

**West College Scotland
AUDIT COMMITTEE**

**7 September 2017 at 4.00 p.m. in
Ardgowan 4, Finnart Street, Greenock Campus**

AGENDA

Note: There will be a tour of the Finnart Street campus for **Audit Committee members**. Members are asked to meet in the reception area of the Finnart Street building at **3.00 p.m.**

General Business

1. Apologies
2. Declaration of Interests
3. Minutes of the meeting held on 8 June 2017
Actions from the Minutes Enclosed JM
Enclosed JM
4. Matters arising from the minutes
(and not otherwise on the agenda)
 - .1 AM256.3 Procurement Improvement Plan Oral report AR
 - .2 AM224.1 Publication Scheme for Board and Committee papers Oral report GM
 - .3 AM264 Corporate Dashboard of Performance Measures Oral report AR

Main Items for Discussion and/or Approval

5. Internal Audit Contract Oral report DA/GM
6. Committee Remit, Membership and Dates of meetings Paper 6 GM
7. Monitoring of Regional Outcome Agreement Paper 7 DA
8. Whistleblowing Policy Paper 8 GM
9. Fraud and Corruption Policy Paper 9 AR
10. Value for Money Policy Paper 10 AR
11. National Fraud Initiative – 2017 Outcomes Paper 11 AR
12. Audit Scotland Report – Scotland's Colleges 2017 Paper 12 DA
13. Annual Report from the Committee to the Board Paper 13 AR

Internal Audit

14. Internal Audit Report – Business Continuity and Disaster Recovery	Paper 14	CB
15. Internal Audit – Follow Up Report 2016/17	Paper 15	CB
16. Internal Audit Progress Report 2016/17	Paper 16	CB
17. Draft Internal Audit Annual Report 2016/17	Paper 17	CB
18. Rolling Audit Action Plan	Paper 18	AR
19. Internal Audit Annual Plan 2017/18	Paper 19	CB

External Audit

20. Audit Progress Report	Paper 20	LN
21. 2016/17 Accounts direction for Scotland's colleges	Paper 21	AR
22. Accountability Report - Corporate Governance	Paper 22	AR

Other

23. Annual Report on Freedom of Information and Data Protection Act Requests; Register of Interests; and Hospitality/Gifts Register	Paper 23	AR
24. Risk Management - Strategic Risk Register	Paper 24	AR

Items for Information (to note only)

25. Schedule of Business 2017/18	Paper 25	AR
26. Any other business		

Next meetings: Thursday 21 November at 4.00 p.m. - joint meeting with the Finance and General Purposes Committee

Thursday 14 December 2017 at 4.00 p.m. – next scheduled meeting of Audit Committee.

Gwen McArthur
Secretary to the Committee

AUDIT COMMITTEE

MINUTES: 8 June 2017

Present: John McMillan (in the Chair)
Andrew Hetherington, Robin Downie, Stephen Vere.

Attending: Alan Ritchie (Director of Finance and Estates), Gwen McArthur (Secretary to the Committee).

Attending by

invitation: Chris Brown, Scott-Moncrieff, Internal Auditors; Lucy Nutley, Mazars, External Auditors; Graeme Bold (Observer).

Apologies: Audrey Cumberford, David Alexander.

AM253 DECLARATION OF INTERESTS

John McMillan declared an interest as a Trustee of West College Scotland Foundation. Stephen Vere declared an interest as a Director of C3 Investments in Ayrshire College Education Limited.

AM254 APPOINTMENT OF CO-OPTED MEMBER

The Committee noted that the College had been approached and asked if it would wish to be involved in the Scottish Government/Standard Life pilot programme. This would mean that the Scottish Government Public Appointments team would match the College to an appropriate individual from Standard Life who would then be co-opted to join the Audit Committee for a period of one year in the first instance. The Chair of the Board and the Chair of Audit Committee both supported this initiative, as did the Nominations Committee at its meeting on 23 May 2017.

The Committee was pleased to note that Graeme Bold, Strategy Director at Standard Life, has been identified through this programme and he had been invited to attend this meeting. The Board would be asked to formally approve his co-option to this Committee at its next meeting. On behalf of the Committee the Chair welcomed Mr Bold to his first meeting.

AM255 MINUTES

The minutes of the meeting held on 9 March 2017 were approved.

AM256 ACTIONS FROM THE MINUTES

The Committee noted a report on the actions taken since the last meeting and particularly the following:

- .1 Governance Effectiveness Review (AM240.3)** – it was noted that the Governance Effectiveness Review was complete and the Review Report and Board Development Action Plan had been finalised and submitted to SFC by the deadline of 31 March 2017. The Report and Action Plan had also been circulated to all Board and Committee members and was available on the College website.
- .2 Internal Audit Report: Student Experience-Students Association (AM244)** – it was noted that the Student Partnership Agreement had been considered by the Learning, Teaching and Quality Committee at its meeting in May and would be considered by the Board at its next meeting.
- .3 Procurement and Commercial Improvement Programme (AM249)** – the Director of Finance and Estates informed the Committee that he and the Vice Principal Operations were due to meet with APUC (Advanced Procurement for Universities and Colleges) at the end of June. Feedback from this meeting would be provided to the Committee at its next meeting. **[Action: AR]**
- .4 Publication Scheme for Board and Committee Papers (AM224.1)** – the Audit Scotland Report on Scotland's Colleges, published in June 2016, had provided comment on the need for transparency in governance and decision-making procedures. Since then the College had been working to improve the College website to make more information on the work of the Board and its Committees accessible. A draft publication scheme for Board and Committee papers had been prepared and was currently being further refined. In discussion of this matter it was queried if the Strategic Risk Register should be published in its current format as it provided a significant amount of detailed information. It was **agreed** that the Committee would consider this further at its next meeting. **[Action: GMcA]**
- .5 Judicial Review (AM188)** – the Committee noted that the judicial review into the removal of the Board at Glasgow Clyde College had been completed and the findings published. The Judge had focussed on the collective responsibility of the Board (as set out in the legislation) and had, therefore, found against the individuals so that the order to remove all the Board members would stand. This would have implications for all College Board members, particularly if they were not present at the Board meeting when a particular decision was taken. This would also have implications for the Audit Committee whose role was to provide assurance to the Board, particularly when considering the future sustainability of the College. The External Auditors were expected to provide an assurance on the 'going concern' basis, but this was difficult to do as the information on future funding was only provided 1 year ahead at a time, and this

information was normally only available a few months before the start of the next financial year for the College. It would be helpful if the External Auditors could draw attention to this in their report to emphasise the difficulties this posed for long term planning. **[Action: LN]**

AM257 FUNDING SETTLEMENT FOR THE COLLEGE (AM247)

The Committee received a tabled paper that showed the final funding the College would receive from SFC in 2017/18. It was noted that the College would receive a slight increase in overall funding, of £97,203 or 0.18%, over the previous year. However, much of this was due to the increased activity that the College was expected to deliver in 2017/18. This increase in funding was against a background of an anticipated 1% cost of living rise in staff salaries and the outcome from further National Bargaining negotiations which would have financial implications for the whole College sector. The Committee noted that the Finance and General Purposes Committee had considered the Budget for 2017/18 which would now be forwarded to the Board meeting later in June for consideration and approval.

AM258 COMMITTEE REMIT AND MEMBERSHIP (AM240.1)

It was noted that, in light of the Governance Effectiveness Review, a minor addition had been made to the remit of the Committee. The Committee noted the revised remit.

AM259 ANNUAL EVALUATION OF INTERNAL AUDITORS (AM248)

The Committee noted feedback obtained from the annual evaluation of the Internal Auditors. The Committee was pleased to note that this feedback was very positive. The Internal Auditors were considered to be performing well and providing constructive input to the College.

AM260 WHISTLEBLOWING POLICY AND PROCEDURE (AM240.2; 228)

The Committee received the revised Whistleblowing Policy and procedure which had been updated following the review by Internal Audit. In discussion the Committee commented on the following:

- [REDACTED]
- [REDACTED]
- There were a number of minor editing and typographical corrections to be made.

The Committee **agreed** that the Whistleblowing Policy be revised in light of the above comments and brought back to the next meeting for further consideration. **[Action: DG]**

AM261 AUDIT STRATEGY MEMORANDUM

On behalf of the Committee the Chair welcomed Lucy Nutley, Director – Public Services Audit, Mazars LLP, to her first meeting. Mazars had been appointed as External Auditors to the College by Audit Scotland and would be undertaking the external audit of the Financial Statements 2016/17.

Ms Nutley provided the Committee with some background information on Mazars and their approach. It was noted that Ms Nutley was based in London but the audit team for the College was based in Glasgow. Mazars had been appointed auditors to a number of Scottish Colleges and so would be building their expertise across the audit teams.

The Committee received the Audit Strategy Memorandum for the year ended 31 July 2017 which provided an overview of the external auditors audit plan, scope and approach. It was noted that Mazars had set the overall materiality level at £1.1M, with the performance materiality for the audit being set at £880,000. The memorandum set out the significant risks identified by the External Auditors. National Bargaining had not been included in the risk section as no resolution had been reached on this matter. This would be reviewed prior to the start of the audit.

It was also noted that there had been a change in auditing standards in 2017 (ISA 700 Forming an Opinion and Reporting on Financial Statements) which would have an impact on the content of the final audit opinion. Further guidance from Audit Scotland was awaited but it was anticipated that the description of 'Key Audit Matters' within the opinion would be extended in order to fully comply with the new standard. It would need to provide positive confirmation on the going concern assumption used in the accounts and confirmation of how materiality had been assessed and applied.

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AM262 APPOINTMENT OF AUDITORS FOR YEAR END AUDITS (AM246)

At its last meeting the Committee had considered the additional audits that also needed to be conducted as part of the year end cycle, these being: SFC Credits; SFC Student Support Funding; Educational Maintenance Allowance; and SAAS Discretionary Funds. Previously the College had contracted the External Auditors undertaking the audit of the

Financial Statements to conduct these other 4 audits. However, given that Mazars were new to the College and the Scottish College sector it was considered that they would need some time to gain a full understanding of the operations and risk profile of the College. Following discussion with Mazars it was agreed that for the 2016/17 audit they would conduct the audit of the Financial Statements, but another firm would be contracted to conduct the 4 additional audits.

Quotes to conduct this work had been sought and Wylie & Bisset had provided the lowest quote. It was noted that Wylie & Bisset, the previous External Auditors, would undertake the 4 additional audits for the year ended 31 July 2017 only. [REDACTED] The Committee **approved** this appointment.

AM263 GOVERNANCE COMPLIANCE AND REGIONAL OUTCOME AGREEMENT OUTCOMES (AM241; 189)

The Committee noted the report on how the College complied with corporate governance requirements, in particular with the Financial Memorandum with SFC, the Scottish Public Finance Manual (SPFM), and the Code of Good Governance for Scotland's Colleges. Information had also been included in this report to demonstrate how the Committee had met its requirements in relation to the relevant areas of the 2016/17 Regional Outcome Agreement. The Committee welcomed this report and the assurance it provided.

In discussion the Committee considered the matter of reporting on value for money. The Internal Auditors did consider this as part of all their reviews but tended to report back in terms of efficiency and effectiveness of the processes in place rather than badging it specifically as value for money. The Director of Finance and Estates indicated that value for money was becoming increasingly important within the College and it might be helpful if a better definition of what was meant by this and how this was reported back would be useful to the Committee and the auditors. It was **agreed** that the Director of Finance and Estates provide a paper to the next meeting setting out the value for money policy within the College. **[Action: AR]**

The Committee also noted that the Principal had provided a Certificate of Assurance to the Accountable Officer of the SFC for the period April 2016 to March 2017.

AM264 CORPORATE DASHBOARD OF PERFORMANCE MEASURES

The Committee noted that the College was in the process of developing a corporate dashboard of performance measures and each Committee had been asked to identify what the key indicators would be for their area. In

considering this matter the Committee was of the view that for this Committee the main measures would be: an unqualified audit report from the External Auditors; and the main findings of the reports from the Internal Auditors and any actions required. It was considered that this should be sufficient to provide the assurance necessary.

[Action: AR]

AM265 ANNUAL REVIEW OF EFFECTIVENESS OF THE COMMITTEE (AM190)

The annual review of the effectiveness of the Audit Committee had taken place and the feedback obtained had been analysed with a report of the main outcomes provided to the Committee for consideration. The Committee was pleased to note that the feedback obtained was positive. A few matters had been raised and further action would be taken as appropriate. The Committee considered two matters in particular:

- A point had been raised relating to the Chair of the Audit Committee and his membership of other committees. The Committee was of the view that some crossover of membership between committees was useful, but the Chair of the Audit Committee should not chair any other committee.

- A comment had been made in relation to the level of co-operation between the Internal and External Auditors. Both sets of auditors confirmed that they co-operated and shared information as appropriate. The Committee was also aware that all reports from both the Internal and the External Auditors came to the Committee and were, therefore, shared between the auditors.

The Committee welcomed and **approved** the Annual Review of Effectiveness of the Audit Committee 2016/17.

AM266 RISK MANAGEMENT: STRATEGIC RISK REGISTER (AM250)

The Committee considered the Strategic Risk Register. It was pleased to note that this was now a standard report and was reviewed by the Board and each of the Committees at every meeting. It was also regularly reviewed by the Senior Management Team (SMT) at its meetings throughout the year. In discussion the following matters were considered:

- The Nominations Committee had raised the risk of failing to attract suitable candidates to apply to join the Board and how this might impact on the gender balance of the Board. The Committee noted that the Equality, Diversity and Inclusion Manager would be conducting a review of the Board processes and procedures. However, the Committee considered the main risk was not from failure to attract good quality candidates but that the Board was ineffective. The effectiveness of the Board was reviewed annually and externally

reviewed every 3 years, so this would highlight any issues with performance and mitigating action could be taken as appropriate.

- It was queried if security of the IT systems and infrastructure was causing any challenges, particularly in light of some of the recent cyber-attacks. It was noted that there were a number of security measures and mitigating actions already in place and the College would shortly be entering into an APUC shared service during session 2017/18 which would provide further security measures. Also Internal Audit would be reviewing this area in 2017/18 and would highlight any further actions or improvements that could be made.
- It was queried if the training on risk management should be updated annually, not just for staff but also for the Board and Committee members. It was **agreed** that this would be explored further.

The Committee welcomed this information and **agreed** that the Strategic Risk Register be approved and some further consideration be given to the matters raised above. **[Action: DA; AR]**

AM267 PROPOSED DATES OF MEETINGS IN 2017/18

The Committee received a paper setting out the proposed dates of meetings for the Board and Committees in 2017/18. In considering this information the Committee **agreed** that it would meet on the following dates in 2017/18:

7 September 2017
14 December 2017
8 March 2018
24 May 2018

All Thursdays starting at 4.00 p.m.

Also Tuesday 21 November 2017 at 4.00 p.m. for the Joint meeting with the Finance and General Purposes Committee.

AM268 INTERNAL AUDIT REPORTS

.1 Workforce Planning

The Committee received the Internal Audit Report on Workforce Planning. It was noted that the aim of this review had been to assist the College in its own review of workforce planning and management arrangements and to help identify areas where further improvement could be made. This review highlighted a number of areas where the College planning arrangements already aligned with best practice, as highlighted in Audit Scotland's "Public Sector Workforce Good Practice Guide". It also identified a number of areas where further improvement could be made. It was noted that the People Strategy, the Resourcing Plan and the Corporate Plan had still to be fully aligned, which would help prioritise the

key objectives and operationalise the People Strategy. The recommendations contained within this report would be included in the Rolling Audit Action Plan so that the Committee could monitor progress. The Internal Auditors would include some time in its plan for next year to follow-up on the recommendations in this report and benchmark progress. It was noted that not all colleges had workforce plans in place.

The Committee welcomed this report and **agreed** that

- i. The Organisational Development and HR Committee consider the Internal Audit Report; **[Action: GMcA]**
- ii. The Internal Auditors conduct a benchmarking exercise on progress of the College as part of its internal audit work in 2017/18. **[Action: CB]**

.2 Curriculum Planning

The Committee noted the internal Audit Report on Curriculum Planning. The Internal Auditors had considered the processes in place for planning the curriculum within the College, which included a review of how well the process was managed and how changes were communicated. The Report contained four improvement actions which had been accepted by the SMT and were currently being taken forward. The Committee welcomed this very positive report and noted that the actions for improvement had been accepted. It was **agreed** that the Report be forwarded to the Learning, Teaching and Quality Committee for consideration at its next meeting.

[Action: GMcA]

.3 Estate and Asset Management

The Committee received the Internal Audit Report on the review of Estate and Asset Management and was pleased to note that this was a very positive report which provided an assurance that the Estate Strategy and planning arrangements being developed by the College were considered to be generally robust. Some areas for improvement had been identified in relation to both the Estate Strategy planning arrangements and the asset management arrangements. It was noted that regular reports were made to the Estates Committee on progress with implementation of the Estate Strategy. These reports usually contained information on action taken by management. However, it was queried if this was in line with the Estate Strategy. It was **agreed** that this report be forwarded to the Estates Committee for consideration.

[Action: GMcA]

AM269 INTERNAL AUDIT PROGRESS REPORT 2016/17 (AM243)

The Committee received the progress report from the Internal Auditors for the period to June 2017 and was pleased to note that Internal Audit were on track to deliver the 2016/17 audit plan as previously agreed with

the Committee. The Committee welcomed this report and **approved** the Internal Audit plan for the next quarter.

AM270 ROLLING AUDIT ACTION PLAN (AM245)

The Committee noted the updated Rolling Audit Action Plan 2016/17. It was pleased to note that 32 recommendations had been fully implemented; 6 had been fully implemented pending review by the External Auditor; and only 8 were partially implemented. An extension of time had been sought in relation to 6 recommendations. In light of the information presented the Committee **agreed**:

- i. an extension of time be granted to 6 recommendations;
- ii. the Rolling Audit Action Plan be approved.

The Director of Finance and Estates informed the Committee that the format of the report would change in the future as the College moved to a centrally accessible electronic system developed and run by Scott-Moncrieff. This would provide 'live' information that would be shared between the College and the Internal Audit team. Hard copy reports would continue to be provided to the Committee members.

