

**West College Scotland  
AUDIT COMMITTEE**

**THURSDAY 8 MARCH 2018 at 4.00 p.m. in  
Room 116 (Estate Room), Renfrew Building, Paisley Campus**

**AGENDA**

**General Business**

1. Apologies
2. Declaration of Interests
3. Minutes of the meeting held on 14 December 2017 Enclosed JM
4. Actions from the Minutes Enclosed JM  
(and not otherwise on the agenda)
  - .1 AM309 Governance Updates Verbal GM
  - .2 AM303 Internal audit contract Verbal AR
  - .3 AM280 Procurement Improvement Action Plan Verbal AR
  - .4 Other audit work Verbal AR

**Main Items for Discussion and/or Approval**

***External Audit***

5. External Audit Update Verbal AR

***Internal Audit***

6. Internal Audit Management Update Verbal CB
7. Internal Audit Report: Payroll and Expenses Paper 7 CB
8. Internal Audit Progress Report Paper 8 CB
9. Rolling Audit Action Plan including update on Business Continuity  
Audit Recommendations Paper 9 AR

***Other***

10. Annual Effectiveness Review of Audit Committee Paper 10 GM
11. Strategic Risk Register Paper 11 AR
12. Audit Scotland Review of Scotland's Colleges 2018 Paper 12 DA
13. Schedule of Business 2017/18 Paper 13 AR
14. Any other business

Next meeting: Thursday 24 May 2018 at 4.00 p.m. at the Paisley Campus

Gwen McArthur  
Secretary to the Committee



#### **AM304 WELCOME**

**The auditors re-joined the meeting at this point following consideration of agenda item AM303.**

The Chair welcomed everyone to the last meeting of the Committee before the Christmas holidays.

#### **AM305 DECLARATION OF INTERESTS**

John McMillan and David Alexander declared an interest as Trustees of West College Scotland Foundation. David Alexander declared an interest as a Board member of the Scottish Funding Council and as Chair of the Scottish Funding Council Audit and Compliance Committee. Stephen Vere declared an interest as a Director of C3 Investments in Ayrshire College Education Limited.

#### **AM306 MINUTES**

The minutes of the meeting held on 7 September 2017 were approved.

#### **AM307 ACTIONS FROM THE MINUTES**

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

- .1 Corporate Dashboard of Performance Measures** – The Director of Finance and Estates informed the Committee that the Vice Principal Corporate Development was leading on the creation of the College's Corporate Dashboard and planned to present a paper to a future meeting of the Board.
- .2 Whistleblowing Policy and Procedure** – The Vice Principal Operations informed the Committee that the Whistleblowing Policy and Procedure has been made available on the College intranet.
- .3 Fraud and Corruption Policy** – The Committee noted that the Secretary to the Committee had issued all Board members with a copy of the College's Fraud and Corruption Policy at the October 2017 meeting.

#### **AM308 JOINT AUDIT, FINANCE AND GENERAL PURPOSES COMMITTEE**

The Committee approved the minutes of the Joint Audit, Finance and General Purposes Committee held on 21 November 2017.

#### **AM309 UPDATES TO GOVERNANCE**

The Chair presented the Articles of Governance, Scheme of Delegation and Standing Orders to the Committee in the Secretary's absence. The Committee **agreed** that the final Standing Orders should remove the

words “*shall be called by a summons*” (13.3) and replaced with “*shall be invited*”. The Committee **agreed** that the documents would be reviewed every three years, or whenever there was a significant change in circumstances that would necessitate an earlier review. Other than the one change to the wording, the papers were accepted in their entirety and the Committee agreed that they would be presented to the Board of Management meeting in February 2018. **[Action: GMcA]**

**AM310 INTERNAL AUDIT REPORT: HEALTH AND SAFETY**

The Internal Auditors presented the findings and recommendations from their review of the College’s health and safety arrangements to the Committee. The Committee welcomed the positive report, which acknowledged “*the generally robust controls in place to ensure health and safety*”, and noted that the Internal Auditors had identified 6 low-level recommendations. The Director of Finance and Estates told the Committee that work was already underway to progress these actions. The Committee **approved** the contents of the report and agreed that the 6 recommendations should be added to the Rolling Audit Plan.

**[Action: AR]**

**AM311 INTERNAL AUDIT REPORT: IT SECURITY HEALTH CHECK**

The Internal Auditors informed the Committee of the Scottish Government’s recently published Cyber Resilience Action Plan and explained what key actions were required of public sector organisations including the College. The Committee **approved** the report and noted the six recommendations arising. The Committee **agreed** that these recommendations, along with the management responses, be added to the Rolling Audit Action Plan for future monitoring.

**[Action: AR]**

**AM312 INTERNAL AUDIT PROGRESS REPORT**

The Internal Auditors presented a report of 2017/18 audit activity undertaken since the previous Audit Committee meeting in September. The Committee was informed that the Internal Auditors had completed a review of health and safety and an IT security health check in the period to December 2017, and that audits of payroll and expenses, procurement and tendering were still to take place.

