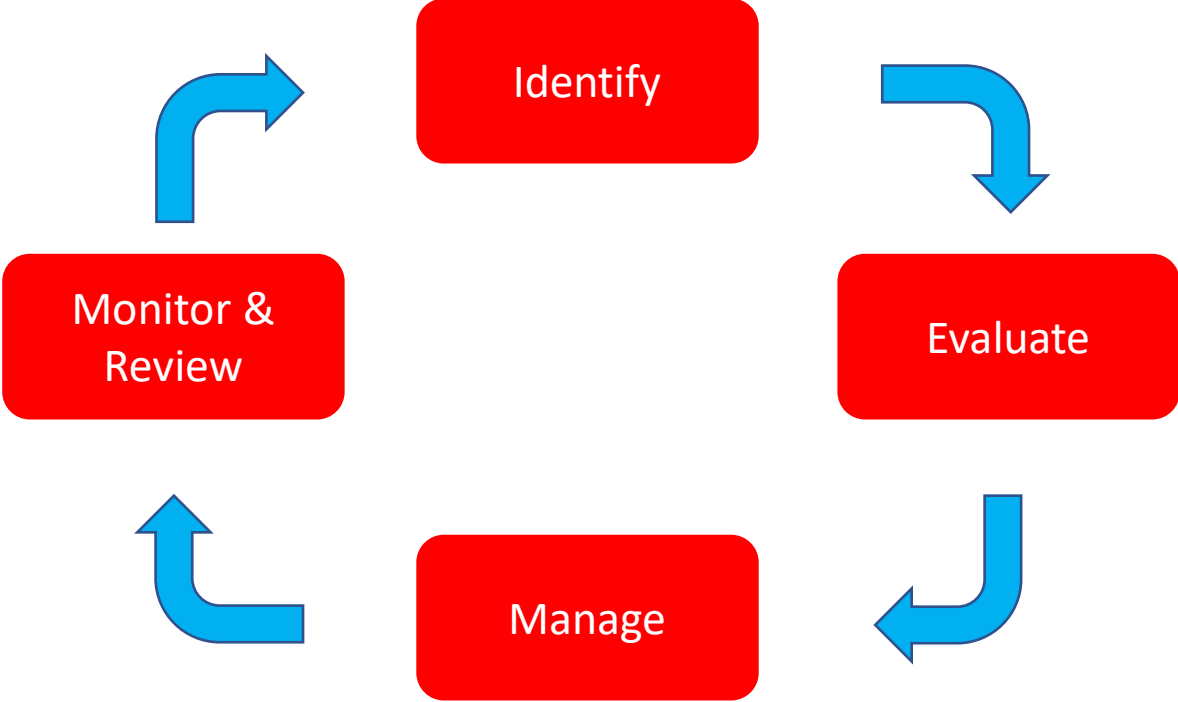


Alternative Risk Appetite Model

Score	Impact	Financial	Operational	Safety and Wellbeing	Business	Reputational
1	Minor	Income: <\$5MM B/S: <.099BN	Limited failure of operations	Individual directly exposed to harm or suffering	Failure to meet customer needs with inconsequential impact	Limited negative publicity No effect on reputation/image
2	Somewhat Moderate	Income: \$5-10MM B/S: >\$.1-.29N	Failure of operations with limited scope	More than one individual directly exposed to harm or suffering	Failure to meet customer needs with limited impact	Regional negative publicity Minor short-term effect on reputation
3	Moderate	Income: \$15-24MM B/S: >\$.3-.49BN	Failure of operations affecting one stakeholder	Many individuals directly exposed to harm or suffering	Failure to meet customer needs with customer impact	Regional negative publicity Pressure to control the message Moderate damage to reputation
4	Somewhat Major	Income: >\$25-49MM B/S: \$.5-.74BN	Failure of operations affecting one stakeholder	Multiple individuals directly exposed to harm, and one or more physically injured	Failure to meet customer needs with multiple customer impacts	Negative publicity and Intense pressure to control the message Significant damage to reputation
5	Major	Income: \$50-100MM B/S: \$.75-.99BN	Failure of operations with broad scope affecting many simultaneously	Multiple individuals directly exposed to harm, requiring medical assistance	Failure to meet customer needs with impacts across a department	Negative publicity. Cannot control the message Severe long-term damage to reputation
6	Critical	Income: >\$100MM B/S: >\$1BN	Failure of operations affecting many, including loss of life	One or more serious physical injury, including loss of life	Failure to meet customer needs with impacts across all departments	Negative publicity impairs image or reputation Significant decrease in funding



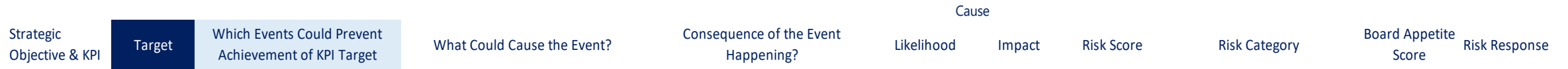
When we align the steps in the ERM Framework it creates a circular process or feedback loop that continually reviews the relevance and effectiveness of our processes and controls.



Risk Identification & Evaluation

For the purposes of reviewing each of the steps on page 10 we will assume we are looking at the ERM Strategy. This requires us to use the definition:

“Strategic risks are, by definition, the risks of you not achieving your business strategy. This means that a business which fails to deal with its strategic risks faces failure if those risks eventually materialise.”



These first two stages of our ERM process follow a step by step process, working from left to right....

1. Set out the strategic objective & KPI.
2. Document the target.
3. We then need to define the EVENTS that could prevent us achieving the KPI target.
4. From this point we need to identify what could CAUSE the EVENT to happen. These are the areas that we want to apply risk management against.
5. Note the consequence of each Event happening.
6. Without risk management being applied, what is a) the likelihood of the Cause b) the Impact of the Cause and when multiplied together this will give a Risk Score c).

7. What type of risk are we looking at? We set that by using the risk appetite categories set by the BOM.

8. Entering the Risk Category automatically populates the Board risk appetite score for comparison with 6 c).

9. We now need to determine our risk response which will be: Avoid, Transfer, Mitigate, Accept.

Action(s)	Post Management		Risk Score	Person Responsible for Action	Completion Date
	Likelihood	Impact			

Having now identified and evaluated our risks we need to begin to manage the risks. Again we carry out a step by step process, working from left to right.

1. Based on our risk response, what actions are we going to take?
2. When we take these actions what do we believe that a) the likelihood of the cause will change to? b) the impact of the cause will change to? Multiplying these two together we arrive at a revised risk matrix score c). This can be measured against the Board Risk Appetite Score at 8 on page 11.
3. We need to assign a person to be responsible for carrying out the action.
4. We need to set a target date for completion of the actions.

Monitor & Review

Revised Completion Date	Days Late	% Complete	Control Testing Regularity	Control Effectiveness	Have Events Been Reviewed	Committee Responsible
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Having now identified, evaluated and initiated the management of our risks we now need to monitor and review controls. Again this is carried out through a step by step process, working from left to right.

1. If we don't think the original completion date is achievable we can enter a revised date for consideration.
2. The date at 1 will automatically calculate any days late.
3. The person responsible has to indicate the % complete for actions they are implementing.
4. The next areas begin in when we complete the control/solution implementation. When controls are in place they need to be monitored on a regular basis. This column notes how regularly we need to test the control. This could be weekly all the way out to annually depending on the impact the risk could have.
5. Controls need to be checked, in line with 4 above, to ensure that they are still effective. Verification would be given in this section.

6. UHI Perth also need to go back and look at the list of Events and Causes for each strategic objective and ensure that they are still correct e.g. has something changed that means we need to add a new risk, has the risk gone away completely and no longer needs to be managed etc. This column is just an indicator to the reader that this work has been carried out. This is an example of the feedback loop nature of the new process.

7. The final column is a note of the Committee who would be responsible for this control.

Audit Committee Role (Proposal)

The diagram on the opposite side of the page shows that item 1, under Governance & Culture, is “Board Risk Oversight”

What does this mean at UHI Perth. This can mean whatever the Audit Committee determine is appropriate/required. However, as ERM is going to be a more expansive program the Board will probably need to take a higher oversight position rather than being in all the detail. To this end it is proposed that:

- The Board ask Internal Audit to review the complete process once a year to confirm its coverage and effectiveness.
- Audit Committee meetings cover
 - Monitoring by exception e.g. days late, controls that are no longer effective, failure to review Events, risks that score higher than the Board appetite for that risk etc. A link to where UHI Perth store the risk management information would be available to the Board but meetings would only cover monitoring.
 - Proposed changes to the program, reporting etc.
 - Annual update from Internal Audit.
 - Where risk scores (pre risk management and post risk management if applicable) are higher than the Board appetite then these risks need to be highlighted immediately to the Audit committee with the proposed actions and expected post risk management scores. This means that they could happen outside of Audit Committee meetings. As noted above these risks would be further discussed in Audit Committee meetings.



Perth College UHI

Payroll

Internal Audit report No: 2022/07

Draft issued: 2 December 2022

Final issued: 5 December 2022



	Page
Section 1	
Management Summary	
• Overall Report Grade	1
• Risk Assessment	1
• Background	1
• Scope and Objectives	2
• Audit Approach	2
• Summary of Main Findings	3
• Acknowledgements	3
 Section 2	
Main Findings and Action Plan	4 - 15

Level of Assurance

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

Gradings are defined as follows:

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

Action Grades

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



Management Summary

Overall Level of Assurance

Satisfactory

System meets control objectives with some weaknesses present.

Risk Assessment

This review focused on the controls in place to mitigate a number of risks Perth College UHI ('the College') identified in its Strategic Risk Register (May 2022), including these key risks:

- Risk 15 - Internal controls do not exist or are not effective in preventing a significant issue/event. (residual risk score: 15)
- Risk 21 - Non-compliance with relevant statutory regulations. (residual risk score: 9)

Background

As part of the Internal Audit programme at Perth College UHI for 2021/2022, we carried out a review of the systems in place for Payroll. The Annual Plan, agreed with management and the Audit Committee, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Principal and the Audit Committee that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

There are two key teams involved in the College's payroll process: Human Resources (HR) who process the employee information and changes and Payroll, who completed the key calculations and for the College and Aire Service training (AST) employees. Employee information is held in two separate systems: Ciphir (the HR system) and Payrite (the payroll system). There are fixed timelines established for completion of the payroll, which are published to ensure awareness of the timetable for line managers.

Once the payroll amendments are completed the payroll is run by Finance. The payroll cost for the College is circa £20.5m per annum with the payroll cost for the Group (including AST) totalling circa £21.5m (as per the latest published accounts for the financial year ended 31 July 2021).

It should be noted that following the conclusion of our audit fieldwork, direct communication was received from both a trade union representative and member of College staff. These communications raised complaints about the methodology deployed by the College in calculating the initial pay of employees in new roles (and in particular staff in part time roles). These direct communications were reported to the Chair of the Audit Committee and the Principal, primarily due to the timing and nature of the communications and the allegations made.

Therefore, it should be noted that this report does not include a review of the technical competence of the methodology adopted by the College for calculating initial pay. Questions on the technical competence of the College methodology form the basis of the complaints raised within the direct communications received by Henderson Loggie on 25 November 2022 and 28 November 2022 but these questions were not within scope for this review and will be dealt with through a separately commissioned review, which will look specifically at the lawfulness of the methodology deployed by the College to calculate initial pay. The focus for the testing of initial pay in this report focuses on the consistent and accurate application of the College methodology in calculating initial pay and the correct calculation of national insurance, tax and pension contributions (because these are prescribed and are not at the discretion of the College).



Scope, Objectives and Overall Findings

This audit considered the key internal controls in place over the College’s spend on staff costs. Our audit reviewed the processes in place within both the Human Resources and Payroll teams. This covered the payment of staff expenses and additional hours.

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

Objective	Findings				
		1	2	3	Work in Progress
The objective of our audit was to obtain reasonable assurance that systems are sufficient to ensure:		No. of Agreed Actions			
1. Correct calculation of gross pay and deductions	Good	-	-	-	✓
2. Correct calculation of employer national insurance and superannuation contributions	Good	-	-	-	✓
3. Part-time lecturers, overtime and staff expenses payments are properly authorised	Satisfactory	-	-	2	
4. Approval and checking of changes to employee standing data	Good	-	-	-	
5. Starters and leavers are properly treated and enter and leave the system at the correct dates	Requires Improvement		1	1	✓
6. Proper authorisation, processing and recording of payments	Good	-	-	-	
Overall Level of Assurance	Satisfactory	-	1	3	
System meets control objectives with some weaknesses present.					

Audit Approach

Through discussion with Human Resources and Payroll management, and review of procedures documentation, we identified the key internal controls in place. We walked through the HR processes for processing employee information for payroll, including the processing for starters, leavers, and changes. We reviewed the completeness of employee record retention on Sharepoint and the HR system, Ciphre, and the calculations performed on payroll information before submission to the Payroll Team.

We also reviewed the payroll process and use of the payroll system, Payrite, including the processing of additional hours and timesheets, and compared these with expected controls. We walked through the checks and balances completed on payroll and submission of payroll to bank. Compliance testing was also carried out for the September 2022 payroll (and across the current academic year) to ensure that the controls in place were operating effectively, concentrating on starters; leavers; employee and employer contributions (superannuation and tax); variations to pay; and staff expenses payments.



Summary of Main Findings

Strengths

- Management has a strong awareness of the inefficiencies ingrained in the current payroll process and are in the process of procuring a new HR and Payroll system, which will reduce the level of manual intervention presently required by HR and Payroll teams;
- Despite the inefficiencies noted above, we confirmed that the payroll is processed in compliance with requirements and gross pay for the sample reviewed was paid accurately and on time;
- Starters and leavers are processed in line with College procedural requirements;
- Employee information retained on CiphR aligns to the information recorded in employee records;
- There are audit trails for the calculations and reconciliations completed, providing assurance that all relevant checks and balances are being consistently undertaken by Payroll;
- Changes to employee standing data is being dealt with appropriately; and
- There is sufficient record keeping and audit trails in place to demonstrate segregation of duties between those providing information (HR), processing information (Payroll) and implementing the pay (Finance) and audit trails are retained to demonstrate that proper authorisation, processing and recording of payments was adopted.

Weaknesses

- Recently revised SPPA percentages had not been updated on the Payrite system, resulting in employee contributions being incorrectly calculated for one of the 15 individuals sample tested. We confirmed that this had been an oversight by management. Adjustments were made in the October 2022 pay run. Compensating controls have subsequently been introduced to prevent recurrence and the recommendation was completed during the course of our audit fieldwork;
- The process for completing and processing timesheets is a manual one, leading to several inbuilt inefficiencies. As part of the procurement process for the new HR and Payroll System, management should explore the potential inclusion of a timesheet module which will automate the submission and approval of timesheets for effective and efficient review and processing by the HR and Payroll teams;
- Timesheets should be submitted at the end of each month worked. However, this is not always the case and staff we observed instances where staff are submitting timesheets several months late. Timesheet Guidelines should be documented and communicated to all SDDs, line managers and staff paid through timesheets to ensure awareness of cut off thresholds;
- The current process deployed by line managers, to communicate the start dates of new employees on the Contract Spreadsheet, is inefficient. This has resulted in several instances of employees working for several weeks without contracts due to the fact that due diligence checks were not in place. The process for communicating starter dates should be improved to ensure that any red flags are identified promptly by HR; and
- Record keeping arrangements for leavers should be strengthened to ensure that all relevant information, such as leaver forms or contract extensions, are routinely retained on file. Consideration should be given to the recording of file contents on a checklist, in the absence of automated controls typically found in a document management system.

Acknowledgment

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



Main Findings and Action Plan

Objective 1 - Systems are sufficient to ensure correct calculation of gross pay and deductions

Perth College UHI sets its requirements for the management of payroll within its published Financial Regulations (June 2021). The College establishment is reviewed as part of the annual budget planning exercise and is subject to review by the Finance and General Purposes Committee (approved in May 2022 for the current year).

High level procedures are documented within the Payroll Procedures and HR guidelines. Responsibilities for applying the process is delegated to the HR and Payroll teams, who process the calculations of gross pay and deductions before the payroll is reviewed and submitted by the Finance Team.

The current processes are largely manual and are dependent on the maintenance of the good working relationships developed by the managers involved to ensure accurate calculation of gross pay for employees. While there is an HR system, CiphR, and a payroll system, Payrite, they are not interfaced. CiphR also does not meet the demands of the academic and supporting staff workforce and does not capture changes or provide an audit trail for the period an employee is employed. There is therefore the need for significant levels of manual intervention., which in our view increases the likelihood of inaccurate pay being awarded. The current manual processes also represent an inefficient use of resource in completing additional manual reconciliations, checks and balances.

Management are aware of the ingrained inefficiencies in the current processes and are currently procuring a new HR and payroll system, which should support improvements in the arrangements. A user needs analysis should be completed to ensure that all attributes required from the system are assessed before selection of the final system solution. Following the new system implementation, guidelines for the payroll process will be documented and these will include details on roles and responsibilities of those involved in the payroll process (from beginning to end) to ensure organisational transparency.

Whilst acknowledging the embedded inefficiencies in the current payroll process, our review noted that current controls are otherwise operating as expected. Our compliance checks on the gross pay of 15 employees, across a range of services, and including AST, did not highlight any significant issues beyond the issues raised below.

HR have responsibility for staff recruitment and the contractual arrangements of starters. They also retain responsibility for all staff salary changes, changes to contracted hours, timesheets for support staff, additional hours for academic staff, and processing leavers. Once this element of the process is completed, HR download the paylinks from CIPHR. These links are stored on Sharepoint and are accessed by the Payroll Manager, who uploads the data into the Payrite payroll system. This updates employee records and produces a report summarising any changes made.

HR also provide payroll with a Payroll Tracker spreadsheet detailing any miscellaneous changes applied in the month. This includes details on starters (with confirmation of the start date and starting salary), leavers (confirming leaving date, and any items such as holiday pay or any deductions from final pay that must be made). Other items such as salary deductions for overpayments, sick pay, changes in working patterns or any one-off payments that are to be made are also captured at this point. This tracker is used by Payroll to perform any necessary calculations for any miscellaneous items that need to be entered manually into the payroll system for that period.



Objective 1 - systems are sufficient to ensure correct calculation of gross pay and deductions

An Exception Report is also run by the Payroll Manager to highlight any material variances between the current payrun and previous payruns. Any variances outwith the agreed parameters are examined to ensure that the variations are valid and can be explained. Explanations for month-on-month variation would be overtime timesheets, back pay, holiday pay and starters or leavers mid-month.

The report also provides information on any National Insurance table changes required, starter and leavers information, and provides a list of people not being paid (which is checked to ensure that it is valid that they are not being paid).

