

**West College Scotland
AUDIT COMMITTEE**

**THURSDAY 24 MAY 2018 at 3.45 p.m. in
Room 1, Abercorn Centre, Paisley Campus**

AGENDA

**Committee to meet with College staff only
Agenda items 1 and 2 are restricted business.**

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|---|---------|----|
| 1. Annual Evaluation of Internal Auditors | Paper 1 | GM |
| 2. Appointment of Contract for Other Audit Work | Paper 2 | AR |

Committee to meet with internal auditors only

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| 3. Closed session review with internal auditors | Verbal | |
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General Business

- | | | |
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| 4. Apologies | | |
| 5. Declaration of Interests | | |
| 6. Minutes of the meeting held on 8 March 2018 | Enclosed | JM |
| 7. Actions from the Minutes
(and not otherwise on the agenda) | Enclosed | JM |

Main Items for Discussion and/or Approval

External Audit

- | | | |
|--------------------------------------|---------|----|
| 8. 2017-18 Audit Strategy Memorandum | Paper 8 | LN |
|--------------------------------------|---------|----|

Internal Audit

- | | | |
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| 9. Internal Audit Report: Student Experience | Paper 9 | EY |
| 10. Internal Audit Report: GDPR Compliance | Paper 10 | EY |
| 11. Internal Audit Progress Report | Paper 11 | EY |
| 12. Rolling Audit Action Plan including update on Business Continuity
Audit Recommendations | Paper 12 | AR |
| 13. Draft Internal Audit Plan 2018-19 | Paper 13 | CB |

Other

14. SFC Funding Allocation for 2018/19	Paper 14 To follow	DA
15. Annual Review of Effectiveness of Audit Committee	Paper 15	GM
16. Governance Compliance And ROA Outcomes 2017-18	Paper 16	AR
17. Strategic Risk Register	Paper 17	AR
18. Schedule of Business 2017/18	Paper 18	AR
19. Draft dates of Board/Committee meetings 2018/19	Paper 19	GM
20. Any other business		

Next meeting: Thursday 6 September 2018 at 4.00 p.m. at the Paisley Campus.

Gwen McArthur
Secretary to the Committee

AUDIT COMMITTEE

MINUTES: 8 March 2018

Present: John McMillan (in the Chair)
Andrew Hetherington, Graeme Bold, Stephen Vere.

Attending: David Alexander (Vice Principal Operations), Alan Ritchie (Director of Finance and Estates), Gwen McArthur (Secretary to the Committee).

Attending by

invitation: Chris Brown, Elizabeth Young and Claire Stevenson, Scott-Moncrieff, Internal Auditors; Rob Walker, Mazars, External Auditors.

Apologies: Robin Downie, Audrey Cumberford, Lucy Nutley (Mazars).

AM319 WELCOME

The Chair welcomed Claire Stevenson and Rob Walker to the meeting.

AM320 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.

AM321 MINUTES

The minutes of the meeting held on 14 December 2017 were approved.

AM322 ACTIONS FROM THE MINUTES

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

- .1 Governance Updates (AM309)** – the Committee was pleased to note that, at its meeting on 5 February 2018, the Board of Management had approved the revised governance documents: Articles of Governance, Scheme of Delegation and Standing Orders. These were all now available on the College website.
- .2 Internal Audit Contract (AM303)** – the Committee was pleased to note that the contract for the appointment of Scott-Moncrieff as Internal Auditors had been signed and their contract extended for the period to 31 July 2020.

- .3 Procurement Improvement Plan (AM280)** – this matter had been discussed at the last meeting and the Committee was satisfied with the report provided.
- .4 Corporate Dashboard (AM280)** – it was noted that the Board had approved the Corporate Dashboard at its meeting in February.
- .5 Other Audit Work (AM262)** – it was noted that the Director of Finance and Estates would shortly be issuing a notice seeking quotes from appropriate firms to conduct the other year-end audit works required, i.e. the audit of SFC Credits; SFC Student Support Funding; Educational Maintenance Allowance; and SAAS Discretionary Funds. A report on the response received would be brought to the next meeting for consideration and approval. **[Action: AR]**

AM323 SFC INDICATIVE FUNDING ALLOCATIONS FOR THE COLLEGE SECTOR

The Committee noted that the Minister for Further Education, Higher Education and Science, had recently announced the indicative funding allocation for Colleges for 2018/19. The Vice Principal Operations provided the Committee with a summary of the key points contained within the funding announcement. In relation to the indicative funding allocated to the College the Committee noted:

- the core grant-in-aid funding, including ESF funding, would rise by 0.01% to £40,460,007;
- SFC had conducted an estates condition survey in 2017, following which it had made allocations on the basis of need, and the College would receive £1.193M for estates maintenance, and £3.004M capital funding for high priority maintenance in 2018/19;
- student support funding would increase by 0.71% to £11,572,474;
- the activity target would reduce by 0.9% to 165,817credits.