AM271 DRAFT INTERNAL AUDIT ANNUAL PLAN 2017/18

The Committee received the draft Internal Audit Annual Plan 2017/18 and noted the proposed areas to be reviewed and the number of days for each. In consideration of this plan the following points were discussed:

- the Committee considered that the proposal to review the controls in place for student records (C3) should not proceed as this duplicated other work undertaken elsewhere;
- more time should be allocated to the review of IT security systems in place (D1) as this was a high risk area and in light of other recent cyber attacks in the UK.

The Committee **agreed** that the Internal Audit Annual Plan for 2017/18 be revised in light of the above comments and brought back to the next meeting for consideration and approval. **[Action: CB]**

AM272 REPORT ON OPERATIONAL PLANNING IMPLEMENTATION (AM242; 224.2)

The Committee noted that the Corporate Development Committee had considered the Internal Audit Review Report on Operational Planning. The Committee noted a paper that provided an update on progress against the individual recommendations contained in the Internal Audit Report. The Committee was pleased to note the progress made.

AM273 SCHEDULE OF BUSINESS 2016/17

The Committee noted its Schedule of Business 2016/17.

[REDACTED]

AM275 NEXT MEETING

The next meeting would be on Thursday 7 September 2017 at 4.00 p.m. at the Greenock Campus. This would be preceded by a tour of the Greenock Campus at 3.00 p.m.

GMcA/20.06.17/Final

Audit Committee: Meeting of 8 June 2017

Actions from the Minutes

Date of Meeting	Min Ref	Matter for Action	Responsible Person	Action Taken	Timescale (where applicable)
8 June 2017	AM256.3 249	Procurement and Commercial Improvement Programme – feedback from meeting with APUC to be provided to next meeting	A Ritchie		September meeting
	AM256.4 224.1	Publication Scheme for Board and Committee Papers – consideration to be given to publication of Strategic Risk Register	G McArthur		September meeting
	AM256.5 188	Judicial Review (Glasgow Clyde College) – External Auditors to draw attention to the lack of information on future funding position for colleges which hindered their ability to plan ahead in their Audit Report	L Nutley	External Auditors report will be provided to the Joint meeting with Finance and General Purposes Committee in November	November meeting
	AM260 240.2	Whistleblowing Policy – to be revised in light of comments made and brought back to next meeting	D Gunn	D Gunn notified of Committee's comments	September meeting
	AM263 241	Governance Compliance and Regional Outcome Agreement Outcomes – paper to be provided on the College's Value for Money Policy	A Ritchie		September meeting
	AM264	Corporate Dashboard of Performance Measures – Committee agreed the measures it would like to be included	A Ritchie	Information to be provided for inclusion in corporate dashboard of performance measures	September meeting
	AM266 250	Risk Management: Strategic Risk Register – further consideration to be given to the matters raised by the Committee	D Alexander A Ritchie		September meeting

	AM268.1	Internal Audit Report on Workforce Planning – i. ODHR Committee to consider this report; ii. Internal Auditors to conduct a benchmarking exercise in its 2017/18 schedule	i. G McArthur ii. C Brown	i. ODHR to receive report at its September meeting ii. To be built into Internal Audit plan for 2017/18	September meeting
	AM268.2	Internal Audit Report on Curriculum Planning – report to be forwarded to LTQ Committee for consideration	G McArthur	To be forwarded to LTQ Committee for its September meeting	September meeting
	AM268.3	Internal Audit Report on Estate and Asset Management – report to be forwarded to Estates Committee for consideration	G McArthur	To be forwarded to Estates Committee for consideration at its September meeting	September meeting
	AM271	Draft Internal Audit Annual Plan 2017/18 – to be revised in light of comments made and brought back to next meeting for consideration	C Brown		September meeting
		Actions from previous minutes			
9 March 2017	AM246	External Audit Fee 2016/17 i. Possible conflict of interest between Internal and External Auditors to be considered ii. Discussions with External Auditors to be held to consider how best to deal with year end audit work to be undertaken	i. C Brown ii. D Alexander A Ritchie	i. Internal Auditor confirmed there was no conflict of interest ii. Discussions held and proposals approved at June meeting	Complete
	AM248	Annual Review of Effectiveness of External Audit – annual review of effectiveness of Committee and Internal Auditors to be conducted and report to next meeting	G McArthur	Effectiveness review of Committee and Internal Auditors completed and report on outcomes brought to June meeting	Complete
12 Dec 2016	AM224.2 207	Internal Audit Report: Review of Operational Planning – update on progress to be provided	G McArthur	Progress report provided to June meeting	Complete

TITLE: REMIT, MEMBERSHIP AND DATES OF MEETINGS

Background: The Committee remit was revised on a number of occasions during the previous session. The most recent version was approved by the Board at its meeting on 15 March 2017. The Committee is asked to review its remit, as this is the first meeting of session 2017/18.

One minor amendment has been proposed to the remit: namely that more prominence be given to the Committee's responsibility for ensuring that the College control systems achieve value for money. The remit is attached with the proposed amendment highlighted for ease of reference. The Committee is invited to consider this matter and if there are any other amendments required to be made to the remit.

The Committee is invited to note its current membership and dates of meetings for 2017/18.

Action: The Committee is asked to consider and approve the proposed amendment to the remit and to note its membership and dates of meetings in 2017/18.

Lead: Gwen McArthur, Secretary to the Committee

Status: Open

TITLE: MONITORING OF REGIONAL OUTCOME AGREEMENT OBJECTIVES

Background: The Board of Management have agreed that each sub-Committee should monitor progress on areas of the Regional Outcome Agreement (ROA) for which they have responsibility and provide a report to the Board in June 2018.

Action: The Audit Committee is asked to:

- note the background information provided in relation to the Regional Outcome Agreement process;
- note the key objectives of the 2017-2018 to 2019-2020 West College Scotland Regional Outcome Agreement; and
- consider and agree the processes in place to enable monitoring of required ROA outcomes and to support provision of the required report to the Board of Management in June 2018.

Lead: David Alexander, Vice Principal Operations

Status: Open

Monitoring of Regional Outcome Agreement Objectives

1.0 Background

1.1 Regional Outcome Agreements (ROAs) were introduced in 2012-13. They are intended to enable the Scottish Funding Council (SFC) to demonstrate the impact of the sector and its contribution to meeting Scottish Government priorities, and are required by the Financial Memorandum as a term of SFC grant. ROAs are intended to achieve this by building better relationships with colleges and key stakeholders to support:

- Increased accountability and confidence in the distribution of resources, ensuring that resources are targeted where there is greater need; and
- Continuous improvement, to maximise the impact on the learner, the employer and the economy.

1.2 The ROA process is intended to enable:

- Engagement, to ensure SFC decisions account for the context within which colleges operate, so that SFC can differentiate its approach where appropriate.
- Curriculum and investment planning based on economic, industry, labour market and demographic evidence.
- Consistent methods of operating, to ensure that a fair interpretation of college impact is made, and to enable the SFC to interpret impact consistently at a regional and national level.
- A means by which college regions can discuss with SFC their broader aspirations.

1.3 Ultimately the ROA is seen by the SFC to be a joint funding commitment in which each college sets out:

- The regional context within which a college region operates
- Outcomes and outputs a college region will deliver, mindful of this regional context, in response to Scottish Government priorities. In most instances these outcomes/outputs correspond to national performance measures, and include reference to a baseline position, current progress and a future ambition or target.

1.4 The current ROA was signed by West College Scotland on 6 July 2017, and agreed for a three year period (2017 – 2020). During this three year cycle the SFC issue updated annual guidance and ask that colleges undertake a ‘refresh’ of their 2017 – 2020 ROA each year rather than a rewrite.

2.0 Monitoring of Regional Outcome Agreement Objectives

2.1 The objective of the West College Scotland ROA (attached) is to deliver the SFC national priority of:

‘High quality learning and teaching - an outstanding system of learning that is accessible and diverse, where students progress successfully with the ability, ideas and ambition to make a difference.’

The main outcomes required by SFC in support of this priority are:

- Access – a more equal society because learning is accessible and diverse, attracting and providing more equal opportunities for people of all ages, and from all communities and backgrounds.
- Quality – an outstanding system of learning where all students are progressing successfully and benefitting from a world-class learning experience, in the hands of expert lecturers delivered in modern facilities.
- Skills and Employability – a more successful economy and society with well prepared and skilled students progressing into jobs with the ability, ideas and ambition to make a difference.
- High Performing Institutions – a coherent system of high performing, sustainable institutions with modern, transparent and accountable governance arrangements. To ensure students are qualified and prepared for work and to improve and adapt the skills of the region's workforce.

2.2 Under the outcomes associated with *High Performing Institutions* colleges are required to comply with the terms of the Financial Memorandum with SFC, and in particular to meet the principles of good governance as set out in the Code of Good Governance.

2.3 The remit of the Audit Committee includes a requirement to '*ensure compliance with corporate governance requirements.*' The Board of Management has agreed that each Board sub-Committee should monitor progress on areas of the Regional Outcome Agreement it is responsible for and provide a final report to the Board in June 2018. The Audit Committee is therefore invited to consider the processes in place to monitor progress against this outcome and support provision of the agreed report to the Board of Management in June 2018. In considering this matter the Audit Committee may wish to note that the following matters are included within the Schedule of Business (*Agenda Item 25*) for 2017/18:

- Annual report from the external auditors, Mazars;
- Annual report from the internal auditors, Scott Moncrieff;
- A report on the effectiveness of the external auditors, Mazars;
- A report on the effectiveness of the internal auditors, Scott Moncrieff;
- A report on the annual Corporate Governance Statement;
- Review of Anti-Fraud and Corruption Procedures
- Review of Public Interest Disclosure Policy/Procedures
- Review at each meeting of the College Strategic Risk Register; and
- Annual review on compliance with the Code of Good Governance, SFC Financial Memorandum, Scottish Public Finance Manual and ROA outcomes

3.0 Conclusion

3.1 The Audit Committee is asked to:

- note the background information provided in relation to the ROA process;
- note the key objectives of the 2017-18 to 2019-20 West College Scotland ROA;
and
- consider and agree the processes in place to enable Audit Committee monitoring of required ROA outcomes and to support provision of the required report to the Board of Management in June 2018.

TITLE: WHISTLEBLOWING POLICY AND PROCEDURE

Background: The Committee considered the revised Public Interest Disclosure (Whistleblowing) Policy and Procedure at its last meeting. It also received the Internal Guidance Notes for Managers in Relation to the Handling of Disclosures made under the Public Interest Disclosure Procedure for information. The Committee considered the revised Policy and Procedure and asked for further changes to be made to this.

A summary of the changes made is set out overleaf and a copy of the revised Policy and Procedure is attached for consideration and, if satisfied, for approval by the Committee.

The Guidance Notes for Managers has also been revised to reflect the changes made to the Policy and Procedure so that the two documents are consistent. This is an operational document and was previously approved by the Senior Management Team (SMT). If the Committee is satisfied with the Policy and Procedure then the revised Guidance Notes will be submitted to SMT for final approval.

Once both documents are approved they will be placed on the staff intranet and their availability will be drawn to the attention of staff.

Action: The Committee is asked to review the attached Policy and Procedure and, if agreed, to confirm to the Board that it is satisfied with the revised Public Interest Disclosure (Whistleblowing) Policy and Procedure. The Committee may wish to note the revised Guidance Notes that accompany the Policy and Procedure.

Lead: Gwen McArthur, Secretary to the Committee

Status: Open

PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWING) POLICY AND PROCEDURE

The Public Interest Disclosure (Whistleblowing) Policy and Procedure has been revised in light of comments raised at the last meeting. A summary of the main changes made is set out below:

- Duplication of text has been removed.
- Typographical errors have been corrected and editorial changes made to clarify the wording and ensure consistency between the Policy and Procedure document and the Guidance Notes.
- Contact details have been updated.
- Section 3, end of first paragraph, the procedure makes clear that SFC must be notified if allegations of misuse of public funds have been made. However, following legal advice, the wording has been amended to show that this does not have to be done before any initial investigation is undertaken.
- Section 5 Procedure, for the early stages of dealing with any issue raised, the wording has been amended in order to clarify and distinguish between the routes to be followed depending on whether the issue is being raised by a member of staff, a student or a member of the Board.
- Section 5, paragraph 4, makes clear that a report of any investigation will be provided to the Director, Organisational Development and HR, for retention as appropriate. The Director has overall responsibility for the Policy and Procedure and so will be the central repository for such reports.
- Section 5, Stage 2, bullet point 4, the wording has been amended to clarify that the matter may be referred to SFC or the College's Internal Auditors, not the National Audit Office as previously indicated.
- Section 5, Stage 3, first paragraph, the wording has been amended to confirm that the report on the outcome of any investigation will, in most cases, be provided to the Principal unless the investigation involved the Principal.

Management Guidance	Public Interest Disclosure Policy and Procedure
Policy Area	Human Resources
Version Number	1.1
Approving Committee	SMT
Date of Approval	06 March 2017
Date of Review	March 2020
Responsible Senior Manager	Director Organisational Development & HR

History of Amendments

Date	Version/Pages/Sections Affected	Summary of changes
30/8/17	various	Updates to procedures

Equality Statement

The College is committed to providing equal opportunities to ensure its students, staff, customers and visitors are treated equally regardless of gender reassignment, race, religion or belief; disability; age; marriage and civil partnerships; pregnancy and maternity; sexual orientation; sex.

Please note this document is available in other formats, to request another format please email info@wcs.ac.uk

Contents

1. Introduction	3
2. What Is Whistleblowing?	3
3. Disclosures	4
4. What Happens When An Individual Makes Their Disclosure To Someone Other Than The College?	6
5. Confidentiality	7
6. Procedure	7
7. Protection From Victimisation	11
8. False And Malicious Allegations	11

Management Guidance – Public Interest Disclosure Policy and Procedure

1. Introduction

The College's Public Interest Disclosure Procedure ("the PID Procedure") provides guidance to all members of the College community (Staff, Students and Board Members) on how to make a disclosure to management if they are concerned about serious malpractice, fraud or corruption within the College. This is commonly referred to as "Whistleblowing".

This Guidance is designed to assist managers who find themselves having to respond to a disclosure made under the PID Procedure whether as a line manager or otherwise as a manager designated to carry out an investigation under stage 2 of the PID Procedure.

2. What Is Whistleblowing?

Whistleblowing refers to the disclosing of information which relates to suspected wrongdoing or dangers at work. In this guidance, this is referred to as "making a disclosure". The wrongdoing will typically (although not necessarily) be something they have witnessed at work in the College.

The law on whistleblowing can be found in the Employment Rights Act 1996 ("ERA 1996") (as amended by the Public Interest Disclosure Act 1998 ("PIDA")). It provides the right for a worker to take a case to an Employment Tribunal if they have suffered a detriment, on the grounds that they have made a qualifying disclosure known as a "protected disclosure", or if they have lost their job and the reason, or principal reason, for their dismissal is that they have made a protected disclosure.

While whistleblowing law and the protections which it confers relate only to disclosures made by workers, as far as the College is concerned similar disclosures might equally be made by students or members of the Board of Management. Whilst such disclosures would not be covered or protected by whistleblowing law, the College considers that all such disclosures are equally important from a risk management perspective and so the

PID Procedure treats them all in the same way. This guidance therefore applies to all disclosures under the PID Procedure, no matter who makes them.

As far as College staff are concerned, to be covered by whistleblowing law, someone who makes a disclosure must reasonably believe two things, namely:

1. That the disclosure is in the public interest. This means in particular that personal grievances and complaints are not usually covered by whistleblowing law; and
2. That they reasonably believe that the disclosure tends to show one or more of the following has taken place, is taking place or is likely to take place:
 - criminal offences (this may include, for example, types of financial impropriety such as fraud).
 - failure to comply with an obligation set out in law (i.e. breach of a legal obligation).
 - endangering of someone's health and safety.
 - damage to the environment.
 - the deliberate concealing of information related to any of the above categories.

For the purposes of the PID Procedure, these two requirements will apply equally to disclosures made by students and members of the Board of Management.

3. Disclosures

Where an individual discovers information which they believe indicates malpractice or wrongdoing or the misuse of public funds within the College, they may elect to make a disclosure. The aim of the PID Procedure is to persuade them to do so internally. Its aim is to create an open, transparent and safe working environment where staff, students and Board Members feel able to speak up. Although the law does not require the College to have a whistleblowing policy in place, the existence of the PID Procedure demonstrates the College's commitment to listen to concerns which staff, students and Board members may have. To facilitate this, people must feel able to make disclosures without fear of reprisal. Where the disclosure relates to a line manager, or anyone

would feel uncomfortable for whatever reason raising it with their line manager, it may therefore be made independently of their direct line management. Managers may therefore find themselves being approached by staff or students wishing to disclose matters which do not relate to their areas of responsibility.

Managers must respond to any disclosure by adhering to the spirit of this Guidance and should not seek to put barriers in the way of anyone who may approach them with a view to making a disclosure.

Failure to do so will only devalue the PID Procedure, create the risk of a claim under the legislation and add to the risk that the individual will either keep their concerns to themselves or raise them elsewhere without first giving the College the opportunity to put its own house in order, thereby causing damage to the College and its reputation.

Expanding on the categories detailed above, examples of matters which disclosures may cover include:

- Financial fraud or mismanagement
- Criminal activity
- Bribery or corruption
- A failure to comply with or a breach of relevant duties, regulatory requirements, professional obligations or legal obligations
- Damage to the environment
- Danger to the health and safety of any person
- Unauthorised disclosure of confidential information
- Harm or the risk of harm to children or vulnerable adults
- Deliberate concealment of any of the above matters.

Disclosures *may* not be protected disclosures if they are:

1. Allegations relating to discrimination or harassment against individuals. These should be dealt with under the College's Grievance or Harassment Procedures; or

2. Complaints relating to a member of staff's or a student's own personal circumstances, such as their terms and conditions of employment or the way they may have been treated; or
3. Collective grievances affecting a number of employees.

Matters which fall into categories 2 or 3 above should be dealt with using the College's established Grievance Procedure. In such cases managers should take early advice from the Director Organisational Development and HR or his/her designated deputy before any response is made.