The Management Report is also run. This provides the list of employee's gross pay to net pay report, p32 reports, pension information, cost breakdowns, all deductions and salary changes made in month. The Employee Summary section of the report provides totals of Gross Pay, PAYE, EE NI, Pensions, deductions and other adjustments and Net Pay. These are reconciled to the p32 reports, RTI report and BACS reports. Our walkthrough of the reconciliations completed confirmed that arrangements were reasonable. This is used by the Head of HR to assess the arrangements against the detail logged on Ciphre. Any issues are investigated by either the HR and/or Payroll teams.

Our walkthrough and sample testing noted that there was appropriate document retention of HR and Payroll reports to demonstrate that controls were in place and operating as expected. Further details are documented later in this report.



Objective 2 -Systems are sufficient to ensure correct calculation of employer national insurance and superannuation contributions

National Insurance and PAYE: The Real Time Information (RTI) report is run and reconciled for PAYE and NI to the p32 report from the Management Report. Once all figures have been reconciled, the information is uploaded to HMRC by the Payroll Manager. Our sample testing of employee and employer NI and PAYE calculations noted payments were in line with the tax codes recorded on employee records provided.

Pension contributions: When all items have been input into Payrite, and have been checked, the auto enrolment reports are run and any employees requiring to be enrolled in a pension scheme are enrolled. The College offers two pension schemes: SPPA and Local Authority (Tayside). Employees of AST are also processed through the Perth College UHI payroll and their pension contributions are made to Standard Life. Our sample testing noted no issues with the employee and employer deductions made for employees enrolled in the Local Authority Pension Scheme or with Standard Life.

Our testing highlighted that the recently revised SPPA percentages had not been updated on the Payrite system resulting in employee contributions being incorrect for one individual out of the 15 individuals sample tested. This had been an oversight by management.

Their feedback noted that the change was not material and impacted only four employees who dropped down a level in terms of pension deduction thresholds. Adjustments were made in the October 2022 pay and compensating controls have since been introduced to prevent recurrence, through the creation of a new report that highlights pension contributions to pay scales and provides a red flag on any calculation that does not align to expected rates. This is now monitored as part of the monthly payroll process. Since this remedial action was taken proactively during our audit fieldwork we have not raised a separate recommendation on this point.



Objective 3 - Systems are sufficient to ensure part-time lecturers, overtime and staff expenses payments are properly authorised

Part-time and overtime payments

Individuals on fixed term contracts, zero-hour contracts, or permanent staff completing additional hours, should claim for additional time worked using timesheets that are readily available on the staff intranet. Contracts for staff set out the rules to be applied in order to receive payment for this additional time worked. The contractual rules routinely state that the claimant is required to submit monthly pay claims for authorisation by line management, in accordance with the published Submission Dates Summary (which are published annually by HR and are communicated to line managers). The contracts also state that additional hour claims and timesheets must be made monthly. Failure to submit pay claims by the specified submission date may result in delays to the payments being made or to a payment not being authorised. Claims for hours worked three months or more prior to the submission date of the claim form should not be authorised – meaning that no payment will be made for these hours worked. However, we noted that there are instances where these rules are not being adopted consistently across staff and we have raised the following recommendation.

The process for completing and processing timesheets is also manual. Timesheet forms are completed by the individual and these are reviewed by their line manager who then sends the reviewed timesheets to the HR central inbox. HR check the claim against the employee's contractual terms to establish whether the claim contains any overtime. Details of the pay required are documented on the timesheet by HR. Once HR have checked the timesheets, these are passed to Payroll for processing.



Payroll

Objective 3 - Systems are sufficient to ensure part-time lecturers, overtime and staff expenses payments are properly authorised (Continued)

Observation	Risk	Recommendation	Management Response	
<p>The level and manual nature of the timesheet process has led to the following inefficiencies being identified:</p> <ul style="list-style-type: none"> • Incomplete timesheets. Our sample testing noted several instances where no budget codes were present, signatures were not dated, or approver job titles present to ensure organisational awareness of the line manager approving the timesheets. • Lack of transparency on estimated pay due. The estimated amount claimed was not present to allow review for budget monitoring or employee monitoring against their payslip. • Resource consuming. The process is resource heavy for HR chasing for additional information and Payroll in the manual calculations and checks performed. • Human error. While generally the processing of timesheets sample tested was accurate, we noted one instance where the hourly rate used by Payroll was less than that documented in the HR system – at £13.14 instead of £13.41 <p>Management noted a review into digitalisation of the process is being reviewed as part of Phase 2 of the procurement process, with a view to HR manual involvement in the process being removed.</p>	<p>Ineffective use of HR and payroll time when retrieving incomplete information and processing timesheets.</p>	<p>R1 As part of the procurement process for the new HR and Payroll System, management should explore the potential inclusion of a timesheet module which will automate the submission and approval of timesheets for effective and efficient review and processing by the HR and Payroll teams.</p>	<p>Recommendation accepted as part of Phase 2 of the HR and Payroll System project</p> <p>To be actioned by: Head of HR & OD and Payroll Manager</p> <p>No later than: 31 December 2024</p>	
			<p>Grade</p>	<p>3</p>



Payroll

Objective 3 - Systems are sufficient to ensure part-time lecturers, overtime and staff expenses payments are properly authorised (Continued)

Observation	Risk	Recommendation	Management Response	
<p>With the exception of the detail contained in individual contracts, we were unable to identify a standard or guidelines in place to inform staff of the expectations around timely submission.</p> <p>We noted several instances where timesheets were submitted three months after the period worked.</p>	<p>Monthly budget reports do not accurately reflect staff costs impacting the effectiveness of budget management.</p>	<p>R2 Timesheet Guidelines should be documented and communicated to all SDDs, line managers and staff paid through timesheets, to enhance general awareness and remove the current ambiguity.</p> <p>In the absence of a digital process, every effort should be made by line managers to ensure that staff submit timesheets in a timely fashion for the month they have worked by actively warning staff of the consequences of non-submission within the agreed timelines.</p>	<p>Recommendation Accepted</p> <p>To be actioned by: HR & OD Business Partners</p> <p>No later than: 31 March 2023</p>	
			<p>Grade</p>	<p>3</p>



Objective 3 - Systems are sufficient to ensure part-time lecturers, overtime and staff expenses payments are properly authorised (Continued)

Travel & subsistence

Management were in the process of documenting a revised Expenses Policy and procedures at the time of our audit fieldwork. Similar to the submission of timesheets, expense claims are generated and processed manually. Expense Claim Forms are completed by the individual staff member, who then passes it to their line manager for approval, together with the physical receipts. Once approved, the line manager then passes the claim to Payroll who check the amounts claimed against the receipts. If the documentation provided is appropriate, then the claim is processed through the payroll system, and if there are any queries then Payroll contact the employee and/or line manager to obtain more information (such as obtaining receipts which match the detail within the submitted claim).

Our sample testing of five expense claims during the current academic year noted no issues. The number of expenses received by Payroll is now generally low. Arrangements were noted as being reasonable.

Objective 4 - Systems are sufficient to ensure approval and checking of changes to employee standing data

Changes to employee standing information can include new bank details, pension opt-ins, opt-outs, and AVCs, gym deductions, or union deductions.

For any of these deduction categories the employee will obtain and complete the appropriate form, which they will sign and send to Payroll, where this is manually reviewed. Our sample testing of arrangements noted no issues. However, we did note that the current process is manual, which requires deployment of resources (time and personnel) in processing changes which the employee could complete electronically if the system provided this functionality.



Payroll

Objective 5 - Systems are sufficient to ensure that starters and leavers are properly treated and enter and leave the system at the correct dates

Starters

Our walkthrough of the HR starter process noted that it was in line with expected practice and our compliance checks on documents retained for the sample of five employees noted no issues.

HR provide Payroll with all relevant forms completed by new starters via the Payroll Tracker Spreadsheet. This also includes an HMRC starter checklist; a P45 (if supplied); and a Bank Details Form. The information is then input into Payrite by the Payroll Manager.

A report is run from Payrite once this data has been input, and the new employee's tax code and bank details are checked to ensure that they have been input correctly. Our walkthrough noted that this check is operating as intended.

Our sample testing of five new starts over the last 12 months noted that starters are processed onto the payroll accurately and in line with the payroll requirements set by College management. However, we noted the following inefficiencies that we feel should be addressed by management:



Payroll

Objective 5 - Systems are sufficient to ensure that starters and leavers are properly treated and enter and leave the system at the correct dates (Continued)

Observation	Risk	Recommendation	Management Response
<p>The process for line managers communicating the start dates of new employees on the Contract Spreadsheet held on Sharepoint is currently inefficient, resulting in several instances of employees working for several weeks without contracts being in place and appropriate due diligence checks, such as PVGs, being in place. Our review of the Spreadsheet noted this was common in academic areas at the beginning of term.</p> <p>As a result, HR are monitoring issues on an Issue Log and our review of the Issue Log noted 21 instances (relating to Semester 1) where HR had not been told about an employee starting work in the college until after the start date.</p> <p>During our walkthrough of the new start process, we identified one individual who had commenced employment on 5 September 2022. However, the hiring manager did not inform HR of this new start until 30 September 2022. Further inspection noted that the individual did not have a contract established or current PVG checks in place. This meant that the individual could not be included in the September 2022 payroll due to poor communication.</p>	<p>Reputational risk to the College (and UHI) on not adopting good employment practices, non-pay of staff, and safeguarding of students.</p>	<p>R3 The process for communicating starter dates should be improved to ensure that any red flags can be identified promptly by HR.</p> <p>Discussions have been initiated between HR management and SDDs on the importance of timely communication of new starters and the process to be adopted.</p> <p>A further discussion is scheduled to remind SDD and hiring managers of requirements before the beginning of Semester 2.</p> <p>SDDs must remind line managers of the need for all staff to have a signed contract in place; for the staff member to have completed onboarding tasks; and have completed due diligence checks, such as PVG checks, before commencing employment within the College.</p>	<p>Accepted recommendation:</p> <p>To be actioned by: SDDs</p> <p>No later than: 31 January 2023</p>
			<p>Grade</p> <p>2</p>



Payroll

Objective 5 - Systems are sufficient to ensure that starters and leavers are properly treated and enter and leave the system at the correct dates (Continued)

Leavers

Employees are required to notify HR when they are leaving the employment of the College - either directly or via their line manager. All leavers are tracked on the Payroll Tracker Spreadsheet and the leavers are processed via the Ciphre Leaver Wizard. HR review the holidays due, which is confirmed through the Leavers Letter to the employee. The leavers date is input into Ciphre.

For Payrite, the Payroll Manager is reliant on the dates provided by HR via the Payroll Tracker Spreadsheet. Our sample testing of five leavers noted no issues with employees' final salaries and we confirmed prompt removal from the system (noting that those paid via timesheets are paid one month in arrears). P45s are produced from Payrite and a hard copy is then posted to the employee.



Payroll

Objective 5 - Systems are sufficient to ensure that starters and leavers are properly treated and enter and leave the system at the correct dates (Continued)

Observation	Risk	Recommendation	Management Response	
<p>Whilst we acknowledge that there is a Leavers wizard on Ciphrr, which ensures completion of requirements, we noted that records to demonstrate leavers arrangements within employee files was inconsistent. For example, of the five leavers we sample tested we noted that:</p> <ul style="list-style-type: none"> • One employee did not have their extension letter recorded on file. • One other employee did not have their leavers letter retained on file. 	<p>Organisational knowledge on the status of employees</p>	<p>R4 Record keeping arrangements for leavers should be strengthened to ensure that the full suite of relevant information (such as leaver forms or contract extensions) are retained on file. Consideration should be given to the recording of file contents on a checklist, in the absence of automated controls typically found in a document management system.</p>	<p>HR Team to be reminded of the need to file employee documentation on their file</p> <p>HR Team to discuss whether a checklist would assist in ensuring this process was more robust</p> <p>To be actioned by: Head of HR and Organisational Development</p> <p>No later than: 31 March 2023</p>	
			<p>Grade</p>	<p>3</p>



Objective 6 - Systems are sufficient to ensure proper authorisation, processing and recording of payments

Payslips are created in the Payrite system, and the file is uploaded to the epay portal where employees can access their payslip. The file gives a total of net pay which is reconciled to the Management Report to ensure that all employees are to receive a payslip. All payslips were retained for the sample of employees' sample tested.

The nominal journal is run and uploaded to the BluQube finance system. The nominal journal report is used to prepare payments to third parties (such as HMRC, pension providers, unions, and arrestments). The nominal journal figures are reconciled to the Management Report to ensure that the figures are correct.

Once all the elements described above have been completed then the Payrun is closed for the period so that no further changes can be made.

Our walkthrough of the process confirmed that arrangements were reasonable and our sample testing of checks completed by Finance, for the three months of July 2022, August 2022 and September 2022, noted no issues and we confirmed that appropriate reconciliations against bank statements were in place.



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Paper 8

LEVEL OF ASSURANCE

Satisfactory

Perth College UHI

Building Maintenance

Internal Audit report No: 2022/08

Draft issued: 1 December 2022

Final issued: 2 December 2022



Contents

		Page
Section 1	Management Summary	
	• Overall Report Grade	1
	• Risk Assessment	1
	• Background	1
	• Scope and Objectives	2
	• Audit Approach	2
	• Summary of Main Findings	3
	• Acknowledgements	3
Section 2	Main Findings and Action Plans	4 - 11

Level of Assurance

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

Gradings are defined as follows:

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

Action Grades

Priority 1	Fundamental issue subjecting the organisations to material risk which requires to be addressed by management and the Audit Committee as a matter of urgency.
Priority 2	Issue subjecting the organisations to significant risk, and which should be addressed by management as a priority.
Priority 3	Matters subjecting the organisations to minor risk or which, if addressed, will enhance efficiency and effectiveness.



Management Summary

Overall Level of Assurance

Satisfactory	System meets control objectives with some weaknesses present
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Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Perth College ('the College') Risk Register as at May 2022:

Risk 5 - College Estate - College estate not fit for purpose (Residual risk grade 9).

Background

As part of the Internal Audit programme at the College for 2021/22 we carried out a review of the College's building maintenance arrangements and processes. The Audit Needs Assessment, agreed with management and the Audit and Assurance Committee in March 2022, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The existing Perth College UHI site consists of four principal College buildings:

- Brahan Building,
- Goodlyburn Building,
- Academy of Sport & Wellbeing,
- Webster Building, and a selection of other associated buildings.

All the above buildings are owned by the College.

The Estates function is progressing a review to develop a forward strategy to ensure that the estate is designed to meet the future needs of staff, students and visitors. As part of this exercise, future developments within the College estates programme include:

- A new estates strategy has been commissioned and the intention is that a central focus of the new strategy will be on the creation of a new carbon neutral campus. Faithful + Gould are the consultants who have been commissioned to create the new strategy, which should be completed by the end of 2022.
- Continuing to explore ways to reduce the College's carbon footprint.
- Expansion and enhancement of the Academy of Sport and Wellbeing facilities, funded through sponsorship and donations raised through the College's Development Trust and Committee;
- Improving and re-purposing existing facilities to provide an integrated approach to the development and delivery of curriculum, research and wider stakeholder engagement within all areas (e.g. the delivery of a Sports Injury Clinic and a Beauty Therapy service, which are both run as student enterprises).

Our audit was focused on the College's approach, arrangements, plans and processes to ensure strategic estate management is in place, including effective budgeting of current and future expenditure, enabling the proactive maintenance of the College's buildings.



Building Maintenance

Scope, Objectives and Overall Findings

This review examined the extent to which the College's forward planning arrangements would support lifecycle maintenance for the College's estate, given the limitations on available funding.

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

Objective	Findings			Actions already in progress	
	1	2	3		
The objective of our audit was to ensure that:	No. of Agreed Actions				
1. The College has an Estates Maintenance Strategy in place which is aligned with the College's strategic planning objectives and other relevant strategies	Satisfactory	0	0	0	✓
2. Oversight of the Estates Maintenance Strategy, including review of implementation and funding risks, have been aligned to an appropriate committee reporting to the Board	Satisfactory	0	0	1	
3. 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	Requires Improvement	0	1	0	
4. Regular condition surveys are undertaken, and other good quality information is available, to inform asset management decisions	Satisfactory	0	0	1	
5. Plans are in place to maintain the College's assets in good condition, as economically as possible, and in line with manufacturer's warranty conditions, in order to meet changing and rising standards as far as they can be foreseen	Satisfactory	0	0	0	✓
6. 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	Good	0	0	0	
Overall Level of Assurance	Satisfactory	0	1	2	
		System meets control objectives with some weaknesses present			

Audit Approach

Through discussion with the Head of Estates, and review of documentation, we have established the systems and controls which have been put in place to ensure that the College's responsibilities are met. We have reported report on any areas where expected controls are found to be absent or where controls could be further strengthened. Compliance testing was carried out where necessary to ensure that the controls in place were operating effectively.



Summary of Main Findings

Strengths

- The governance oversight of the Estates operational activities is assigned to the College's Finance and Resource Committee (FRC). The Head of Estates provides updates at each FRC meeting, covering a range of topics, including the Strategy and master plan development. Updates on estates matters are also provided to the Board;
- A condition survey was undertaken across the entire College estate in February 2021, which was conducted by external consultants Faithful+Gould / Atkins Building Surveyors. This survey involved visual inspections, providing information in respect of physical condition of each building and all maintainable and replaceable assets. The results of the surveys informed the forward maintenance works, the maintenance backlog details, and provided updates to asset registers (which record details on the age, condition and remaining life of assets). For each survey conducted, we noted that a list of prioritised estimated costs for renewal of assets had been compiled; and
- Our testing confirmed that an effective cyclical maintenance inspection programme, including Water Hygiene (Legionella management), Intruder alarms, Electrical safety and Portable Appliances Testing, is in place to ensure ongoing statutory compliance under the legal and regulatory framework.

Weaknesses

- We were advised that the Estates Strategy / Feasibility Study and master plan are currently being developed in order to provide a strategic overview of the College's Estate and bring together a broad range of information (at a specific point in the project lifecycle). The work in progress around the overarching Estates Strategy is reflected within the College's Strategy 2022-27, thus ensuring alignment between the Estates Strategy (and supporting plans) and the College's agreed strategic priorities. We have not raised a specific recommendation in relation to this finding as we recognised that management are aware of the position and the issue is being appropriately addressed;
- It was observed that the Estates updates provided to the FRC and to the Board do not include details on for completed statutory and reactive maintenance, projected costs for ongoing maintenance requirements and information on maintenance backlog. From discussion with the Head of Estates it was also found that the College does not have in place a facilities management software; and
- Whilst we confirmed that asset management decisions are informed by various inspections and condition surveys, it was observed that there is no longer-term proactive rolling programme of condition surveys and inspections at the College.