The Finance and General Purposes Committee had considered this matter earlier in the week, and the Estates Committee had also received this information. Further clarification from SFC was being sought regarding the additional capital funding for estates as agreement needed to be reached on how this money could be used. Also it was not known if this was a one-off allocation or if there was likely to be further funding provided based on this revised methodology in future years. While the Committee was pleased that the College had received this funding for next session it did not resolve the on-going need for investment in the College estate. It was hoped that SFC would be able to provide further information on this matter. It was also recognised that the indicative funding allocated to the College represented a stand-still budget as there were a number of cost pressures facing the College. A further report

would be brought to the Committee once further information on the College's final 2018/19 SFC funding allocation was available.

[Action: DA]

AM324 EXTERNAL AUDIT UPDATE (AM295)

The Director of Finance and Estates informed the Committee that, following on from the 2016/17 year-end audit report, he had held discussions with Mazars on lessons learned from this process. This had been Mazars first year of appointment and had represented a learning curve as they were new to the college sector in Scotland. However, the Director was pleased to report that the audit process had proceeded smoothly and although some issues had arisen at the end of the process these had been resolved satisfactorily. These audit issues had been discussed and reviewed in order that they could be built into the audit planning process for the next year-end audit. The Committee welcomed this report.

AM325 INTERNAL AUDIT MANAGEMENT UPDATE

Chris Brown, Partner, Scott-Moncrieff, informed the Committee that he was pleased to accept the extension of appointment as the College Internal Auditors. He also informed the Committee that there would be some changes to the team as Elizabeth Young had recently been promoted to Director. He would still have overall responsibility for planning the audit work and would continue to strategically lead the audit process. Elizabeth would act as lead auditor for the College and Claire Stevenson would manage all the audits. This would maintain continuity of staff and experience for the College. The Committee welcomed this information and congratulated Elizabeth on her recent appointment.

It was also noted that Chris and Elizabeth would discuss the audit plan for next session at the meeting of the SMT in April. This would be brought to the Audit Committee thereafter.

AM326 INTERNAL AUDIT REPORT: PAYROLL AND EXPENSES

The Internal Auditors presented the findings and recommendations from their review of Payroll and Expenses. The auditors had concluded that the College's payroll and expenses procedures are robust, well designed and reflect good practice. Only one area for improvement had been identified and the Director of Finance and Estates confirmed that this matter had already been actioned. The Committee was very pleased with this report, which also highlighted the good practice that was in place in the College, and commended the staff for their excellent work.

AM327 INTERNAL AUDIT PROGRESS REPORT (AM312)

The Internal Auditors presented their progress report. The Committee was pleased to note that the 2017/18 audit plan was on track to be delivered.

AM328 ROLLING AUDIT ACTION PLAN (AM313)

The Director of Finance and Estates presented the updated Rolling Audit Action Plan. It was noted that this would be the last time that it would be presented in the current format as the recording and responses to audit recommendations would now be incorporated within an electronic portal provided by Scott-Moncrieff. The Committee **approved** the Rolling Audit Action Plan and the requested extensions of time to four of the anticipated dates of completion.

As part of this report the Committee also noted an update on progress with Business Continuity Planning. The College had developed an overarching Business Continuity Policy which would be presented to SMT shortly for approval. A review of 22 business critical areas had been conducted with the results being collated into a master spreadsheet. This identified the interdependencies between departments and all areas would now be asked to revisit this and to provide further information on how their business continuity plans would be implemented. The information gained from this would be used to produce a comprehensive business continuity plan for the College. It was the aim to have a draft of this document in place by the time of the next meeting. Thereafter testing of these plans would take place. The Committee would receive a further update report at its next meeting. **[Action: AR]**

AM329 ANNUAL EFFECTIVENESS REVIEW (AM265)

The Committee noted that it was now time to conduct the annual review of the effectiveness of the Committee and of the External and Internal Auditors. The Committee **agreed** that the annual effectiveness reviews be conducted, using the same methodology as was used last year, with response being sought by 29 March 2018. A report on the outcomes would be brought to the next meeting. **[Action: GMcA]**

AM330 STRATEGIC RISK REGISTER (AM315)

The Committee noted the Strategic Risk Register which had been updated following detailed consideration by the Senior Management Team (SMT). The Committee considered the changes proposed and discussed these in some detail. The following points were noted:

- i. Risk 2 – the wording had been changed to highlight the need for continued investment in IT Infrastructure when taking decisions about estates maintenance and refurbishment. There was a concern that the revised wording of Risk 2 might dilute the overall message regarding

the need for investment in the estate generally, as Risk 6 related to the need for investment in IT (although this was for kit and equipment). It was noted that Risk 2 sat within the remit of the Estates Committee and that Committee had already confirmed that it was satisfied with this change.