**AM313 ROLLING AUDIT ACTION PLAN**

The Director of Finance and Estates presented an update on the status of the recommendations made by both the Internal and External Auditors for the Committee’s information. The Committee **approved** the Rolling Audit Action Plan and the requested extensions to four of the anticipated dates of completion.

**AM314 REVIEW OF RECENT COURT JUDGEMENTS – GOOD GOVERNANCE STEERING GROUP – CLYDE COLLEGE**

The Committee noted the summary of the Laverie v The Scottish Ministers Decision ruling and its implications for the Code of Good Governance for Scotland's Colleges.

**AM315 RISK MANAGEMENT STRATEGY AND STRATEGIC RISK REGISTER**

The Director of Finance and Estates provided overview of implementation of the Risk Management Strategy and presented an updated version of the Strategy and Strategic Risk Register for the Committee's review. The Committee noted that Risk 11 (the failure to maintain or acquire and use IT systems and infrastructure to support strategic improvement in business and learning processes) had been given an increased risk rating following outcomes from the recent internal audit. The Committee also noted that the proposed amendments to the Risk Management Strategy were of a minor nature and this would be presented to the Board of Management again during 2018/19 in accordance with the 3 year review period. The Audit Committee **approved** the Risk Management Strategy and the Strategic Risk Register.

**AM316 REGISTER OF INTERESTS FOR BOARD AND COMMITTEE MEMBERS**

The Committee noted the updated Register of Interests for Board and Committee Members.

**AM317 SCHEDULE OF BUSINESS 2017/18**

The Committee noted its Schedule of Business 2017/18.

**AM318 NEXT MEETINGS**

The Committee noted that it will next meet on Thursday 8 March 2018 at 4.00pm at the Paisley campus.

## Audit Committee: Meeting of 14 December 2017

### Actions from the Minutes

<b>Date of Meeting</b>	<b>Min Ref</b>	<b>Matter for Action</b>	<b>Responsible Person</b>	<b>Action Taken</b>	<b>Timescale (where applicable)</b>
14 Dec 2017	AM309	Updates to Governance – i. Minor amendment to be made to Standing Orders. ii. Revised governance documents to be presented to Board for approval at its February meeting	G McArthur	Minor amendment made to Standing Orders. Governance documents to be presented to Board for approval at its February meeting	February 2018
	AM310	Internal Audit Report: Health and Safety – 6 recommendations from report to be added to Rolling Audit Action Plan	A Ritchie	Recommendations added to RAAP	Complete
	AM311	Internal Audit Report: IT Security Health Check – recommendations from report to be added to Rolling Audit Action Plan	A Ritchie	Recommendations added to RAAP	Complete
		<b>Actions from previous minutes</b>			
7 Sept 2017	AM276	Internal Audit Contract – paper to be produced for consideration by Committee	D Alexander	Considered by Committee at December 2017 meeting	Complete
	AM280.1 256.3	Procurement Improvement Plan – progress report to be provided on outcome of discussions with APUC regarding best practice following interim review	A Ritchie		December 2017 meeting
	AM280.3 264	Corporate Dashboard of Performance Measures – Committee to be kept informed of developments	A Ritchie	Update provided at December 2017 meeting – further update to be provided following consideration by Board	Future meeting
	AM286	National Fraud Initiative – Committee to be kept informed of progress in taking forward	A Ritchie		Future meeting

		recommendations for improvement			
	AM289	Internal Audit Report: Business Continuity and Disaster Recovery – Committee to return to consider the recommendations emerging from this report at its March 2018 meeting	D Alexander A Ritchie		March 2018 meeting
	AM299, 266	Risk Management: Strategic Risk Register – further consideration to be given to the matters raised by the Committee	D Alexander A Ritchie	December meeting approved updated Risk Management Strategy and Strategic Risk Register	Complete

GMCA/24.01.18

**TITLE:** INTERNAL AUDIT REPORT – PAYROLL AND EXPENSES

**Background:** As part of the internal audit programme for 2017-18 Scott Moncrieff were requested to conduct a review of the controls in place over payroll, including standing changes to payroll data and testing of expenses claims.

This report presents the findings of that review along with the management response to the recommendation made in the report.

**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



**1. Introduction**

- 1.1 Payroll is the largest area of College expenditure. In the period ended 31 July 2017, West College Scotland incurred £39.5m on staff costs, comprising 68% of total expenditure including depreciation and cash for priorities expenditure. It is therefore essential that robust controls are in place to ensure all expenditure is accurate, valid and authorised.

**2. Conclusion**

- 2.1 The auditors have concluded that the College's payroll and expenses procedures are robust, well designed and reflect good practice. The auditors identified one area where the College's existing controls can be strengthened.

**3. Recommendation**

- 3.1 The internal audit report identified one grade two improvement action which related to the system permissions granted to the Payroll team. The current permissions allow a single member of staff to amend employees' bank details and thus redirect payments intended for staff. The introduction of an authorisation step before such changes take effect or exception reporting to identify and verify any such changes prior to the processing of a pay run would reduce the likelihood that this could be accomplished without immediate detection.