4. What Happens When An Individual Makes Their Disclosure To Someone Other Than The College?

Ideally staff, students and Board members will feel able to make a disclosure to the College. However, there may be circumstances where they feel unable to do so. There are other ways that a member of staff may make a disclosure. One option is to make an external disclosure to a prescribed person. Prescribed persons are mainly regulators and professional bodies but include other persons and bodies such as MPs, the Lord Advocate, Audit Scotland. The relevant prescribed person depends on the subject matter of the disclosure.

A complete list of prescribed persons can be found here.

<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>)

Prescribed persons have individual policies and procedures for handling concerns and complaints. Generally these are accessible on their websites.

Alternatively, an individual might choose to approach the media with their concerns. If a member of staff does go to the media, they may lose any rights which they may have had under the whistleblowing legislation. Where an individual makes a protected disclosure outwith the employer's organisation and to a body which is not listed as a prescribed person, there are various conditions which must be met in order for that

disclosure to be protected. For example: To retain protection under whistleblowing law, they must be in a position to demonstrate that they reasonably believe that the information they disclose and any allegations contained in it are substantially true. They cannot be acting for personal gain. Unless the wrongdoing is exceptionally serious, if they have not already raised the matter with the College or with a prescribed person, they must also be able to demonstrate that they reasonably believe that the College will subject them to a “detriment” such as conceal or destroy evidence if they do raise their concerns. And even then, their choice to make the disclosure must be reasonable.

5. Confidentiality

To be effective the PID Procedure makes the commitment that the College will take all reasonable steps to maintain the confidentiality of the individual, including their identity (unless required by law to break that confidentiality; doing so is genuinely incompatible with a fair investigation of the allegation; or if there is an overriding reason for disclosure). Anyone who raises a genuine concern must therefore have the matter treated in a confidential and sensitive manner wherever possible.

If approached for the purposes of making a disclosure, managers should discuss the question of confidentiality with the individual, document whether they have requested confidentiality and explain how that will work in the circumstances of the allegation being made. The law acknowledges that there are circumstances in which public policy (or interest) overrides an implied or express duty of confidentiality including those owed by employees to their employer and vice versa. Managers should therefore highlight in discussion with the individual any issues that they consider might affect the College’s ability to keep the matter confidential.

6. Procedure

The PID Procedure applies to all Board Members, staff, students, agency staff and volunteers with the College. It does not form part of any Staff Member’s contract of employment and may be amended from time to time. It may be deviated from where

the College considers this appropriate, depending upon the facts and circumstances of the particular case under consideration.

Individuals wishing to make a disclosure of the type listed in paragraph 3 will in many cases raise their concerns directly with the person referred to in the Procedure. They may tell them in person, by email or put the matter in writing.

If a disclosure is made, the recipient should:

- Treat the disclosure seriously and consistently.
- Provide support to the individual during what can be a difficult or anxious time and direct them to the confidential helpline operated by the independent whistle blowing charity, Public Concern at Work (Tel: 0207 404 6609).
- Reassure them that provided this disclosure is protected as described under the Procedure , their disclosure will not affect their position at work.
- Manage their expectations in terms of what action and/or feedback they can expect as well clear timescales for providing updates.
- Produce a summary of the meeting for record keeping purposes and provide a copy to the individual.
- Allow any member of staff the option of being accompanied by a trade union representative or colleague at any meeting about the disclosure.
- Facilitate the provisions of appropriate support services after a disclosure has been made such as mediation and dispute resolution, to help rebuild trust and relationships in the workplace.

Quick and effective resolution

It may be possible to agree a way of resolving an individual's concern quickly and effectively. Where that is possible, steps should be taken to achieve a quick outcome satisfactory to both parties. Where that is achieved, the disclosure and the agreed outcome should be reported in writing to the Director, Organisational Development and HR together with any relevant documentation.

Serious Allegations

Where the matter is more serious and cannot or should not be resolved by person receiving the disclosure alone; or if the individual making the disclosure feels that the recipient has not addressed their concern, or they prefer to raise it with the Secretary for any reason, the following procedure should be followed:

Stage 1

In such cases, the PID Procedure envisages that the initial disclosure will be made directly to the Secretary to the Board who will determine in consultation with the Chair of the Audit Committee whether it is a concern that should be investigated. If the Secretary and the Chair of the Audit Committee determine that an investigation is not appropriate, and the disclosure is not to be pursued, they will advise the individual of this in writing.

Stage 2

If it is decided to proceed with an investigation, the next steps to be determined by the Secretary and the Chair of the Audit Committee may be:

- an initial assessment to determine the scope of any investigation. The individual may be required to attend additional meetings in order to provide further information or as part of a subsequent investigation.
- an internal investigation conducted by a manager or managers designated by the Secretary or Chair of the Audit Committee as appropriate.
- an internal investigation conducted by the designated manager or managers in association with the Audit Committee of the Board.
- referral to the Scottish Funding Council and or Internal Auditors or the National Audit Office for them to consider whether external investigation is appropriate.
- to refer the matter to the Police.

Any such steps will be initiated expeditiously. The list above is not exhaustive. The complainant, where appropriate, will be advised in writing about which steps are to be taken.

Where a manager or managers is/are appointed by the Secretary and/or Chair of the Audit Committee to investigate the allegation either by themselves or in association with the Audit Committee of the Board, they should proceed without delay to secure any physical or electronic evidence and to carry out such investigation as is reasonably required to determine the veracity or otherwise of the allegations made.

This may include interviewing those concerned, any witnesses who may be identified and taking statements from them. The scope and nature of the investigations required will vary according to the subject matter of the allegations, their seriousness and complexity. Where necessary the manager or managers may seek assistance from the Secretary or Chair of the Audit Committee to enable them to access such internal or external specialist advice or support as may be reasonably required.

The manager or managers shall document all steps taken by them to investigate the allegations and shall collect and inventory all hard copy evidence recovered and referred to. Any electronic evidence shall be produced as hard copy wherever possible and included or otherwise carefully preserved.

On conclusion of the investigation, the manager or managers shall draw up a detailed report setting out:

1. the allegations made;
2. the investigatory process followed;
3. the evidence, if any, recovered;
4. the facts established;
5. the findings made; and
6. any recommendations for action.

The report together with the evidence considered should be delivered to the Secretary or the Chair of the Audit Committee and copied to the Principal and Chief Executive (unless the Principal was the subject of the investigation) and the Chair of the Board of Management.

The PID Procedure does not lay down timescales for actions and responses. This recognises the likely variations in the length of time it may take to investigate different issues. However, it is a key requirement that sensitive and expeditious handling of such disclosures is essential. Managers appointed to carry out such investigations must give priority to doing so over their other work. Managers must keep the individual who has made the disclosure advised of general progress and the developing timescale for completion of the investigation. Otherwise, the individual may decide that little is being done to address their concern and instead make an external disclosure which may prove to be to the detriment of the College.

7. Protection From Victimisation

Any individual who makes a protected disclosure shall be protected from victimisation. Victimisation includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. All allegations of victimisation will be dealt with under College Disciplinary Procedure and if established, will be treated as gross misconduct.

Anyone who has raised a protected disclosure must not suffer any detrimental treatment on the grounds that they have done so. Managers or any other employee must not threaten or retaliate against anyone who has raised a concern in any way. Any such conduct may be subject to disciplinary action. In some cases a whistle-blower could have a right to sue both the College and the manager personally for compensation in an Employment Tribunal.

8. False And Malicious Allegations

The PID Procedure provides that no member of staff, student or Board Member will be disciplined for raising a protected disclosure so long as they follow the procedures laid down in the PID Procedure.

In the event that an individual is found after investigation to have made false allegations maliciously or with a view to personal gain then disciplinary action may be taken against that individual.

The manager or managers involved in the investigation of the allegations should at no time make any comment to the individual or to any other party regarding whether or not they consider the allegation being investigated to have been made maliciously or with a view to personal gain. Nor shall they take any action against the individual in consequence of them having come to this conclusion.

Instead, the manager or managers shall restrict themselves to setting out in their report at paragraph 6 above, why they consider that the allegations may have been made maliciously or with a view to personal gain and if so, detailing what evidence they consider supports that view. Any decision regarding whether or not disciplinary action is to be taken against the individual concerned will be made by the Secretary or the Chair of the Audit Committee in consultation with the Director of Organisational Development and HR.

TITLE: FRAUD AND CORRUPTION POLICY

Background: The Audit Committee remit includes the requirement:

To review and advise the Board of the Internal Auditor's and External Auditor's assessment of the effectiveness of the College's financial and other internal control systems, including controls specifically designed to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness (value for money).

As part of the fulfilment of this requirement the College requires to have in place and review a Fraud and Corruption Policy and supporting procedures. This document has been updated in light of current best practice and is aligned to the revised Public Interest Disclosure (Whistleblowing) Policy (agenda item 8).

Due to the changes made to the format and the text the tracked changed version of the document was becoming difficult to read. A copy of the previous version of the Policy document is attached at Appendix B for reference purposes along with a clean copy of the Policy at Appendix A.

Action: The Audit Committee is requested to consider and approve the updated Fraud and Corruption Policy.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

Finance

POLICY AND PROCEDURE	Fraud and Corruption Policy
VERSION NUMBER	2
APPROVING COMMITTEE	Audit
DATE OF APPROVAL	1 September 2017
EQUALITY IMPACT ASSESSMENT	
REVIEW DATE	31 July 2020
RESPONSIBLE PERSON	Director of Finance and Estates

History of amendments

	Version/Pages/Sections affected	Summary of changes
1 August 17	Whole document	Reviewed and updated in accordance with 2 year review period

Contents

Index:	Pages:
Introduction	4
Purpose	4
Policy Statement	4
Definitions	4
Awareness	4
Scope	5
Public Service Values	6
Board of Management Policy	7
Roles and Responsibilities	8
Response Plan	9
Resourcing of the Investigation	13
The Law and its Remedies	14

Appendix 1 Further Guidance on Fraud

FRAUD AND CORRUPTION POLICY

1. Introduction

- 1.1 One of the basic principles of public sector organisations is to ensure the proper use of public funds. It is therefore important that all those who work in the public sector are aware of the risk and the means of enforcing the rules against fraud/theft and other illegal acts involving corruption, dishonesty or damage to property.

2. Purpose

- 2.1 The purpose of this document is to provide guidance to all staff on the action which should and will be taken when fraud, theft or corruption is suspected. Such occurrences may involve employees of the College, suppliers/contractors or a third party. This document sets out the Board of Management's response plan for detected or suspected fraud. It is not the purpose of this document to provide direction on the prevention of fraud.

3. Policy Statement

The College is committed to providing a high standard of service and accountability. An important aspect of this is a policy which protects against fraud and corruption within the College and from external sources and a set of procedures in the event that fraud is suspected or detected.

4. Definitions

- Fraud for the purpose of this Policy is where someone achieves a practical outcome by the means of false pretence including the appropriation of cash, property or other benefit by deception
- Corruption is generally the abuse of entrusted power for private gain which includes the dishonest influence of actions and decisions
- Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage

5. Awareness

- 5.1 The College recognises that the continuing effectiveness of this process depends largely on the awareness and responsiveness of Board members, staff and students and their willingness to highlight these issues. It is essential that Board members and staff are made aware of the policy and procedures when they join the College and receive a copy for inclusion in their personal records and, in addition, have ready access to all other relevant documents, policies and procedures which regulate the College's activities.
- 5.2 Action will be taken on a regular basis to remind both Board Members and staff of the importance the College places on avoiding and preventing fraud and corruption.

6. Scope

- 6.1 The College recognises that it is already subject to a high degree of external scrutiny of its affairs by a variety of parties. This includes the general public, staff, students, Internal Auditors, Board of Management, Scottish Ministers/ the Scottish Government, Members of the Scottish Parliament (MSPs), the Scottish Funding Council (SFC), External Auditors, Education Scotland, HM Revenue and Customs and Audit Scotland.
- 6.2 The College has internal and external auditors who advise the Board of Management about the adequacy of arrangements for the prevention and detection of fraud and corruption.
- 6.3 While this external scrutiny assists in protecting against fraud and corruption the College believes a clear statement of its own strategy is needed.
- 6.4 The key elements of the College's strategy to combat fraud and corruption are:
- An open and honest culture.
 - Adequate preventative measures.
 - Systems for detection and investigation.
 - Understanding and awareness within the College.
 - The adoption of a Public Interest Disclosure (Whistleblowing) Policy.
- 6.5 This Policy should be read in conjunction with the College (i) Equality Diversity and Inclusion Policy and its documentation regarding compliance with the Equality Act 2010 (ii) Public Interest Disclosure (Whistleblowing) policy.
- 6.6 For simplicity, this document will refer to "fraud" which shall encompass all of the behaviours set out in the definitions, except where the context indicates otherwise.
- 6.7 The Board of Management already has procedures in place that reduce the likelihood of fraud/theft occurring. These include standing financial procedures, a system of internal control and a system of risk assessment. In addition, the Board of Management will ensure that a risk awareness culture exists by issuing guidance on prevention of fraud.
- 6.8 It is the responsibility of the College and its' management to maintain adequate and effective internal controls to facilitate detection of fraud. The role of Internal Audit is to evaluate these systems of control. It is not the responsibility of Internal Audit to detect fraud but to identify potential weaknesses in systems that may give rise to error or fraud.

6.9 The contents of this Policy have been set out as follows:

- **Section 7** sets out the Public Sector Values that must underpin the activities and culture of the College.
- **Section 8** sets out the Board of Management’s policy on dealing with fraud.
- **Section 9** sets out the roles and responsibilities of staff in detecting and notifying fraud.
- **Section 10** is the response plan that managers will follow where a fraud is reported.
- **Section 11** discusses the resourcing options for any investigation.
- **Section 12** advises on the pursuit of legal remedies, including option for recovery of any sums.
- **Appendix 1** sets out further guidance and reading in relation to the prevention of fraud.

7. Public Sector Values

7.1 High standards of corporate and personal conduct, based on the recognition that students come first, are a requirements, and these can be summarised as follows:

Accountability: Everything done by those who work in the organisation must be able to stand the tests of parliamentary scrutiny, judicial review, and public judgement on propriety and professional codes of conduct.

Probity: Absolute honesty and integrity should be exercised in dealing with students, assets, staff, suppliers and customers.

Openness: The organisation’s activities should be sufficiently transparent to promote confidence between the organisation and its students, staff and the public.

All those who work in the organisation should be aware of and act in accordance with these values.

There are a number of statutory frauds which exist, including the following:

- Criminal Justice and Licensing (Scotland) Act 2010 (conspiracy to commit fraud overseas).
- Companies Act 2006 (fraudulent trading and false and misleading financial statements).
- Insolvency Act 1986 (fraudulent trading and fraud in anticipation of winding up).
- Financial Services and Markets Act 2000 and the Financial Services Act 2012 (misleading statements and impressions in relation to investments and financial products).
- Consumer Protection from Unfair Trading Regulations 2008 (misleading commercial practices).
- Value Added Tax Act 1994 (fraudulent evasion of VAT).
- Custom and Excise Management Act 1979 (fraudulent evasions of duty).

8. Board of Management Policy

- 8.1 The Board of Management is committed to maintaining an honest, open and well-intentioned atmosphere within the College. It is committed to the deterring, detection and investigation of any fraud within the College. The Public Interest Disclosure Act 1998 forms a key part of the Board of Management's policy.
- 8.2 In line with the Public Interest Disclosure Act, the Board of Management wishes to encourage staff or public, having reasonable suspicion of fraud, to report the incident. It is College policy that no staff member should suffer in any way by reporting in good faith any reasonably held suspicions.
- 8.3 The Board of Management will work with Audit Scotland in regard to the counter-fraud exercise referred to as the National Fraud Initiative in Scotland (NFI). This will involve working together with a range of Scottish public bodies, external auditors and the Cabinet Office to identify fraud and error. These exercises will help to support the College in demonstrating to the public that public money has been spent properly.
- 8.4 In Scots law fraud is mainly dealt with under common law. The main criminal offences are common law fraud, uttering (forged or counterfeited document), embezzlement. There are also statutory offences which contain an element of fraud including for example: the Criminal Justice and Licensing (Scotland) Act 2010 (conspiracy to commit fraud overseas); Companies Act 2006 (fraudulent trading and false and misleading financial statements); Insolvency Act 1986 (fraudulent Trading and fraud in anticipation of winding up); Consumer Protection from Unfair Trading Regulations 2008 (misleading commercial practices); Value Added Tax 1995 (fraudulent evasion of VAT).

The term 'fraud' is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. For practical purposes fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party. The criminal act is the attempt to deceive and attempted fraud is therefore treated as seriously as accomplished fraud.

8.5 Computer fraud is where information technology equipment has been used to manipulate programmes or data dishonestly (for example, by altering, substituting or destroying records, or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud. Theft or fraudulent use of a computer time and resources, including unauthorised personal browsing on the internet, is included in this definition.

8.6 It is important that all staff are able to report their concerns without fear of reprisal or victimisation and are aware of the means to do so. The Public Interest Disclosure Act 1998 provides protection for those who raise concerns that, in their reasonable belief, are made in the public interest and show that one of the following has taken, is taking, or is likely to take, place: criminal offences; breaches of any legal obligations; miscarriages of justice; danger to the health and safety of any individual; damage to the environment and/or the deliberate concealing of information about any of these matters.

8.7 In the first instance any suspicion of fraud, theft or other irregularity should be reported by the member of staff, as a matter of urgency, to their line manager. If such action would be inappropriate, the concerns should be reported to one of the following persons:

- Head of Faculty (or equivalent);
- Director of Finance and Estates;
- Principal;
- Chair of Board of Management.

8.8 Every effort will be made to protect an informant's anonymity if requested. However, the College will always encourage individuals to be identified to add more validity to the accusation and allow further investigations to be more effective. In certain circumstances, anonymity cannot be maintained. This will be advised to the informant prior to release of information.

9. Roles and Responsibilities

9.1 The overall responsibility for the prevention and minimising of fraud rests with the Principal of the College. However all staff have a responsibility for the prevention, detection and reporting of fraud.