- ii. Risk 5 – negotiations on National Bargaining were continuing and no agreement had yet been reached with EIS on a pay award for Teaching staff for 2017/18. This might require further action in the future and so it remained high on the risk register.
- iii. Risk 7 – the Committee received an update on the work being undertaken by the College in relation to business continuity internal audit recommendations and noted that this was progressing. On this basis no further changes were proposed to Risk 7 at this time.
- iv. Risk 14 – could be removed as all the matters captured here were now accounted for in other risks on the register.
- v. Risk 16 – could be removed as the College had just received confirmation from the Scottish Government that it had agreed to support the continuation of the derogation that allows colleges to purchase non-statutory (commercial) insurance for the period to July 2021.

The Committee was aware that Risks 1, 2 and 3 remained high on the register. However, it was satisfied that the Executive and SMT were working hard to mitigate against these factors and manage the risk as best they could. The matters concerned in these risks were not within the control of the College but how they were managed was. The Committee was aware that there would be a Risk Management Development session immediately prior to the next Board meeting on 26 March 2018 where all of these matters could be revisited.

In light of the above discussion the Committee **agreed** that it supported the changes proposed by the SMT and that Risks 14 and 16 could now be removed from the Strategic Risk Register. **[Action: AR]**

AM331 AUDIT SCOTLAND'S REPORT ON SCOTLAND'S COLLEGES 2018

The Committee noted information provided by Audit Scotland on the areas to be covered in their annual report on the College sector for 2018.

AM332 SCHEDULE OF BUSINESS 2017/18

The Committee noted its Schedule of Business 2017/18.

AM333 NEXT MEETINGS

The next meeting will be on Thursday 24 May 2018 at 4.00pm at the Paisley campus.

Audit Committee: Meeting of 8 March 2018

Actions from the Minutes

Date of Meeting	Min Ref	Matter for Action	Responsible Person	Action Taken	Timescale (where applicable)
8 March 2018	AM322.5 262	Other Audit Work – report on responses received to notice seeking quotes to be provided at next meeting	A Ritchie		May meeting
	AM323	SFC Indicative Funding Allocations for College Sector – report to next meeting once further information available from SFC	D Alexander		May meeting
	AM328 313 289	Rolling Audit Action Plan – update on progress with Business Continuity Planning to be provided to next meeting	A Ritchie		May meeting
	AM329 265	Annual Effectiveness Review – report on outcomes of annual review to be brought to next meeting	G McArthur		May meeting
	AM330 315	Strategic Risk Register – Committee approved changes to be made to register	A Ritchie	Board approved changes to Strategic Risk Register at its March meeting – these had now been made	Complete
	AM334	Audit Quality Survey – Committee endorsed response to be provided to Audit Scotland regarding the performance of Mazars	D Alexander	Response sent to Audit Scotland	Complete
		Actions from previous minutes			
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	Board approved these at its February meeting and updated documents now on website	Complete

7 Sept 2017	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	Report provided to December meeting - Committee satisfied with report provided (AM322.3)	Complete
	AM280.3 264	Corporate Dashboard of Performance Measures – Committee to be kept informed of developments	A Ritchie	Update provided at December 2017 meeting – Board approved at its February meeting	Complete
	AM286	National Fraud Initiative – Committee to be kept informed of progress in taking forward recommendations for improvement	A Ritchie		Future meeting
	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	Update provided to March meeting (AM328)	Complete

GMCA/10.04.18

TITLE: 2017-18 AUDIT STRATEGY MEMORANDUM

Background: The purpose of this report is to present to the Committee the external auditor's Audit Strategy Memorandum for the audit of the 2017-18 financial statements. As the Audit Committee have the joint responsibility for approving the College Annual Financial Statements the Audit Strategy Memorandum 2017-18 will also be presented to the Finance and General Purposes Committee on 5 June 2018.

The Audit Strategy Memorandum document provides the Committee with an overview of the external auditor's (Mazars LLP) preliminary audit planning procedures in relation to the financial statements of the College for the year ended 31 July 2018. The memorandum sets out their intended approach to the audit of the College and provides an overview of significant risks and key judgement areas in section 4.

In section 5 the memorandum notes the four wider scope areas upon which the auditors require to make a judgement:

- financial sustainability;
- financial management;
- governance and transparency; and
- value for money.

Mazars have set their fee for the audit at £29,290 (2016/17: £28,990). This fee is within the fee range set by Audit Scotland of between £26,091 and £31,889.

Lucy Nutley, Director – Public Services Audit, from Mazars will present the contents of the Memorandum to the Committee for their consideration and approval.

Action: The Audit Committee is requested to approve the content of the 2017-18 Audit Strategy Memorandum.

Lead: Lucy Nutley, Director – Public Services Audit, Mazars

Status: Open

TITLE: INTERNAL AUDIT REPORT – STUDENT EXPERIENCE

Background: As part of the internal audit programme for 2017-18 Scott Moncrieff conducted a review of the schools learning programme.