- 3.2 The College accepts the recommendation and has introduced appropriate controls.

**4. Next Steps**

- 4.1 The one recommendation will be added to the Rolling Audit Action Plan for future monitoring.
- 4.2 The Audit Committee is asked to approve the contents of this report.

**TITLE:** INTERNAL AUDIT PROGRESS REPORT

**Background:** Summary of progress

This paper provides the Audit Committee with a summary of internal audit activity to date.

**Progress against annual audit plan**

The internal auditors have completed one review in the period since the previous Committee meeting:

- Payroll and Expenses

In addition two further reviews have commenced:

- General Data Protection Regulations; and
- Student Experience – Schools

These assignments have been undertaken in line with the agreed 2017-18 Internal Audit Plan.

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

**Lead:** Chris Brown, Partner, Scott Moncrieff

**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 Audit Committee is requested to review the RAAP report and to approve the:

- Request to extend 4 dates of completion;
- Rolling Audit Action Plan; and
- To note the progress being made in progressing required business continuity actions.

**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. 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 agreed 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
<b>Total brought forward recommendations</b>		<b>26</b>	<b>3</b>	<b>29</b>
Removed since last Audit Committee:				
Added since last Audit Committee:				
	Health and Safety	6	0	6
	IT Security Health Check	6	0	6
<b>Total recommendations as per current RAAP</b>		<b>38</b>	<b>3</b>	<b>41</b>

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

	Previous RAAP		Current RAAP	
<b>Partially implemented (Not yet due)</b>	10	34%	21	51%
<b>Partially implemented (Due for completion – extension requested)</b>	4	14%	4	10%
<b>Fully implemented pending external auditor review</b>	1	4%	1	2%
<b>Fully implemented pending review</b>	11	38%	15	37%
<b>Not implemented</b>	0	0%	0	0%
<b>Sub total</b>	<b>26</b>	<b>90%</b>	<b>41</b>	<b>100%</b>
<b>Not yet due</b>	3	10%	0	0%
<b>Recommend for closure following audit review</b>	0	0%	0	0%
<b>Total</b>	<b>29</b>	<b>100%</b>	<b>41</b>	<b>100%</b>

### 3. Commentary on Recommendations

#### External Audit

3.1 There are three external audit recommendations and the College considers that good progress continues to be made in addressing these. One of the outstanding recommendations has been addressed with the other two now awaiting external audit review.

#### Internal Audit

3.2 At the last Audit Committee meeting the internal auditors presented the following reports which resulted in 12 recommendations being added to the rolling audit action plan:

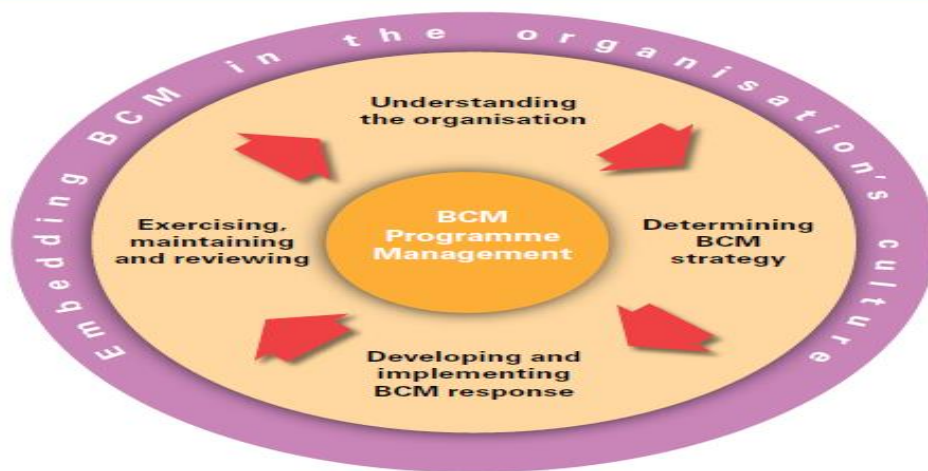
- Health and Safety (6)
- IT Security Health Check (6)

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

- Recommendation 27 – Business Continuity Recovery Strategies (from 31/3 to 31/5)  
The recovery strategies for the 22 critical areas whilst in progress will take longer to complete than initially thought.
- Recommendation 30 – Health and Safety Induction Training (from 31/1 to 31/3)  
An initial system has been developed however this will take longer to put fully in place than originally envisaged. A revised timeline of 31 March is therefore sought.
- Recommendation 34 – Health and Safety Action Recording (from 31/1 to 30/4)  
An inspection regime is in place and an additional member of staff has been recruited to H&S team which will assist with this process. This will enable the output from the inspections to be finalised and the extension of time is to allow for further discussion with the relevant departments.
- Recommendation 35 – Health and Safety Follow Up / feedback (from 31/1 to 30/4)  
As noted above an inspection regime is in place and once the output from the inspections has been finalised the follow up and feedback mechanism will be refined. The extension of time is to allow for further discussion with the relevant departments to ensure the feedback process is correctly embedded.