- 9.2 The Director of Finance and Estates has been nominated as the main point of contact for the reporting of any suspicion of fraud. In addition, responsibility for investigation of fraud/theft has been delegated to the Director of Finance and Estates. The Director of Finance and Estates shall be responsible for informing third parties such as the Scottish Further Education Funding Council, internal and external audit, of the police where appropriate. For Incidents involving the Director of Finance and Estates and/or the Board of Management/Principal, the “nominated individual” shall be the Board of Management’s Chair of the Audit Committee. For the purpose of the remainder of the Policy the nominated “Senior Manager” shall be deemed to be the Director of Finance and Estates or the Board of Management’s Chair of the Audit Committee as appropriate.
- 9.3 The nominated Senior Manager shall inform and consult the Principal (except in the case where such matter involves the Principal where he shall consult with the Board of Management’s Chair of Audit Committee) in cases where the loss may be above the delegated limit (any incident where the loss is valued at greater than £500) or where the incident may lead to adverse publicity.
- 9.4 Where a member of staff is to be subject to an investigation for fraud under the College Disciplinary Procedure, the Senior Manager shall consult and take advice from the Director of Human Resources.
- 9.5 The Director of Human Resources shall advise those involved in the investigation on matter of employment law and other procedural matters.
- 9.6 Where the incident is considered to be subject to either local or national controversy and publicity then the Principal, Board of Management and the Scottish Funding Council should be notified (in addition to the External Auditors) before the information is made public.
- 9.7 It is the responsibility of the Director of Finance & Estates to ensure that staff are aware of the above requirements and that appropriate reporting arrangements are in place.
- 9.8 It is the responsibility of all staff to safeguard the assets of the Board of Management. Assets include information and goodwill, as well as property. As such it is the responsibility of

Line Managers to

- Have an understanding of the fraud risks in their areas and to be aware of the processes which are under risk;
- Be diligent in their responsibilities as managers particularly in exercising their authority in authorising transactions such as timesheets, expense claims, purchase orders, returns and contracts;
- Deal effectively with issues raised by staff including taking the appropriate action in terms of this Policy to deal with reported or suspected fraudulent activity; and

- Provide support/resource as required to fraud investigations.

All Staff

- To uphold the high legal, ethical and moral standards that are expected of all individuals connected to the University;
- Adhere to all of the policies and procedures in safeguarding the College's assets; and
- Alerting management should they suspect that there is or there is the possibility of fraud that exists.

9.9 It shall be necessary to categorise the irregularity prior to determining the appropriate course of action. Two main categories exist:

- Theft, burglary and isolated opportunity offences; and
- Fraud, corruption and other financial irregularities.

9.10 The former will be dealt with directly by the police, whilst the latter will be investigated and may be reported to the police in accordance with this Policy and also may require disclosure to the College's funding bodies.

10. Response Plan

10.1 Introduction

10.1.1 The following sections describe the Board of Management's response to a reported suspicion of fraud/theft. These procedures are designed to allow for evidence gathering and collation in a manner that will facilitate informed initial decisions, while ensuring that any evidence gathered will be admissible in any criminal or civil action. Each situation is different; therefore, the guidance must be considered carefully in relation to the specific circumstances of each case before action is taken.

10.1.2 Under no circumstances should a member of staff speak or write to representatives of the press, television, radio or to another third party (other than those external parties who are "prescribed persons" within the terms of the Public Interest Disclosure Act 1998), about a suspected fraud/theft, without the express authority of the Principal. Care needs to be taken that nothing is done that could give a rise to an action for defamation of character.

10.2 Reporting Fraud

10.2.1 The nominated Senior Manager shall be trained in the handling of concerns raised by staff. The nominated Senior Manager shall, whenever possible, respect any request for anonymity or confidentiality providing that in doing so, that is consistent with the overall aims and objectives of this Policy and the principles of natural justice.

10.2.3 All reported suspicions must be investigated as a matter of priority to prevent any further potential loss to the Board of Management.

10.2.4 The nominated Senior Manager shall maintain a log of reported suspicions. The log will document, with reason, the decision to take further action or to take no further action. To justify such decisions the nominated Senior Manager shall retain as necessary, confidential files of evidence gathered to arrive at a decision. These files will be securely held with limited access. The log will detail any actions taken and conclusions reached with appropriate cross-referencing to any file held. The log should be reviewed annually by the Internal Auditors, who will report to the Audit Committee on any significant matters.

10.2.5 The nominated Senior Manager should consider the need to inform the Board of Management, external audit and police of the reported incident. In doing so, he should take cognisance of the following guidance:

- Suspected losses below £500 may be treated as below the delegated limit and any required action taken by the Senior Manager;
- Inform and consult the Principal at the first opportunity in all cases where loss exceeds the delegated limit or where the incident may lead to adverse publicity;
- It is the duty of the nominated Senior Manager to notify the Board of Management immediately of all losses where fraud/theft is suspected;
- If a criminal act is suspected, particularly fraud or corruption, it is essential that matters are progressed from the outset in accordance with this Policy. The police should be contacted before any overt action is taken which may alert suspects and precipitate the destruction or removal of evidence. This includes taking action to stop a loss or tighten controls only on advice of the police not to take such action;
- At the stage of contacting the police, the nominated Senior Manager should contact the Director of OD and Human Resources to initiate, if appropriate, the suspension of the employee, with pay, pending an investigation.

10.3 Managing the Investigation

10.3.1 The nominated Senior Manager will appoint a manager to oversee the investigation. The circumstances of each case will dictate who will be involved and when.

10.3.2 The manager overseeing the investigation (referred to hereafter as the “Investigating Manager” should initially:

- Initiate a Diary of Events to record the progress of the investigation.
- If possible, determine if it is a fraud investigation or another criminal investigation. If a criminal event is believed to have occurred, the police, external audit and the Chair of the Audit Committee should be informed, if this has not already been done. The Chair of the Audit Committee should inform the Chair of the Board.

- 10.3.3 If a criminal offence is believed to have occurred, the Investigating Manager may consider it appropriate to wait until the conclusion of any criminal investigation and/or proceedings before determining whether to progress the internal investigation.
- 10.3.4 If it is determined by the Investigating Manager that a formal internal investigation should be carried out, the investigation should establish:
- The extent and scope of any potential loss;
 - If the College Disciplinary Procedure should be invoked;
 - The nature of the offence, if not yet established;
 - What can be done to recover loss; and
 - What may need to be done to improve internal controls to prevent re-occurrence.
- 10.3.5 The outcome of the investigation will be the subject to a report. This will normally take the form of an Internal Audit Report to the Audit Committee. The Audit Committee will then report the outcome to the Board of Management.
- 10.3.6 Where the report suggests that a criminal act has occurred and notification to the police has not been made, it should now be made.
- 10.3.7 Where recovery of a loss to the Board of Management, arising from any act (criminal or non – criminal), is likely to require a civil action, the College should seek legal advice.
- 10.3.8 If a decision is taken to invoke the College’s Disciplinary Procedure, the report of the investigation will be used during formal proceedings. .

10.4 Disciplinary Procedure

- 10.4.1 The employee(s) who is/are the subject of any investigation may be suspended with pay pending the outcome of any proceedings under the College Disciplinary Procedure.

10.5 Gathering Evidence

- 10.5.1 It is not possible for this procedure to cover all the complexities of gathering evidence. Each case must be treated according to the circumstances of the case, taking professional advice as necessary. The Investigating Manager should, at all times, seek to maximise the reliability of audit evidence.
- 10.5.2 If a witness to the event is prepared to give a written statement, it is best practice for an experienced member of staff, preferably from the Human Resources Section, to take a chronological record using the witness’s own words. The witness should sign the statement only if satisfied that it is a true record of his or her own words.

10.5.3 At all stages of the investigation any discussions or interviews should be documented and, where possible, agreed with the interviewee.

10.5.4 Physical evidence should be identified and gathered in a secure place at the earliest opportunity. An inventory should be drawn up by the Investigation Manager and held with the evidence. Wherever possible, replacement or new documents should be introduced to prevent access to the evidence. If evidence consists of several items, for example a number of documents, each one should be tagged with a reference number corresponding to the written record.

10.6 Interview Procedures

10.6.1 The Investigating Manager should, wherever possible, attempt to gather documentary and third party evidence for the purposes of the report.

10.6.2 Informal contact with the police should be made at an early stage in any investigation to ensure that no actions are taken that could prejudice any future criminal case through the admissibility of evidence.

10.7 Reporting process

10.7.1 Throughout any investigation, the Investigating Manager will keep the Principal, Director of Finance and Estates and Director of OD and Human Resources informed of progress and any developments. If the investigation is long or complex, interim reports to the Audit Committee will be made. These reports may be verbal or in writing and may be in the form of an Internal Audit report as set out in para 10.3.5.

10.7.2 On completion of the investigation the Investigating Manager will prepare a full written report setting out:

- Background as to how the investigation arose;
- What action was taken in response to the allegations;
- The conduct of the investigation;
- The facts that come to light and the evidence in support;
- Action taken against any party where the allegations were proved;
- Action taken to recover any losses;
- Recommendations and/or action taken by management to reduce further exposure and to minimise any recurrence.

10.8 Disclosure of Loss from Fraud

10.8.1 A copy of the fraud report, for those above the £500 threshold, in appropriate format must be submitted to the Scottish Funding Council. External Audit should also be notified of any loss. The register of losses and condemnations submitted annually to the Audit Committee should include any loss with appropriate description.

10.8.2 Management must take account of the permitted limits on writing off losses that require formal approval as stipulated in the College Financial Regulations.

10.9 Police Involvement

10.9.1 It shall be the policy of the Board of Management that wherever a criminal act is suspected the matter will be immediately notified to the police.

10.9.2 The nominated Senior Manager will decide at what stage the police are contacted.

10.9.3 The nominated Senior Manager and Investigating Manager should informally notify police of potential criminal acts, to seek advice on the handling of each investigation at an early stage in the investigation.

10.10 Press Release

10.10.1 In the event there may be potentially damaging publicity to the College and/or to the suspect, the Board of Management's Principal, on behalf of the Board of Management, should prepare, at an early stage, a Press Release giving the facts of any suspected occurrence and any actions taken to date – for example, suspension, although the name of the staff member suspended pending investigations should not be released to the press.

11. Resourcing of Investigation

11.1 The nominated Senior Manager will determine the type and level of resource to be used in investigating suspected fraud. The choices available will include:

- Internal staff from within the College
- Director of Human Resources
- External / Internal Audit
- Specialist Consultant
- Police

11.2 In making a decision, the nominated Senior Manager should consider independence knowledge of organisation, cost, availability and the need for a speedy investigation. Any decisions must be shown in the Log held by the Nominated Senior Manager. A decision to take "No action" will not normally be an acceptable option except in exceptional circumstances.

11.3 In any case involving a suspected criminal act, it is anticipated that police involvement will be in addition to an alternative resource.

12. The Law and its Remedies

12.1 Criminal Law

The Board of Management shall refer all incidences of suspected fraudulent acts over the £500 threshold or criminal acts to the police for decision by the Procurator Fiscal as to any prosecution.

12.2 Civil Law

The Board of Management shall refer all incidences of loss through proven fraudulent or criminal act to their legal representatives to determine whether the loss can be recovered by civil action.

FURTHER GUIDANCE ON FRAUD

Further information relevant to implementing this Policy can be found in the following:

CIPFA Code of Practice for counter fraud

<http://www.cipfa.org/services/counter-fraud-centre/code-of-practice>

National Fraud Initiative

<https://www.gov.uk/government/collections/national-fraud-initiative>

Managing the Risk of Fraud

http://webarchive.nationalarchives.gov.uk/20120906143131/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf

Scottish Government Fraud Response Plan

<http://www.gov.scot/Topics/Government/Finance/spfm/fraud/fraudannex2>

Scottish Public Finance Manual

<http://www.gov.scot/Topics/Government/Finance/spfm/Intro>

Finance

POLICY AND PROCEDURE	Fraud and Corruption Procedure
VERSION NUMBER	1
APPROVING COMMITTEE	Audit
DATE OF APPROVAL	February 2015
EQUALITY IMPACT ASSESSMENT	
REVIEW DATE	31 July 2017
RESPONSIBLE PERSON	Director of Finance and Estates

History of amendments

	Version/Pages/Sections affected	Summary of changes

Contents

Index:	Pages:
Introduction	4
Purpose	4
Policy Statement	4
Definitions	4
Awareness	4
Scope	5
Public Service Values	6
Board of Management Policy	7
Roles and Responsibilities	8
Response Plan	9
Resourcing of the Investigation	13
The Law and its Remedies	14

Appendix 1 Further Guidance on Fraud

FRAUD and CORRUPTION PROCEDURE

1. Introduction

- 1.1 One of the basic principles of public sector organisations is to ensure the proper use of public funds. It is therefore important that all those who work in the public sector are aware of the risk and the means of enforcing the rules against fraud/theft and other illegal acts involving corruption, dishonesty or damage to property.

2. Purpose

- 2.1 The purpose of this document is to communicate the College procedures and to provide guidance to managers on the action which should be taken when fraud, theft or corruption is suspected. Such occurrences may involve employees of the College, suppliers/contractors or a third party. This document sets out the Board of Management's response plan for detected or suspected fraud. It is not the purpose of this document to provide direction on the prevention of fraud.

3. Policy Statement

The College is committed to providing a high standard of service and accountability. An important aspect of this is a policy which protects against fraud and corruption within the College and from external sources and a set of procedures in the event that fraud is suspected or detected.

4. Definitions

- Fraud is the illicit gaining of cash or other benefit by deception
- Corruption is the dishonest influence of actions and decisions
- Bribery is an act of giving money or gift giving, that alters the behavior of the recipient

5. Awareness

- 5.1 The College recognises that the continuing effectiveness of this process depends largely on the awareness and responsiveness of board members, staff and students. It is essential that both board members and staff are made aware of the policy and procedures when they join the College and receive a copy for inclusion in their personal records and, in addition, have ready access to all other relevant documents, policies and procedures which regulate the College's activities.

- 5.2 Action will be taken on a regular basis to remind both Board Members and Staff of the importance the College places on avoiding and preventing fraud and corruption.

6. Scope

- 6.1 The College recognises that it is already subject to a high degree of external scrutiny of its affairs by a variety of parties. This includes the general public, staff, students, Internal Auditors, Board of Management, Members of the Scottish Parliament (MSPs), the Scottish Funding Council (SFC), External Auditors, Education Scotland, HM Revenue and Customs and Audit Scotland.
- 6.2 The College has internal and external auditors who advise the Board of Management about the adequacy of arrangements for the prevention and detection of fraud and corruption.
- 6.3 While this external scrutiny assists in protecting against fraud and corruption the College believes a clear statement of its own strategy is needed.
- 6.4 The key elements of the College's strategy to combat fraud and corruption are:
- An open and honest culture.
 - Adequate preventative measures.
 - Systems for detection and investigation.
 - Understanding and awareness within the College.
 - The adoption of a Whistle Blowing Policy.
- 6.5 This Procedure should be read in conjunction with the College Equality Diversity and Inclusion Policy and its documentation regarding compliance with the Equality Act 2010.
- 6.6 For simplicity, this document will refer to all such offences as "fraud", except where the context indicates otherwise.
- 6.7 The Board of Management already has procedures in place that reduce the likelihood of fraud/theft occurring. These include standing financial procedures, a system of internal control and a system of risk assessment. In addition, the Board of Management will ensure that a risk awareness culture exists by issuing guidance on prevention of fraud.
- 6.8 It is the responsibility of the College and its management to maintain adequate and effective internal controls to facilitate detection of fraud. The role of the Internal Audit is to evaluate these systems of control. It is not the

responsibility of Internal Audit to detect fraud but to identify potential weaknesses in systems that may give rise to error or fraud.

6.9 The contents of this Procedure have been set out as follows:

Section 7 sets out the Public Service Values that must underpin the activities and culture of the College.

Section 8 sets out the Board of Management's policy on dealing with fraud.

Section 9 sets out the roles and responsibilities of College managers.

Section 10 is the response plan that managers will follow where a fraud is reported.

Section 11 discusses the resourcing options for any investigation.

Section 12 advises on the pursuit of legal remedies, including option for recovery of any sums.

Appendix 1 is attached for further guidance and examples of the level of information supplied to staff, per 6.7 above on prevention of fraud.

7. Public Service Values

7.1 High standards of corporate and personal conduct, based on the recognition that students come first, have been a requirement throughout the further education sector since its inception.

Accountability: Everything done by those who work in the organisation must be able to stand the tests of parliamentary scrutiny, judicial review, and public judgement on propriety and professional codes of conduct.

Probity: Absolute honesty and integrity should be exercised in dealing with students, assets, staff, suppliers and customers.

Openness: The organisation's activities should be sufficiently transparent to promote confidence between the organisation and its students, staff and the public.

All those who work in the organisation should be aware of and act in accordance with these values.

8. Board of Management Policy

- 8.1 This Board of Management is committed to maintaining an honest, open and well-intentioned atmosphere within the College. It is committed to the deterring, detection and investigation of any fraud within the College. The Public Interest Disclosure Act 1998 forms a key part of this Board of Management's policy.
- 8.2 In line with The Public Interest Disclosure Act, the Board of Management wishes to encourage staff or public, having reasonable suspicion of fraud, to report the incident. It is College policy that no staff member should suffer in any way by reporting in good faith any reasonably held suspicions.
- 8.3 In law there is no specific offence of fraud and many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is used to describe such acts as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. For practical purposes fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party. The criminal act is the attempt to deceive and attempted fraud is therefore treated as seriously as accomplished fraud.
- 8.4 Computer fraud is where information technology equipment has been used to manipulate programmes or data dishonestly (for example, by altering, substituting or destroying records, or creating spurious records), or where the use of an IT system was a material factor in the perpetration of fraud. Theft or fraudulent use of a computer time and resources, including unauthorised personal browsing on the internet, is included in this definition.
- 8.5 It is important that all staff are able to report their concerns without fear of reprisal or victimisation and are aware of the means to do so. The Public Interest Disclosure Act 1998 (the "Whistleblowers Act") provides appropriate protection for those who voice genuine and legitimate concerns through the proper channels.
- 8.6 In the first instance any suspicion of fraud, theft or other irregularity should be reported by the member of staff, as a matter of urgency, to their line manager. If such action would be inappropriate, the concerns should be reported to one the following persons:
- Head of Faculty (or equivalent);
 - Director of Finance & Estates;
 - Principal;
 - Chair of Board of Management.
- 8.7 Every effort will be made to protect an informant's anonymity if requested. However, the College will always encourage individuals to be identified to add

more validity to the accusation and allow further investigations to be more effective. In certain circumstances, anonymity cannot be maintained. This will be advised to the informant prior to release of information.