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: Elizabeth Young, Director
Alan Ritchie, Director of Finance and Estates

Status: Open

1. Introduction

- 1.1 Scott Moncrieff have completed a review of the College schools learning programme. The programme aims to provide part-time courses to school students to equip them with skills for work, skills to assist them with further learning opportunities and skills for life. The courses are provided either on campus or on an outreach basis and include taster courses, online learning opportunities and Foundation Apprenticeships. The internal audit review focused on the controls in place to ensure a positive student experience in relation to the learning resources and technologies used.

2. Conclusion

- 2.1 The auditors have concluded that the College has robust processes in place to drive and deliver continuous improvement within the schools programme and monitor resource use in terms of estates and staffing.
- 2.2 As part of the audit minor improvement actions were identified to further support the planning process - including ensuring student feedback is gathered on a timely basis to inform the operational plan – and these will now be progressed by the College.

3. Recommendation

- 3.1 The internal audit report identified one grade two improvement action which related to the issuing of a student survey at an agreed and appropriate frequency to inform operational planning and ensure timely actions are taken to investigate and address any issues raised.
- 3.2 The College accepts the recommendation and will take the required action to address the matter.

4. Next Steps

- 4.1 The recommendation arising from the internal audit review of the College Schools Learning programme with be added to the Rolling Audit Action Plan for future monitoring.
- 4.2 The Audit Committee is asked to approve the contents of the report.

TITLE: INTERNAL AUDIT REPORT – GENERAL DATA PROTECTION REGULATION (GDPR)
COMPLIANCE

Background: As part of the internal audit programme for 2017-18 Scott Moncrieff conducted a review of College readiness for the introduction of GDPR requirements in May 2018.

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

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

Lead: Elizabeth Young, Director
Alan Ritchie, Director of Finance and Estates

Status: Open

1. Introduction

- 1.1 Scott Moncrieff have completed a review of the preparations undertaken by the College in relation to the introduction of GDPR legislation from 25 May 2018. This legislation will bring a significant change to the UK's data protection laws. Additionally, the Information Commissioner's Office (ICO) will be empowered to impose fines of up to 4% of global revenue or 20 million euros for breaches of the new GDPR guidelines. As a result those organisations affected by the Regulations need to confirm that they understand, and can comply with, the new law.
- 1.2 It should be noted that not all areas of the new regime are yet in place and certain aspects may not be clear by the 25 May deadline – for example the UK Data Protection Act which supplements the GDPR is still making its way through Parliament and certain guidance required to interpret many aspects of the Regulation is not in final form yet, including the guidance on consent and transparency.

2. Conclusion

- 2.1 The auditors have concluded that the College commenced preparation for the implementation of GDPR in June 2017. This was in the form of a GDPR Steering Group comprising members of the Senior Management Team and including a representative from BTO Solicitors, who has provided technical support on the GDPR implementation plan. In addition to the Steering Group, a GDPR Working Group was also formed comprising of relevant members of the College Operational Management Team.
- 2.2 The internal audit reviewed concluded that the College has made progress in addressing the 12 areas required to be covered by the Information Commissioner preparation document "Preparing for the General Data Protection Regulation", and also identified some areas where there is scope for the College to enhance current arrangements.

3. Recommendation

- 3.1 The internal audit report identified 4 recommendations for action to enhance the work already undertaken by the College.
- 3.2 Due to the timing of the completion of the audit fieldwork and the fact that the College is in an ongoing process of preparing for the implementation of the new regulations, two of these recommendations have already been addressed. This has been agreed with the auditors and as such the recommendations are marked as complete (1.1 and 5.1) and will not be recorded on the rolling audit action plan.
- 3.3 The College accepts the remaining two recommendations and is actively addressing these.

4. Next Steps

- 4.1 The two outstanding recommendations arising from the internal audit review of GDPR will be added to the Rolling Audit Action Plan for future monitoring.

- 4.2 The Audit Committee is asked to approve the contents of the 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 two reviews in the period since the previous Committee meeting:

- Student Experience – Schools; and
- GDPR Compliance

In addition two further reviews are due to commence before the end of May, the outcomes of which will be reported to the next meeting of the Audit Committee:

- Procurement; and
- Workforce Planning.

The finalisation of the above two assignments will complete the agreed 2017-18 Internal Audit Plan.

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

Lead: Elizabeth Young, Director, Partner, Scott Moncrieff

Status: Open

TITLE: ROLLING AUDIT ACTION PLAN AND BUSINESS CONTINUITY UPDATE

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:

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

The report also includes an update on the implementation of the College business continuity arrangements following the recent internal audit review of this area.

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

- Removal of 17 complete recommendations;
- Request to extend 5 dates of completion in relation to Workforce Planning; and
- Rolling Audit Action Plan.

The Committee is requested to note the progress being made in addressing the business continuity recommendations.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

1. Introduction

1.1 Since the previous Audit Committee the College has transitioned from recording any updates in relation to the audit recommendations on a spread sheet to the online tracker system “Pentana”. This system is maintained by Scott Moncrieff and has removed the requirement to maintain a spread sheet to record management actions taken against each recommendation.