## Business Continuity Planning Update

- 3.4 It was agreed that the Audit Committee would be kept up to date in regard to the progress being made following the Internal Audit report on business continuity planning. The College has developed an overarching Business Continuity Policy which will be presented to the Senior Management Team in early March for consideration. The Policy sets out the scope, aims and objectives of Business Continuity Management in the College and highlights the programme that will be required to maintain these. The diagram below provides an overview of the process the College is undertaking in the internal audit recommendations dressing.



- 3.5 Embedding business continuity within the College is an ongoing process. The College has now carried out a review of 22 business critical areas and these were carried out using a bespoke Business Impact Analysis template which allowed for critical resource, staff, estate and equipment to be identified. The results from these assessments are currently being collated into a master document which will allow the College to update its understanding of departmental interdependencies.
- 3.6 A further output from the exercise was the agreement of an indicative IT systems / hardware requirement grid from the perspective of the users. This has allowed the College to identify on an updated basis what systems are required.
- 3.7 The next stage in the process, is to further develop business continuity plans within the 22 business critical areas. Following the updating of these documents it is intended that a training session will be held with Senior Managers from across the College to discuss the Business Continuity Management arrangements. This training will be held in conjunction with a wider communication campaign to all staff.

- 3.8 All of the above documentation is being stored on a Cloud drive provided through the College Office 365 licence. This will allow College staff to access these documents from any location and is not subject to access to College premises being available. In addition to the electronic storage of the Business Continuity Plans a hard copy of the departmental plans will be held by the owners.
- 3.9 Zurich Municipal, as part of the provision of insurance services, continue to provide support to the College in progressing this.

#### **4 Conclusion**

- 4.1 The College continues to address recommendations made by auditors.
- 4.2 The Audit Committee is requested to review the RAAP report and to approve the:
- Request to extend 4 dates of completion;
  - Rolling Audit Action Plan; and
  - To note the progress being made in progressing required business continuity actions.



**TITLE: ANNUAL REVIEW OF EFFECTIVENESS OF THE COMMITTEE**

**Background:**

The Committee remit states that it will '*review its own effectiveness at least annually and to report the results of that review to the Board*'. In order to start this process the Committee is invited to consider the following:

**1. Questionnaire**

It is proposed that the questionnaires used in previous years be used again this year. The questionnaires were extracted from the Scottish Government Audit Committee Handbook 2008. The Committee members will be issued with 3 questionnaires:

- Evaluation of the Audit Committee [REDACTED]
- Evaluation of the Internal Auditors [REDACTED]
- Evaluation of the External Auditors [REDACTED]

The questionnaire evaluating the effectiveness of the Audit Committee has been partially completed to assist you. This approach was taken last year and the Committee was satisfied with this. However, you are free to change any of these answers if you wish to.

**2. Circulation**

If the Committee is satisfied with this approach then it is proposed that the questionnaires be issued to all members of the Committee, the Internal and External Auditors following this meeting. The Attending Officers will also be issued with the questionnaire regarding the Committee evaluation but they have slightly different questionnaires relating to the Internal and External Auditors evaluation. It is the intention that completed questionnaires should be returned by **29 March 2018** so that a report on the feedback obtained can be provided to the Committee for consideration and action as appropriate at its next meeting. Thereafter the Committee will report to the Board at its meeting in June.

**Action:** The Committee is asked to consider this approach and if satisfied to agree the timetable for this.

**Lead:** Gwen McArthur, Secretary to the Committee

**Status:** Open

**TITLE: STRATEGIC RISK REGISTER**

**Background:** Under the Corporate Governance Code the Board of Management is tasked with ensuring a framework of risk management and control is in place. This paper presents to the Audit Committee the considerations of the College Senior Management Team (SMT) in relation to the College Strategic Risk Register.

**Action:** The Audit Committee is requested to review and approve the Strategic Risk Register and in doing so consider:

- The risks included in the register;
- The risk ratings both pre and post mitigation;
- The removal of risks 14;
- Whether any other 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 the Board of Management and is subject to ongoing review by the Audit Committee.

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

- 2.1 The College Senior Management Team (SMT) has carried out a periodic review of the College strategic risk register for consideration by Board Committees prior to presenting this at the next Board of Management meeting in March 2018. A copy of the previous version (Appendix B) of the risk register, and the proposed updated version (Appendix A), are provided with this report.
- 2.2 The SMT have made the following changes to the Strategic Risk Register:

### **Risk 1 – Impact of SFC funding changes**

The description for Risk 1 was previously stated to be as follows:

*‘Impact of SFC funding changes including credits, European, ELS, student support and estates maintenance funding.’*

This has been revised in order to more fully recognise the nature of the risk arising, with the risk description now reading as follows:

*‘Negative impact of SFC funding changes including revised Credit model; reduction in European funding; changes in One Plus activity; changes to levels of student support funding; and impact of estates maintenance funding methodology.’*

The pre and post mitigation scores for Risk 1 have not been altered and this remains the highest ranked risk faced by the College.