9. Roles and Responsibilities

- 9.1 The overall responsibility for the prevention and minimising of fraud rests with the Principal of the College, as Accounting Officer.
- 9.2 Responsibility for investigation fraud/theft has been delegated to the Director of Finance & Estates. He/she shall be responsible for informing third parties such as the Scottish Further Education Funding Council, internal and external audit, of the police where appropriate. The Director of Finance & Estates shall inform and consult the Principal in cases where the loss may be above the delegated limit (any incident where the loss is valued at greater than £500) or where the incident may lead to adverse publicity.
- 9.3 The Director of Finance & Estates shall normally take responsibility for leading any investigation.
- 9.4 Where a member of staff is to be subject to an investigation under the College Disciplinary Procedure, the Director of Finance & Estates shall consult and take advice from the Director of Human Resources.
- 9.5 The Director of Human Resources shall advise those involved in the investigation on matter of employment law and other procedural matters.
- 9.6 Where the incident is considered to be subject to either local or national controversy and publicity then the Principal, Board of Management and the Funding Council should be notified (in addition to the External Auditors) before the information is made public.
- 9.7 It is the responsibility of the Director of Finance & Estates to ensure that staff are aware of the above requirements and that appropriate reporting arrangements are in place.
- 9.8 It is the responsibility of all staff to safeguard the assets of the Board of Management. Assets include information and goodwill, as well as property.
- 9.9 It shall be necessary to categorise the irregularity prior to determining the appropriate course of action. Two main categories exist:
 - Theft, burglary and isolated opportunity offences; and
 - Fraud, corruption and other financial irregularities.
- 9.10 The former will be dealt with directly by the police, whilst the latter may require disclosure under the Further and Higher Education (Scotland) Act (1992).

10. Response Plan

10.1 Introduction

- 10.1.1 The following sections describe the Board of Management's intended response to a reported suspicion of fraud/theft. These procedures are designed to provide procedures that allow for evidence gathering and collation in a manner that will facilitate informed initial decisions, while ensuring that any evidence gathered will be admissible in any criminal or civil action. Each situation is different; therefore, the guidance must be considered carefully in relation to the specific circumstances of each case before action is taken.
- 10.1.2 Under no circumstances should a member of staff speak or write to representatives of the press, TV, radio or to another third party to whom the disclosure of information would not be a "protected disclosure" within the terms of the Public Interest Disclosure Act 1998, about a suspected fraud/theft without the express authority of the Principal. Care needs to be taken that nothing is done that could give a rise to an action for defamation of character.

10.2 Reporting Fraud

- 10.2.1 A "nominated Senior Manager" will be appointed as the main point of contact for the reporting of any suspicion of fraud, theft or corruption. For the College, this Senior Manager shall be the Director of Finance & Estates. For Incidents involving the Director of Finance & Estates and/or the Board of Management/Principal, the "nominated individual" shall be the Board of Management's Chairperson.
- 10.2.2 The nominated Senior Manager shall be trained in the handling of concerns raised by staff. The nominated Senior Manager shall, whenever possible, respect any request for anonymity or confidentiality providing that in doing so, that is consistent with the overall aims and objectives of this Procedure and the principles of natural justice.
- 10.2.3 All reported suspicions must be investigated as a matter of priority to prevent any further potential loss to the Board of Management.
- 10.2.4 The nominated Senior Manager shall maintain a log of reported suspicions. The log will document, with reason, the decision to take further action or to take no further action. To justify such decisions the nominated Senior Manager shall retain as necessary, "confidential" files of evidence gathered to arrive at a decision. These files will be securely held with limited access. The log will detail any actions taken and conclusions reached with appropriate cross-referencing to any file held. The log should be reviewed annually by the Internal Auditors, who will report to the Audit Committee on any significant matters.
- 10.2.5 The nominated Senior Manager should consider the need to inform the Board of Management, external audit and police of the reported incident. In doing so, he should take cognisance of the following guidance:

- Suspected losses below £500 may be treated as below the delegated limit and actioned as the Senior Manager sees fit;
- Inform and consult the Principal at the first opportunity in all cases where loss exceeds the delegated limit or where the incident may lead to adverse publicity;
- It is the duty of the Director of Finance & Estates to notify the Board of Management immediately of all losses where fraud/theft is suspected;
- If a criminal act is suspected, particularly fraud or corruption, it is essential that there is the earliest possible consultation with the Procedure. In any event, the police should be contacted before any overt action is taken which may alert suspects and precipitate the destruction or removal of evidence. This includes taking action to stop a loss or tighten controls;
- At the stage of contacting the police, the Director of Finance & Estates should contact the Director of Human Resources to initiate suspension of the employee, with pay, pending an investigation.

10.3 Managing the Investigation

10.3.1 The Director of Finance & Estates will appoint a manager to oversee the investigation. The circumstances of each case will dictate who will be involved and when.

10.3.2 The manager overseeing the investigation (referred to hereafter as the “Investigating Manager” should initially:

- Initiate a Diary of Events to record the progress of the investigation.
- If possible, determine if it is a fraud investigation or another criminal investigation. In practice, it may not be obvious if a criminal act has taken place. If a criminal event is believed to have occurred, the police, external audit and the Board of Management should be informed, if this has not already been done.

10.3.3 If a criminal offence is believed to have occurred, the Investigating Manager should consider whether it would be more appropriate for the police to handle the investigation. Under these circumstances, internal enquiries and disciplinary proceedings would not be initiated until the conclusion of criminal proceedings.

10.3.4 A formal internal investigation to determine and report upon the facts should be carried out. This should establish:

- The extent and scope of any potential loss;
- If the College Disciplinary Procedure should be invoked;
- The criminal or non-criminal nature of the offence, if not yet established;
- What can be done to recover loss; and
- What may need to be done to improve internal controls to prevent re- occurrence.

10.3.5 This report will normally take the form of an Internal Audit Report to the Board of Management's Audit Committee.

10.3.6 Where the report confirms a criminal act and notification to the police has not been made, it should now be made. (Refer to 10.3.3)

10.3.7 Where recovery of a loss to the Board of Management, arising from any act (criminal or non – criminal), is likely to require a civil action, the College should seek legal advice from its legal representatives.

10.3.8 If a decision is taken to invoke the College's Disciplinary Procedure, the report of the investigation will be used during formal proceedings.

10.4 Disciplinary Procedure

10.4.1 The employee(s) who is subject of any investigation will be suspended with pay pending the outcome of an investigation under the College Disciplinary Procedure or criminal proceedings (see 10.2.5).

10.5 Gathering Evidence

10.5.1 It is not possible for this procedure to cover all the complexities of gathering evidence. Each case must be treated according to the circumstances of the case, taking professional advice as necessary. The Investigating Manager should, at all times, seek to maximise the reliability of audit evidence.

10.5.2 If a witness to the event is prepared to give a written statement, it is best practice for an experienced member of staff, preferably from the Human Resources Section or a Senior Management Secretary, to take a chronological record using the witness's own words. The witness should sign the statement only if satisfied that it is a true record of his or her own words.

10.5.3 At all stages of the investigation any discussions or interviews should be documented and, where possible, agreed with the interviewee.

10.5.4 Physical evidence should be identified and gathered together (impounded) in a secure place at the earliest opportunity. An inventory should be drawn up by the Investigation Manager and held with the evidence. Wherever possible, replacement or new documents, etc., should be introduced to prevent access to the evidence. If evidence consists of several items, for example a number of documents, each one should be tagged with a reference number corresponding to the written record.

10.6 Interview Procedures

10.6.1 Interviews with suspects should be avoided until the formal disciplinary investigation. The Investigating Manager should, wherever possible, attempt to gather documentary and third party evidence for the purposes of the report. If an employee insists on making a statement, it should be signed and dated, and include the following:

“I make this statement of my own free will; I understand that I need not say anything unless I wish to do so and that what I say may be given in evidence.”

10.6.2 Informal contact with the police should be made at an early stage in any investigation to ensure that no actions are taken that could prejudice any future criminal case through the admissibility of evidence, etc.

10.7 Reporting process

10.7.1 Throughout any investigation, the Investigating Manager will keep the Principal, Director of Finance & Estates and Director of Human Resources informed of progress and any developments. If the investigation is long or complex, interim reports to the Audit Committee will be made. These reports may be verbal or in writing.

10.7.2 On completion of the investigation, the Investigating Manager will prepare a full written report setting out:

- Background as to how the investigation arose;
- What action was taken in response to the allegations;
- The conduct of the investigation;
- The facts that come to light and the evidence in support;
- Action taken against any party where the allegations were proved;
- Action taken to recover any losses;
- Recommendations and/or action taken by management to reduce further exposure and to minimise any recurrence.

10.8 Disclosure of Loss from Fraud

10.8.1 A copy of the fraud report in appropriate format must be submitted to the Funding Council. External Audit should also be notified of any loss. The register of losses and condemnations submitted annually to the Audit Committee should include any loss with appropriate description.

10.8.2 Management must take account of the permitted limits on writing off losses that require formal approval.

10.9 Police Involvement

10.9.1 It shall be the policy of the Board of Management that wherever a criminal act is suspected the matter will be immediately notified to the police.

10.9.2 The Director of Finance & Estates will decide at what stage the police are contacted.

10.9.3 The nominated Senior Manager and Investigating Manager should informally notify police of potential criminal acts, to seek advice on the handling of each investigation at an early stage in the investigation.

10.10 Press Release

10.10.1 To avoid potentially damaging publicity to the College and/or to the suspect, the Board of Management's Principal, on behalf of the Board of Management, should prepare, at an early stage, a Press Release giving the facts of any suspected occurrence and any actions taken to date, e.g. suspension, although the name of the staff member suspended pending investigations should not be released to the press.

11. Resourcing of Investigation

11.1 The Director of Finance & Estates will determine the type and level of resource to be used in investigating suspected fraud. The choices available will include:

- Internal staff from within the College
- Director of Human Resources
- External Audit
- Specialist Consultant
- Police

11.2 In making a decision, the Director of Finance & Estates should consider independence knowledge of organisation, cost, availability and the need for a speedy investigation. Any decisions must be shown in the Log held by the Nominated Senior Manager. A decision to take "No action" will not normally be an acceptable option except in exceptional circumstances.

11.3 In any case involving a suspected criminal act, it is anticipated that police involvement will be in addition to an alternative resource.

12. The Law and its Remedies

12.1 Criminal Law

The Board of Management shall refer all incidences of suspected fraudulent or criminal acts to the police for decision by the Procurator Fiscal as to any prosecution.

12.2 Civil Law

The Board of Management shall refer all incidences of loss through proven fraudulent or criminal act to their legal representatives to determine whether the loss can be recovered by civil action.

FURTHER GUIDANCE ON FRAUD

Further information relevant to implementing this Procedure can be found in the following:

Title	Publisher	Contents
Protecting the Public Purse	Audit Commission	Fraud & Corruption prevention, detection and responses
Fraud & Corruption Manual	Audit Commission	Prevention and Audit strategies
The Investigation of Fraud in the Public Sector	CIPFA	Guidance for Internal Auditors on fraud investigation

TITLE: VALUE FOR MONEY POLICY

Background: The Audit Committee remit includes the requirement:

To review and advise the Board of the Internal Auditor's and External Auditor's assessment of the effectiveness of the College's financial and other internal control systems, including controls specifically designed to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness (value for money).

As part of the fulfilment of this requirement the College requires to have in place and review a Value for Money Policy. This document has been compiled based on current best practice and following the discussion at the previous Committee meeting. It is designed to provide guidance to College managers and to highlight the necessity for publicly funded bodies to demonstrate that their decision making, and subsequent service provision, represents Best Value and delivers Value for Money. It also highlights that this is a requirement of the Scottish Public Finance Manual.

Action: The Audit Committee is requested to consider and approve the Value for Money Policy.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

Policy and Procedure

POLICY AND PROCEDURE	Value for Money Policy
VERSION NUMBER	2.0
APPROVING COMMITTEE	Audit Committee
DATE OF APPROVAL	1 September 2017
EQUALITY IMPACT ASSESSMENT	Pending
REVIEW DATE	1 September 2020
RESPONSIBLE PERSON	Director Finance and Estates

1. Introduction

- 1.1 The College is aware of the necessity for publicly funded bodies to demonstrate that their decision making, and subsequent service provision, represents Best Value and delivers Value for Money. This is a requirement of the Scottish Public Finance Manual.
- 1.2 The Value for Money Policy outlines the College approach to ensuring that it achieves Best Value and that it can demonstrate continuous improvement in the efficiency and effectiveness of its activities.
- 1.3 In the overall context of public funding and Scottish Government allocations of finance to the college sector, it is clear that continuous efficiency improvement is essential in order to maintain financial sustainability.
- 1.4 The Value for Money Policy sits alongside the annual College budget and the Procurement Strategy. The achievement of the actions contained within it will inform the operational planning process.
- 1.5 This policy expresses how the College recognises its responsibility to achieve Value for Money (“VFM”) from all of its activities, regardless of the method of funding.

2. Financial Context

- 2.1 The financial context facing the College is outlined in detail in the annual budget. Action will require to be taken on an on-going basis to reduce costs and improve efficiency.

3. Scope

- 3.1 This policy aims to:
 - Integrate and enable the adoption of VFM principles within existing management, planning and review processes;
 - Adopt recognised good practice where this makes good sense;
 - Ensure that, mainly through the internal audit process, VFM studies are conducted on areas of activity identified as worthy of review;
 - Provide the framework to review the College’s activities against other similar activities and organisations where this is considered useful;
 - Provide the opportunity to enhance the economy, efficiency and effectiveness of activities;
 - Promote a culture of continuous improvement;
 - Ensure that financial savings for the College will be achieved without compromising any aspect towards the quality of service delivery;
 - Provide evidence to both internal and external observers, that the achievement of VFM is sought in all activities undertaken; and
 - Communicate to staff the recognition of their continuing obligation to seek VFM for the College as part of their routine activities.

4. Lines of Responsibility

- 4.1 The responsibility for VFM lies with all members of staff within West College Scotland and is not restricted to senior management or those with financial responsibilities.
- 4.2 The Senior Management Team is responsible for implementing arrangements that will ensure VFM is being sought.
- 4.3 Managers have the responsibility to be aware of good practices in their own area of operation and to ensure that these are followed appropriately.
- 4.4 All staff should endeavour to seek and achieve VFM in all activities and to bring to management's attention any opportunities for improvement or financial savings.

5. Key Principles

The Concept of VFM

- 5.1 "Value for Money" (VFM) is a term used to assess whether or not an organisation has obtained the maximum benefits from the goods and services it acquires and provides, within the resources available to it. Some elements of VFM may be subjective, difficult to measure, intangible and misunderstood and judgement is therefore required when considering whether VFM has been satisfactorily achieved or not. VFM not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource use, fitness for purpose, timeliness and convenience to judge whether or not, together, they constitute good value.
- 5.2 Achieving VFM is also often described in terms of:
 - Economy – minimising the cost of resources for an activity ("doing things at a low price")
 - Efficiency – performing tasks with reasonable effort ("doing things the right way")
 - Effectiveness – the extent to which objectives are met ("doing the right things")
- 5.3 The College will adopt best practice where possible in seeking to achieve VFM. Adoption of such best practice is a recognised way of not only achieving VFM but also of demonstrating that VFM has been sought and achieved.
- 5.4 The main benefits of promoting VFM are:
 - The clarification of objectives – VFM principles give managers a framework with which to assess the objectives of an activity. Managers will be asked to review activities ensuring that they align with the appropriate College strategy document and with the College Corporate Objectives. The aim being to maximise the chance of achieving the desired ends without unnecessary expenditure and effort.

- Planning – Application of VFM principles ensures that the activity is planned.
- Openness and transparency – Properly documented planning and assessment helps provide a demonstration of achieving propriety as well as VFM.
- Compliance with statutes and regulations – Application of VFM principles at the planning stage should consider, and therefore ensure, compliance with statutes and regulations.
- Risk assessment – As inadequate risk assessment can lead to poor VFM, application of VFM principles at the planning stage should help ensure that appropriate risk assessment of the activity has been carried out.

The Achievement of VFM

5.5 An assessment of value for money can be achieved in a number of ways. For example:

- through benchmarking
- through competitive tendering/seeking of alternative quotations
- by using performance indicators (including use of the balanced scorecard)
- through conducting VFM studies
- by seeking out and considering the adoption of best practice
- through internal and external audit work
- through the retention of planning and VFM assessment documentation
- by reviewing the outcomes of an activity.

5.6 There is no single way of demonstrating VFM. However, by planning and implementing activity in accordance with VFM principles, the College can demonstrate that actions have been undertaken in the manner required of a publicly funded organisation.

6. Effective Date

6.1 This policy is effective from 1 September 2017 and supersedes all previous policies related to this subject. This policy will be reviewed every three years, or earlier if changes affect it in any way.

TITLE: **NATIONAL FRAUD INITIATIVE – 2017 OUTCOMES**

Background: This paper provides the Audit Committee with a report on the approach adopted by the College in relation to the submission of data, investigation and response to the queries raised during the 2016/17 National Fraud Initiative (NFI).

Action: The Audit Committee is invited to:
a) Consider and comment upon the next steps section (6); and
b) Note the content of the report.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

1. Background

- 1.1 The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. The reports provided means that public bodies can take action if any fraud or error has taken place, and it allows auditors to assess fraud prevention arrangements which those bodies have.
- 1.2 NFI matches a range of electronic information held on the College's finance and payroll systems, to identify potential inconsistencies or circumstances that could indicate fraud or error within and between public and private sector bodies. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils, colleges and a number of private sector bodies.
- 1.3 A match does not automatically mean that there is a fraud or error and investigations are required to enable the correct conclusion to be drawn for each match reported. The College will investigate reported matches and record appropriate outcomes on a secure web application based on their investigations.

2. Data request and submission

- 2.1 This was the first request from Audit Scotland for the College to participate in the exercise. The required data was limited to payroll / purchase ledger transaction and standing data. In the case of payroll data this consisted of current employee standing data including NI numbers along with YTD earnings. For purchase ledger information the College supplied address and transaction histories for the period October 2013 to December 2016. This data was submitted in January 2017.