1.2 The transition process and training required to operate the new system are still considered to be ongoing. The College and internal auditors consider that progress has been made with the adoption of the new system and over the summer break further training will enhance the benefits from operating the online system including the uploading of information from the College to confirm audit actions and the reporting format. The attached report is based upon the latest update in relation progress in addressing audit actions.

2. Summary of Recommendations

2.1 The tables below summarise the overall status of audit recommendations since the last Committee meeting:

Total Number of Recommendations		Internal Audit	External Audit	Total
Total brought forward recommendations		38	3	41
Removed since last Audit Committee:		0	0	0
Added since last Audit Committee:				
	Payroll and expenses	1	0	1
Total recommendations as per current RAAP		39	3	42

Status of Recommendations	Previous RAAP		Current RAAP	
Partially complete (Not yet due)	21	51%	12	28%
Partially implemented (Due for completion – extension requested)	4	10%	5	12%
Complete pending external auditor review	1	2%	3	7%
Complete pending validation by internal audit	15	37%	5	12%
Not implemented	0	0%	0	0%
Sub total	41	100%	25	59%
Not yet due	0	0%	0	0%
Recommend for removal following audit review	0	0%	17	41%
Total	41	100%	42	

Audit Recommendations Update

2.2 Appendix A sets out the status of the recommendations made by the internal auditors.

2.3 Appendix B sets out the status of the recommendations made by the external auditors.

3. Commentary on Recommendations

External Audit

3.1 The College considers that all three recommendations have been addressed during the year. This will be reviewed by the external auditors as part of the work they carry out at the year end and will be reported to the Joint Committee in November 2018.

Internal Audit

3.2 At the last Audit Committee meeting the internal auditors presented their findings from the review of Payroll and Expenses which resulted in 1 recommendation being added to the internal audit rolling audit action plan.

3.3 The transition to the new on line tracking system has resulted in the auditors being able to verify the evidence behind the College assessment of the recommendation status. This is seen as a key benefit of the system and allows the auditors on a quarterly basis to validate the status of the recommendations.

3.4 At this time the auditors are content to propose that 17 of the 39 internal audit recommendations are complete and therefore are capable of being removed from the RAAP. These are recommendations 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 18, 19, 20, 21, 22, 23, 28. The College is therefore requesting that the Audit Committee confirms it is content to remove these recommendations from the RAAP.

3.3 The College is requesting an extension to the expected completion dates for the following 5 recommendations in relation to Workforce Planning:

- Recommendation (13) – 1.2 - Analyse Workforce Trends (from 30/4 to 28/9)
- Recommendation (14) – 1.3 - Forecast workforce plan (from 30/4 to 28/9)
- Recommendation (15) – 2.1 - Review of current workforce management arrangements (from 30/4 to 28/9)
- Recommendation (16) – 2.2 - Future workforce planning approaches (from 30/4 to 28/9)
- Recommendation (17) – 3.1 - Lesson learned (from 30/4 to 28/9)

3.4 As noted in the RAAP the College has made significant progress in relation to the creation of developed Workforce Plan for the College. The review of the HR data and the skills assessment of staff have made significant progress but are taking longer than anticipated to complete. Once complete the analysis of the data will require to be shaped for use in the Workforce Plan. A draft Workforce Plan has been created and is currently under review. This document will be discussed with the internal auditors as part of the upcoming internal audit review.

3.5 The Organisational Development and HR Committee have been kept informed of the work undertaken in regard to the development of the plan.

4. Business Continuity Planning Update

4.1 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.

4.2 The report at Appendix C was compiled by Zurich Municipal who have been assisting the College in addressing the recommendations made by the internal auditors.

- 4.3 As can be seen from the report the College and its advisor continue to make good progress in addressing the recommendations. All 5 recommendations have either been fully addressed or are planned to be addressed in the coming months. Where a recommendation has not been fully implemented plans are in place to ensure that the recommendations are addressed.
- 4.4 The College has completed a Business Continuity Policy along with 22 Business Impact Assessments across all key areas of the College. This work has led to the updating of the College Business Continuity Plan which is currently under final review.
- 4.5 Progress has been made in regard to finalising the individual business recovery strategies and these will be complete in late May and early June. A testing programme has been drawn up along with lessons learned from recent incidents.
- 4.6 The revised business continuity arrangements will be widely published over the summer period through the development of the Business Continuity intranet page along with sessions for senior staff. Dates have been set for these sessions.

5. Conclusion

- 5.1 The College continues to address recommendations made by both the internal and external auditors.
- 5.2 The Audit Committee is requested to review the RAAP report and to approve the:
- Removal of 17 complete recommendations;
 - Request to extend 5 dates of completion in relation to Workforce Planning; and
 - Rolling Audit Action Plan.
- 5.3 The Committee is requested to note the progress being made in addressing the business continuity recommendations.