Acknowledgment

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



Main Findings and Action Plan

Objective 1: The College has an Estates Maintenance Strategy in place which is aligned with the College's strategic planning objectives and other relevant strategies Strategic approach

From review of the College's Strategy 2022-27 we found that the new corporate strategy reflected, inter alia, the following aims and ambitions:

- *We will aim to address our challenges surrounding sustainability; social, economic, environmental and financial, through rigorous planning and targeted actions, and*
- *We will strengthen and improve our systems and processes to meet the evolving needs of all our stakeholders, to ensure our college is agile, effective and efficient, and add significant value to the learner experience.*

The Strategy recognises the College's cost pressures pertinent to all Scottish Colleges, including effectively maintaining the College estate. It sets out a number of strategic objectives, including:

- Financial Management ('We will further develop our financial management information to be more future focused and support decision making');
- Reinvestment Planning ('We will set aside a proportion of income each year for development projects that enhance the learner experience. We will do this through managing our operational costs more effectively'), and
- Environmental sustainability ('The college is committed to embedding environmental sustainability into all our activities to lessen our impact on the environment').

Through discussion with management we confirmed that the work to carry out the Estates Feasibility Study had been awarded to Faithful+Gould and Hawkins\Brown project management consultants. The work commissioned encompasses a strategic overview of the College and the College estate and brings together a broad range of information (at a single point in the project development lifecycle). The study implements the RIBA (Royal Institute of British Architects') model for the design and construction of buildings. The process is outlined within the draft Feasibility Study as follows:

- Step 1: Discover (including context analysis, Estate analysis, Space audit, Condition and Utilities Survey);
- Step 2: Define (Consultations / Feedback review, master-plan analysis, Understanding space requirements)
- Step 3: Develop (Master plan options, with an aspiration to bring the campus down to Net Zero Carbon).



Building Maintenance

Objective 1: The College has an Estates Maintenance Strategy in place which is aligned with the College's strategic planning objectives and other relevant strategies Strategic approach (Continued)

The Estates Strategy is identified within the list of aligned strategies, which is contained within the Appendix to the College's Strategy document 2022-27.

We have, therefore, confirmed that College management have commissioned the work necessary to inform the development of the new Estates Strategy; that this work is in progress; and that the principles built into the new Estates Strategy will be closely aligned with the College's Strategy 2022-27.



Building Maintenance

Objective 2: Oversight of the Estates Maintenance Strategy, including review of implementation and funding risks, have been aligned to an appropriate committee reporting to the Board Strategic approach

Through discussion with management, and review of the College's Committee papers, we confirmed that the FRC is responsible for oversight of the monitoring of the College's financial position and financial control systems. The FRC meets at least four times a year and approves all key financial decisions; approves the annual budget; safeguards the College's estate; monitors the overall development of estates strategy; and makes recommendations on investment in major capital projects to the Board.

The FRC Terms of Reference are up to date (reviewed in September 2022). Para 11 provides detail of the Committee's responsibilities in respect of the Estates department as follows: "*Consideration and assessment of priorities for capital grant for new building work or the major modification of existing buildings. Recommendations to the Board on issues relating to College estates and resources*".

From our review of recent FRC meetings we confirmed that the Estates update was provided to each meeting, containing the following sections, where appropriate:

- Covid-19 update;
- Estates Strategy development position;
- Contracts and tenders;
- Estates Department re-structure;
- Current works;
- Environmental Sustainability; and
- Utilities costs.

From our review of recent papers and minutes of the Board meetings we confirmed that Estates update papers were provided to the Board for consideration at each meeting, and relevant discussions were evidenced.



Building Maintenance

Objective 2: Oversight of the Estates Maintenance Strategy, including review of implementation and funding risks, have been aligned to an appropriate committee reporting to the Board Strategic approach (Continued)

Observation	Risk	Recommendation	Management Response		
<p>It was observed that the Estates updates provided to the FRC, and the Board do not currently contain:</p> <ol style="list-style-type: none"> summaries for completed statutory and reactive maintenance; projected costs for ongoing maintenance requirements and information on any maintenance backlog. <p>Through discussion with the Head of Estates it was also found that the College does not currently have facilities management software in place, with only a manual recording system in place to record maintenance information. We were advised that this makes the management and reporting of this information excessively time-consuming for Estates management and staff.</p>	<p>In the absence of comprehensive reporting on the Estates maintenance financial position, (including information on statutory building inspections and maintenance costs incurred and projected), there may be insufficient corporate oversight of the priority areas within the College estate, leading to ineffective funding decisions.</p>	<p>R1 We recommend that the FRC and the Board should be provided with an annual update report on Estates issues and risks, which should include a summary of expected costs for ongoing maintenance requirements and any maintenance backlog and provide explicit assurances to confirm that statutory building inspections and works have been completed.</p> <p>Consideration should also be given to future investment in facilities management software to make estates maintenance information more easily accessible (via a dashboard format for example) and will enhance the ease of monitoring and reporting on the entire repair and maintenance programme</p>	<ol style="list-style-type: none"> Estates will produce an annual report that will include: <ul style="list-style-type: none"> Estates issues and risks Summary of costs for ongoing maintenance requirements Backlog maintenance Confirmation of statutory building inspections and other statutory works Estates and ICT will evaluate facilities management software and provide recommendations to SMT <p>To be actioned by: 1. Head of Estates. 2. Head of estates and Head of ICT</p> <p>No later than:</p> <ol style="list-style-type: none"> 2022/23 Board cycle 30 June 2023 		
			<table border="1"> <tr> <td>Grade</td> <td>3</td> </tr> </table>	Grade	3
Grade	3				



Building Maintenance

Objective 3: 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. (Continued)

Observation	Risk	Recommendation	Management Response		
<p>Through discussions with management, we identified that there are currently no regular budget monitoring meetings held between Estates and Finance departments, which would allow discussion on expenditure on maintenance projects.</p> <p>As noted under Objective 2, above, the maintenance expenditure position is not currently included in the Estates updates provided to the FRC.</p> <p>We established that the Estates departmental budget contains a single aggregated figure for Funded Repair and Maintenance (cost centre B201001) and does not include a breakdown of the specific detail on the projected expenditure for the different element of the Estates budget.</p> <p>We also confirmed that the Estates department maintains an internal rolling budget spreadsheet, which records the committed budgets; year to date spend (including details of Purchase Orders, invoices and relevant comments) and the remaining uncommitted balance on budgets. However, this rolling spreadsheet is retained within Estates and the details contained in the budget spreadsheet are not shared with Finance department and are therefore not discussed on a regular basis.</p>	<p>In the absence of regular detailed reporting on Estates position, including assurance that the statutory building inspections and works have been completed, and containing details on incurred and projected maintenance costs, there may be ineffective corporate oversight of the financial position as it pertains to different aspects of the College estate.</p>	<p>R2 We recommend that the Estates master budget template should be amended to include a breakdown of all planned funded repairs and maintenance.</p> <p>In the future, the maintenance budget position should be discussed at monthly meetings between the Finance business partner and the Head of Estates. Any actions agreed should be recorded and subsequently followed up, and a summary of these actions should be included in the updates provided to FRC meetings</p>	<ul style="list-style-type: none"> The master budget template will be amended Monthly meetings between the Finance business partner and the Head of Estates will be scheduled Actions from these meetings will be recorded, monitored and included in Head of estates report to FRC <p>To be actioned by: Finance Business Partner / Head of Estates</p> <p>No later than: 28 February 2023</p> <table border="1" data-bbox="1657 1225 2089 1342"> <tr> <td data-bbox="1657 1225 1872 1342">Grade</td> <td data-bbox="1877 1225 2089 1342">2</td> </tr> </table>	Grade	2
Grade	2				



Building Maintenance

Objective 4: Regular condition surveys are undertaken, and other good quality information is available, to inform asset management decisions

The College has in place a structured approach to the completion of statutory building inspections and other related works. Contracts for these works are tendered and awarded in line with the College's Procurement Policy.

There is an ongoing Planned Preventative Maintenance (PPM) schedule in place, which includes inspections and a programme of regular works required on the buildings. Completion of these planned inspections identify any issues with the condition of the buildings and inform the forward work programme.

Through discussion with the Head of Estates, and review of the documentation, we confirmed that the most recent condition survey had been undertaken across the College estate in February 2021 by Faithful+Gould / Atkins Building Surveyors. The works undertaken involved visual inspections, which provided information in respect of the physical condition of each building and all maintainable and replaceable assets. The results of the surveys informed the nature of the forward works; the maintenance backlog details; and provided updates for asset registers (including details on age, condition and the remaining operational life of assets). For each survey a list of prioritised estimated costs for renewal of assets had been completed.

Observation	Risk	Recommendation	Management Response		
Whilst we confirmed that asset management decisions are informed by various inspections and condition surveys, it was observed that there is currently no longer-term proactive rolling programme of condition surveys and inspections in place for the College.	The College's Estate is not effectively strategically managed over time, resulting in ineffective use of financial resources and potential budget overspends on reactive maintenance works	R3 The College should develop a proactive rolling five-year programme of building condition surveys to identify and meet future estate maintenance needs.	<p>The College will develop a proactive rolling five-year programme of building condition surveys to identify and meet future estate maintenance needs.</p> <p>To be actioned by: Head of Estates</p> <p>No later than: 31 March 2023</p>		
			<table border="1"> <tr> <td>Grade</td> <td>3</td> </tr> </table>	Grade	3
Grade	3				



Building Maintenance

Objective 5: Plans are in place to maintain the College's assets in good condition, as economically as possible, and in line with manufacturer's warranty conditions, in order to meet changing and rising standards as far as they can be foreseen

Through discussion with management, and review of the Team Objectives 2021/22 document, we confirmed that the College has an annual generic objectives and activity plan in place, specifying the departmental activities, their purposes, deadlines for implementation and performance measures. Each activity was assigned to the relevant owner and lead. This plan indicated the following activities to be undertaken by the Estates department:

- Restructure;
- Review services;
- Leadership;
- Staff training, and
- Condition Survey / Estates Strategy.

We were not provided with the 2022/23 Team Objectives and / or operational plan. However, we were advised that there is an intention to develop a detailed maintenance delivery plan based on the strategic overview of the College's Estates, which will flow from the feasibility study, collating and summarising estates and facilities information, including a fully detailed lifecycle replacement and maintenance of the College's building assets and any building warranty requirements. This will include costs for all planned maintenance works and will also consider remedies for the maintenance backlog (which currently stands at circa £16m).

Our fieldwork, therefore, confirmed that, although there is currently no detailed long-term plan in place for the College's building maintenance, the work is in progress to complete the Estates feasibility study and the Estates Strategy, which will be accompanied by the relevant plan (outlining how the building maintenance activity will be delivered moving forward). Given that this issue is already being addressed by management, we have not included a separate recommendation on this point.



Building Maintenance

Objective 6: 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

The College has in place a planned approach to undertake its statutory building inspection and works in respect of:

- Legionella management;
- Portable Appliance Testing (PAT);
- Fixed wire inspections, and
- Fire / Intruder alarms.

These works are undertaken across all sites on an annual basis and are conducted by contractors appointed via a formal tender process overseen by Advanced Procurement for Universities and Colleges (APUC) and conducted in line with the College's Procurement policy. The inspections are logged on the PPM schedule and are reviewed by the Head of Estates.

We examined a total of 21 cyclical inspections and maintenance exercises for each of the above elements and confirmed that statutory compliance tests were regularly undertaken; certificates were appropriately completed; and these certificates were made accessible via contractors' portals.

We have, therefore, confirmed that the cyclical testing and maintenance programme is in place to ensure ongoing statutory compliance under the legal and regulatory framework.



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Perth College UHI

Quality

Internal Audit report No: 2022/09

Draft issued: 28 November 2022

Final issued: 2 December 2022



		Page
Section 1	Management Summary	
	• Overall Report Grade	1
	• Risk Assessment	1
	• Background	1 - 2
	• Scope and Objectives	3
	• Audit Approach	3
	• Summary of Main Findings	4
	• Acknowledgements	4
 Section 2	 Main Findings and Action Plan	 5 - 12

Level of Assurance

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

Gradings are defined as follows:

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

Action Grades

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



Management Summary

Overall Level of Assurance

Good	System meets control objectives.
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Risk Assessment

This review focused on the controls in place to mitigate a number of risks Perth College UHI ('the College') identified in the latest available iteration of the Strategic Risk Register (dated March 2022), including these key risks:

- Risk 10 - Academic quality is sub-standard (residual risk score: 9)
- Risk 23 - Poor Student Experience (residual risk score: 12)

Background

As part of the Internal Audit programme at Perth College UHI for 2021/2022, we carried out a review of the systems in place for quality enhancement. The Annual Plan, agreed with management and the Audit Committee, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Principal and the Audit Committee that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

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 annual Evaluative Report and Enhancement Plan (EREP). 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 Evaluative Report developed by each College and the associated Enhancement Plans and proposed grading outcomes. Submitted reports are subject to independent scrutiny and endorsement procedures.

The latest published Evaluative Report and Enhancement Plan for Perth College UHI is for the period 2019 to 2021. Since its publication in February 2019, the College has implemented significant changes in the way in which the College delivers its teaching and learning due to the COVID-19 pandemic. The College has also renewed the overarching Perth College UHI Strategy covering the period from 2022 to 2027.



Background (Continued)

Individual College reports (and associated endorsement statements) are published on the Education Scotland website. The latest visit by Education Scotland to the College was in December 2021 with the report published in February 2022. Education Scotland reported on the significant progress made since their previous report, and identified the following areas where further progress was required:

1. Curriculum, learning and teaching and assessment: Staff are working hard to take account of the current challenges of learning delivery and adhering to guidelines. This need to respond to constantly changing priorities is impacting on staff time and capacity to reflect fully on their experience and plan for a different future for learning.
2. Learner engagement: Whilst response rates to learner surveys including the SFC Early Satisfaction Survey (ESS) and the College Early Student Experience Survey (ESES) has increased in recent years, overall participation is low with too few learners expressing their views.
3. Learner progress and outcomes: (3a) Attainment rates for learners on full-time FE programmes have declined over the last three years; and (3b) Staff in a few curriculum teams do not engage fully in self-evaluation processes or use data sufficiently well to support action-planning for improvement.

There is no formal EREP published for the academic years 2021 onwards due to Scottish Funding Council (SFC) guidance stating that colleges should pause work on the plans until further notice. This is due to the SFC being in discussion with Education Scotland about quality arrangements for the sector in academic year 2020/21 and beyond. This guidance was not yet updated as of November 2022.



Scope, Objectives and Overall Findings

The scope of this audit was 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.

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

Objective	Findings				
		1	2	3	Work in Progress
The objective of our audit was to obtain reasonable assurance that		No. of Agreed Actions			
1. 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	Good	-	-	-	✓
2. The College’s quality procedures are being adhered to in key areas	Good	-	-	1	✓
3. Progress is being made with implementation of the actions identified on the College’s Enhancement Plan	Good	-	-	-	✓
Overall Level of Assurance	Good	-	-	1	
		System meets control objectives.			

Audit Approach

We assessed whether the above objectives have been met through discussion with the Depute Principal – Academic, the Quality Manager, Sector Development Directors, HISA Perth student representatives and other staff involved in Quality Enhancement, and through review of relevant documentation.



Summary of Main Findings

Strengths

- The College's new Strategy 2022 to 2027 includes set objectives to increase retention, attainment, achievement, progression, and student satisfaction to sector leading levels before 2027. To achieve this, management have set key performance indicators and measures to monitor progress. Progress is to be tracked through the revised risk management framework. New reporting arrangements in relation to KPI monitored are to be reviewed and endorsed by the Board of Management in December 2022;
- The latest published Education Scotland report (issued in February 2022), on the arrangements at Perth College UHI, recognised the significant progress made through the *Journey to Excellence* programme introduced to progress actions from the Evaluative Report and Enhancement Plan 2019 – 2021;
- At the time of our fieldwork, management were actively progressing the actions required to address the four recommendations raised by Education Scotland (which have been reported to the Board of Management). We specifically noted that actions are underway to improve the participation of students in surveys through the Student Voice Project;
- While the project management methodology has not been formally documented, the Student Voice Project has set aims and objectives to reduce the complexity of student surveys and address low participation rates, primarily by protecting class time to obtain whole class feedback. This work has been led by the Vice Principal – Quality, and has been project managed by the Quality Manager. A plan was consulted upon with HISA Perth and curriculum staff and the approach, going forward, will consist of three surveys completed each academic year. Each survey will have a specific theme which is relevant to the point in the academic cycle and will allow real time review of answers in class for discussion with PATs and tutors. The first set of surveys were underway at the time of our audit;
- A Short Life Working Group has been established to monitor progress of the Student Voice Project and the outcomes will be reported to the monthly CASE - Curriculum Quality Management (CASE-CQM) Group and to the Learning Enhancement Committee;
- Robust governance arrangements and transparency on new arrangements (in relation to the Student Voice Project) were apparent through our review of committee minutes for the Learning Enhancement Committee, and then subsequently the Board;
- The monthly CASE Group has responsibility for monitoring student performance. The process utilises the Excel-based BRAG, which was previously subject to internal audit review (Internal Audit Report Number 2021/06 – Student Recruitment and Retention). Work is to develop an electronic system to replace the manual update of the BRAG, and to allow more effective, real-time reporting on student attendance and performance;
- A formal Curriculum Review programme was underway at the time of our audit fieldwork, to inform changes to be introduced for the new academic year 2023/24. Over November 2022, curriculum areas were reviewing student attainment and external factors, such as market, student profile and labour needs, to refine the product offerings. We were advised that a draft plan of areas for improvement and student targets will be documented by early December 2022 for subsequent reporting to UHI;
- There is also a programme of "Review by Exception" in place, which allows a focus on courses where attainment is identified as poor;
- It was evident that the Sector Development Directors interviewed are aware that it can be difficult for curriculum colleagues to set time aside for self-evaluation. The increased level of student support need has reduced the level of non-teaching time devoted to self-evaluation. Noting these challenges, four Staff Conference Days have been scheduled over the 2022/23 academic year, with protected time created for curriculum staff self-reflection. A Staff Conference Working Group has also been established to ensure that the need for staff self-reflection is being met. PATs student support time has also been increased by 50% to help meet student needs and the College is also supporting a hybrid working model;
- The Quality Team are supporting curriculum areas in improving arrangements, including conducting a review into the effectiveness and efficiency of the governance arrangements to approving non-degree / SQA courses, such as CPD courses.



Summary of Main Findings (Continued)

Strengths

- There are strong working arrangements between Academic staff and HISA Perth Officers and Student Voice Representatives. Student Rep training and representation is monitored through the College's KPIs by HISA Perth and the Quality Team.