3. Privacy Notices

- 3.1 The Cabinet Office uses the term "Fair Processing Notices" to refer to informing individuals that their data is being shared. The Information Commissioner's Office promotes the use of the term 'privacy notice' to describe the provision of this information, and this is the terminology that we use. The College followed the guidance from Audit Scotland's website and duly published a notice on the College Intranet.

4. Outcomes

- 4.1 The College has an established internal process for review of the outcomes notified by NFI. Where an outcome is recorded the College is required to investigate the query and respond via the web site as to the outcome of the investigation. These investigations are undertaken by senior finance staff and where necessary utilising payroll / HR colleagues if necessary. The Director of Finance and Estates has overall responsibility for the review of NFI data.

■ [REDACTED]

[REDACTED]

4.3 The top three categories of outcomes relate to:

- Duplicate records by amount and creditor reference

- [REDACTED]

- VAT overpaid

- [REDACTED]

- Payroll to payroll

- [REDACTED]

5. External Audit Review

- 5.1 As part of the external audit programme of work for 2016/17 Mazars were required by Audit Scotland to review the NFI arrangement in place at the College. A copy of the auditor's report is attached for the Committees information and this information was submitted to Audit Scotland after discussion with the College.
- 5.2 The report highlights that the College has complied with all the requirements of NFI reporting (no red category items) but that further work in regard to NFI awareness needs to be undertaken.

6. Next Steps

6.1 Based on the Audit Scotland review at appendix (a) the following actions have been / will be undertaken in relation to the amber items:

- (1) Review of self-appraisal checklist for the next exercise will be brought to the Audit Committees attention at the earliest point.
- (2) Commitment to NFI – Audit Committee at September meeting will be requested to confirm commitment to the principle of the National Fraud Initiative.
- (3) Policy – The Fraud and Corruption Policy (see item 9) makes clear the Colleges commitment to participate in any future NFI exercises.
- (4) Real-time matching – given the level of data matches this is not considered to be necessary.
- (5) Reporting – This report presents the outcome of the 2016/17 exercise to the Audit Committee and the Senior Management Team will also be made aware of the outcome at its next meeting.
- (7) Internal Audit – The level of outcomes is considered by the College to be minimal and the overall procedure does not require review by the internal auditors. The Audit Committee is requested to consider this in light of the internal audit planning process.

6.2 The College will also review its current procedure in light of the 2016/17 exercise with the aim to bring the payroll / HR function into the investigation stage at an earlier time.

TITLE: **AUDIT SCOTLAND REPORT – SCOTLAND’S COLLEGES 2017**

Background: Audit Scotland published their annual report of the college sector - *Scotland’s Colleges 2017* - on 22 June 2017. This provided an update on developments taking place within the College sector and, where possible, assessed their impact.

Action: The Audit Committee is asked to consider:

- the Audit Scotland report, and the recommendations arising from it;
- whether there is a need to revise/update the College risk register in light of the report recommendations; and
- whether any actions require to be progressed by the Audit Committee at this time based on the report.

Lead: David Alexander, Vice Principal Operations

Status: Open

Audit Scotland Report – Scotland’s Colleges 2017

1.0 Background

- 1.1 Audit Scotland published a report on 22 August 2017 – *Scotland’s Colleges 2017* (Appendix 1) – which provided an update on developments taking place within the college sector and, where possible, assessed their impact.
- 1.2 The methodology using in producing the Audit Scotland report, which focuses mainly upon the 2015-16 college year, involved:
- an analysis of information and data held by the Scottish Funding Council (SFC) including performance and activity data and communications with the sector;
 - interviews with a wide range of stakeholders. These included college principals, senior college finance staff, regional chairs, Colleges Scotland, college staff, student associations, the SFC and the Scottish Government.
 - analysis of relevant Scottish Government budget documentation and colleges’ audited accounts and auditors’ reports covering the financial period ending July 2016.
- 1.3 The report is structured into two parts, which are as follows:
- Part 1 – College Performance
 - Part 2 – College Finances

The key messages and recommendations arising from each of these parts are outlined within the report Summary.

2.0 Key Messages

- 2.1 The Audit Scotland report contains 5 key messages which can be summarised as follows:
- The college sector has continued to exceed the national target for learning but delivered slightly less activity in 2015-16 than in 2014-15.
 - Student numbers decreased slightly in 2015-16 and FTE is at its lowest since 2006-07. Both full-time and part-time numbers student numbers fell in 2015-16, with the latter decreasing at a greater rate.
 - Student attainment improved in 2015-16. The overall percentage of full-time further education students successfully completing their course increased in 2015-16 from 64% to 65%. Most full-time students continue to be satisfied with their college experience and at least 83% of students who achieve a qualification go on to a positive destination.
 - The financial health of the sector remains relatively stable but has deteriorated since 2014-15. The underlying sector deficit has increased to £8m (representing 1% of income) and colleges hold £11m less cash than in 2014-15.

- Total Scottish Government funding to the college sector will increase by 5% between 2015-16 and 2017-18, although the bulk of this increase relates to a capital project at a single college. Funding for running costs will increase by 1%, but colleges face a number of financial challenges. In particular it is estimated that implementing national bargaining for the college sector could cost around £80m.

2.2 Ultimately, in summary the Audit Scotland report concludes that *'the college sector continued to exceed targets for learning but faces financial challenges.'*

3.0 Recommendations

3.1 From these key messages, the Audit Scotland report provides 8 recommendations - 3 of which the Scottish Government and the SFC have been asked to take forward; 3 of which the SFC are asked to progress; and 2 of which are for colleges. These recommendations are detailed within the Summary section of the report and can be summarised as follows:

- 3 recommendations requiring action by the Scottish Government and the SFC:
 - model how changes in demography and school leaver destinations affect the ability of colleges to continue to meet the national learning activity target;
 - complete the national estate condition survey and use this as a basis to prioritise future capital investment; and
 - work with colleges to assess demand for college courses across Scotland, - in accordance with Audit Scotland's 2016 recommendation - in order to plan future education provision.
- 3 recommendations requiring action by the SFC:
 - Specify the adjustments that should be made to the financial position reported in college accounts, taking account of the approach Audit Scotland have adopted within their report, in order to reach an '*underlying financial position*' that reflects the immediate financial health of each college;
 - Require each college to include, within its accounts, the underlying financial position; and
 - Specify the common assumptions to be used by colleges when developing longer-term financial plans.
- 2 recommendations requiring action by colleges:
 - Prepare longer-term financial plans, as Audit Scotland recommended in 2016, in order to support financial decision-making that takes account of both immediate and future cost pressures; and
 - make agendas, supporting papers and minutes for Board and Committee meetings publicly available within appropriate timeframes.

3.2 Thus the report makes 8 recommendations with demand for courses; financial planning, strategy and pressures; and estate condition and capital investment being the key areas.

4.0 Conclusion

4.1 As outlined above, the Audit Scotland report '*Scotland's Colleges 2017*' provides an update on the various developments taking place within the college sector, and where possible, seeks to assess their impact. The report also identifies key recommendations to be progressed.

4.2 The Audit Committee is therefore asked to consider:

- the Audit Scotland report, and the recommendations arising from it;
- whether there is a need to revise/update the College risk register in light of the report recommendations; and
- whether any actions require to be progressed by the Audit Committee at this time based on the report.

TITLE: ANNUAL REPORT FROM THE AUDIT COMMITTEE TO THE BOARD

Background: The Annual Report from the Audit Committee to the Board of Management details the work carried out by the Committee during 2016/17 and how this relates to its core remit responsibilities of:

- General
- Internal Audit
- External audit
- Risk
- Other Reporting

The Annual Report is a requirement of both the Scottish Funding Council (SFC) Financial Memorandum and the Scottish Public Finance Manual. This report complies with the requirements of both these documents.

The attached document is a draft version of the final report as given timing it contains a number of assumptions with regard to the outcome of the work of both the internal and external auditors. The final report will reflect any changes required as a result of matters arising from the audit reviews that remain to be concluded.

Action: The Audit Committee is requested to review and comment upon the draft report.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: INTERNAL AUDIT REPORT - BUSINESS CONTINUITY AND DISASTER RECOVERY

Background: Background and Scope

The ability to be able to respond to unexpected events and provide continuity of service is critical to the College and it is essential that formal plans and procedures exist to support the College in the event of a disaster. The effectiveness of plans requires a structured and methodical approach to identifying critical business processes, contingent resources, and optimal recovery strategies as well as robust maintenance and test processes.

The audit considered the extent to which the College has implemented an effective Business Continuity Management (BCM) framework and testing of these plans.

Outcome

The audit has identified a number of areas for improvement in relation to Business Continuity Planning within the College.

The most significant area for improvement relates to the fact that a Business Impact Analysis (BIA) was not conducted as part of the development of the College's current Business Continuity Plan (BCP). Following on from the BIA exercise there is a requirement for the College to devise strategies to support the recovery of the identified key services ensuring they can be returned within established timeframes.

The audit work identified 5 improvement actions (4 grade three recommendations and 1 grade 2 recommendation). There were no grade 4 recommendations. The College accepts the recommendations made and have provided response and intended timescales to address the recommendations made. The 5 recommendations will be recorded on the Rolling Audit Action Plan.

Action: The Audit Committee is asked to approve the contents of this report.

Lead: Chris Brown, Partner, Scott Moncrieff
Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: INTERNAL AUDIT REPORT – FOLLOW UP REPORT

Background: In accordance with the 2016/17 internal audit plan, the Internal Auditors have carried out a follow up review of previous audit recommendations to provide the Audit Committee with assurance that internal audit actions agreed during the current and previous financial year(s) have been implemented satisfactorily. This review was based upon the latest version of the Rolling Audit Action Plan (RAAP) which is presented to the Committee at each meeting.

The review did not look to review the actions generated by the external auditors as these will be dealt with as part of the external audit process. An update on these actions will be provided to the Committee as part of the year end closure process.

Scope

The Internal Auditors have followed up the outstanding management actions from previous financial years as well as those from 2016/17 internal audit reports finalised prior to the time of their follow-up work. For recommendations deemed complete by the College management, they discussed the agreed actions with the appropriate members of staff and obtained evidence to confirm progress. For recommendations that were still incomplete and now past their original due date, agreed revised completion dates with the action owners.

Conclusion

The College has made good progress in implementing the agreed actions from previous internal audit reviews, with only 21 actions outstanding from a total of 53 internal audit recommendation. Of the 21 outstanding actions 11 have not as yet reached their due date and none of them are classed high risk.

The Rolling Audit Action Plan contains 60 recommendations with the balance of 7 relating to external audit. These will be reviewed by the external auditors as part of their year-end work.

Action: The Audit Committee is asked to approve the contents of this report.

Lead: Chris Brown, Partner, Scott Moncrieff
Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: INTERNAL AUDIT PROGRESS REPORT

Background: Summary of progress

This paper provides the Audit Committee with a summary of internal audit activity since the Committee last met.

Progress against annual audit plan

The internal auditors have completed two reviews in the period to September 2017: Business Continuity Planning and Follow-Up. This completes the 2016/17 Internal Audit Plan. Scott Moncrieff have also begun work on the 2017/18 Internal Audit Plan and have completed the fieldwork for the Health and Safety audit. Planning for the audits of Payroll and Expenses and Procurement and Tendering has also started.

Action: The Audit Committee is asked to approve the contents of this report.

Lead: Chris Brown, Partner, Scott Moncrieff

Status: Open

TITLE: DRAFT INTERNAL AUDIT ANNUAL REPORT 2016/17

Background: The Scottish Public Finance Manual requires that:

“Internal audit should provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It should provide an appraisal of an organisation's internal control system and take the action needed to provide the Accountable Officer with a continuing assurance that the organisation's risk management, control and governance arrangements are adequate and effective.”

“An annual audit assurance is provided to the Accountable Officer through the professional opinion of the Head of Internal Audit (or equivalent) on the adequacy and effectiveness of the internal control system and the extent to which it can be relied upon. That opinion is contained in an annual report from the Head of Internal Audit to the organisation's Audit Committee, and forms part of the assurance required by the Accountable Officer to enable them to sign a Governance Statement to be provided alongside the accounts for which they are directly responsible.”

To meet the above requirements, the attached Annual Report summarises the conclusions and key findings from the internal audit work undertaken at the College during the year ended 31 July 2017, including the internal auditors overall opinion on the College's internal control system.

Scope

The report documents the scope and responsibilities of both the Management and the Internal Auditors on page 3.

Overall internal audit opinion

Basis of opinion

The Internal Auditors of West College Scotland are required to provide the Audit Committee with assurance on the whole system of internal control. In giving

their opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control, based on the work performed.

In assessing the level of assurance to be given, they have taken into account:

- All reviews undertaken as part of the 2016/17 internal audit plan;
- Any scope limitations imposed by management;
- Matters arising from previous reviews and the extent of follow-up action taken, including in year audits;
- Expectations of senior management, the Board and other stakeholders;
- The extent to which internal controls address the client's risk management /control framework;
- The effect of any significant changes in WCS's objectives or systems; and
- The internal audit coverage achieved to date.
-

Internal Audit Opinion

In their opinion WCS has an adequate and effective framework of governance, risk management and internal control, and proper arrangements are in place to promote value for money and deliver best value in the achievement of organisational objectives.

Action: The Audit Committee is asked to consider and approve the contents of this draft report.

Lead: Chris Brown, Partner, Scott Moncrieff
Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: ROLLING AUDIT ACTION PLAN

Background: The purpose of this report is to update the Audit Committee on the status of the recommendations made by both the internal and external auditors from either the:

- a) internal audit reports received by the Committee; or
- b) external auditor management letters received as part of the year end reports made to the Joint Audit / Finance and General Purposes Committee.

Action: The Committee is requested to review the report and to approve:

- a) The closure and removal of the 32 recommendations agreed with the internal auditors as fully implemented as a consequence of the follow up work carried out and reported under item 15;
- b) The request to extend 6 of the anticipated dates of completion; and
- c) The Rolling Audit Action Plan.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

1. Introduction

- 1.1 The current Rolling Audit Action Plan (RAAP - Appendix a) sets out the recommendations made by both the internal and external auditors. The report provides a summary of the recommendations made and indicates their status as at the time of this report and what was previously reported. The initial management response is also shown along with an update to provide both the Committee and auditors with a commentary on any progress.
- 1.2 The report also indicates where an extension of time has been requested to the original deadline set to complete the recommendations (dates in red are where an extension of time has been requested).

2. Summary of Number of Recommendations

- 2.1 The table below summarises the movement on the RAAP since the last Committee meeting:

		Internal Audit	External Audit	Total
Total brought forward recommendations		39	7	46
Added since last Audit Committee meeting:				
	Estates and Asset Management	4	-	4
	Workforce planning	6	-	6
	Timetabling and curriculum planning	4	-	4
Total recommendations as per current RAAP		53	7	60

2.2 The table below indicates the status of all the recommendations compared to the last report presented to the Committee:

	Previous RAAP		Current RAAP	
Partially implemented	8	17%	10	17%
Fully implemented pending external auditor review	7	15%	7	12%
Fully implemented pending review	31	68%	0	0%
Not implemented	0	0%	0	0%
Sub total	46	100%	17	29%
Not yet due	0	0%	11	18%
Recommend for closure following audit review	0	0%	32	53%
Total	46	100%	60	100%

3. Commentary on Recommendations

External Audit

3.1 All the external audit recommendations have been addressed. These recommendations will remain on the RAAP until the external auditors have an opportunity to review the issues as part of their yearend work.

Internal Audit

3.2 The internal auditors have carried out their annual review of RAAP and the results of their work were presented under item 15. The auditors are content to recommend for removal of 31 items with an additional 1 item, in relation to risk management, as no longer requiring action. This means a total of 32 items are recommended for removal which represents over half the outstanding recommendations and all the recommendations categorised as fully implemented at the last update report.

3.3 The College is requesting an extension to the expected completion dates for the following recommendations:

18 – Whistleblowing Policy. The document was reviewed at the last Audit Committee where a further review was requested. The extension is to allow the approval process to be completed.

22- IT service desk. The extension is requested to allow the service desk software to be fully tested and then deployed.

36 – Whistleblowing – The extension is requested to allow the revised policy document to be considered by the Audit Committee.

43 – Student Association – The extension is requested to enable the required training of the new Student Association staff to be undertaken now that all the post holders are in position.

53 – Curriculum Planning. The extension of time is requested to allow the compilation of a number of individual documents into one location.

58 – Estate and Asset Management. The date extension is to allow the revised procedure to be embedded as part of the year end process.

Overall

- 3.4 The College continues to address the recommendations made by both sets of auditors and the completion of over 50% of the rolling recommendations indicates that the good progress previously reported is being maintained.
- 3.5 The College will continue to address the partially implemented recommendations highlighting those where a date extension has been requested as a priority.

TITLE: INTERNAL AUDIT PLAN 2017/18

Background: This report presents the final 2017/18 internal audit plan for consideration by the Committees. The Committee received in June 2017 the draft Internal Audit Annual Plan 2017/18 and noted the proposed areas to be reviewed and the number of days for each. Following discussion with the internal auditor and College management the Committee requested that:

- the proposal to review the controls in place for student records (C3) should not proceed as this duplicated other work undertaken elsewhere; and
- that more time should be allocated to the review of IT security systems in place (D1) as this was a high risk area and in light of other recent cyber-attacks in the UK.

The overall plan has been reviewed in light of these considerations and is presented to the Committee for approval. In total the number of days of internal audit work for 2017/18 will be 60 days.

Action: The Audit Committee is requested to approve the Internal Audit Annual Plan 2017/18.

Lead: Chris Brown, Partner, Scott Moncrieff
Alan Ritchie, Director of Finance and Estates

Status: Open

TITLE: AUDIT PROGRESS REPORT

Background: The purpose of this paper is to provide the Audit Committee with a report on the progress made by Mazars in delivering their responsibilities as the College’s external auditors. The report also seeks to highlight key emerging national issues and developments which may be of interest to members of the Committee including:

- VAT - Brockenhurst College - Court of Justice of the European Union (CJEU) decision, May 2017
- Scotland’s Colleges 2017, Audit Scotland, June 2017 – see report under item 11
- Accounts direction for Scotland’s colleges 2016-17, Scottish Funding Council, June 2017 – see report under item 20
- 2017/6(FE) Technical Guidance Note – Audit of annual report and accounts, Audit Scotland, August 2017; and
- 2017/7(FE) Technical Guidance Note (TGN) – Independent auditor’s reports, Audit Scotland, August 2017

The 2017/7(FE) TGN implements changes to International Standards on Auditing, and in June 2016 Audit Scotland issued a model independent auditor’s reports for the 2016-17 audits of colleges. These changes represent a material movement in the areas upon which the auditor is required to express an opinion. Mazars will update the Committee on the changes made and likely impact.