### **Risk 2 – Failure to secure estates capital funding**

The description for Risk 2 was previously stated to be as follows:

*‘Failure to secure estates capital funding for future investment or refurbishment.’*

This has been amended in order to recognise the broader nature of this risk as being not only in relation to buildings, but also in relation to information technology, and now reads as follows:

*‘Failure to secure adequate estates maintenance/capital funding for future investment or refurbishment of IT and physical infrastructure.’*

There have been no changes to the pre or post mitigation scores for Risk 2.

The potential to combine risks 2 and 3 was also considered by the College SMT given the similar nature of each risk – although Risk 3 is slightly different in nature given it relates specifically to estates business cases. SMT agreed that this would be referred to the Estates Committee for consideration.

**Risk 3 – Business cases for development of the College estate are delayed**

No change has been made to this risk subject to further consideration by the Estates Committee as outlined above.

**Risk 4 – Intensification of the SFC Regional Outcome Agreement process**

**(Previously risk 5)**

The description for this risk previously read as follows:

*‘The College is unable to meet student targets leading to a failure to deliver stated Regional Outcome Agreement (ROA) objectives.’*

However this has been updated in order to reflect the change of emphasis in relation to the SFC Regional Outcome Agreement process and the challenges arising in relation to the changing educational landscape, with particular reference to schools and the allocation and use of Scottish Government Attainment funding. The revised description for Risk 4 now therefore reads as follows:

*‘Intensification of the SFC Regional Outcome Agreement process requires the College to be more ambitious in delivering and sustaining outcomes at a time of limited resource and changing educational landscape, particularly in relation to schools.’*

Given this intensification of the SFC ROA process the SMT were minded to increase the pre mitigation risk impact score from 3 to 4 resulting in an overall post-mitigation risk rating score of 20. This is pre mitigation score of 20 is higher than the previous rating of 15, and thus has resulted in the risk moving from position 5 to position 4 on the strategic risk register.

**Risk 5 – Impact and outcomes arising from National Pay Bargaining**

**(Previously Risk 4)**

The prominence of the Regional Outcome Agreement in the relationship between the College and the SFC has move the impact of national bargaining down the Register. As the outcome of the negotiation process becomes clearer along with the potential impact on the College this downward movement appears correct. No change to this risk scoring was considered necessary.

**Risk 6 – Failure to maintain or acquire and use IT systems and infrastructure to support the digital ambitions of the College (Previously risk 10)**

The description for this risk previously read as follows:

*‘Failure to maintain or acquire and use IT systems and infrastructure to support strategic improvement in business and learning processes.’*

However this was reviewed in light of ongoing College dialogue with the SFC regarding the need for investment to meet College Digital Strategy requirements. The risk description has therefore been revised to:

*'Failure to maintain or acquire and use IT systems and infrastructure to support the digital ambitions of the College'.*

The SMT view this as being a critical area for the College and as each year passes with a stagnant level of investment in addressing digital requirements the impact of the risk will increase. This is evidenced by recent Education Scotland review outcomes. The pre mitigation risk impact score has therefore been increased from 3 to 4 resulting in a total risk rating of 16. With limited visibility on the availability of future funding the post mitigation risk probability score has been increased from 3 to 4 resulting in a total score of 12.

This movement upward movement in rating result in the risk moving from the ranking of (10) on the register to a ranking of (6).

**Risk 7 - Inadequate business continuity/cyber resilience planning (Previously risk 6)**

The risk description previously read as follows:

*'Inadequate business continuity / contingency planning.'*

However this has been revised in order to recognise the increasing prominence of cyber security and resilience, and now reads as follows:

*'Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery.'*

Although the risk description has been widened, the SMT believes that based on recent internal audit work and the preparation work being undertaken by the College there is no requirement to change the risk scoring. The mitigations in relation to this risk have been updated in order to recognise the work that has been undertaken and is being progressed by the College in relation to cyber resilience.

**Risk 8 – Unable to develop and commence the implementation of an Estates Strategy (Previously risk 7)**

SMT considered that no changes were required to this risk.

**Risk 9 – Inability to maintain positive staff relations (Previously risk 8)**

SMT considered that no changes were required to this risk.

**Risk 10 – Failure to implement a systematic approach to workforce planning (Previously risk 9)**

SMT considered that no changes were required to this risk.

**Risk 11 – Inability to specific, deliver and effectively implement an approach to generation of alternative income (Previously risk 12)**

With the likelihood that SFC funding for the coming year being of a similar level to this year the SMT consider the impact of the failure to deliver on alternative income targets to have a greater impact on the College budget. As such the pre mitigation risk impact score has increase from 3 to 4 and the score increased to 12. Even after the mitigating actions have been implemented, given the critical nature of this income generation to the delivery of a break even budget the post mitigation score risk impact score has also increased from 2 to 3 giving a total score of 9.

**Risk 12 – failure to invest sufficient resource into delivery of College Carbon Management Plan (previously risk 11)**

The achievement of carbon reduction targets is embedded in the Regional Outcome Agreement. The SMT consider that no change is required to this risk.