Weaknesses

- Online information on quality arrangements, evaluative reports, and key performance indicators should be updated to promote recent progress and delivery of outcomes.

Acknowledgment

We would like to take this opportunity to thank the staff at the College, the HISA Assistant Voice Manager and HISA Perth President, who assisted us during the course of our audit work.



Main Findings and Action Plan

Objective 1 - 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

In June 2022, the Board of Management approved the College's Strategy for 2022 to 2027, which set out the College's ambitions, including an aspiration to continue to adapt, innovate, and enhance learning and teaching. The College has set strategic key performance indicators under Objective 1 – The Learner Experience – to increase retention, attainment, achievement, progression, and student satisfaction to sector leading levels before 2027. Within sub-objectives, it has set ambitious quantitative targets and qualitative measures, including the monitoring of student responses to surveys issued internally. These measures will be monitored over time by the Board of Management.

The College has set out its arrangements for quality enhancement within its Evaluation, Monitoring and Planning Process (March 2020), which is available on the College website. The operational responsibilities for quality management and governance, are delivered via the monthly Curriculum and Student Engagement Curriculum Quality Management Group (CASE-CQM), Senior Management Team (SMT) and the Corporate Management Team (CMT). Operationally, the Sector Development Directors (SDDs), Sector Managers (SMs) and academic teams are responsible for self-evaluation and action planning on areas identified as requiring enhancement. They are supported by the Quality Manager and other Professional Services colleagues who evaluate the quality of the support provision they deliver and the impact this activity has on the student experience.

Our review of the Evaluation, Monitoring and Planning Process (March 2020) noted that it had not been updated since the beginning of the COVID-19 pandemic. However, our review of documented arrangements against the arrangements described in management discussions noted that the documented approach remains generally consistent with current arrangements, except for the new Student Voice pilot project which is currently underway. We were advised that procedures will be updated following the approval of the new process student survey process.



Objective 2 - The College's quality procedures are being adhered to in key areas (Continued)

Student Voice Project

The response rate for the ESES and SSES have been disappointingly low over a number of years. The Board of Management had previously set a target of 60% response rate. However, response rates for both surveys are now below that target level. In 2021, the ESES response rate was 38% and SSES was 56.6% (For context the SFC SSES Report 2021-2022 states that the Scottish response average was 47.2%). Low response rates means that although satisfaction has remained high (93% and 92.3%, respectively) the data cannot be taken as true measure of satisfaction levels where the response rate is below target levels. As a result, the Board of Management requested that the Senior Management Team (SMT) review how the College gathers student feedback, with a view to increasing student engagement in the survey process and thus providing more robust data. The impact of the changes to the survey process will be monitored through the new KPIs.

The annual SSES survey report, which was submitted to the June 2022 meeting of CASE-CQM, proposed a move away from the use of large question surveys to using additional student forums with a specific question set for each survey conducted. Two staff workshops sessions were led by the Quality Manager and HISA Perth in August 2022. The consensus from the staff workshops conducted was that the large questionnaires, ESES and SSES, should be suspended. It was suggested that student forums should be expanded from the current two forums (one in each semester) to four forums across the year so that a smaller number of questions, that are relevant to that time of the year, could be asked. This was subsequently reduced from four forums to three forums following academic feedback.

The proposed timings for student forums over 2022/23 are as follows:

- SF1 late Oct: early experience application, enrolment, resources, support, and learning and teaching (outcomes were being evaluated at the time of our audit);
- SF2 late Jan / Early Feb: Assessment and learning and teaching; and,
- SF3 late April / Early May: Overall Student satisfaction and experience.

A Short Life Working Group (SLWG) was set up to develop the questions and to coordinate the implementation of the pilot project during 2022. The SLWG's membership consists of the four Personal Academic Tutor (PAT) Coordinators; PATs working in both Further Education and Higher Education; Sector Managers; HISA Perth; Quality Department; Head of Student Experience; and a Student Support worker. Consultation has also continued with HISA Perth through the Student Voice Reps, which will feed into the process review after each stage of the student forums.

CASE CQM endorsed the pilot, and we noted evidence of their approval of the SF1 Question set in September 2022. System training was completed by those hosting the sessions. Feedback from the SF1 was being reviewed by the Quality Department at the time of our audit fieldwork, together with lessons learned.



Objective 2 - The College's quality procedures are being adhered to in key areas

There are two key areas of quality evaluation. The first being processes to obtain feedback from students and the methods by which teams self-evaluate and monitor actions. These are as follows:

- **Student Voice** - Course committee meetings that followed a standard agenda were changed to student forums in 2019. There was more emphasis on collecting feedback on the student learning experience through 'live' face to face or virtual discussion with classes - with queries being addressed directly at the time. Outcomes are recorded as an action plan. Course representation is to be monitored and reported as a KPI to the Board of Management. The format of reporting of new KPIs with the risk register to the Board of Management was still under review at the time of our audit. The previous balance scorecard was reported to the Board of Management (October 2021).
- **Early ES Student Experience Survey (ESES)** – This survey is normally conducted in Semester 1 for all new students. This survey is used by all UHI academic partners and benchmark data is reviewed by the UHI Quality Assurance and Enhancement Committee (QAEC). The College data is reviewed by Board of Management, SMT, and CMT. The last ESES was reported to the CASE-CQM group in October 2021. It was noted that ESES is currently suspended in lieu of the new methodology implemented through the Student Voice Project
- **National Student Survey (NSS)** – this annual survey opens between January and April. A national survey conducted by Ipsis MORI for all final year students on HND or Undergraduate degree courses. Latest UHI results were published in July 2022.
- **Student Satisfaction and Experience Survey (SSES)** – this survey is conducted in Semester 2, usually open for 6 weeks spanning Easter break. The first ten questions are formulated by the Scottish Funding Council (SFC) and the College is obliged to return the outcome statistics for these questions to the SFC. This survey is used by all UHI academic partners and benchmark data is reviewed by the UHI QAEC. The college data is reviewed by Board of Management, SMT and CMT. The College has the option to add additional questions, including service satisfaction questions. Latest SFC SSES 2021-2022 was published on the 1 November 2022.
- **Postgraduate Survey** - there is a national survey issued to postgraduate taught and postgraduate research students, however this is alternated each year so that each student group is surveyed bi-annually. The 2022 survey was due for publication at the time of our audit.
- **Destination of Leavers of Higher Education (DLHE)** - conducted at 6 months and again at 18 months after students have completed their qualification.

The internal surveys, which the College utilises to gather student feedback, provides data on satisfaction levels and this is a key performance indicator (KPI) reported internally to CMT, Board of Management and UHI, and externally to SFC, Education Scotland and Quality Assurance Agency (QAA). Informal feedback is also gathered by PATs and tutors in class, through general comments and feedback, the red button, and via complaints, and also ad hoc feedback provided to staff and/or HISA Perth.



Quality

Objective 2 - The College's quality procedures are being adhered to in key areas (Continued)

Observation	Risk	Recommendation	Management Response		
The Key Performance Indicators page on the Perth College UHI public website has not been updated since the 2019/2020 performance was reported on.	The College may not be perceived as making progress on weaknesses identified in survey by existing or prospective students	R1 Information on recent quality enhancement and key performance indicator reporting should be updated online to promote recent progress and delivery of agreed outcomes, in line with good practice.	<p>We will publish the relevant FE KPI data report on student performance on the College website.</p> <p>Actioned by: Head of Student Experience</p> <p>No later than: 9 December 2022</p>		
			<table border="1"> <tr> <td>Grade</td> <td>3</td> </tr> </table>	Grade	3
Grade	3				



Objective 2 - The College's quality procedures are being adhered to in key areas (Continued)

Student Voice Representatives and HISA Perth

Our discussions with HISA Perth officers, and supporting management, noted that there is a consistent approach to student representation across the UHI. At Perth College UHI, any student can be a "class" representative and students undergo training from the Quality Department in partnership with HISA Officers to prepare them for the role. We noted that there are newly elected HISA Officers annually. The Quality Office leads on SVR recruitment and training but does so in partnership with HISA Perth. The HISA Officers also complete 'Train the Trainer' training, which follows the SPARQS training model adopted nationally. There is close working with the Quality Team to ensure that all programmes have representation and that student representatives complete the required training. The College monitor two KPIs in relation to training completion levels.

Student forums are delivered locally, with actions agreed at the time in conjunction with curriculum staff. The HISA Perth Deputy President also meets monthly with SDDs, and the Student President attends the Learning Enhancement Committee and the Board of Management, allowing review and feedback on curriculum or student support quality issues.

HISA Perth Officers also review student complaints and feedback obtained through the "Red Button". There is active working with the Quality Team on this issue, and with the Vice Principal – Academic, in interpreting the data arising from the red button and understanding the underlying issues and improvements required. Our review of feedback noted that HISA Perth is also involved in all consultations and were part of the latest Education Scotland review.

Curriculum Quality Review

Curriculum review is the second key area for quality enhancement. Each course is subject to annual review by the relevant academic team to ensure that the curriculum remains current and fit for purpose and meets workforce development needs. Key KPI data informs this review (such as admissions to target, retention and achievement, student satisfaction, employer engagement). Where relevant, the curriculum framework should be amended using the relevant course approval procedure.

Course (and student) performance is reviewed monthly by the CASE group (which has the same membership as CASE CQM), which is also attended by Sector Development Directors (SDDs). Student recruitment and attendance is monitored by curriculum areas, PATs, and CASE through the BRAG reporting process. Student performance monitoring arrangements, using the BRAG reporting model and with oversight by CASE, was previously subject to internal audit review (Internal Audit Report Number 2021/06 – Student Recruitment and Retention) and has therefore not been re-audited at this time. Management reported that a project was already underway to develop a system-based BRAG to move away from the current Excel-based tracking and reporting arrangements, but nevertheless we were able to evidence monitoring of BRAG by CASE during the current academic year.

A formal Curriculum Review programme was underway at the time of our audit fieldwork to inform changes to be introduced for the new academic year 2023/24. During November 2022, curriculum areas were reviewing student attainment and external factors, such as market, student profile and labour needs, to refine the product offerings. We were advised that a draft plan of areas for improvement and student targets will be documented by early December 2022 for subsequent reporting to UHI.



Objective 2 - The College's quality procedures are being adhered to in key areas (Continued)

Curriculum teams take ownership of areas of improvement. The SDDs and Sector Managers (SMs) chair the review performance and identify SMART action plans. Evidence of this action will be recorded in the Continuous Evaluation Folders. These folders contain an audit trail on decisions and actions relating to a particular course. The impact of implementation of actions are evaluated by the teams in their bi-weekly meetings and are monitored by the Sector Manager or delegated Subject Leader.

Each February, the SMT gather progress updates from teams against the previously agreed SMART objectives. This allows teams to either close the loop or provides an opportunity to review objectives before looking at next year's operational planning and future SMART objectives. In February 2023, it is planned that curriculum areas will review the plans made in November 2022 against recruitment figures and begin to tailor the offerings for the new academic year.

Where there is identified need, or the trends have been poor over a three-year period, the course is placed under exception or "enhanced supportive measures". We conducted walkthrough testing on an example of action planning with one course, NQ Hairdressing level 5 and 6, where actions had been set on the course framework and to review the awarding body. Inspection of the action plan noted that arrangements aligned to SMART good practice and outcomes were being monitored by the Quality Team. Arrangements were noted as reasonable.

The College has incorporated a set of Key Performance Indicators within its new Strategy 2022 to 2027. These have now been factored into the risk management process and will be updated by the Quality Team. Each curriculum area will set their own sub-objectives, which will connect into the strategic themes and strategic objectives set. SMT and CMT monitor the risk register and KPIs. The final approach to monitoring will be discussed with the Board of Management in December 2022.

Objective 3 - Progress is being made with implementation of the actions identified on the College's Enhancement Plan

The latest published Evaluative Report and Enhancement Plan for Perth College UHI is for the period 2019 to 2021. Since its publication, in February 2019, the College has undergone significant change in how it delivers teaching and learning due to the COVID-19 pandemic. As highlighted above, the College has also renewed its Strategy 2022 - 2027. Individual college reports and associated endorsement statements are published on the Education Scotland website. The Evaluative Report and Enhancement Plan for Perth College UHI 2019 – 2021 action plan has seven key actions, which are sub-divided into many sub-actions. Our review of these documents confirmed that actions adopted SMART good practice and discussion with management noted that the majority of the agreed actions have been actioned through the "*Journey to Excellence*" programme. However, in May 2020, the SFC asked the College to suspend actions on the Evaluative Reporting and Enhancement Planning due to changing priorities over the COVID-19 pandemic. Subsequent Education Scotland reviews have superseded actions previously published.



Objective 3 - Progress is being made with implementation of the actions identified on the College's Enhancement Plan (Continued)

The latest visit by Education Scotland to the College was in December 2021, with the report published in February 2022. Education Scotland reported significant progress from their previous review, with only four areas identified where further progress was required:

- 1. Curriculum, learning and teaching and assessment:** Staff are working hard to take account of the current challenges of learning delivery and adhering to guidelines. This need to respond to constantly changing priorities is impacting on staff time and capacity to reflect fully on their experience and plan for a different future for learning. The current Curriculum Review entails protected time for staff self-evaluation using data from student feedback and local and national employment/ labour drivers. The Vice Principal - Academic produced a paper on labour assessment and data from Scottish Government, Tay Cities Deal and Regional Skills Assessment to inform decision making by curriculum colleagues. Data on attainment recorded in the BRAG and trend analysis is also to be used in the self-evaluation process. A Staff Conference Working Group is also established to ensure the needs for staff self-reflection are being met during the 2022/23 programme of Staff Conferences Days. PATs student support time has also increase by 50% to help with student needs and the College is supporting a hybrid working model.
- 2. Learner engagement:** Whilst response rates to learner surveys including the SFC Early Satisfaction Survey (ESS) and the College Early Student Experience Survey (ESES) has increased in recent years, overall participation is low with too few learners expressing their views. The new Student Voice Project is looking to improve participation through three themed face-to-face forums during 2022. Outcomes are monitored by CASE-CQM.
- 3. Learner progress and outcomes:** Attainment rates for learners on full-time FE programmes have declined over the last three years. Discussion with management noted there are several factors impacting student attainment: (i) school leavers are arriving at college with reduced essential skills partly influenced by teaching disruption over the COVID-19 pandemic and (ii) students perhaps not being appropriately matched to the most appropriate learning journey. Work is underway to review student skills at application by Student Service to ensure that they are placed on the correct programme. However, Perth College UHI was noted to interview every potential student. Student attainment is also measured as part of the KPI to CASE-CQM and Board on student recruitment, withdrawals, and completers. The Curriculum Review is aiming to address market requirements and to improve attainment; and
- 4. Learner progress and outcomes:** Staff in a few curriculum teams do not engage fully in self-evaluation processes or use data sufficiently well to support action-planning for improvement. Staff Conference Days [planned for over the current academic year are aiming to address this issue. Part time staff were noted as a group who may struggle to engage. Discussions with SDDs noted the regular team meetings and peer review support a continual conversation on areas that are working well and not so well.

We noted good governance on the reporting of the Education Scotland outcomes to the Board. Discussions with Senior Management, the Quality Team and SDDs confirmed that actions are underway to address issues relating to staff time and capacity to reflect and plan on different learning arrangements, and to conduct meaningful self-evaluation. Discussions with HISA Perth Officers also noted strong awareness of the outcomes and monitoring through the Learning Enhancement Committee.

With respect to the ELIR, this is managed by and through UHI. This is a University-based review by the Quality Assurance Agency (QAA). Arrangements were therefore out of scope for this particular review. Otherwise, we noted that arrangements on quality enhancement at the College were reasonable and there is a high level of transparency through the Learning Enhancement Committee to the Board of Management.



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Paper 10

Perth College

Follow Up Reviews 2021/22

Internal Audit report No: 2022/10

Draft issued: 5 December 2022

Final issued: 7 December 2022



Contents

		Page
Section 1	Introduction and Background	1
Section 2	Objectives	1
Section 3	Audit Approach	1
Section 4	Overall Conclusion	1 - 2
Section 5	Acknowledgements	2

Appendices

Appendix I	Updated Action Plan – Internal Audit Report 2021/04 – Asset Management	
Appendix II	Updated Action Plan - Internal Audit Report 2021/05 – Corporate Planning	
Appendix III	Updated Action Plan - Internal Audit Report 2021/06 – Student Recruitment and Retention	
Appendix IV	Updated Action Plan - Internal Audit Report 2021/07 – Follow Up 2020/21	
Appendix V	Updated Action Plan - Internal Audit Report 2021/08 – Staff Skill, Staff Productivity & Performance Management	



Management Summary

Introduction and Background

As part of the Internal Audit programme at Perth College UHI ('the College') for 2021/22 we carried out a follow-up review of the recommendations made in the following Internal Audit reports finalised during 2020/21, which included recommendations from earlier reports where previous follow-up identified that the recommendations were outstanding:

- Internal Audit Report 2021/04 – Asset Management
- Internal Audit Report 2021/05 – Corporate Planning
- Internal Audit Report 2021/06 – Student Recruitment and Retention
- Internal Audit Report 2021/07 – Follow Up 2020/21
- Internal Audit Report 2021/08 – Staff Skill, Staff Productivity & Performance Management

Objectives of the Audit

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

Audit Approach

For the recommendations made in each of the reports listed above we ascertained by enquiry or sample testing, as appropriate, whether they had been completed or what stage they had reached in terms of completion and whether the due date needed to be revised.

Action plans from the original reports, updated to include a column for progress made to date, are appended to this report.

Overall Conclusion

The College has made limited progress in implementing the recommendations followed-up as part of this review with eight of 29 (27%) recommendations being categorised as 'fully implemented', 15 (52%) of recommendations classified as 'partially implemented', and four (18%) categorised as 'little or no progress'. These 19 recommendations will be subject to follow-up at a later date.

Two of the recommendations have been categorised as 'Considered but not Implemented'

The first of these relates to action **R3** from report 2020/06 - Procurement and Creditors, which was followed up in 2020/21 as part of the previous report 2021/07 – Follow Up 2020/21. The recommendation relates to the undertaking of PECOS training for the Procurement Team. While this training was initiated, it has subsequently been put on hold due to the College decision to shift processing of purchases away from PECOS and to the finance system, bluQube. Training has been delivered on the new system, meaning the original recommendation is no longer applicable.



Overall Conclusion (Continued)

The second recommendation categorised as 'considered but not implemented' is **R1** from report 2021/08 – Staff Skills Profile, Staff Productivity and Performance Management. The original recommendation stated that “It is our view the current arrangements would be enhanced by the inclusion of the Head of HR and Occupational Development in the monthly meetings on the review of staffing establishment with Finance, Sector Development Directors and the Associate Principal which commenced in April 2021. However, it has subsequently been clarified that the inclusion of the Head of HR and Occupational Development in these particular monthly meetings would not be appropriate.