Action: The Committee is requested to note the content of the report.

Lead: Lucy Nutley, Director, Mazars

Status: Open

TITLE: ACCOUNTS DIRECTION FOR SCOTLAND'S COLLEGES 2016/17

Background: As part of the year-end financial statements audit the SFC issue mandatory guidance for the preparation of their annual report and accounts. The guidance for 2016/17 was issued on the 30 June 2017. This paper brings to the Committees attention the relevant issues in relation to the year-end process.

As in previous years the College will comply with the requirements of the:

- SFC Accounts Direction for Scotland's College 2016-17;
- 2015 Statement of recommended Practice: Accounting for Further and Higher Education (SORP); and
- Government Financial reporting Manual 2016-17.

in the preparation of the annual report and accounts for the College.

The deadline for the approval of the annual report and accounts remains as per previous years as 31 December 2017. Two copies of the annual report and accounts require to be sent to the Auditor General for Scotland by the deadline.

Action: The Committee is requested to note the content of the report.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

1 Accounts Direction

- 1.1 This year the Scottish Funding Council (SFC) has issued specific guidance for colleges rather than the historic practice of combining the guidance with that issued to universities. Page 2 of the guidance sets out the requirements for the preparation of the annual report and accounts along with the deadline for submission – 31 December 2017.

2 Changes to reporting requirements

- 2.1 Please refer to Appendix (a) for the full SFC circular which includes all the changes in reporting requirements. Notes below are the material changes / enhancements to the College annual reporting requirements.

Cash Budget for Priorities (previously referred to as net depreciation cash) (paragraph 6)

- 2.2 This was first introduced in the 2015/16 accounts direction and has been further refined this year. In 2015/16 the College included in the Performance Report a breakdown of the cash budget earmarked for depreciation and will do so again in the 2016/17 report. As indicated the form of the report is illustrative and the College will adapt this to best suit its requirements to present a fair representation of how the earmarked cash was expended.

Non-Cash Budget for Depreciation (paragraph 7)

- 2.3 A new requirement is to include at the foot of the Statement of Comprehensive Income a note explaining the impact of the non-cash budget allocated to the College to cover depreciation.
- 2.4 A form of words is provided by the SFC and the College will base its note on this illustrative example. The notes will be amended to best reflect the position of the College as at 31 July 2017 and for comparative purposes.

Underlying Operating Position (paragraph 9)

- 2.5 This note was again first introduced in the 2015/16 annual report and accounts direction. Within the 2015/16 pack the College had included the required note and will do so again this year. The SFC direction has refined the disclosure requirements.

Corporate Governance Report (paragraph 22)

- 2.6 Previously the external auditor was required to have read the Performance Report and Governance Statement and highlighted any inconsistencies to management as part of their overall review. The 2015/16 audit opinion on other matters include confirmation that the performance report was consistent with the financial statements. The 2016/17 audit report will explicitly state that the Performance Report and Governance Statement has been prepared in accordance with the set requirements and that both documents are consistent with the financial statements.
- 2.7 The changes to the audit opinion was discussed under item 20 as part of the external auditor's progress report.

Parliamentary Accountability Report (paragraph 29)

2.8 From the work done completing the audit pack and enquiries made of senior management, the College will not be completing a Parliamentary Accountability Report in regard to disclosing:

- Fees and charges in excess of £1m annually;
- contingent liabilities
- total losses / special payments exceeding £250,000

Corporate governance disclosures

2.9 The College has included in the annual report and accounts a statement covering the responsibilities of the Governing Body in relation to corporate governance. The report states that we have complied with the 2016 Code of Good Governance for Scotland's Colleges. Details of the content of the report are to be further discussed under item 21

TITLE: **ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE**

Background: As part of the year end audit process the Board of Management are required to consider and approve the Corporate Governance Statement which is included within the Accountability Report section of the annual accounts. Best practice is that this statement should be considered as a separate item in advance of the financial statements approval process.

This report presents the draft Accountability Report section for review by the Audit Committee in advance of the finalisation of the annual report and accounts. The format of the report is based upon guidance issued by the SFC (as per item 21).

Action: The Committee is requested to review and consider the draft report in advance of the final annual report and accounts being presented to the joint Audit / Finance Committee in November.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

1 The Accountability Report

1.1 The Accountability Report is required to have two sections:

- Corporate Governance Report; and
- Remuneration and Staff Report (section 4).

1.2 A third section in relation to the Parliamentary Accountability report is after review by the college senior management team deemed as not required.

2 Corporate Governance Report

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

3.2 The Corporate Governance report expands upon the minimum requirements of including:

- Introduction;
- Board of Management Report;
- Statement of the Board of Management Responsibilities; and
- Governance Statement.

Board of Management Report

3.3 The Board of Management Report sets out the membership of the Board of Management and also those members of the senior management team who influence the decisions of the college as a whole.

3.4 Details are given of any directorships or other interests which the members have and a reference is made to relevant Register of Interests.

3.5 Information on personal data-related incidents reported to the Information Commissioners Office are also be disclosed which in the case of 2016/17 is a nil return.

Statement of Board of Management's responsibilities

3.6 The FReM requires government bodies to provide a Statement of Accounting Officer's responsibilities. However, the SFC Chief Executive is the Accountable Officer for the college sector and is required to provide a governance certificate of assurance covering all colleges to the Principal Accountable Officer of the Scottish Government, based upon certificates of assurance provided by colleges. In light of this unique arrangement, colleges are required to continue to provide a Statement of Board's responsibilities within their Corporate Governance report.

3.7 The statement in the annual report and accounts is in line with best practice.

Governance Statement

- 3.8 The SFC requires colleges to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the college has complied with good practice in this area.
- 3.10 The College has stated that “The College has complied with the requirements set out in the UK Corporate Governance Code in so far as they apply to the College sector and has complied with the Code of Good Governance for Scotland’s Colleges”, this latter being a condition of grant set out in the FM with the SFC.
- 3.11 As required the College has also included details of its Estates Strategy under the Overview section of the Corporate Governance report.

Remuneration and Staff Report

- 3.12 Incorporated colleges are required to include within their annual report and accounts a Remuneration and Staff Report in accordance with the FReM. The College has followed the example remuneration report as per the Accounts Directions issued by the SFC.

TITLE: 2016/17 REPORT ON PUBLIC INTEREST DISCLOSURE, FOI / DATA PROTECTION,
REGISTER OF INTEREST AND GIFTS & HOSPITALITY

Background: The remit of the Committee requires it to receive an annual report on:

- a) Public Interest Disclosure;
- b) Freedom of Information and Data Protection Acts requests;
- c) Register of Interests; and
- d) Gifts and Hospitality registers

The report details the status in regard to each of the above matters.

Action: The Committee is requested to consider the 2016/17 report.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

1. Public Interest Disclosure

- 1.1 The Public Interest Disclosure Act enables and encourage individuals to raise matters of concern that are in the public interest (often referred to as whistleblowing), such as: malpractice, impropriety or wrongdoing, at a high level within the College, without fear of reprisal, so that they may be investigated and where appropriate acted upon.
- 1.2 The College has not had any Public Interest Disclosure cases during the period 1 August 2016 to 31 July 2017.

2. Freedom of Information and Data Protection Acts requests

- 2.1 Appendix 1 provides a summary report on the Freedom of information and Data Protection Act requests compared to the previous year.

3. Register of Interests

- 3.1 The Senior Management Team and those members of the College management team with either budget holding and/or procurement responsibilities were requested to provide a register of interest form. A total of 56 forms were issued and all forms were returned. There were no issues recorded which require to be brought to the attention of the Audit Committee.

4. Gifts and Hospitality

- 4.1 The Committee is required to be provided with an annual review of the Gifts and Hospitality Registers, and to highlight that systems are in place to ensure staff members are aware of the need to inform the Director of Finance and Estates and complete the forms where gifts or hospitality are received or given to the value of £25 or over.
- 4.2 Under the Colleges' Policy of receipt of Gifts and Hospitality, all staff are required to register any gifts, hospitality or other benefits received where the value of the item or benefit exceeds an amount of £25.
- 4.3 Details of gifts and hospitality received by staff over the last year are recorded by the Director of Finance and Estates. Staff are reminded quarterly via the College intranet about the requirement to register gifts and hospitality.
- 4.4 There have been 8 declarations of gifts and hospitality (11 in the previous year) in total - 2 by SMT members and 6 entries by staff members.
- 4.5 SMT member declarations were for gifts received from organisations whilst attending an event or during a partnership visit. The staff entries relate primarily to the provision of hospitality whilst on College related business or attendance at a diner as a guest of a company / partner organisation.

Appendix 1

Summary of Freedom of Information Requests

Categories of Request	2016/17 No. of requests	2015/16 No. of requests	Type of information requested	Responses out with statutory timescales	Reason for late response
Student Data	2	18	No of students; records of any assaults; enrolment figures; recruitment; withdrawals; looked after students; counselling referrals; community placements.	0	N/a
HR Data	17	11	Absence levels; Voluntary Severance details; occupational sick pay; teaching numbers; pay rises; TQFE remission; disciplinary matters; NI contributions; violence against staff.	0	N/a
Finance Data	15	14	Arm's length foundations; budgets; contract information; grants; bursaries; tenders; outsourced services; funding.	0	N/a
Other	0	7	Opening hours; security; contracts; software; personal data	0	N/a
Reviews requested	1	0	Request to review exemptions applied.	0	N/a
Total	35	50			

Summary of Data Protection Act Requests

Categories of Request	2016/17 No. of requests	2015/16 No. of requests	Type of information requested	Responses out with statutory timescales	Reason for late response
Student Data	24	26	Personal student data; general student data	0	N/a
Staff Data	1	1	Employment records; payslips	0	N/a
Other	1	6	Request to view CCTV ; 3 rd party information	0	N/a
Total	26	33			

TITLE: RISK MANAGEMENT – STRATEGIC RISK REGISTER

Background: Under the Corporate Governance Code the Board of Management is tasked with setting the College's risk appetite and ensuring that the framework of governance, risk management and control are in place to manage risk within this.

The Audit Committee plays a crucial role in supporting the Board in meeting these obligations. The remit of the Audit Committee encompasses risk, and the requirement to satisfy itself that risks are being managed. This paper is designed to assist in fulfilling the above remit by:

- Presenting to the Audit Committee the considerations of the other Board sub-Committees and the College Senior Management Team regarding the strategic risk register; and
- Providing a summary of other assurances provided by the internal or external auditors regarding the adequacy of the management of risk

Action: The Audit committee is requested to note the intention to bring to the December Committee a revised Risk Management Strategy covering the three year period 2017/20

The Audit Committee is requested to review and approve the strategic risk register and consider:

- Whether they are content with the risks included in the register;
- The risk rating both pre and post mitigation;
- Whether any of the risks should be considered for removal; and
- Whether any new risks should be considered for inclusion.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

1. Risk Management Strategy

- 1.1 The West College Scotland Risk Management Strategy was approved by Board of Management on 5 October 2015. The Strategy covers the period 2014-17 and was reviewed by the College Executive in December 2016 with no material amendments being made.
- 1.2 The Risk Management Strategy 2014-17 was developed in conjunction with the 2014-17 College Regional Outcome Agreement. The Strategy was designed to run in parallel with the ROA so that any material changes in the ROA could be reflected in subsequent Risk Management Strategies. In June 2017 the Board approved the 2017/20 ROA for West College Scotland and the Risk Management Strategy will now be reviewed and updated if required.
- 1.3 An updated Risk Management Strategy will be presented to the December Audit Committee for consideration.

2. Considerations of Board Sub-Committees and Senior Management Team

- 2.1 In reviewing the strategic risk register the Senior Management Team have taken into account feedback from previous Board sub-Committee meetings (up to June 2017) a summary of which is provided below.
- a) Audit Committee - March 2017
- i) On reviewing the Strategic Risk Register noted that the Finance and General Purposes Committee had been of the view that risk 3, the impact of SFC funding changes, should be rated a higher risk, if not the highest risk the College faced.

This risk was subsequently reviewed and at the current moment is the most significant risk faced by the College.

- ii) National Bargaining was also considered as potentially more material than other risks depending on how the national discussions progressed.

This risk is currently number 4 on the register due to the continuation of discussions with the Unions to resolve the related issues.

b) Audit Committee – June 2017

- i) A draft publication scheme for Board and Committee papers - queried if the Strategic Risk Register should be published in its current format as it provided a significant amount of detailed information.
- ii) The audit strategy memorandum set out the significant risks identified by the External Auditors. National Bargaining had not been included in the risk section as no resolution had been reached on this matter. This would be reviewed prior to the start of the audit.
- iii) Annual training on risk management should be carried out not just for staff but also for the Board and Committee members. It was agreed that this would be explored further.

c) Estates Committee - February and May 2017

- i) At both meetings the Committee noted the updated strategic risk register and endorsed the register for further consideration.

d) Finance and General Purposes Committee - March 2017

- i) The Committee was of the view that Risk 3, the impact of SFC funding changes, should be rated a higher risk and probably the top risk that the College faced.

e) Finance and General Purposes Committee – June 2017

- i) The Committee considered the Strategic Risk Register. In discussion the Committee noted that the mitigating actions and controls had been reviewed and updated throughout the year to reflect the actions taken. The Committee had no further comment and noted the Strategic Risk Register.

f) Learning, Teaching and Quality Committee – March and May 2017

- i) At both meetings the Committee noted the updated strategic risk register and endorsed the register for further consideration.

g) Organisational Development and HR Committee – May 2017

- i) The Committee considered the Strategic Risk Register. While the Committee agreed with the risks identified it remained of the view that some of these could be phrased in a different way to make the risks less technically focussed and more people-oriented so that it would be clear that matters relating to staff and students were included in the risk register. It was agreed that the Committee members give some further thought to this for the next meeting.

2.2 Following Board of Management meetings in March and June 2017 the Strategic Risk Register was updated to reflect the above considerations.

2.3 Based on previous Committee considerations the Senior Management Team have reviewed the register and would consider making the following changes:

- a) Inclusion of risk in regard to the General Data Protection Regulations (GDPR) which come into force in May 2018. It was noted that many of the GDPR's main concepts and principles are much the same as those in the current Data Protection Act (DPA), with which the College already complies with. However there are new elements and significant enhancements and it is likely the College will have to do some things for the first time and some things differently.

The risk has been initially included at (13) on the current register with a pre mitigation score of 9 - risk probability of 3 (possible) and impact of 3 (critical). However a review of mitigating actions revised the score to 6 - risk probability of 3 (possible) and impact of 2 (marginal) until the initial risk assessment process has been completed.

2.4 No further amendments were considered necessary.

3. West College Scotland Risk Management - Further Assurance

3.1 In line with the College Risk Management Strategy, risk management training is being arranged for both senior and middle management early in 2017/18. At the request of the Audit Committee this training will encompass a refresher training session for new and current Board members.

3.2 The Audit Committee in March of this year considered the outcome from a review of Operational Planning. This review noted the inclusion of risk management as a key part of the operational planning process for 2017/18 and provides evidence that the risk management process is becoming embedded within the operations of the College. The College operational plans provided an oversight of the key priorities and how these tied in with the Corporate Plan and fed into the risk management process, as well as providing assurance that such activity was being managed by the Executive.

3.3 The Board of Management in March 2017 noted the Board Development Action Plan 2016/17, which had been agreed in June 2016, and also a revised Development Action Plan which had been updated to include the recommendations emerging from the Governance Effectiveness Review Report. As part of this discussion the Board noted the current committee structure was working well and did provide the support and assurance that the Board needed. The committees did take some of the pressure off the Board, as they dealt with more routine matters on behalf of the Board (as set out in their terms of reference) and flagged up the major issues for

consideration by the Board. The priority assigned to different matters was tied into the risk register and the potential impact matters could have on the Board and the College. All matters identified as high risk were considered at the Board.

4. Conclusion

4.1 The Audit Committee is requested to review and approve the strategic risk register and consider:

- Whether they are content with the risks included in the register;
- The risk rating both pre and post mitigation;
- Whether any of the risks should be considered for removal; and
- Whether any new risks should be considered for inclusion.

4.2 The updated Strategic Risk Register will be presented to the Board of Management for approval and reviewed at all subsequent Board Committee meetings.