TITLE: DRAFT INTERNAL AUDIT PLAN 2018-2020

Background: Following approval given by the Audit Committee to extend the contract with Scott Moncrieff this draft internal audit plan covers the period until 31 July 2020.

The proposed Internal Audit Plan has been updated based on the current Strategic Risk Register, Corporate Plan and through discussions with the College Senior Management Team. The 2018-19 internal plan is now presented to the Audit Committee for consideration and approval, while the 2019-20 plan will be subject to further review as the 2018-19 year progresses.

Internal audit is only one source of assurance for the Audit Committee. Assurance on the management of risk is provided from a number of other sources, including the Senior Management Team, external audit and the college Risk Management Strategy.

Appendix 1 of the plan presents the proposed audit assignments for 2018-19 and 2019-20 along with a brief narrative of the intended coverage for each area.

The draft plan for 2018-19 includes audits of:

- Financial Planning and Monitoring, in light of the funding risk identified in the strategic risk register;
- Fraud Prevention, as a key area of control;
- Safeguarding, given its' prominence and the increasing legislative requirements of this area;
- Internal communications have been identified as key with the increasing levels of uncertainty in external environment within which the College now operates;
- Student experience, which continues to be a key area for review and it is proposed will focus upon part time and evening students; and
- Freedom of Information procedures, which is becoming more critical and this is recognised by the College through including this area as part of the audit work for 2018-19.

Appendix 2 presents the current College Strategic Risk Register for reference purposes.

Appendix 3 provides an indicative timetable for the proposed audits along with the intended Audit Committee at which the reports will be presented. Once the plan for 2018-19 is confirmed, the timing of the various audits will be finalised between the auditors and the College Senior Management Team.

Appendix 4 provides an overview of the work previously undertaken by Deloitte (2014-15) and Scott Moncrieff (2015-18) and is referred to as the Audit Universe.

Appendix 5 sets out how the internal audit process will be managed by all parties.

In line with previous Audit Committee agreement the level of internal audit activity has been set at 55 days for 2018-19.

Action: The Audit Committee is asked to consider and approve the draft 2018-19 internal audit plan and note the development of the 2019-20 plan. Following this the intention is to present the final 2018-19 internal audit plan to the next meeting of the Audit Committee.

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

Status: Open

TITLE: SFC FUNDING ALLOCATION FOR 2018/19

Background: This paper provides the Audit Committee with an update in relation to the 2018-19 final funding announcement made by the Scottish Funding Council (SFC) on 18 May 2018.

Action: The Audit Committee is invited to consider and note the report and the resulting changes arising to the College strategic risk register as a result of the 2018/19 SFC final funding announcement.

Lead: David Alexander, Vice Principal Operations

Status: Open

SFC Funding Allocation for 2018/19

1.0 Background

1.1 On 27 February 2018 SFC made an indicative funding announcement for 2018/19 and advised that this would be subject to further review and final confirmation. A final funding announcement for 2018/19 was subsequently made by the SFC on 18 May 2018. This paper provides an overview of the final 2018/19 SFC funding allocation.

2.0 2018-19 Indicative Allocations for the College Sector

2.1 On 27 February 2018 the SFC issued circular SFC/AN/06/2018 – *Outcome Agreement Funding for Colleges – Indicative Allocations for 2018-19*. This circular provided the initial SFC decisions on indicative outcome agreement funding for college in 2018-19. The purpose of these indicative announcements is to help colleges plan their provision and for SFC to move towards finalised outcome agreements for 2018-19. The indicative allocations were based on the Scottish Government's budget as approved by Parliament on 21 February 2018 and were in line with the Minister for Further Education, Higher Education and Science's Letter of Guidance to SFC of 30 March 2017.

2.2 The key points contained within the indicative 2018-19 funding announcement were as follows:

- Teaching funding has been increased to meet harmonisation costs of national bargaining – an increase of £34.2m;
- An additional £4.2m has been added to core teaching grant-in-aid in order to meet the costs of additional financial pressures – equivalent to a 1% sector increase;
- The core student activity (credit) target has increased, however changes to childcare and European Social Fund (ESF) have resulted in a slight decrease to the overall activity target of around 1%;
- Core student support funding has increased by £3.6m (3.36%) and a further £5.2m has been set aside for the implementation of the Scottish Government commissioned Independent Review of Student Support;
- Funding totalling £39.4m has been made available in order to meet estate needs, with the key points arising from this being as follows:
 - £12.5m has been allocated to meet college lifecycle maintenance (allocated on the basis of activity/credit targets);
 - a further £26.9m has been provided to meet the very high priority backlog maintenance requirements as informed by the sector condition survey published on 22 December 2017.

- for 2017-18 £20.81m was allocated to meet in-year estates requirements, thus the 2018-19 indicative funding represents an increase of £18.59m (47.2%) for the sector – however the movement in the nature of funding between operational estates maintenance to high priority estates maintenance represents some key impacts and considerations that are subject to ongoing discussion with the SFC
- SFC is continuing to develop and refine an evaluation framework to identify and prioritise major capital projects for campus replacement or refurbishment.