Our findings from each of the follow-up reviews has been summarised below:

From Original Reports			From Follow-Up Work Performed				
Area	Rec. Priority	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	Not Past Agreed Completion Date	Considered But Not Implemented
2021/04 – Asset Management	3	-	-	-	-	-	-
	2	3	-	3	-	-	-
	1	1	-	1	-	-	-
Total		4	-	4	-	-	-
2021/05 – Corporate Planning	3	-	-	-	-	-	-
	2	-	-	-	-	-	-
	1	1	1	-	-	-	-
Total		1	1	-	-	-	-
2021/06 – Student Recruitment and Retention	3	-	-	-	-	-	-
	2	-	-	-	-	-	-
	1	3	2	1	-	-	-
Total		3	2	1	-	-	-
2021/07 – Follow Up 2020/21	3/A	-	-	-	-	-	-
	2/B	6	1	4	-	-	1
	1/C	3	1	2	-	-	-
Total		9	2	6	-	-	1
2021/08 – Staff Skill, Staff Productivity & Performance Management	3	-	-	-	-	-	-
	2	5	-	3	2	-	-
	1	7	3	1	2	-	1
Total		12	3	4	4	-	1
Grand Totals		29	8	15	4	-	2

The grades, as detailed below, denote the level of importance that should have been given to each recommendation within the internal audit reports:



Follow Up Review 2021/22

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

Acknowledgements

We would like to thank all staff for the co-operation and assistance we received during the course of our reviews.



Appendix I - Updated Action Plan

Internal Audit Report 2021/04 – Asset Management

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R1 The College should develop a comprehensive approach to the identification, maintenance and security of all of its assets held. The revised approach should ensure that a complete asset register is created and maintained for all College assets and not just those with a capitalised value or assets which are IT related.</p>	<p>2</p>	<p>We agree that a more comprehensive solution is required. We will contact a number of other Colleges and develop a solution that falls in line with current best practice in the sector.</p>	<p>Director of Finance</p>	<p>31 December 2022</p>	<p>The IT team have been going room to room documenting non capitalised IT assets. The work around PC equipment is around 70% complete and will continue with the expectation that this will be completed Q1 23.</p> <p><i>Partially Implemented</i></p> <p>Revised Completion Date: 31 March 2023</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R2 To support the implementation of a revised approach to maintain a complete asset register in the College (see R1 above), guidance should also be prepared and implemented to support the revised approach. This guidance should outline the revised approach and detail roles and responsibilities for:</p> <ul style="list-style-type: none"> • Identification of current assets and their inclusion within a College wide register: • Additions to the register: • Amendments to assets held on the register, including change of the asset location: • Loans from the asset registers; • Disposal of assets; and • Security of the assets with regular audits in place.to confirm their continued existence. 	2	We agree that a more comprehensive solution is required. We will contact a number of other Colleges and develop a solution that falls in line with current best practice in the sector.	Director of Finance	31 December 2022	<p>We are awaiting the completion of the exercise above (see R1) before setting the policy and procedures to maintain a better asset register moving forwards. It's expected this will be completed Q1 23.</p> <p>Partially Implemented</p> <p>Revised Completion Date: 31 March 2023</p>
<p>R3 Until a full asset management solution has been developed and put in place (as described in R1 and R2), Finance should be informed by the Procurement team when a new asset is purchased over the capitalised value of £5,000 and the asset register should be updated on at least a quarterly basis.</p>	3	Agreed	Director of Finance	31 August 2021	<p>The College are currently in the process of changing the PO system. This will allow Procurement to work with Finance and have complete control in this area. It's expected that this will be completed January 2023.</p> <p>Partially Implemented</p> <p>Revised Completion Date: 31 January 2023</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R4 The College should develop a programme of regular inspections to confirm assets are still held and in operational use or identify where they are lost or missing.</p> <p>As part of this approach a process should be developed on how to identify, report and investigate any missing assets. This approach should be aligned to align with the guidance described in R2 within this report.</p>	<p>2</p>	<p>We agree that a more comprehensive solution is required. We will contact a number of other Colleges and develop a solution that falls in line with current best practice in the sector.</p>	<p>Director of Finance</p>	<p>31 December 2022</p>	<p>The College have started this process, utilising a Foundation Apprentice however they are only available one day a week so it's expected this could take some time to complete. It's estimated that this will be completed by 31 December 2023 with a growing percentage cover through the year.</p> <p><i>Partially Implemented</i></p> <p>Revised Completion Date: 31 December 2023</p>



Appendix II - Updated Action Plan

Internal Audit Report 2021/05 – Corporate Planning / Regional Outcome Agreement

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R1 Guidance should be provided to managers on how to develop specific and measurable deliverables as part of the operational planning process. In addition, the dependency risks should also be identified, and mitigating actions set out within the Operational Plans</p>	3	<p>Review guidance given to teams on how to set SMART objectives and update prior to Operational Planning process;</p> <p>Roll out to Managers through CMT and the Professional Services Group.</p>	Deputy Principal via Project & Planning Officer	31 December 2021	<p>A new budget process will replace operational planning in 22/23. The process has been written and will be piloted for 22/23 financial planning. We have designed and have started implementing a new strategy that aligns all the way down to individual staff members and will link to our new budget process.</p> <p><i>Fully Implemented</i></p>



Appendix III - Updated Action Plan

Internal Audit Report 2021/06 – Student Recruitment and Retention

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R1 College management should ensure that Admissions Policies and procedures remain up to date and accurately reflect current arrangements, such as online applications and monitoring arrangements.</p>	3	<p>The FE admissions policy will be reviewed this academic year 21/22</p> <p>The HE admissions policy will be review this academic year 21/22 NB. This is a single UHI policy and as such, we can only request for this review to take place.</p>	D Lally	30 June 2022	<p>Review of our Admissions Policies – I can confirm that these have been reviewed, as mentioned when it is a Single UHI Policy – whilst we may have inputs and recommendations, we have to negotiate with our other UHI Partners.</p> <p><i>Fully Implemented</i></p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R2 A lessons learned review of the Cyber Incident should be completed and contingency measures for monitoring student attendance and performance during scenario events, such as where the BRAG is not accessible.</p> <p>Contingency processes should also be documented to ensure that a consistent approach is used across the College.</p> <p>The online Attendance and Performance Monitoring Procedures should be updated with business continuity arrangements and in line with good version-controlled practices.</p>	3	<p>The BRAG procedure will be reviewed next academic year 21/22.</p> <p>Contingency planning will be reviewed and documented onto Sharepoint.</p>	D Lally	30 June 2022	<p>BRAG – complete overview has taken place and a newly developed system is being launched imminently. We have gone through a rigorous DIPA including Data Security etc. where there is minimal risk of the system not being accessible – it is being stored and supported on the Cloud. The Procedure surrounding this will be reviewed and updated accordingly, this is still WIP.</p> <p><i>Partially Implemented</i></p> <p>Revised Date of Completion: 30 April 2023</p>
<p>R3 The process for action planning and monitoring of actions stemming from lessons learned should be actioned by college managers</p> <p>A process for gathering complainant satisfaction of the implemented procedure should be developed and implemented.</p>		<p>A process for monitoring and planning actions stemming from lessons learned will be developed within the next academic year 21/22</p> <p>A process for recording complainant satisfaction will be developed within the next academic year</p>	J Borley	30 June 2022	<p>A survey was designed to be sent out to complainants after an investigation is complete to ascertain their satisfaction with the process. We have also built into the process for a Quality Officer to follow up with the relevant dept after an investigation to see what learnings were taken forward to improve practice, where relevant.</p> <p><i>Fully Implemented</i></p>



Appendix IV - Updated Action Plan

Internal Audit Report 2021/07 – Follow Up Review 2020/21

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2013/07 – Health and Safety						
R1 Risk assessments should be reviewed annually by College managers. The H&S Adviser should also perform an annual review of risk assessments in place to ensure that these have been updated.	B	During 12/13, a centralised risk assessment system was established which, by each College area, identified the Duty Holder, Responsible Person, and Risk Assessor for each area, training requirements, number of risk assessments required / in place and annual review date.	Director of HR & Communications	31 May 2013	May 2019 Improvements have been made with risk assessments being completed, reviewed and stored electronically. More areas are utilising the central registry and additional assessments have been conducted for Estates Caretakers and Cleaners and Nursery. Some areas still maintain hard copy assessments for Student Training and reference. Internal Inspections by the Health, Safety and Wellbeing Adviser shall indicate if current hard copies are suitable and sufficient. Further review of risk assessments scheduled in 2019.	An audit of Risk Assessments across the College during formal internal audits conducted by the Health, Safety and Wellbeing Adviser (HSWA) has identified areas where improvements must be made. Risk assessment review is in line with guidance and advice to undertake annually. New task, process, activity assessments completed as and when required. Estimated that the College is now 75% compliant with its procedures with regards to assessment completion and currency. Training for competent risk assessors continues with 90 having been trained in the last 3 years. Partially Implemented Revised Date of Completion: 30 April 2023



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2013/07 – Health and Safety						
R1 (Continued)					<p>November 2019 The closure of the College site has had an impact on the College's ability to meet these targets.</p> <ol style="list-style-type: none"> 1) Hazard surveys to be carried out within possible areas which have staff working on campus by December 2020 2) A workplan for 2020-2023 to be revisited in January 2021 3) 15 Risk Assessment trainings took place to support COVID19 assessments 4) 9 members of CMT are enrolled on IOSH Managing Safely training (online) <p>1 member of SMT and a Board member (who sits on H&S committee) have completed their IOSH Safety for Executive and Directors Programme.</p> <p>This process is now planned to be completed by the end of the 2020/21 academic year.</p>	



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2013/07 – Health and Safety						
R1 (Continued)					<p>November 2021: Limited access to the College site and the ongoing additional work requirements due to COVID-19 have affected the College’s ability to meet these targets.</p> <p>All COVID-19 risk assessments are in place and regularly reviewed (College wide ones are published on the website).</p> <p>7 CMT members have completed their IOSH Managing Safely training. Other CMT members have enrolled on the programme.</p> <p>Hazard surveys are being conducted in all areas across the College and this is ongoing.</p> <p>The workplan for 2020-2023 was updated but could not take place as planned due to COVID-19 restrictions. Internal audits will recommence in January 2022.</p> <p><i>Partially implemented</i></p> <p>Revised implementation date: 31 December 2021</p>	



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2018/06 – Equalities Mainstreaming						
<p>R7 Clearly set out the role of the Equality and Diversity Champions, how often they will meet, what they will discuss, and who they will report up to. Ensure the role of the Equality and Diversity Champions is communicated to all staff and students.</p>	3		<p>Stuart Hall</p> <p>Now: Jen McGilvary</p>	31 August 2018	<p>May 2019 The recommendation will be taken forward once the new Equality and Diversity Adviser is in post.</p> <p>November 2019 E&D champion role outline has been created. It has been discussed at EDIT and also staff conference. Discussions have also taken place with HISA</p> <p>Progress against completion of the outstanding actions has been delayed due to the Pandemic.</p> <p>November 2021: This action is on hold until the new EDI advisor is in place, who will take this matter forward. Recruitment is currently ongoing for this position.</p> <p><i>Partially implemented</i></p> <p>Revised implementation date: 31 January 2022</p>	<p>The role of equality and diversity was advertised across the College to raise awareness</p> <p>Equality champions are now in place and report in the Equality, Diversity and Inclusion advisor.</p> <p>They have had dedicated training and work with the Equality, Diversity and Inclusion advisor on specific aspect and act as signposters to other services within the College.</p> <p><i>Fully Implemented</i></p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2020/05 – Health and Safety						
R1 The College should ensure that all health and safety policies are reviewed and updated in line with the agreed review schedule.	3	Agreed.	Health, Safety and Wellbeing Adviser	10 December 2020	<p>November 2020 This process has been started but will be completed during the 20/21 academic year.</p> <p>November 2021: Nine policies and the H&S arrangements have been reviewed, updated, and published on the website. All others are in the process of being reviewed.</p> <p>Partially implemented</p> <p>Revised implementation date: 31 January 2022</p>	<p>The Policies and Procedures Group, which is a sub-committee of the Health and Safety Committee have been reviewing policies and procedures with consultation and review from the H&S Committee. and have amended review period to 2 years with the exception of the Health & Safety policy which is reviewed annually.</p> <p>Of the 23 documents falling under Policy and Procedures, 20 have been reviewed. There are three documents outstanding, Stress Management and Drug and Alcohol which will be reviewed and finalised in early 2023 and Overseas Travel. Our policies will reflect current practice and be approved by management and staff representatives.</p> <p>Partially Implemented</p> <p>Revised Date of Completion: 31 March 2023</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2020/05 – Health and Safety						
<p>R4 The College should ensure that risk assessments are completed in accordance with the agreed standard approach and should also be reviewed and updated on time. The Health and Safety Committee should be provided with regular reports detailing the level of compliance with the cycle of updating of risk assessments and should be informed where there are areas of significant non-compliance with the regular review and updating process.</p>	2	Agreed.	SDD / Head of Department for each area overseen by SMT, supported by Health, Safety and Wellbeing Adviser	31 March 2021	<p>November 2020 Not past completion date</p> <p>November 2021: Risk assessments associated with COVID-19 and staff / students on campus were prioritised and completed.</p> <p>All areas are currently having hazard surveys done to inform if any risk assessments are missing. Risk assessment compliance is being discussed at the next Health and Safety Committee</p> <p><i>Partially implemented</i></p> <p>Revised implementation date: 31 January 2022</p>	<p>An audit of Risk Assessments across the College during formal audits conducted internally have identified areas where improvements must be made. Estimated that the College is now 75% compliant with its procedures with regards to assessment completion and currency. As part of the ongoing training programme, training for competent risk assessors continues with 90 having been trained in the last 3 years to enhance capability to undertake suitable and sufficient risk assessments.</p> <p><i>Partially Implemented</i></p> <p>Revised Date of Completion: 30 April 2023</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2020/06 – Procurement & Creditors						
<p>R2 The College should implement a plan to ensure the mandatory use of PECOS in all procurement activity by an agreed date and should ensure that a “No purchase order - no payment” approach is implemented and enforced around all procurement activity.</p>	2	<p>Review and cleanse of College PECOS Users.</p> <p>Instruction issued for mandatory use of PECOS.</p> <p>Embed ‘no purchase order no pay’ process</p>	<p>Director of Finance</p> <p>Director of Finance</p> <p>Procurement Manager / Director of Finance</p>	<p>31 October 2020</p> <p>31 December 2020</p> <p>31 March 2021</p>	<p>November 2021: The review and cleanse of College PECOS Users has been completed.</p> <p>PECOS is used as the only ordering system.</p> <p>All award letters issued advise that a PO is required. The College has implemented a no PO no Pay process internally but needs to follow that up with a mail to suppliers. The supplier mail will go out by the end of Nov 21.</p> <p>Partially Implemented</p> <p>Revised Implementation Date: 30 November 2021</p>	<p>All orders are processed via Pecos and are approved by procurement before being sent to relevant budget holders / approvers.</p> <p>A maildrop was sent to all active suppliers to update details and advised of the No PO-No Pay policy. Any invoices with no PO number are registered and returned to the supplier to add the PO number.</p> <p>Fully Implemented</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2020/06 – Procurement & Creditors						
<p>R3 The Procurement Team should ensure that all staff involved in the procurement process complete the PECOS training as a matter of urgency. In addition, no new users should be able to procure goods and/or services, or be granted access rights to the PECOS system, until PECOS training has been completed.</p>	2	<p>Training to be provided to CMT/SMT to advise risk areas of direct awarding contracts out with the procurement process.</p> <p>Training to be delivered to 90% of PECOS Users</p> <p>Procurement Compliance Training to be delivered to end users.</p>	<p>Procurement Manager</p> <p>Procurement Manager</p> <p>Procurement Manager</p>	<p>31 December 2020</p> <p>31 January 2021</p> <p>28 February 2021</p>	<p>November 2021: Training was delivered on 25th June 2020 via MS Teams.</p> <p>Training has been delayed due to COVID-19. It has not yet been delivered to 90% of PECOS Users and the process for this is currently being revised.</p> <p>Training was delivered on 25th June 2020 via MS Teams.</p> <p>The College is recruiting an additional APUC staff member. When the new staff member is recruited, Procurement will place all POs in the College (on PECOS). Recruitment is already underway, so it is expected that all current staff PO permissions in PECOS to be switched off in January 2022. This action will ensure the accuracy of POs.</p> <p>Partially Implemented</p> <p>Revised Implementation Date: 31 January 2022</p>	<p>PECOS training has been put on hold due to the decision of Perth College to move all purchasing transactions to the finance system (Symmetry/BluQube)</p> <p>Initial training on BluQube has been delivered to Admin teams who will be the end users in raising requisitions. Only procurement will be able to place purchase orders going forwards.</p> <p>No new Pecos users have been added and the number of users will reduce as the number of people authorised to raise purchase requisitions is reducing.</p> <p>Considered but not Implemented</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2020/06 – Procurement & Creditors						
R4 Staff placing an order should be required to raise a purchase order for all procurement activities, as this will ensure that the liability is accurately and timeously recorded as required within accrual accounting requirements.	2	Agreed, purchase orders provide a critical role in a number of areas including; cash management, ensuring financial information is correct and preventing fraud. Raising a purchase order is not optional and Finance will work with Procurement through the end of 2020 to design a process of staff communication and weekly P.O. tracking. These actions combined with the other actions in this report e.g. “No P.O. no pay” will result in a significant improvement in this area.	Director of Finance	30 November 2020	<p>November 2021: CMT were requested to have a PO for all purchases. Video training was created and made available on the importance of POs and how to raise them. Reports of any purchases without a PO are being created as part of the “No PO, No Pay” process being implemented.</p> <p>The College is recruiting an additional APUC staff member. When the new staff member is recruited, Procurement will place all POs in the College (on PECOS). Recruitment is already underway, so it is expected that all current staff PO permissions in PECOS to be switched off in January 2022. This action will ensure the accuracy of POs. Staff will complete purchase requisitions, which cannot become a PO until the required level of detail is included on the purchase requisition.</p> <p>Partially Implemented</p> <p>Revised Implementation Date: 31 January 2022</p>	<p>There is no change to the ability to report on invoices without PO. That existed at the outset.</p> <p>There are still invoices without PO and the improvement of this is ongoing and likely improve further when migrating PO’s into BluQube.</p> <p>The quality of matching information will also be far better after the migration.</p> <p>In addition to having more control over PO’s a key driver was accuracy of coding purchase orders, Procurement and Finance have a process ready which will ensure the accuracy of PO coding moving forwards</p> <p>Partially Implemented</p> <p>Revised Date of Completion: 31 July 2023</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2020/08 – AST Financial Controls						
<p>R1 The current update of the Perth College UHI's Financial Regulations should take account of AST business requirements to ensure they are adequately addressed. Alternatively, consideration could be given to excluding AST from the Perth College UHI Financial Regulations and creating specific Financial Regulations which meet the business needs of AST; the AST Board and the governance requirements of the Perth College UHI Board of Management.</p> <p>Any separate Financial Regulations developed for AST will require the approval of the AST Board, as well as Perth College UHI's Board of Management, to ensure that they satisfy the public sector financial and governance requirements.</p>	2	<p>Agreed.</p> <p>AST General Manager has previously discussed this with the Board Secretary, and they concluded that once the work was done regarding sign-off / referral levels for Perth College, then a similar scale of levels had to be established for AST.</p> <p>There also needs to be consideration whether the referral points for AST should be the AST board or nominated directors (eg Perth College Principal) or whether the escalation could be to Perth College personnel (eg VP External or Finance Director) who were not part of the formal AST governance process, specifically the AST Board.</p> <p>The next AST Board meeting is 25th February 2021 and it is proposed that revised procedures and financial levels should be presented at the board meeting for approval, prior to referral to the F&GP then Perth College Main boards</p>	Mark Taylor (AST General Manager)	28 February 2021	<p>November 2021: There has been delayed action on this matter due to the additional work in managing the business through COVID-19.</p> <p>Considerable management effort has also been used on cash generation, coupled with a requirement to demonstrate that the business can satisfy a Going Concern question from the external auditors.</p> <p>This action was always subject to a conclusion of those same discussions within the College, who only approved their new levels at the October 2021 Board of Management Meeting. Those were issued to AST on 19th November and will now be reviewed prior to AST proposing a matching document for approval by the AST Board. Whilst there is an AST Board Meeting on 23rd November, realistically the agreement of a formally approved governance document will have to occur at the next session, which is on 24th February 2022.</p> <p>Partially Implemented</p> <p>Revised implementation date: 28 February 2022</p>	<p>This is still a work in progress and multiple other business challenges have resulted in this being pushed out to July 2023 for completion. However, AST work with UHI Perth finance staff who are aware of the UHI Perth regulations and the requirements of external accounting regulations, so risk is low at the moment.</p> <p>Partially Implemented</p> <p>Revised Date of Completion: 31 July 2023</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at November 2022
2020/08 – AST Financial Controls						
<p>R2 Discussions should be initiated between AST and Perth College UHI regarding the feasibility of developing a Service Level Agreement detailing the specification for the service levels which will be provided for the annual £100k service charge. This should include:</p> <ul style="list-style-type: none"> • What services will be provided; • Who will provide them; • Quality metrics or KPIs to assess the effectiveness of their delivery; and • Timelines for reviewing the agreed fees and service delivery levels. 	3	<p>It will be comparatively easy to write agreements of turnaround times on requests, compliance with due dates on say monthly finance reports and similar.</p> <p>However the issues that define the quality of relationship between AST and PC are more subjective and include, for example, does AST get a fair crack at room bookings, or does it only get the rooms PC does not require. This impacts AST ability to deliver business and thereby limits AST profit and its ability to Gift Aid to PC.</p> <p>Need also to consider if AST should be incentivised to reduce expenditure / activity. AST is the predominate user of the Reprographics facility but would see no financial benefit, if it were to invest in scanning and digitalisation and move training materials on-line.</p> <p>The AST General Manager will initiate discussions with the Finance Director in Perth College UHI to discuss these issues and to discuss the practicalities of progressing the development of a formal SLA between AST and the College.</p>	Mark Taylor (AST General Manager)	28 February 2021	<p>The College services SLA has been drafted by AST but has still to be issued to the College for consideration.</p> <p>The BSc SLA has been drafted by AST and iterated between AST and the College, although the latter stages of that were hindered by the College representative leaving the College. The new College representative is now in place and the document needs to be shared with him. The involvement of the VP-External plus the Finance Director meant there was sufficient agreement of the commercial arrangements that the invoicing for FY 2021/22 could occur on the new basis.</p> <p>Partially Implemented</p> <p>Revised implementation date: 31 December 2021</p>	<p>The SLA will be signed in December 2022.</p> <p>Partially Implemented</p> <p>Revised implementation date: 31 December 2022</p>