WEST COLLEGE SCOTLAND STRATEGIC RISK REGISTER 2017/18

Risk No.	Strategic Priority	Risk	Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation			Executive Responsible
			Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	
1	1,2,3,11	Impact of SFC funding changes including credit, European, ELS, student support and estates maintenance funding.	5	4	20	1) Financial scenario planning undertaken along with development of 5 year financial plan 2) Robust budgetary / forecasting including production of monthly management accounts 3) Estates Strategy including objective to improve / rationalise the College estate 4) Commercial Development Group reporting to Corporate Development Committee. 5) Robust monitoring of current and future curriculum delivery plans (CMAP) including staffing needs 6) Significant work undertaken to embed Workforce Planning into College operations / planning. Positive internal audit report highlighting solid base position. 7) On going discussions and modelling with SFC. 8) Active involvement in external review groups - Credit review, Access and Inclusion, Rural and remoteness Premium and Student Funding.	4	4	16	VP Operations / VP Educational Leadership
2	1,2,3,11	Failure to secure estates capital funding for future investment or refurbishment	5	4	20	1) Approved Estate Strategy which has been subject to positive review by internal audit. 2) Continued engagement with SFC regarding the basis of the funding methodology for the allocation of estate maintenance resource. 3) Participation in SFC/sector Capital Working Group 4) Submission of Outline Business Case for Greenock campus to SFC; awaiting review. 5) Development of draft Outline Business Case for the future development of the Paisley campus.	4	4	16	VP Operations
3	1,2,3,11	Business case for development of estate are delayed, impacting upon ability of College to recruit students / retain staff.	5	4	20	1) The College continues to actively engage with SFC, SFT and other key stakeholders. 2) Approved Estate Strategy (ES) highlights required estate investment for consideration by SFC and Scottish Government. ES submitted to SFC for consideration. 3) Option Appraisal and Outline Business Case considering future options for College estate in Greenock submitted to the SFC. 4) Outline Business Case for College estate in Paisley now concluded for review and submission to SFC. 5) Ongoing prioritisation of College estates funding in a way which links to priority projects, with update reports being provided to each meeting of the Board of Management Estates Committee. 6) Ongoing involvement in sector/SFC capital working group enables WCS input to ongoing discussions re SFC estates maintenance allocation methodology and capital allocations.	4	4	16	VP Operations

Risk No.	Strategic Priority	Risk	Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation			Executive Responsible
			Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	
4	3, 11	Impact and outcomes of National Pay Bargaining for both teaching and support staff	6	3	18	<ul style="list-style-type: none"> 1) WCS representation and involvement in national college Employers Association and national joint negotiating committee (NJNC). 2) Financial impact assessment / planning scenarios with the financial impacts of National Bargaining under ongoing discussion with the SFC. 3) Planning for impact of industrial action, with specific strike business continuity plans in place. 4) Local trade union negotiating committees for support and teaching staff continuing to meet on an ongoing basis in order to maintain positive College industrial relations. 5) Robust college sector and WCS communication plan. 6) Local workforce planning arrangements subject to positive internal audit review (May 2017) 	6	2	12	Principal
5	1, 3, 5, 6	Unable to meet student targets leading to a failure to deliver stated Regional Outcome Agreement objectives	5	3	15	<ul style="list-style-type: none"> 1) Robust internal monitoring, tracking and reporting procedures in place, including through College operational planning process and ongoing monitoring through the Board of Management and sub-committees. 2) Detailed Curriculum Development Planning and review process. 3) Ongoing engagement with SFC in relation to ROA outcomes. 4) Involvement with SFC advisory group on 'One Plus' 5) Blended approach to delivery of teaching and learning including distance and online learning. 6) Curriculum offering is reviewed to ensure employer and student needs are met and appropriate courses delivered. 	4	3	12	VP Educational Leadership
6	2, 11	Inadequate business continuity / contingency planning	3	4	12	<ul style="list-style-type: none"> 1) Business Continuity Plans in place with planning for specific threats. 2) Communications to staff of procedures to be followed in the event of an incident. 3) Effective estate security procedures. 4) Adequate insurance cover. 5) Embedding of risk assessments. 6) Planned preventative measures in place, including alarms. 	3	3	9	VP Operations

Risk No.	Strategic Priority	Risk	Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation			Executive Responsible
			Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	
7	2, 9, 11	Unable to develop and commence the implementation of an Estates Strategy that achieves the agreed criteria for size, quality, flexibility and carbon emissions	3	4	12	<ul style="list-style-type: none"> 1) Estate Strategy 2016-2026 approved by Board of Management October 2016 and submitted to SFC. 2) Plans to improve infrastructure and equipment are in place. 3) Minimise possibility of unplanned closures through regular maintenance of physical assets. 4) On going discussions with funders and other stakeholders to identify potential funding / development opportunities. 5) Condition survey work undertaken to assist with identification of areas of investment . 6) Internal audit review (May 2017) of Asset Management included positive review of work undertaken to developed the College Estate Strategy 2016-26. 	3	3	9	VP Operations
8	3, 4, 11	Inability to maintain good staff relations	4	3	12	<ul style="list-style-type: none"> 1) Internal audit report on Workforce Planning indicated sound building blocks. 2) Clear procedures for communication in place in order to engage with Trade Unions and all staff across the College. 3) Developed procedures for staff engagement / negotiations 4) "Ask Audrey" staff engagement session and staff surveys undertaken. 5) Local trade union negotiation committees in place for teaching and support staff and meet on an ongoing basis 	3	3	9	Principal
9	3, 4,	Failure to implement a systematic approach to workforce planning resulting in lack of appropriate resources and skills to achieve strategic priorities	4	3	12	<ul style="list-style-type: none"> 1) Detailed teaching resource planning through use of curriculum mapping tool (CMAP). 2) Resourcing of support staff structures reviewed on an ongoing basis by Executive Management Team to ensure alignment with operational and strategic priorities. 3) Itrent HR and Payroll software developed to provide staff data and reports. 4) Professional Development Policies are aligned to strategic priorities. 5) Roll out of CPD review process now underway and supports succession planning, leadership development and assists in mitigating the impact of the loss of key staff. 6) Internal audit reviewed workforce planning as part of 2016/17 audit plan. 	3	3	9	VP Educational Leadership VP Operations
10	1,2,3,11	Failure to invest sufficient resource (financial / staff) into delivery of Carbon Management Plan (CMP) resulting in negative publicity for College.	3	3	9	<ul style="list-style-type: none"> 1) Approval of CMP by Board of Management in October 2016 with this subsequently being submitted to SFC. 2) Specific resource - staff and funding - allocated to allow CMP to be implemented. 3) Creation of Sustainability Group involving staff and student representatives. 4) CMP Plan and targets will be kept under review and revised should further funding become available. 	2	3	6	VP Operations

Risk No.	Strategic Priority	Risk	Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation			Executive Responsible
			Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	
11	2, 3	Failure to maintain or acquire and use IT systems and infrastructure to support strategic improvement in business and learning processes	4	3	12	1) IT Strategy, Policies / Procedures and system access processed in place. 2) Staff and student feedback and evaluation procedures in place. 3) IT Contingency Plan in place with regular review. 4) Embedded IT incident review process.	3	2	6	VP Operations
12	5, 6, 8, 11	Inability to specify, deliver and implement effectively an approach to generation of alternative income	3	3	9	1) Development of strong partnerships with local employers and stakeholders. 2) Development of operation plans. 3) Adaption of course portfolio to meet student / employer needs. 4) Financial strategy and financial planning. 5) Review of resources required within Curriculum Development Planning procedure. 6) Annual financial target is agreed and closely monitored by the Corporate Development Committee. 7) Commercial Development Group reporting to Corporate Development Committee.	3	2	6	VP Corporate Development
13	11	Inability to ensure a holistic response to data and information governance, including compliance with the General Data Protection Regulations (GDPR).	3	3	9	1) External briefings provided to SMT on principles and practicalities of implementing GDPR. 2) Establishment of College working group on implementation of GDPR requirements. This group will have oversight of the information risk assessment process. 3) Update reports to SMT and OD&HR Committee on progress made. 4) Active engagement across the College to ensure collaborative approach to addressing issues raised. 5) Data Protection concepts and principles already embeded within the operations of the College. 6) Working with other Colleges to pool resources and minimise duplication of effort.	3	2	6	Principal
14	1, 3, 5, 6	Normal business activities are unduly affected due to the complexity of sequencing estates investment works	4	2	8	1) Detailed resource planning involving all relevant parties at an early stage for project work undertaken. 2) Level of investment at a stage where no material impact on activities. 3) Knowledge base within current staff to be able to identify issues.	3	2	6	VP Operations
15	1, 3, 5, 8	Investment plans do not reflect future requirements. Sector and/or market expectations do not materialise or are markedly different resulting in changes to future delivery plans.	3	3	9	1) Developed environmental scanning process in place 2) Operational planning process in place linked to resource requests. 3) Detailed resource allocation process and ability to address ad hoc requests.	2	3	6	VP Educational Leadership VP Operations

Risk No.	Strategic Priority	Risk	Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation			Executive Responsible
			Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	
16	9, 10, 11	Failure to analyse and respond effectively to changes such as ONS implications, net depreciation / resource impact, year end and insurance	3	2	6	1) Participation in a number of sector working groups. 2) Established team and knowledge base to allow impact of changes to be assessed. 3) Developed budget / forecasting models. 4) Further areas of review expected - commercial insurance, financial year end, allocation of cash arising from net depreciation - WCS represented on sector Financial Directors group in order to provide input to these key areas of consideration.	1	2	2	VP Operations

STRATEGIC PRIORITIES

1. We will provide education and training in inspirational and innovative ways to engage and meet the diverse needs of our students.
2. Education and training will be delivered to students in high quality College facilities, in their place of work or through the development and use of digital technologies.
3. We will provide the highest quality of teaching and tailored support to maximise our students' opportunities to achieve success and progress to employment and further study.
4. We will support the development of our staff and teams to achieve successful outcomes for themselves, our students and the College.
5. We will develop our curriculum and services to ensure they align with and support Scotland's key economic sectors. We will ensure that our students are equipped with the relevant training, qualifications and essential skills they need for employment and life.
6. We will develop meaningful partnerships; connections and alliances with business and industry to ensure employers are directly involved and invest in educational and skills development across the west.
7. We will become a strategic resource and valued partner with our stakeholders, building relationships, leveraging resources and capabilities to design, develop and deliver our products and services.
8. We will proactively look for new partners and new areas of activity, which will allow us to grow and develop our income to reinvest in our core business for the benefits of our students, our staff and our communities.
9. We will grow our reputation both nationally and internationally. Our reputation will be based on the quality of our teaching, outcomes for our students and our willingness to strive for and set the highest standards across all areas of our work.
10. We are committed to taking a leadership role in the West Region and together with our partners and stakeholders, tackle the significant social and economic deprivation, which still characterise many of our communities.
11. We will deliver a sustainable, effective and efficient service to our communities, through the implementation of sound governance, leadership, planning and management.

Probability	Score	Impact	Score
Almost Certain	6	Catastrophic	4
Very Likely	5	Critical	3
Likely	4	Marginal	2
Possible	3	Negligible	1
Very Unlikely	2		
Remote Chance	1		

Risks - Probability x Impact Score Grid

Almost Certain 6	6	12	18	24
Very Likely 5	5	10	15	20
Likely 4	4	8	12	16
Possible 3	3	6	9	12
Very Unlikely 2	2	4	6	8
Remote Chance 1	1	2	3	4
	Negligible 1	Marginal 2	Critical 3	Catastrophic 4

TITLE: SCHEDULE OF BUSINESS 2017/18

Background: This paper outlines the updated remit of the Committee and how the College management proposes to assist in fulfilling that remit. The report has been updated based on management's current knowledge in regard to each section. The updates provided will be used to form the basis of the Annual Report of the Chair of the Audit Committee to the Board of Management.

Action: The Committee is requested to note and comment upon the contents of the report.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint)	14/12/17	8/3/18	24/5/18
1) General					
To provide advice to the Board on the strategic processes for risk, control and governance					
<ul style="list-style-type: none"> • Risk covered under section 4 • Annual statement in Financial Statements – Corporate Governance • Internal audit reports (see section 2) • External audit report (see section 3) • Remit of Committee reviewed against best practice and advice 	Y				
	Y				
To review and advise the Board of the Internal Auditor’s and External Auditor’s assessment of the effectiveness of the College’s financial and other internal control systems, including controls specifically designed to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness (value for money)					
<ul style="list-style-type: none"> • Draft / Final Internal Annual Report 2016/17 • External Audit Management Letter July 2017 • Internal and external audit reports as received • Review of Anti-Fraud and Corruption Procedure • Report on annual National Fraud Initiative • Value for Money Policy / update report 	Y	Y			
	Y	Y	Y	Y	
	Y				
	Y				Y
	Y				
To advise the Board on the adequacy of the whistle blowing process and to receive an annual report on any matters raised through this process					
<ul style="list-style-type: none"> • 2016-17 Annual Report on Whistleblowing • Review of Whistleblowing Policy • Committee to be made aware of any issues arising during the year 	Y				
	Y				

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint)	14/12/17	8/3/18	24/5/18
To consider and advise the Board accordingly on any arrangements for special investigations and the outcomes of such investigations					
<ul style="list-style-type: none"> • Reports to be received as requested 					
To advise the Board on its compliance with corporate governance requirements and good practice guidance, and in particular its compliance with the Financial Memorandum with SFC, the SPFM and the Code of Good Governance for Scotland's Colleges					
<ul style="list-style-type: none"> • Review of Audit Committee effectiveness • Internal Audit Annual Report 2016/17 • External Audit management letter July 2017 • Report on compliance with SFC FM and SPFM • Monitoring of Regional Outcome Agreement • Procurement and Commercial Improvement Programme 	Y Y Y	Y Y			Y Y Y
To consider the College's Annual Financial Statements at a joint meeting with the Finance and General Purposes Committee, and to recommend to the Board for approval					
<u>2016/17</u> <ul style="list-style-type: none"> • External Audit Management Letter / Letter of representation • Audit report on student activity audit • Audit report on student funding activity audit • Audit report on Educational Maintenance Allowances audit • Governance Statement • Financial Statements July 2017 	Y	Y Y Y Y Y			
<u>2017/18</u> <ul style="list-style-type: none"> • External audit fee proposal 2017/18 • External Audit Engagement Letter 2017/18 • Tender approval re other external audit work 				Y Y	Y

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint)	14/12/17	8/3/18	24/5/18
To provide an annual report to the Board, timed to support the finalisation of the accounts and the Statement on Internal Control, and summarising its conclusions from the work it has done during the year					
<ul style="list-style-type: none"> 2016/17 Annual report to Board of Management from the Audit Committee 	Y (draft)	Y			
To report to the Board after each meeting					
<ul style="list-style-type: none"> Minutes and verbal update to each Board Meeting 	Y	Y	Y	Y	Y
To review its own effectiveness at least annually and to report the results of that review to the Board					
<ul style="list-style-type: none"> Review of remit of Committee Annual report on effectiveness by Chair of the Committee 2016/17 	Y				Y Y
2) Internal Audit					
To advise the Board on the selection, appointment or re-appointment and remuneration, or removal of the Internal Auditors. The responsibility for selection of the Internal Auditor may be delegated to a Selection Committee as agreed by the Committee					
<ul style="list-style-type: none"> Report on review of effectiveness of internal audit function 					Y
To advise the Board on the terms of reference for the Internal Auditors					
<ul style="list-style-type: none"> Annual Internal Audit Plan to Board 					
To review the scope, efficiency and effectiveness of the work of the Internal Auditors and to advise the Board on these matters					
<ul style="list-style-type: none"> 2016/17 Annual report to Board of Management from the Audit Committee Review of effectiveness of internal audit function for 2017/18 	Y	Y			Y

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint)	14/12/17	8/3/18	24/5/18
To agree the Internal Audit Plan and review the Internal Audit Annual Report					
<ul style="list-style-type: none"> Internal Audit Annual Report 2017/18 Draft Internal Audit Plan 2018/19 Internal Audit Progress Report 	Y		Y	Y	Y
To review the Internal Audit reports, the management response to them and to review implementation of the actions required					
<u>2016/17</u> <ul style="list-style-type: none"> D3. Business Continuity and Disaster Recovery (F&GP) Follow up 2016/17 <u>2017/18</u> <ul style="list-style-type: none"> A5. Payroll and expenses (OD&HR) A9. Procurement and tendering (F&GP) B5. Student experience – distance learning (LTQ) C1. Workforce management (OF&HR) C5. Health and safety (OD&HR) D1. IT Security health check (F&GP) D2. GDPR compliance (OD&HR) E1. Follow Up – Sept 2018 (To other Committees for information in brackets)	Y Y		Y Y	Y Y	Y Y
To review the Rolling Audit Action Plan at each meeting					
<ul style="list-style-type: none"> Report on Rolling Audit Action Plan 	Y		Y	Y	Y
To encourage appropriate liaison and co-ordination between internal and external audit					
<ul style="list-style-type: none"> Invite / attendance at all Committee meeting by both internal and external auditors 	Y	Y	Y	Y	Y
To establish appropriate performance measures and indicators to monitor the					

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint)	14/12/17	8/3/18	24/5/18
effectiveness of the Internal Auditors					
<ul style="list-style-type: none"> Annual review of internal audit function 2017/18 Annual meeting with internal auditor excluding college staff 					Y Y
3) External Audit					
To receive information on the general terms and conditions of appointment of the External Auditors who are engaged by Audit Scotland to provide audit services to the College					
<ul style="list-style-type: none"> Update by external auditors Report on appointment terms and conditions Approval of External Auditors Audit Planning Memorandum 2017/18 	Y	Y			Y Y
To consider the External Auditors report on the Financial Statements and the management letter prior to submission to the Board, and to review the implementation of the recommendations					
<ul style="list-style-type: none"> External Auditors report on the Financial Statements 2016/17 		Y			
To review the Statement of Corporate Governance					
<ul style="list-style-type: none"> To review the statement of Corporate Governance as part of the review of Financial Statements 	Y	Y			
To review the External Audit strategy and plan					
<ul style="list-style-type: none"> 2016/17 Accounts direction for Scotland's colleges and universities To review and approve to the Board of Management the 2017/18 engagement strategy from the external auditors To appoint auditors for other audits (Student activity / student funding) 	Y			Y	Y
To establish appropriate performance measures and indicators to monitor the					

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint)	14/12/17	8/3/18	24/5/18
effectiveness of the External Auditors;					
<ul style="list-style-type: none"> Annual review of effectiveness of external audit function Annual meeting with external auditor excluding college staff – Mazars 				Y	Y
To consider the objectives and scope of any non-statutory audit work to be undertaken by the External Auditors firm and advising the Board of any potential conflict of interests.					
<ul style="list-style-type: none"> As required 					
4) Risk					
To review the Risk Management Strategy and recommend to the Board for approval					
<ul style="list-style-type: none"> Review of Risk Management Strategy 2014-17 			Y		
To consider the Strategic Risk Register and to advise the Board accordingly					
<ul style="list-style-type: none"> Report on Strategic Risk Register 	Y		Y	Y	Y
To consider matters of risk at each meeting and to satisfy itself that risks are being managed, including seeking assurances from internal and external audit on the adequacy of their management, and to report to the Board.					
<ul style="list-style-type: none"> Report on Strategic Risk Register 	Y		Y	Y	Y

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint)	14/12/17	8/3/18	24/5/18
5) Other					
To receive annual reports on Freedom of Information and Data Protection Acts requests; Register of Interests; and Hospitality/Gifts Registers					
a. Freedom of Information and Data Protection Acts requests	Y				
b. Register of Interests	Y				
c. Hospitality / Gift Registers	Y				
To request any member of the College staff to attend and/or to provide a written report on any matter that falls within the remit of the committee					
• As required					
To procure ad-hoc specialist advice at the expense of the College as appropriate and when necessary, subject to budgets being agreed by the Board					
• As required					