**Risk 13 – Compliance with General Data Protection Regulations (GDPR)**

SMT considered that no changes were required to this risk.

**Risk 14 – Investment plans do not reflect future requirements**

The SMT consider that the content of this risk is captured within risk 2 and that it should therefore be removed.

**Risk 15 – Complexity of sequencing estates investment works**

SMT considered that no changes were required to this risk.

**Risk 16 – Failure to analyse and respond effectively to changes such as ONS implications**

The SMT consider that the implications of ONS are either now well understood and have been/are being addressed. However there remains one key issue at this time still without a clear resolution – which is the impact of the end of the 3 year derogation from the Scottish Government regarding the purchase of commercial insurance. A business case has been presented to the Scottish Government by Scotland’s Colleges requesting a continuation of the derogation and they are awaiting feedback. As the outcome is unclear as is the impact it may have this risk will be considered further during the next cycle of Committee reviews. At this stage the working of the risk description and the mitigations have been revised slightly.

- 2.3 The Strategic Risk Register has been updated based upon the above considerations and is presented to the Committee for review. The considerations of this Committee will be consolidated along with the feedback from the other Board Committees during the forthcoming round of meetings. The Audit Committee will then consider all Committee feedback and make recommendations to the Board of Management at its next meeting in relation to any changes required to the Strategic Risk Register.

### **3. West College Scotland Risk Management Training and Assurance**

3.1 In addition to ongoing review of the strategic risk register the College will progress the following training during 2018 in order to further develop risk management systems:

- A Board of Management session facilitated by Mott MacDonald to review the College Risk Management Strategy and risk appetite of the Board has been arranged prior to the March 2018 meeting; and
- College Heads of Department will undergo an introduction to risk management as part of the development of the operational risk management process.

### **4. Conclusion**

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

- The risks included in the register;
- The revised risk rating both pre and post mitigation;
- The removal of risk 14;
- Whether any other risks should be considered for removal; and
- Whether any new risks should be considered for inclusion.

**TITLE:           AUDIT SCOTLANDS REPORT ON SCOTLAND'S COLLEGES 2018**

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

Audit Scotland have now issued the intended scope for their 2018 review of the college sector, which is attached to this report. This review is intended to build upon the work undertaken by Audit Scotland in 2016 and 2017. The review will cover both incorporated and non-incorporated colleges (Argyll College UHI, Newbattle Abbey College, Orkney College, Sabhal Mòr Ostaig, Shetland College and West Highland College UHI).

The audit will:

- assess how colleges performed over the past year;
- review the financial position of the sector and assess how well colleges manage their finances; and
- assess what difference the regional bodies in the three multi-college regions have made.

Audit Scotland aims to publish this report in June 2018. Following publication, the Auditor General for Scotland will present the findings to the Scottish Parliament's Public Audit and Post-Legislative Scrutiny Committee for consideration.

**Action:**       The Audit Committee is requested to note the intended scope of the upcoming Audit Scotland review.

**Lead:**           David Alexander, Vice Principal Operations

**Status:**        Open



## Project scope

# Scotland's colleges 2018



AUDITOR GENERAL 

Prepared by Audit Scotland  
January 2018

Scotland's colleges contribute to sustainable economic growth by helping to develop a highly educated and skilled workforce. Scotland's colleges operate across 13 regions, delivering a wide range of further and higher education courses to over 220,000 students. These courses provide people with a variety of skills and experience to take forward into the workplace or on to further training or education.

The Scottish Government provides Scotland's colleges with over £550 million a year to deliver agreed levels of further and higher education. In

[Scotland's colleges 2017](#)  we reported that the financial health of the sector had deteriorated and college finances will continue to be central to our audit work this year.

### What is the scope of the audit?

This year's overview will consider how colleges are positioned to meet the future challenges – both financial and otherwise. In addition, we will consider how the regional arrangements in the three multi-college regions are helping the sector.

The 2018 audit will build on last year's report published in June 2017. In this year's overview our analysis of the sector will include both incorporated colleges (ie, publicly funded colleges established under the Further and Higher Education (Scotland) Act 1992) and non-incorporated colleges. The audit will:

- assess how colleges performed over the past year
- review the financial position of the sector and assess how well colleges manage their finances
- assess what difference the regional bodies in the three multi-college regions have made.

### How will we carry out this audit?

We will mostly draw information from colleges' annual accounts and audit reports. We will also use information held by organisations including individual colleges, the Scottish Funding Council and the Scottish Government. We will interview senior officials in the sector and consult with other stakeholders, including staff and student unions.

### What impact will the audit have?


Our report will examine the financial position of Scotland's colleges and trends in student participation (including student attainment and retention). These two areas have been of significant public interest.

By reviewing all of Scotland's colleges, the 2018 overview will give a comprehensive picture of performance against the Scottish Government's national target for learning activity.


The overview will provide the first assessment of the effectiveness of regional arrangements, with a particular focus on the regional bodies in multi-college regions.