Appendix V - Updated Action Plan

Internal Audit Report 2021/08 – Staff Skills Profile, Staff Productivity and Performance Management

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R1 HR require greater clarity around the College’s establishment to effectively assess current and future workforce needs.</p> <p>It is our view the current arrangements would be enhanced by the inclusion of the Head of HR and Occupational Development in the monthly meetings on the review of staffing establishment with Finance, Sector Development Directors and the Associate Principal which commenced in April 2021.</p>	3	To be reviewed, and proposals for changes to be submitted for review in January 2022, with implementation by end of April 2022.	Head of HR & OD	31 January 2022	<p>The Head of HR and OD receives all recruitment requests and takes them to SMT for review.</p> <p>The Head of HR and OD is also aware of all organisational changes that take place and is the HR representative on the appropriate JNC for this.</p> <p>The inclusion of the Head of HR and Occupational Development in these particular monthly meetings is not appropriate. Therefore, this recommendation is now obsolete.</p> <p><i>Considered but not implemented</i></p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R2 Management should ensure that there is a strategic workforce plan in place that reflects the vision for Perth College and aligns with its review of the Corporate Strategy and Learning, Teaching, and Assessment Strategy around the following:</p> <ul style="list-style-type: none"> • Staff profile for the academic and professional services workforce • Teaching training • Digital skills • Industry standard skills • Wellbeing and resilience, • Equality and diversity agenda, • How the workforce will meet other agendas, such as STEM or industry/ business partnerships, • Recruitment, turnover, and retention • Performance management, • Succession planning, and • Leadership development. 	2	Workforce Strategy to be created once new Strategic Plan is in place for the College	Head of HR & OD	30 April 2022	<p>There has been no progress at this stage due to Strategic plan having not being in place until the start of the 2022/23 academic year</p> <p><i>Little or No Progress Made</i></p> <p>Revised Date of Completion: 30 June 2023</p>
<p>R3 Management should develop a timeline and action plan to implement a formal succession planning process for its management and leadership teams and this should be aligned with the strategic workforce plan highlighted in R2.</p>	2	Timeline and Action plan to be created and implemented	Head of HR & OD	30 June 2022	<p>There has been no progress at this stage due to Strategic plan having not being in place until the start of the 2022/23 academic year</p> <p><i>Little or No Progress Made</i></p> <p>Revised Date of Completion: 31 December 2023</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R4 Management should consider developing a change process and documenting the arrangements for Sector Managers to request, and obtain formal approval, for securing outsourced staff from other departments.</p> <p>Outsourced staff should be accurately accounted for within the new department's budget.</p>	3	<p>Process to be considered and, if approved, implemented.</p>	Head of HR & OD with SDD, Director of Finance	31 May 2022	<p>There has been no progress at this stage</p> <p>Little or No Progress Made</p> <p>Revised Date of Completion: 31 March 2023</p>
<p>R5 Management should update the CPD policy and ensure that procedures are updated, and version controlled in line with good practice. This work should dovetail with the actions on developing a revised strategic workforce plan set out in R2.</p> <p>The governance arrangements should be updated in the revised policy, with specific reference made to the role of the Engagement Committee and the Finance and General Purposes Committee in providing ongoing oversight.</p>	3	<p>College to review proposed UHI wide CPD policy and whether a local procedure/guidelines are needed.</p> <p>Governance to be brought in line with Board structure.</p>	Head of HR & OD	31 May 2022	<p>This is still being considered within UHI. Once this stage is complete, the College can consider the proposition.</p> <p>Little or No Progress Made</p> <p>Revised Date of Completion: 31 May 2023</p>
<p>R6 A review of the Academic Affairs Committee terms of reference, and its future role in the oversight of workforce planning and CPD monitoring, should be conducted.</p>	3	<p>Review of where HR/OD updates are provided to be in line with governance structures</p>	Head of HR & OD	31 January 2022	<p>There has been a chance in the Board meeting structure.</p> <p>Fully Implemented</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R7 All line managers should ensure timely submission of completed induction documentation to the HR Department.</p> <p>Management should consider automating the induction process, as an integral part of the current evaluation of the HR system specification, to allow line managers to self service employee records and to allow HR to readily and effectively identify gaps or support needs for line managers and new staff.</p>	2	<p>New guidance on induction/probation to be created and implemented for Managers.</p> <p>Completion of probation to be logged onto CIPHR for ease of reporting.</p> <p>Induction/probation to be considered in specification of HR system tender</p>	Head of HR & OD	30 June 2022	<p>Logging of completion of probation in CIPHR - completed</p> <p>Guidance in progress</p> <p>Tender for new HR system still in progress</p> <p><i>Partially Implemented</i></p> <p>Revised Date of Completion: 30 June 2023</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R8 During the review of the new HR system (R7), management should consider automating the probationary reviews process so that managers are updating the new system as probation progresses.</p> <p>In the interim period, line management should also be reminded of their responsibilities to complete induction, in line with agreed requirements, through targeted manager training.</p> <p>Staff who have not completed formal reviews during the COVID-19 pandemic should be reviewed to identify any additional pay due to them and to confirm that they have had their training needs assessed. The financial consequences of any CPD requirements identified should be considered as part of the next departmental budget review exercise.</p>	2	<p>New guidance on induction/probation to be created and implemented for Managers.</p> <p>Completion of probation to be logged onto CIPHR for ease of reporting.</p> <p>Induction/probation to be considered in specification of HR system tender</p> <p>Review of staff where probation not completed therefore probationary increment withheld to be undertaken</p>	Head of HR & OD	30 June 2022	<p>Logging of completion of probation in CIPHR – completed</p> <p>Review of staff - completed</p> <p>Guidance in progress</p> <p>Tender for new HR system still in progress</p> <p><i>Partially Implemented</i></p> <p>Revised Date of Completion: 30 June 2023</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R9 During the current ongoing review of the HR System (R7), management should consider the user requirements for Occupational Development and define what constitutes an effective CPD management system for Perth College UHI.</p> <p>A process should be established to ensure all training is accredited within training records.</p>	3	<p>To be considered as part of system review.</p> <p>Staff and Managers delivering sessions reminded of need for sessions to be created in CIPHR so that staff can easily log attendance</p>	Head of HR & OD	30 June 2022	<p>This is an ongoing action.</p> <p>Reminders are issued at with the last one at CMT in November 2022</p> <p>Tender for new HR system still in progress</p> <p>Partially Implemented</p> <p>Revised Date of Completion: 30 June 2023</p>
<p>R10 Guidance made available to managers and staff should be enhanced, with explicit instructions provided on where to store the completed Review Meeting Forms. Consideration should be given to allowing Line Managers to access employee records on SharePoint to support HR in delivering the ongoing administrative tasks required.</p> <p>Management should seek confirmation that 2021 annual reviews have been completed by their line managers and provide an update on the status of completion rates to the SMT and appropriate Board committee</p>	2	<p>Update on guidance to be created</p> <p>Logging of Professional Review completion to be undertaken by HR, but employee and line managers will retain copy of forms.</p> <p>Completion rates to be reported to SMT and at end of period to appropriate Board committee.</p>	Head of HR and Organisational Development	31 March 2022	<p>Guidance completed</p> <p>Professional review process underway</p> <p>Completion rates will be reported at end of Professional review process</p> <p>Partially Implemented</p> <p>Revised Date of Completion: 31 March 2023</p>



Follow Up Review 2021/22

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at November 2022
<p>R11 Line managers should complete training on how to conduct successful annual review meetings and to effectively capture objectives on the Review Meeting Forms.</p> <p>Staff objectives should be SMART (specific, measurable, attainable, realistic and timebound) objectives. To meet General Teaching Council for Scotland (GTCS) requirements, professional staff objective setting should focus on professional development rather than specific objectives that are SMART. However, consideration should be given by line managers regarding how to record feedback in order to effectively to demonstrate development and progression.</p> <p>Guidance on where to capture progress in relation to interim reviews should also be documented.</p>	3	Training to be put in place for line managers for upcoming Professional Review process	Head of HR & OD	31 December 2021	<p>Completed. Training took place in October / November 2022 for current PRD process.</p> <p>Fully Implemented</p>
<p>R12 Annual professional review guidance and forms should instruct users to consider personal objectives or goals and to record how any CPD completed will be applied in their individual role.</p>	3	Updating of professional review paperwork to meet recommendations	Head of HR & OD	30 November 2021	<p>Completed, new paperwork has been issued for new professional review round which commenced October 2022 and will take place until the end of January 2023.</p> <p>Fully Implemented</p>



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Paper 11

Perth College UHI

2021/22 Student Activity Data

Internal Audit report No: 2023/02

Draft issued: 23 November 2022

Final issued: 29 November 2022



Contents

		Page
Section 1	Management Summary	
	<ul style="list-style-type: none">• Introduction• Scope of the Audit• Audit Staffing• Audit Findings• Conclusion• Acknowledgements	 1 1 1 1 - 2 2 2
Section 2	Action Plan	3 - 5
Section 3	Main Report	
	<ul style="list-style-type: none">• Introduction• Systems and Procedures for Completion of Returns• Analytical Review	 6 7 - 10 10
Appendices		
Appendix I	Copy of Audit Certificate	11
Appendix II	Summary of Adjusted and Unadjusted Errors	12
Appendix III	Price Group Analytical Review 2020/21 and 2021/22 – Figures	13
Appendix IV	Price Group Analytical Review 2015/16 to 2021/22 – Graph	14
Appendix V	Updated Action Plan – Student Activity Data 2020/21	15 - 16



Management Summary

Introduction

The Guidance Notes issued by the Scottish Funding Council (SFC) on 16 August 2022, '*FES Return and Audit Guidance 2021-22*', requested submission by Perth College UHI ('the College') of the FES return for session 2021/22, which includes the Credits data relating to College activity for the academic year 2021/22.

Guidance on completion of the 2021/22 return was issued by the SFC on 2 August 2021.

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

Scope of the Audit

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

Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Price Group.

Our testing was designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to Credits Audit Guidance, COVID-19 related guidance at Annex D and the key areas of risk identified in Annex E.

Audit Staffing

An Audit Director with 29 years' experience in the further and higher education sectors had overall responsibility for the planning, control and conduct of the audit and supervised and reviewed work performed by a Senior Auditor and Auditor with four and one-years' experience in the sector respectively.

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

The total number of audit days was 6, split 1 day for the Audit Director, 4 days for the Senior Auditor and 1 day for the Auditor.

Audit Findings

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

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



Audit Findings (Continued)

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

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

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

Conclusion

Our report was submitted to the SFC on 23 November 2022. We reported that, in our opinion:

- the student data returns have been compiled in accordance with all relevant guidance.
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- we can provide reasonable assurance that the FES return is free from material misstatements.

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

Acknowledgments

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



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date
2.2.1	<p>Systems and Procedures for Compilation of Returns</p> <p>Allocation of Credits to Courses</p> <p>R1 Ensure that Credits claimed for students are based upon the value of the units listed on the student course record, which reflect the activity delivered in the year, and not based upon a default tariff.</p>	3	Reporting has been developed to monitor Credits claimed and allow us to identify and correct any instances where a Credits claim does not accurately reflect activity delivered.	Y	Student Records Manager	Ongoing and by end AY2022-23
2.3.1	<p>Infill Courses</p> <p>R2 Ensure that Credits claimed for infill students are based upon the value of the units which have been completed during the year, and not based upon a default tariff of planned units.</p>	3	Reporting has been developed to monitor Credits claimed and allow us to identify and correct any instances where a Credits claim does not accurately reflect activity delivered.	Y	Student Records Manager	Ongoing and by end AY2022-23



2021/22 Student Activity Data

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date
	Non-Fundable Activity					
2.4.1	R3 Ensure that non-fundable programmes are identified and removed from the Credits claim.	3	Reporting processes have been developed to ensure these programmes are identified and removed from the claim.	Y	Student Records Manager	Ongoing and end AY2022-23
2.4.2	R4 For all spanning programmes ensure that Credits are claimed in the academic year in which the course ends.	3	Reporting will ensure these courses are claimed appropriately.	Y	Student Records Manager	Ongoing and end AY2022-23
	Open / Distance Learning					
2.5.1 – 2.5.5	R5 The College should ensure evidence of progression and participation / engagement is retained to evidence eligibility of the Credits claimed for open / distance learning students. Where curriculum staff identify that no evidence is available, or that students are no longer engaging, this should be notified to the Student Records team to ensure that the Credits are removed from the Credits claim.	3	Communication with curriculum staff will be developed to ensure the Student Records team are kept updated throughout the year and records amended accordingly.	Y	Student Records Manager	Ongoing and end AY2022-23



2021/22 Student Activity Data

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date
2.6.1	<p>Fee Waiver</p> <p>R6 Introduce checks to ensure that fee waivers are correctly classified.</p>	3	Reporting has been developed to ensure checks on fee waivers are carried out regularly.	Y	Student Records Manager	Ongoing and end AY2022-23



Main Report

1. Introduction

1.1 SFC Guidance

1.1.1 The Credits Audit Guidance issued by the Scottish Funding Council (SFC) on 16 August 2022 sets out, at Annex E, the key areas of risk in relation to the preparation of the FES return. These are:

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

1.1.2 For academic year 2021/22 we established that there had been no significant changes to the systems and procedures used in the compilation of the returns. We then carried out detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily. Detailed analytical review was carried out, including a comparison with last year's data, and obtaining explanations for significant variations by Price Group.

1.1.3 As requested by the Credits Audit Guidance this report indicates: the scope of the audit; the approach taken; an indication of analytical review work performed; the extent of checking undertaken; the external data examined; review of prior year recommendations; and the main findings from our audit work. As requested by the guidance, the report also includes a summary of adjusted and unadjusted errors found during the course of the audit.

2. Systems and Procedures for Compilation of Returns

2.1 Introduction

2.1.1 Detailed testing at the year-end Credits audit included two main tests on courses and individual students.

2.1.2 The following tests were carried out for a sample of 15 courses selected from the SITS system:

- a) Ensured that the course met the criteria for fundable activity set out in the Credits guidance;
- b) Where applicable, ensured that the course met the definition of further or higher education set out in the Credits guidance;
- c) Ensured that courses recorded as full-time met the definition for full-time as set out in the Credits guidance;
- d) Checked the student total for a programme against course / class lists or course / class register. Checked calculation of the required date and ensured that students who had withdrawn prior to this date had been excluded from the Credits count; and
- e) Checked allocation of Credits to courses is in accordance with the Credits guidance.