2.3 For West College Scotland a key outcome of the indicative funding announcement was the confirmation that credit activity levels were to be reduced in 2018/19 by 0.9%, and thus operational, financial and workforce planning was being progressed on this basis.

3.0 2018-19 Final Funding Announcement for the College Sector

3.1 On 18 May 2018 the SFC issued circular SFC/AN/09/2018 – *Announcement of Outcome Agreement Funding for Colleges – Final Allocations for AY 2018-19*. This circular provided the SFC’s final decisions on college outcome agreement funding for 2018-19. The announcement reflected final funding decisions based on a further letter of ministerial guidance sent on 4 April 2018, which reiterated and emphasised the Scottish Government’s high level strategic objectives:

- SFC to have a key role in contributing to effective delivery of the key aims of the Enterprise and Skills Strategic Board;
- High quality learning in a system which is seamlessly connected for the learner;
- Access to further and higher education for people from the widest range of backgrounds;
- The highest standards of teaching, governance and financial accountability in colleges;
- Colleges working in partnership;
- Effective knowledge exchange and innovation between universities, colleges and industry; and
- SFC operating as a highly effective public body.

3.2 The changes from the indicative funding announcement include:

- The reallocation of credit activity between some colleges, with West College Scotland being impacted further by this change;
- The costs associated with support staff and middle management national harmonisation require to be confirmed, and so this element of funding will be held back until there is greater clarity on how these funds should be allocated across the sector; and

- The impact of national bargaining and the costs associated with this have resulted in the SFC moving away from a simplified 'price x volume' funding model. Over time the SFC intends to return to this model.

3.3 The key considerations ultimately arising for West College Scotland from the confirmed final 2018/19 SFC funding allocation are as follows:

- A further reduction in the 2018/19 credit activity level of 1%, which means an overall reduction of 1.9% when compared to 2017/18;
- While West College Scotland has received an overall increase in the level of resource when comparing 2018/19 to 2017/18 it should be noted much of this relates to funding for specific purposes – ESOL, national bargaining and high priority estates maintenance – and thus is funding which the College is not able to apply on a discretionary basis in order to meet core operational costs;
- The reduction in 2018/19 credit activity, aligned with the fact significant elements of funding are to be applied for specific purposes and are non-discretionary, has resulted in a reduction in core operational funding levels for West College Scotland;
- Net depreciation funding – now set at £1,639,000 – was previously applied by the College in order to meet key priorities including payment of loans, student funding and essential estates works – however this resource will now require to be applied in order to meet core operational costs including ICT and annual pay uplifts.
- The level of student support funding allocation to WCS is in line with expectations based on the level of credit activity confirmed for 2018/19 – however the sector still awaits confirmation of how the £5.2m which has been set aside for the implementation of the Scottish Government commissioned Independent Review of Student Support is to be applied.

Ultimately the final 2018/19 SFC funding announcement has resulted in the Senior Management Team escalating the risk evaluation in relation to the levels of SFC funding within the College strategic risk register, and this is considered further under *Agenda Item 18 (Strategic Risk Register)*.

3.4 An analysis of the final SFC 2018/19 funding for West College Scotland is provided at Appendix 1.

3.5 The College Senior Management Team are continuing to engage with the SFC regarding the financial sustainability of the College and the actions required in order to achieve a balanced budget on an ongoing basis.

4.0 Conclusion

- 4.1 The Audit Committee is invited to consider and note the report and the resulting changes arising to the College strategic risk register as a result of the 2018/19 SFC final funding announcement.

TITLE: **ANNUAL REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE 2017/18 AND THE EXTERNAL AUDITORS**

Background: At the last meeting it was agreed that the annual effectiveness review of the Committee and the auditors should be conducted and the feedback obtained be provided to the Committee for consideration (AM329). The Committee agreed to use the forms used in previous reviews.

The feedback obtained on the effectiveness of the Audit Committee and the External Auditors has been analysed and a summary of the main points emerging is provided in the attached report. Overall the feedback is very positive.

The report on the feedback obtained on the Internal Auditors is provided in a separate paper (Paper 1).

Action: The Committee is asked to consider and approve the attached report.

Lead: Gwen McArthur, Secretary to the Committee

Status: Open, except Part 2 which is restricted.

Part 1

ANNUAL REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE 2017/18

The annual review of the effectiveness of the Audit Committee for session 2017/18 has been conducted and the feedback obtained from the members of the committee has been analysed. The main findings are presented below under the headings used in the review form.

1. Role and Remit

The feedback has confirmed that the Committee members are satisfied with the role and remit (these are reviewed regularly), and it has sufficient members, authority and resources to perform its role effectively and independently.

2. Membership, Induction and Training

The Committee members confirmed that they are satisfied with the current membership and the induction arrangements offered. They also confirmed the independence of the Committee from the Executive. The attendance of members is monitored and there are annual reviews where such matters can be discussed.