We will also highlight any future challenges the sector faces. Based on this, we will make recommendations for colleges, the Scottish Funding Council and the Scottish Government to support the ongoing performance and financial sustainability of the sector.

### Audit timetable

We aim to publish our report in June 2018. Following publication, the Auditor General for Scotland will present the findings to the Scottish Parliament's Public Audit and Post-Legislative Scrutiny Committee. This is one of a range of reports Audit Scotland plans to publish in 2018. Our full rolling work programme can be accessed at [www.audit-scotland.gov.uk/our-work/future-work/our-work-programme](http://www.audit-scotland.gov.uk/our-work/future-work/our-work-programme) 

### Contact

If you have any questions about this audit, please get in touch with Mark McCabe, Audit Manager, on 0131 625 1806 or by email at [mmccabe@audit-scotland.gov.uk](mailto:mmccabe@audit-scotland.gov.uk) .



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**TITLE:** SCHEDULE OF BUSINESS 2017-18

**Background:** This paper outlines the remit of the Audit Committee and how the schedule of business assists in fulfilling this. The schedule of business is also used to inform the Annual Report of the Chair of the Audit Committee to the Board of Management.

**Action:** The Audit 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 Meeting with FGP)	14/12/17	8/3/18	24/5/18
<b>1) General</b>					
<b>To provide advice to the Board on the strategic processes for risk, control and governance</b>					
<ul style="list-style-type: none"> <li>• Risk covered under section 4</li> <li>• Annual statement in Financial Statements – Corporate Governance</li> <li>• Internal audit reports (see section 2)</li> <li>• External audit report (see section 3)</li> <li>• Remit of Committee reviewed against best practice and governance requirements</li> <li>• Review of court judgement – Glasgow Clyde College</li> <li>• Review of College Articles of Governance / Scheme of Delegation and Standing Orders</li> </ul>	Y		Y Y		
<b>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)</b>					
<ul style="list-style-type: none"> <li>• Internal Annual Report 2016-17</li> <li>• External Audit Management Letter July 2017</li> <li>• Internal and external audit reports as received</li> <li>• Review of Anti-Fraud and Corruption Procedure</li> <li>• Report on National Fraud Initiative</li> <li>• Value for Money Policy / update report</li> </ul>	Y Y Y Y	Y Y	Y	Y	Y  Y

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint Meeting with FGP)	14/12/17	8/3/18	24/5/18
<b>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</b>					
<ul style="list-style-type: none"> <li>• 2016-17 Annual Report on Whistleblowing</li> <li>• Review of Whistleblowing Policy</li> <li>•</li> </ul>	Y Y				
<b>To consider and advise the Board accordingly on any arrangements for special investigations and the outcomes of such investigations</b>					
<ul style="list-style-type: none"> <li>• Reports to be received as requested</li> </ul>					
<b>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</b>					
<ul style="list-style-type: none"> <li>• Review of Audit Committee effectiveness</li> <li>• Internal Audit Annual Report 2016-17</li> <li>• External Audit management letter July 2017</li> <li>• Report on compliance with SFC FM and SPFM</li> <li>• Monitoring of Regional Outcome Agreement</li> <li>• Procurement and Commercial Improvement Programme</li> <li>• Register of Interest for Board and Committee members</li> </ul>	Y  Y Y	Y Y		Y	Y  Y Y
<b>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</b>					
<u>2016/17</u>					
<ul style="list-style-type: none"> <li>• External Audit Management Letter / Letter of representation</li> <li>• Audit report on student activity audit</li> <li>• Audit report on student funding activity audit</li> <li>• Audit report on Educational Maintenance Allowances audit</li> </ul>		Y Y Y Y			

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint Meeting with FGP)	14/12/17	8/3/18	24/5/18
<ul style="list-style-type: none"> <li>Governance Statement</li> <li>Financial Statements July 2017</li> </ul>	Y	Y Y			
<u>2017/18</u> <ul style="list-style-type: none"> <li>External audit fee proposal 2017-18</li> <li>External Audit Engagement Letter 2017-18</li> <li>Tender approval re other external audit work</li> </ul>				Y	Y Y
<b>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</b>					
<ul style="list-style-type: none"> <li>2016-17 Annual report to Board of Management from the Audit Committee</li> </ul>	Y	Y			
<b>To report to the Board after each meeting</b>					
<ul style="list-style-type: none"> <li>Minutes and verbal update to each Board Meeting</li> </ul>	Y	Y	Y	Y	Y
<b>To review its own effectiveness at least annually and to report the results of that review to the Board</b>					
<ul style="list-style-type: none"> <li>Review of remit of Committee</li> <li>Annual report on effectiveness by Chair of the Committee 2016-17</li> </ul>	Y	Y			Y