2.1.3 For a total of 46 students selected from the above courses the following tests were carried out, where applicable:

- a) Ensured that the student met the criteria for fundable activity set out in the Credits guidance;
- b) Checked back to signed enrolment forms, or electronic equivalent, for the 2021/22 academic year;
- c) For infill courses, ensured that Credits were allocated according to the modules attended by individual students rather than by the default value for the courses being infilled;
- d) Checked to student attendance records and, for withdrawals (including a further sample of 15 full-time students who withdrew within two weeks after the Credits qualifying date), checked that the withdrawal date noted on the system was the last date of physical attendance;
- e) For students following courses of open / distance learning vouched to study plan etc. and ensured that required criteria was met; and
- f) For students undertaking work experience ensured that the credits value had been calculated in line with the Credits guidance.

2.1.4 The following tests were carried out by reviewing records for all College courses:

- a) Confirmed that there were no claims for more than one full-time enrolment per student for 2021/22 and ensured that Credits had not been claimed in respect of courses that were related in respect of subject area, unless progression could be clearly established;
- b) Confirmed that there were no claims for overseas students and students enrolled on full cost recovery commercial courses; and
- c) Confirmed that Credits had not been claimed for distance learning student's resident outwith Scotland

2.1.5 It was confirmed by the Student Records Manager that the College is not involved in any collaborative provision and no such courses were identified during our audit testing. No further work was therefore required in this area.

2.1.6 Before signing our audit certificate, we reviewed the final FES online report and the explanations for remaining errors.



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

2.1 Introduction (continued)

2.1.7 From our review and testing of the systems and procedures used in the compilation of the returns, we concluded that overall, they were adequate to minimise risk in the areas identified in Annex E of the Credits Audit Guidance and were working satisfactorily as described to us.

2.1.8 The remainder of this section discusses issues identified during our review of the 2021/22 student activity data.

2.2 Allocation of Credits to Courses

2.2.1 Audit testing identified one short full time further education course (Introduction to Beauty Therapy and Hairdressing) where the Credits recorded in SITS did not correlate to the Credits outlined in the course framework or undertaken by students in the year. A total of 7.65 Credits per student were recorded in SITS for the 10 students on the course, although the short course report included a total of 10 Credits. Records were updated to reflect actual delivery resulting in a further 23.5 Credits being claimed. Similar issues were also identified in 2020/21 (see **R2** per Appendix V). We have repeated our previous recommendation from 2020/21 and this will be followed up as part of the 2022/23 Credits audit to confirm that the updated College process is operating effectively.

Recommendation

R1 Ensure that Credits claimed for students are based upon the value of the units listed on the student course record, which reflect the activity delivered in the year, and not based upon a default tariff.

2.3 Infill Courses

2.3.1 Our initial sample of 15 courses included one infill course, NC In Engineering Practice, with a total of 48 Credits claimed for seven students. As part of our testing, we compared the units undertaken by two students and the associated Credit value of these to the Credits being claimed for the students per the FES. It was noted that the Credits per student attainment records were different to the number of Credits being claimed:

- For one student, 12 Credits per student attainment, 10 credits per FES; and
- For a second student 11 Credits per student attainment, 9 credits per FES.

The final claim was updated to include a further 4 Credits.

Recommendation

R2 Ensure that Credits claimed for infill students are based upon the value of the units which have been completed during the year, and not based upon a default tariff of planned units.

2.4 Non-Fundable Activity

2.4.1 A report showing all commercial courses charged as full cost recovery was obtained and we noted that 52 Credits were being claimed for one course, English Language - Upper Intermediate. This was removed from the final claim.

Recommendation

R3 Ensure that non-fundable programmes are identified and removed from the Credits claim.



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

2.4 Non-Fundable Activity (continued)

- 2.4.2 We also obtained a report showing all programmes spanning more than one academic session and noted that 7 Credits were being claimed for one course, College Certificate - Childcare Skills Academy, that spanned into 2022/23.

Recommendation

R4 For all spanning programmes ensure that Credits are claimed in the academic year in which the course ends.

2.5 Open / Distance Learning

- 2.5.1 The Credits guidance requires that when a programme is delivered by flexible learning methods and the subjects involved have a nominal duration, the planned learning hours per student are derived from the duration of the subjects on which the student has both enrolled and completed within the session. Records of work of such students which record formal progress against a schedule with milestones agreed at enrolment must be maintained.
- 2.5.2 For one distance learning course in our sample, English - Higher, for which 128 Credits had originally been claimed for 32 students, we noted from an initial sample of four students that, for two of them, the College was only able to provide evidence of submission of one assignment (out of eight) and some correspondence between the students and lecturer. Both students failed to engage with the course after this, withdrawing on the 2 November 2021 and 11 November 2021 respectively.
- 2.5.3 As a result of the above findings, we looked at the wider population of students on this course to see if any other students would be impacted by a similar issue. We identified that 4 Credits were being claimed for each of the following students who had all withdrawn from the course during the year:
- Two students who did not show any evidence of progression;
 - Four students who had completed one assignment out of eight;
 - Two students who had completed two assignments; and
 - One student who had completed three assignments but had withdrawn to reapply in 2022/23.
- 2.5.4 The limited evidence of progression for the 11 students noted above gives rise to a pro rata overclaim of 37.5 Credits for this course.
- 2.5.5 Our sample also included a flexible learning course and there were no issues with the Credits claimed for that course. There were no other distance learning courses where a significant number of Credits were being claimed. Only 15 Credits were being claimed for other courses with this Mode of Attendance and therefore no further testing was considered necessary.

Recommendation

R5 The College should ensure evidence of progression and participation / engagement is retained to evidence eligibility of the Credits claimed for open / distance learning students. Where curriculum staff identify that no evidence is available, or that students are no longer engaging, this should be notified to the Student Records team to ensure that the Credits are removed from the Credits claim.



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

2.6 Fee Waiver

- 2.6.1 We reviewed the systems for recording fee waiver entitlement and carried out an analytical review to ensure the accuracy of the fee waiver element of the FES return. For a random sample of five part-time students a part-time fee waiver form had been completed in one instance which confirmed that College staff had verified their entitlement to benefit. Four students in our sample had been incorrectly coded as a Universal Credit, Disability Living Allowance or Working Tax Credit fee waiver in the College's systems and instead should have been coded as cost borne by the College. This was an administrative error, and the Source of Finance code was updated at the time of the audit.

Recommendation

R6 Introduce checks to ensure that fee waivers are correctly classified.

3. Analytical Review

- 3.1 The analytical review by Price Group, included at Appendix III of this report, showed significant variances in Price Groups 1, 3 and 5. These were discussed with College management. The explanations we received provided us with additional assurance that the Credits claim does not contain material errors:
- Price Group 1: decrease of 974 Credits (22.4%) due predominantly to one less full-time cohort (NQ Business) and smaller numbers recruited to FA Business Skills, and only one class of Higher / Nat 5 Maths running, when in the past the College had had three classes;
 - Price Group 3: increase of 995 Credits (11.0%) due to: an additional cohort of NQ Electrical Engineering; an additional school group; deferrals from STEM area due to COVID; and claims for courses that were spanning where the College could not claim the year before; and
 - Price Group 5: increase of 819 Credits (73.1%) – due mainly to courses being recategorized from other Price Groups into Price Group 5.



Appendix I – Copy of Audit Certificate

Perth College UHI
Crieff Road
Perth
PH1 2NX

23 November 2022

Dear Sirs

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

We have audited the FES return which has been prepared by Perth College UHI under SFC's Credit Guidance for colleges issued 2 August 2021 and which has been confirmed as being free from material misstatement by the College's Principal in her Certificate dated 21 November 2022. We conducted our audit in accordance with guidance contained in the 2021-22 audit guidance for colleges. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of the data. It also included examination of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material misstatements.

In our opinion:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- we can provide reasonable assurance that the FES return is free from material misstatements.

Stuart Inglis
Director
For and on behalf of Henderson Loggie LLP
Chartered Accountants
Dundee Office
stuart.inglis@hlca.co.uk

23 November 2022

Date FES returned: 7 October 2022



Appendix II – Summary of Adjusted and Unadjusted Errors

Report Para	Error identified	Adjusted/unadjusted	Approx. Value
2.2.1	Credits not agreed to course framework / planned learning hours	Adjusted	+23.5 Credits
2.3.1	Credits claimed for Infill students did not reflect the units completed	Adjusted	+4 Credits
2.4.1	Credits claimed for full cost recovery course.	Adjusted	-52 Credits
2.4.2	Credits claimed for a course spanning into 2022/23	Adjusted	-7 Credits
2.5.2 – 2.5.4	Credits claimed for students who did not show progression on their distance learning programmes	Unadjusted	-37.5 Credits



Appendix III – Price Group Analytical Review 2020/21 and 2021/22 – Figures

Price Group	2020/2021		2021/2022		Variance	Variance
	Credits		Credits		Credits	%
1	4,353		3,379		(974)	(22.4)
2	7,895		7,831		(64)	(0.8)
3	9,061		10,056		995	11.0
4	0		0		0	0
5	1,120		1,939		819	73.1
	22,429		23,205		776	3.5

College Funded Target 2021/22:

23,114 Credits

The above target figure includes:

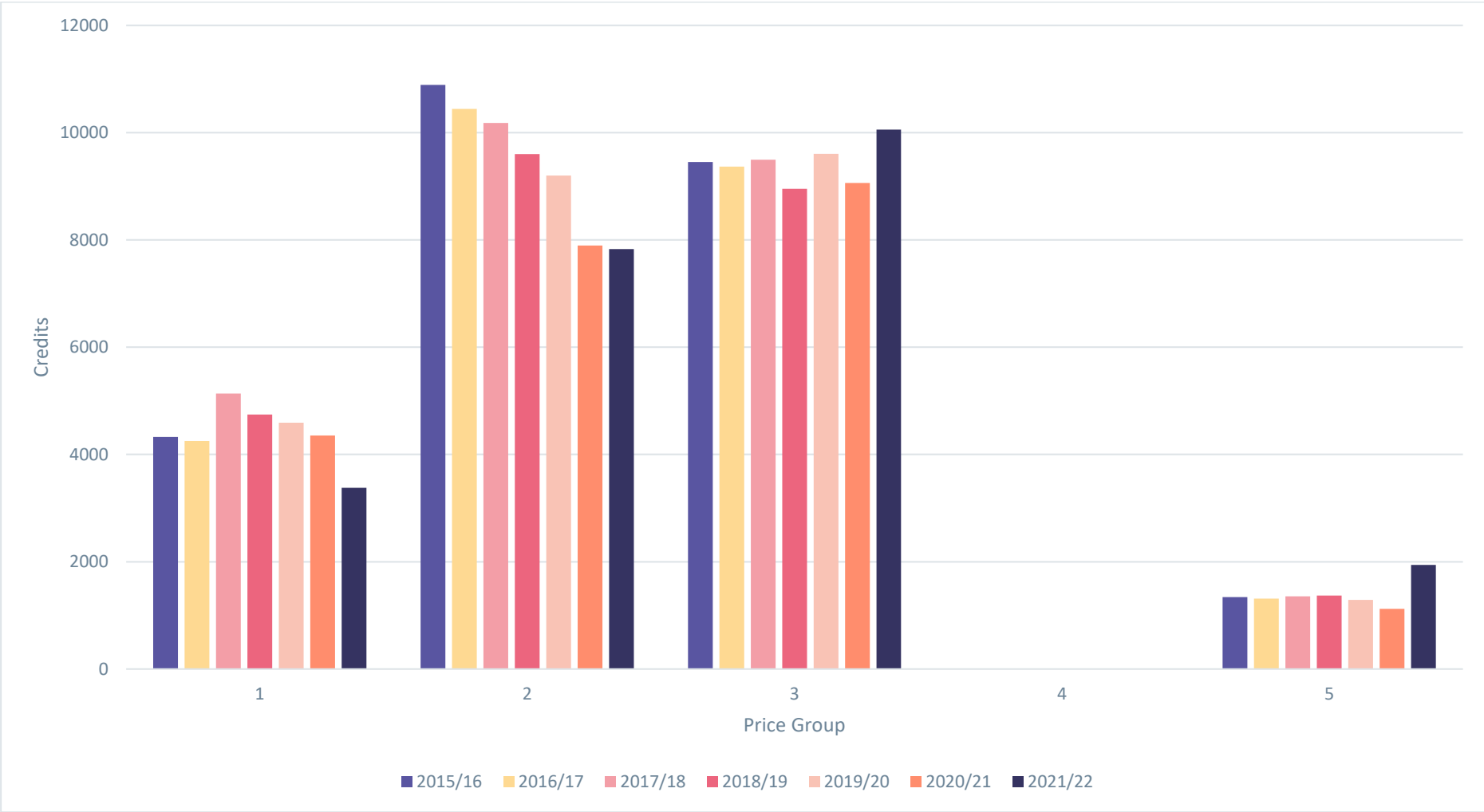
22,438 Core Credits and 676 Foundation Apprenticeships. ESF Credits target 0.

Final claimed 2021/22:

23,205 Credits (including 22,592 Core Credits, 588 Foundation Apprenticeships and 25 Deferred students). ESF Credits claimed 0.



Appendix IV – Price Group Analytical Review 2015/16 to 2021/22 – Graph



Appendix V – Updated Action Plan – Student Activity Data 2020/21

Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date	Progress at November 2022
<p><i>Systems and Procedures for Compilation of Returns</i></p> <p>Required Date</p> <p>R1 For courses that are other than full-time, ensure that the required date input into SITS is calculated as the day on which 25 per cent of the total calendar days between the course start and end have passed.</p>	<p>3</p>	<p>Reporting has been developed to allow us to calculate the correct required date and compare this to the existing required date in SITS. Any discrepancies between these dates will be identified and corrected on an ongoing basis throughout the academic session.</p>	<p>Yes</p>	<p>Student Records Manager</p>	<p>Ongoing and by end AY 2021-22</p>	<p>No errors similar to last year were noted, where the full-time required date had been used for courses other than full-time.</p> <p>We did however note that the required date calculated by the College for six other than full-time courses in our 2021/22 sample was one day later than our re-calculation. In all cases the College accepted the minor errors and amended these in both SITS and the FES however there were no withdrawals impacting the Credits claim.</p> <p><i>Fully Implemented</i></p>



2021/22 Student Activity Data

Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date	Progress at November 2022
<p>Allocation of Credits to Courses</p> <p>R2 Ensure that Credits claimed for students are based upon the value of the units listed on the student course record, which reflect the activity delivered in the year, and not based upon a default tariff.</p>	3	As above, local reporting has been developed to monitor Credits claimed and allow us to identify and correct any instances where a Credits claim does not accurately reflect activity delivered.	Yes	Student Records Manager	Ongoing and by end AY 2021-22	<p>Similar issues were noted during 2021/22. Refer paragraph 2.2.1 in Main Report.</p> <p>Partially Implemented</p>
<p>Part-time Fee Waiver</p> <p>R3 Ensure that part-time fee waiver forms are completed at enrolment in order to evidence entitlement to part-time fee waiver.</p>	3	A SITS development request was submitted by the Student Records Manager to the UHI LIS on 21 st July 2021 to develop the SITS online enrolment process to ensure that when a student ticks the box to say they have a fee waiver, they are then required to upload their documentation to evidence this before going any further. This request is now being investigated as part of the UHI LIS action plan for 2021-22.	Yes	Student Records Manager	AY2022-23	<p>This development request was implemented and in use from academic year 2022/23.</p> <p>Issues were noted with the classification of fee waivers during 2021/22. Refer paragraph 2.6.1 in Main Report.</p> <p>Partially Implemented</p>



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Paper 12

Perth College UHI

Student Support Funds 2021/22

Internal Audit report No: 2023/03

Draft issued: 22 November 2022

Final issued: 6 December 2022



Contents

		Page
Section 1	Management Summary	
	<ul style="list-style-type: none">• Introduction• Audit Scope• Audit Objectives• Audit Approach• Findings and Conclusions• Acknowledgements	 1 1 2 2 2 - 3 3
Section 2	Action Plan	4
Appendices		
Appendix I	Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return and Audit Certificate	
Appendix II	Education Maintenance Allowance Return and Audit Certificate	
Appendix III	Updated Action Plan – Student Support Funds 2019/20	



Management Summary

Introduction

Colleges receive **Discretionary Funds** from the Scottish Funding Council (SFC) to provide financial help for students where access to, or continuance in, further or higher education would otherwise be denied due to financial hardship. The maximum payable from the Further Education Discretionary Fund is normally £4,000 however, as in 2019/20 and 2020/21, this limit was relaxed for 2021/22 to allow additional support to be given to students financially impacted by COVID-19.

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

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

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

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

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

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

Audit Scope

For the 2021/22 academic year two specific fund statements were required for audit:

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



Audit Objectives

The audit objectives were to ensure that:

- The College complies with the terms, conditions and guidance notes issued by SFC, SAAS and the Scottish Government;
- Payments to students are genuine claims for hardship, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- The information disclosed in each of the returns for the year ending 31 July 2022, is in agreement with underlying records.

Audit Approach

The audit approach included:

- Reviewing new guidance from SFC, SAAS and the Scottish Government, including additional guidance issued in response to the COVID-19 pandemic, and identifying internal procedures;
- Agreeing income to letters of award or other supporting documents;
- Reconciling expenditure through the financial ledger to returns, investigating reconciling items;
- Reviewing College analysis spreadsheets for large or unusual items, obtaining explanations where necessary; and
- Carrying out detailed audit testing, on a sample basis, on expenditure from the funds.

Audit guidance issued by the SFC was utilised.

Findings and Conclusions

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

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

In addition, the following points were noted during the course of our audit:

Education Maintenance Allowance

Attendance checks

As part of the EMA acceptance process, the EMA Team should add any accepted students to the EMA attendance group so that they are picked up during attendance checks. For one student in our sample selected for the testing that did not happen until late April / early May 2022 and the bi-weekly EMA Attendance records were not available for the period selected for testing (25 October 2021 to 5 November 2021). We were provided with the standard attendance records from CELCAT covering this period and noted that the student had three unauthorised absences out of eight registers during the period 25 to 29 October 2021 and full attendance during the period 1 to 5 November 2021.

During our audit, the Student Funding Adviser emailed the team dealing with EMA applications stressing the importance that this is carried out timeously for all students otherwise the College runs the risk of paying students who should not be paid. A monthly check has been put in place to ensure that the attendance list matches up with accepted EMA students. Given the action already taken by the College, we have not made any further recommendations in this area.



Findings and Conclusions (continued)

Education Maintenance Allowance (continued)

EMA spot checks

The Scottish Government EMA business model requires 5% spot-checking of applications to be carried out during the year. SFC EMA Audit Guidance notes that testing should be carried out throughout the year to give regular and timely updates on the operation of the systems. This should also ensure that any problem areas will be identified early in the year. It was noted that the College undertook testing for 2021/22 retrospectively in October 2022, although we understand that there were mitigating factors for this including COVID related.

Recommendation

R1 Ensure that EMA spot check testing of 5% of applications is carried out throughout the year to give regular and timely updates on the operation of the systems.

Acknowledgments

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



Action Plan

Page Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer for Action	Agreed Completion Date
Page 3	<p>Education Maintenance Allowance</p> <p>EMA spot checks</p> <p>R1 Ensure that EMA spot check testing of 5% of applications is carried out throughout the year to give regular and timely updates on the operation of the systems.</p>	3	This work will be carried out between January and May in conjunction with a member of a different team who is not involved in the EMA assessment and payment process.	Yes	Student Funding Adviser	31 May 2023



Appendix I – Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return and Audit Certificate



Appendix II – Education Maintenance Allowance Return and Audit Certificate



Appendix III – Updated Action Plan – Student Support Funds 2019/20

Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at November 2021	Progress at November 2022
<p>R3 Ensure that the Bursary award letters contain details of all support provided to students, including where possible an estimate of Additional Support Needs costs (taxis and other).</p>	3	<p>Will need to work with Perth and Kinross Council to establish if they can give a meaningful estimate of cost to put on letter, as we are recharged per term and don't usually receive term 1 recharge until January.</p> <p>If not, a generic text letter will have to suffice.</p> <p>Will look to do this retrospectively for 2020/21 students if possible.</p> <p>Updated management comments at November 2021: This was problematic due to the pandemic, where there were lockdowns post-Christmas resulting in uncertainty about travel costs, so we will need to go back to Perth and Kinross Council to discuss feasibility of this recommendation.</p> <p>In terms of Study Expenses, we have started to put expenses payable to the academic department on the award letter for 2021/22. It is only for a few courses so far, but the plan would be to increase this in future years now that it has been shown to work.</p>	Yes	Student Funding Adviser	February 2021	<p>Whilst ASN costs for taxis etc. and study expenses paid to the College could be agreed to supporting backup and were noted as part of the students' award and payment schedule, which they could access through their Hub account, these amounts were input retrospectively for 2020/21 and not at the start of the academic year.</p> <p>Partially Implemented</p>	<p>From our sample testing for 2021/22, we noted that study costs payable to the College (excluding laptop) were included on the original award letters but not ASN costs.</p> <p>Partially Implemented</p>



2021/22 Student Support Funds

Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at November 2021	Progress at November 2022
R3 (cont'd)		<p>Updated management comments at November 2022: We now have a suite of funding award letters that allow us to separate out payments / awards made to third parties or the College rather than direct to the student. However, we still have the issue that any value attached to the taxi provision will necessarily be an estimate at the time an award notice is issued. For 2022/23, estimates of taxi costs are available for all services for the year, so we should be able to allocate across eligible students once their applications are finalised.</p>					



2021/22 Student Support Funds

Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at November 2021	Progress at November 2022
R4 Review the regular checks carried out on Bursary awards and consider what improvements could be made to identify the type of error highlighted in this report prior to payment.	3	<p>Look again at Care Experienced students and ASN students to ensure no double funding of travel.</p> <p>Work with Student Funding Officer to ensure that Care Experienced students under the age of 18 are not issued with a travel allowance.</p> <p>Updated management comments at November 2021: Ongoing checks to ensure that no double funding of travel takes place. Student Funding Adviser put notes on the records of students known to have taxis from previous years and has stressed to Student Funding Officers that Care Experienced students under the age of 18 should not be given a travel allowance as they should get a bus pass.</p>	Yes	<p>Student Funding Adviser</p> <p>Student Funding Officer</p>	December 2020 / January 2021	<p>Our testing for 2020/21 highlighted one care experienced student who had incorrectly received a bus pass plus a travel allowance.</p> <p>Partially Implemented</p>	<p>No issues were noted from our testing for 2021/22.</p> <p>Fully Implemented</p>

Gradings are as follows:

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



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Our ref: PERT294/DA/STI
Your ref:

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

22 November 2022

Dear Sirs

**Perth College UHI
Discretionary Fund, Childcare Fund and Bursary Return 2021/22**

On behalf of our above named client, we attach the audited Discretionary Fund, Childcare Fund and Bursary Return for the academic year 2021/22.

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

Yours faithfully



Stuart Inglis
Director
For and on behalf of Henderson Loggie LLP
Chartered Accountants
Dundee Office
stuart.inglis@hlca.co.uk

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College - 5360455 - Perth College

Report - Student Support Funding

College Name: Perth College

College Contact: Scott Young

College Number: 5360455

Phone Number: 01738 877375

1st August 2021 - 31st July 2022

	(AAC 1) Student under 18 Headcount Expenditure (£)	(AAC 2) Parentally Supported (At home) Headcount Expenditure (£)	(AAC 3) Parentally Supported (Away from home) Headcount Expenditure (£)	(AAC 4) Self-supporting Headcount Expenditure (£)	(AAC 5) Care-experienced Headcount Expenditure (£)	(AAC 6) Universal Credit Headcount Expenditure (£)	(AAC 7) Non-maintenance Headcount Expenditure (£)	Totals Headcount Expenditure (£)
Maintenance Costs	1 1726	119 317327	13 46254	163 591193	79 503012	74 65632	0 0	449 1525144
Dependents Allowance	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
Approved Residence Costs	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
Personal Residence Costs	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
Study Expenses	169 89211	94 53221	14 9581	141 76824	62 33968	54 35123	1 638	535 298566
Travel Expenses	120 55353	72 29002	2 685	75 34376	29 11015	30 13056	0 0	328 143487
Special Educational Needs	3 13994	11 60219	0 0	0 0	1 6055	0 0	3 16218	18 96486
Total Bursary	201 160287	142 459750	17 56518	178 702369	79 554041	74 113801	4 16856	695 2063622

	(AAC 1) Student under 18 Headcount Expenditure (£)	(AAC 2) Parentally Supported (At home) Headcount Expenditure (£)	(AAC 3) Parentally Supported (Away from home) Headcount Expenditure (£)	(AAC 4) Self-supporting Headcount Expenditure (£)	(AAC 5) Care-experienced Headcount Expenditure (£)	(AAC 6) Universal Credit Headcount Expenditure (£)	(AAC 7) Non-maintenance Headcount Expenditure (£)	Totals Headcount Expenditure (£)
FE Discretionary	19 5785	15 5981	7 7790	38 48257	14 4612	26 10850	1 620	120 83895

Childcare Fund Expenditure	Headcount Expenditure (£)
Total FE Childcare Fund	31 87915
Total HE Childcare Fund *	47 171805

* UHI partner colleges to manually enter data on the CSV version of this report.

	Part-time Headcount Expenditure (£)	Full-time Headcount Expenditure (£)	Totals Headcount Expenditure (£)
FE childcare, lone parent	1 510	14 25625	15 26135
FE childcare, other	0 0	16 61780	16 61780
HE childcare, lone parent	0 0	19 67245	19 67245
HE childcare, other	0 0	28 104560	28 104560

We have examined the books and records of the above college and have obtained such explanations and carried out such tests as we consider necessary. On the basis of our examination and the explanations given to us, we report that the information set out in these forms is in agreement with the underlying records. We also report that in our opinion, the college used these funds in accordance with the Scottish Funding Council conditions. We are satisfied that the systems and controls of the administration and disbursement of these funds are adequate. * Delete if not applicable.

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

Principals Signature

HENDERSON LOGGIE LLP

Auditors Name (in printed capitals)

Auditors Signature

DIRECTOR
FOR AND ON BEHALF OF HENDERSON LOGGIE LLP, CHARTERED ACCOUNTANTS

Date of Signature..... 22 NOVEMBER 2022

Our ref: PERT294/DA/STI
Your ref:

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

22 November 2022

Dear Sirs

**2021/22 Education Maintenance Allowance
Perth College UHI**

In accordance with the Scottish Funding Council's EMA audit guidance we attach an 'Auditors' Report' in relation to the above College's EMA Academic year-end statement for 2021/22 (copy attached).

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

Yours faithfully



Stuart Inglis
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For and on behalf of Henderson Loggie LLP
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Our ref: PERT294/DA/STI
Your ref:

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

22 November 2022

Dear Sirs

**Perth College UHI: Education Maintenance Allowance Return
Auditors' Report to the Scottish Funding Council (SFC) for the period from 1 August 2021
to 31 July 2022**

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

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

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

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

Yours faithfully



Stuart Inglis
Director
For and on behalf of Henderson Loggie LLP
Chartered Accountants
Dundee Office
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Paper 13

Perth College UHI

Internal Audit Annual Plan 2022/23

Internal Audit Report No: 2023/01

Draft issued: 2 December 2022

2nd Draft issued: 7 December 2022

Final issued:



Contents

		Page
Section 1	Introduction	1
Section 2	Strategic Plan 2021 to 2024	2 - 4
Section 3	Outline Scope and Objectives	5 - 13
	<ul style="list-style-type: none">• Space Management / Room Utilisation (Business Process Review)• Procurement & Creditors / Purchasing – Sustainable Procurement• Business Continuity• Performance reporting / KPIs• Data Protection• Credits Audit• Bursary, Childcare and Hardship Funds Audit• Education Maintenance Allowance• Follow-Up Reviews	<ul style="list-style-type: none">5678910111213



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 2023. The plan is based on the proposed allocation of audit days for 2022/23 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 2022/23, 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 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

			Actual	Planned	Planned
	Category	Priority	21/22	22/23	23/24
			Days	Days	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 2022/23 - DRAFT

Proposed Allocation of Audit Days

	Category	Priority	Actual 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:	Space Management / Room Utilisation (Business Process Review)
Priority:	High
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	5

Scope

The scope of this assignment will be to carry out a review of the current processes used by staff for the completion of course unit information, timetabling (courses, staffing and room allocation), dissemination of timetables, and calculation of room and staff utilisation.

Objectives

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

- the College is aware of how teaching and support space is currently being utilised;
- the time-tabling process takes sufficient cognisance of space utilisation, ensuring efficient use is being made of College teaching rooms;
- there are appropriate monitoring and reporting frameworks in place;
- the anticipated outcomes for all stakeholders from processes are clearly defined;
- the steps in the value chain (processes) are identified;
- steps that do not add value are identified with a view to eliminating them; and
- steps that create value occur in the right sequence

Our audit approach will be:

Through discussions with staff involved with the gathering of course information, timetabling and review of staff and room utilisation we will gain an understanding of the current processes in place and obtain a greater understanding of current issues. A facilitated session with staff involved with the gathering of course information, timetabling and review of staff and room utilisation will be held, and we will use a range of business improvement tools to identify stakeholder needs; identify opportunities for removing inefficiency and waste from the current processes used; and to highlight revised processes that could create a flow between value creating steps to improve the processes.

We will then complete a prioritisation exercise of the issues in a meeting with College staff and develop an outline action list which we provided to staff to help them drive forward improvements.



Audit Assignment:	Procurement & Creditors / Purchasing – Sustainable Procurement
Priority:	Medium / High
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	5

Scope

This audit will focus on the systems of internal control in place for the ordering of goods and services and the payment of invoices. We will also consider whether the procurement strategy followed and procedures in place support best value purchasing across the College in relation to non-pay spend.

Objectives

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

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

Our audit approach will be:

From discussions with Procurement staff, and a sample of budget holders, we will establish what procurement strategies, procedures and monitoring arrangements are in place within the College. These will then be evaluated to establish if they follow recognised good practice. We will also document controls in place within the purchasing / payments system through interviews with Finance staff and seek to establish whether the expected key controls are in place. Compliance testing will be performed to determine whether the key controls are working effectively.



Internal Audit Annual Plan 2022/23 - DRAFT

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

Scope

We will undertake a review of business continuity planning to consider whether there are adequate plans in place to minimise disruption to College’s operations following loss of life, buildings or equipment. This will include a specific focus around the work that was undertaken to allow College operations to continue during the COVID-19 pandemic and reopen College campuses as the lockdown was eased. The review will also look at the student experience through the lockdown period.

Objectives

To obtain reasonable assurance that:

- Business Continuity / Contingency Plans are in place covering all of the College’s activities and locations;
- the Business Continuity Plans / Contingency Plans are workable, properly communicated to members of staff, and have been adequately tested;
- the processes and procedures in place follow recommended good practice;
- the work that was undertaken to allow College operations to continue during the COVID-19 pandemic minimised, as far as possible, the impact on the student experience; and
- appropriate preparations were made, and robust plans developed to ensure that College campuses could safely reopen when the COVID-19 lockdown was eased, taking into account all Scottish Government and Health and Safety Executive Guidance relevant to education providers.

Our audit approach will be:

Obtain copies of Business Continuity / Contingency Plans in place and consider whether they cover all of the College’s activities and locations. Obtain and review specific plans in place to continue College operations during the COVID-19 pandemic and plans developed for College campuses to reopen when lockdown restrictions were eased.



Audit Assignment:	Performance Reporting / KPIs
Priority:	Medium / High
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	4

Scope

This audit will consider the format, content and timeliness of performance management information, both financial and non-financial, provided to management; the Board and to external stakeholders.

Objectives

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

- A performance management strategy has been devised in accordance with the key objectives of the organisation; this has been approved by the Board and is subject to regular review;
- Written policies and procedures relating to the performance management processes exist (including definitions of what each KPI measures and how it is calculated), and these policies and procedures are being adhered to by staff;
- Appropriate performance targets/ indicators are agreed annually, communicated and periodically reviewed to allow effective monitoring;
- There is independent, effective review and challenge of performance against targets to manage risk, support improvement and take action; and
- Performance information produced is complete, accurate, valid and timeous to allow for effective monitoring, decision making and reporting in line with senior management requirements.

Our audit approach will be:

A sample of managers and Board members will be interviewed, and the performance management reports (both external and internal reporting), and management reporting procedures, will be reviewed to assess compliance with the above objectives.



Audit Assignment:	Data Protection
Priority:	High
Fieldwork Timing	TBC
Audit Committee Meeting:	TBC
Days:	5

Scope of the Audit

The EU General Data Protection Regulation (GDPR), which came into force on 25 May 2018 and was enshrined in law as part of the Data Protection Act 2018 (DPA 2018), included an expanded definition of what personal data was, a greater number of specific responsibilities, and implemented significant fines for non-compliance. The EU GDPR no longer applies in the UK after the end of the Brexit transition period on 31 December 2020. With effect from 1 January 2021, the DPPEC (Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit)) Regulations 2019 amended the EU GDPR to form a new, UK specific data protection regime that works in a UK context after Brexit to sit alongside the DPA 2018. This new regime is known as ‘the UK GDPR’.

We will carry out a review of the College’s implementation of the Data Protection Act 2018, including the UK GDPR, to ensure that processes and procedures are in place to allow compliance with this.

Objectives of the Audit

To obtain reasonable assurance that:

- appropriate action has been taken by the College to comply with the Data Protection Act 2018, including the UK GDPR; and
- adequate procedures are in place for the ongoing monitoring of compliance with data protection legislation.

Our audit approach will be:

Through discussion with the Depute Principal, Data Protection Officer and other relevant managers and staff we will establish the action taken to date by the College, and any further action planned, to implement the Data Protection Act 2018, including the requirements of the UK GDPR. The Information Commissioner’s Office guidance will be used as the basis for this discussion, and any additional action required will be highlighted.



Audit Assignment:	Credits Audit
Priority:	Required annual audit
Fieldwork Timing	September / October 2022
Audit Committee Meeting:	December 2022
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, COVID-19 related guidance at Annex D and the key areas of risk identified in Annex E.

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



Audit Assignment:	Bursary, Childcare and Hardship Funds Audit
Priority:	Required annual audit
Fieldwork Timing	September / October 2022
Audit Committee Meeting:	December 2022
Days:	5

Scope

We will carry out an audit on the College's student support funds for the year ended 31 July 2022 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 2022 is in agreement with underlying records.

Our audit approach will include:

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

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



Audit Assignment:	Education Maintenance Allowance (EMA)
Priority:	Required annual audit
Fieldwork Timing	September / October 2022
Audit Committee Meeting:	December 2022
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 2022/23 - DRAFT

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

Scope

This review will cover reports from the 2021/22 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.



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Perth College UHI

Paper 14

Committee	Audit Committee
Subject	FOI & Data Protection Quarterly Update
Date of Committee meeting	12/12/2022
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	05/12/2022
Executive summary of the paper	Summary of data relating to FOI requests received and data protection issues raised for the Quarter to 31 October 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

Quarterly Freedom of Information & Data Protection Update

Academic Year 2022/23 | Quarter 1 | August – October 2022

1. Summary

Quarter 1 of 2022/23 saw numbers of Freedom of Information requests and Subject Access Requests broadly in line with recent trends.

Data Breaches remain low in terms of both numbers and risk, however erroneous email protocols continue to be a fairly regular occurrence. The UHI Data Protection Officer is aware of issue and this area will be re-visited for staff training at a suitable opportunity.

2. Freedom of Information

a. Total Number of Requests

2022/23 Quarter 1	2021/22 Full Year	2019/20 Full Year	2018/19 Full Year	2018/19 Full Year
9	22	28	28	39

b. Request Topics – 2022/23 Q1

Type	Number
Academic-Related	1
Student-Related	2
Compliance	0
Financial	0
Estates	1
HR	5
Operational Management	0
IT	0
TOTAL	9

c. Response Times – 2022/23 Q1

Replied within Statutory Time	9
Late	0
To be completed	0

d. Request Sources – 2022/23 Q1

Type	Number
Legal Representative	0
Campaigning Groups	0
Trade Union	2
Press	1
Scottish Parliament	2
Staff	1
Student	0
University Research	0
Unknown/Anonymous	3
TOTAL	9

3. Data Protection

a. Total Number of Requests

	2022/23 Q1	2021/22 Full year	2020/21 Full Year	2019/20 Full Year	2018/19 Full Year
Subject Access Requests	1	5	6	6	10
Data Breaches	1	6	7	13	13

b. Subject Access Request Information

SAR request received in Q1 refers to a staff request for information contained in personnel file.

c. Data Breach Information

Incident	Action Taken	ICO informed?
Distribution of email to 5 students re submissions of medical evidence for their PLSPs used CC function rather than BCC.	Recipients contacted to delete the email from all folders, and confirm this had been done. Original email then re-sent correctly.	No – determined to be low-risk

Ian McCartney
05 December 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 & Resources Committee, the Staff Board Member nominated to Finance & Resources Committee, and the Student Board Member nominated by HISA Perth to Finance & Resources Committee.
- No member of the Finance and Resources Committee shall also be a member of the Audit Committee.
- The Chair of the Board, the Principal and the Chair of the Finance & Resources 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.

Reviewed: September 2022