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint Meeting with FGP)	14/12/17	8/3/18	24/5/18
<b>2) Internal Audit</b>					
<b>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</b>					
<ul style="list-style-type: none"> <li>Report on review of effectiveness of internal audit function</li> <li>Review / update - internal audit contract</li> </ul>			Y	Y	Y
<b>To advise the Board on the terms of reference for the Internal Auditors</b>					
<ul style="list-style-type: none"> <li>Annual Internal Audit Plan to Board</li> </ul>	Y				Y
<b>To review the scope, efficiency and effectiveness of the work of the Internal Auditors and to advise the Board on these matters</b>					
<ul style="list-style-type: none"> <li>2016-17 Annual report to Board of Management from the Audit Committee</li> <li>Review of effectiveness of internal audit function for 2017-18</li> </ul>	Y	Y			Y
<b>To agree the Internal Audit Plan and review the Internal Audit Annual Report</b>					
<ul style="list-style-type: none"> <li>Internal Audit Annual Report 2017-18</li> <li>Draft Internal Audit Plan 2018-19</li> <li>Internal Audit Progress Report</li> </ul>	Y				
	Y		Y	Y	Y
<b>To review the Internal Audit reports, the management response to them and to review implementation of the actions required</b>					
<u>2016-17</u>					
<ul style="list-style-type: none"> <li>D3. Business Continuity and Disaster Recovery (F&amp;GP)</li> <li>Follow up 2016-17</li> </ul>	Y				
	Y				
<u>2017-18</u>					
<ul style="list-style-type: none"> <li>A5. Payroll and expenses (OD&amp;HR)</li> <li>A9. Procurement and tendering (F&amp;GP) (to be presented to first meeting of 18/19)</li> </ul>				Y	

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint Meeting with FGP)	14/12/17	8/3/18	24/5/18
<ul style="list-style-type: none"> <li>B5. Student experience</li> <li>C1. Workforce management (OF&amp;HR) (to be presented to first meeting of 18/19)</li> <li>C5. Health and safety (OD&amp;HR)</li> <li>D1. IT Security health check (F&amp;GP)</li> <li>D2. GDPR compliance (OD&amp;HR)</li> <li>E1. Follow Up – Sept 2018</li> </ul> (To other Committees for information in brackets)			Y Y		Y  Y Y
<b>To review the Rolling Audit Action Plan at each meeting</b>					
<ul style="list-style-type: none"> <li>Report on Rolling Audit Action Plan</li> </ul>	Y		Y	Y	Y
<b>To encourage appropriate liaison and co-ordination between internal and external audit</b>					
<ul style="list-style-type: none"> <li>Invite / attendance at all Committee meeting by both internal and external auditors</li> </ul>	Y	Y	Y	Y	Y
<b>To establish appropriate performance measures and indicators to monitor the effectiveness of the Internal Auditors</b>					
<ul style="list-style-type: none"> <li>Annual review of internal audit function 2017-18</li> <li>Annual meeting with internal auditor excluding college staff</li> </ul>					Y Y
<b>3) External Audit</b>					
<b>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</b>					
<ul style="list-style-type: none"> <li>Update by external auditors</li> <li>Report on appointment terms and conditions</li> <li>Approval of External Auditors Audit Planning Memorandum 2017-18</li> </ul>	Y	Y			Y Y



REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint Meeting with FGP)	14/12/17	8/3/18	24/5/18
<b>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</b>					
<ul style="list-style-type: none"> <li>External Auditors report on the Financial Statements 2016-17</li> </ul>		Y			
<b>To review the Statement of Corporate Governance</b>					
<ul style="list-style-type: none"> <li>To review the statement of Corporate Governance as part of the review of Financial Statements</li> </ul>	Y	Y			
<b>To review the External Audit strategy and plan</b>					
<ul style="list-style-type: none"> <li>2016-17 Accounts direction for Scotland’s colleges and universities</li> <li>To review and approve to the Board of Management the 2017-18 engagement strategy from the external auditors</li> <li>To appoint auditors for other audits (Student activity / funding)</li> </ul>	Y			Y	Y
<b>To establish appropriate performance measures and indicators to monitor the effectiveness of the External Auditors;</b>					
<ul style="list-style-type: none"> <li>Annual review of effectiveness of external audit function</li> <li>Annual meeting with external auditor excluding College staff – Mazars</li> </ul>					Y Y
<b>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.</b>					
<ul style="list-style-type: none"> <li>As required</li> </ul>					

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint Meeting with FGP)	14/12/17	8/3/18	24/5/18
<b>4) Risk</b>					
<b>To review the Risk Management Strategy and recommend to the Board for approval</b>					
• Review of College Risk Management Strategy			Y		
<b>To consider the Strategic Risk Register and to advise the Board accordingly</b>					
• Report on College Strategic Risk Register	Y		Y	Y	Y
<b>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.</b>					
• Report on Strategic Risk Register	Y		Y	Y	Y
<b>5) Other</b>					
<b>To receive annual reports on Freedom of Information and Data Protection Acts requests; Register of Interests; and Hospitality/Gifts Registers</b>					
a. Freedom of Information and Data Protection Acts requests	Y				
b. Register of Interests	Y				
c. Hospitality / Gift Registers	Y				
<b>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</b>					
• As required					
<b>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</b>					
• As required					