3. Meetings

The members have confirmed that they are satisfied with the frequency and operation of the meetings, as well as the regular attendance of the various officers.

4. Internal Control

The members have confirmed that they are satisfied with the arrangements for internal control. In relation to co-ordinating with other committees on matters of risk management and corporate governance the Committee was reminded that the Audit Reports and recommendations are referred to the appropriate committee(s) for information and action as required. Also the Audit Plan is considered with risk management in mind. All committees consider risk in relation to their areas and feedback to the Board where all the points raised are considered. The Audit Committee considers the overall strategic risk register, which is updated as necessary in light of the actions taken and the feedback from the other Committees and other areas. It also reviews the risk strategy annually and recommends approval to the Board.

5. Financial Reporting and Regulatory Matters

The Committee members have indicated that they are satisfied with the arrangements in place for this area of activity. They also confirmed that they are satisfied that they are kept up to date with any changes in legal or regulatory requirements by the Attending Officers, and the Internal and the External Auditors.

6. Internal Audit

The Committee members have confirmed that they are satisfied with the arrangements for the Internal Auditors. The performance of the Internal Auditors was conducted as a separate exercise.

7. External Audit

The Committee members have confirmed that they are satisfied with the arrangement for the External Auditors. The Chair confirmed that he could meet with the External Auditors as appropriate. Feedback on the performance of the External Auditors is contained in Part 2 of this report.

8. Administration

The Committee members have confirmed that they are satisfied with the current administration arrangements for the committee. There is a standard reporting format set by the Board. However, the Committee can, if it chooses, ask for reports to be provided in a particular way or for information to be presented in a particular format if that would better suit the business coming forward or help the committee members.

9. Overall

The Committee members are clear that the Audit Committee does effectively contribute to the overall control environment of the College, but that it might be more appropriate to ask the Board this question. Feedback from the Board is provided informally by the Chair of the Committee following his reports to the Board. The Committee does consider how it operates and is continuously looking at what it does and how it might be adapted to a changing environment.

[Redacted]

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

TITLE: GOVERNANCE COMPLIANCE AND ROA OUTCOMES 2017-18

Background: The Audit Committee remit includes the requirement :

“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.”

The objective of this report is to provide assurance to the Audit Committee that in fulfilment of this remit the College is operating in compliance with:

- The Financial Memorandum with SFC;
- The Scottish Public Finance Manual; and
- The Code of Good Governance.

In addition there is a need for the Committee to demonstrate that it has met its requirements in relation to the relevant areas of the 2017-18 Regional Outcome Agreement and confirm this to the Board in September 2017.

Action: The Audit Committee is requested to consider:

- the assurance provided in relation to governance compliance; and
- the progress that has been made in relation to those 2017-18 ROA areas for which the Audit Committee has responsibility in order to provide an update to the Board of Management.

Lead: David Alexander, Vice Principal Operations
Alan Ritchie, Director of Finance and Estates

Status: Open

1.0 Financial Memorandum with the SFC

- 1.1 Under the terms of the Further and Higher Education (Scotland) Act 2005 the SFC may attach terms and conditions to the payment of grant made to institutions. It is a term and condition of grant payment from SFC that the institution's governing body and its designated officers comply with the requirements set out in the Financial Memorandum (FM).
- 1.2 The current FM with the SFC was revised and issued in December 2014 and has not been subject to any further change since that time. This review has therefore been carried out against the conditions set by the December 2014 version. Noted below are the key areas of the FM and how the College is complying.

Condition	College Response
<p>SFC's governance requirements of the institution - SFC requires the governing body to comply with the principles of good governance set out in the Code of Good Governance for Scotland's Colleges. The SFC also require the governing body to ensure that:</p>	
<p>Public funds are used in accordance with relevant legislation, the requirements of the FM and only for the purpose(s) for which they were given. Strategic, capital or other grant funding must only be used for the purpose for which it is provided by the SFC.</p>	<p>SFC funding and College compliance with the terms and conditions of this are reviewed by external audit and internal auditors. SFC also requires information to be submitted periodically during the year to demonstrate the College is complying with terms and conditions of grant funding. Any funding not used in accordance with grant conditions would be reported to the Board – and there are no reported occurrences of non-compliance.</p>
<p>Subject to any legal requirement to observe confidentiality, the institution will be open and transparent with the SFC and other stakeholders, and will give, or be prepared to give, a public justification of its decisions in relation to the use of public funds.</p>	<p>The College liaises with the SFC on an on-going basis in relation to the use of funds and our financial statements are publicly available on the College and SFC websites.</p>
<p>The institution strives to achieve value-for-money and is economical, efficient and effective in its use of public funding.</p>	<p>The College has Financial and Procurement Strategies in place in order to support the required value for money condition. The College Value for Money Strategy was also approved by the Audit Committee during 2017-18.</p>
<p>There is effective planning and delivery of the institution's activities in accordance with its mission and its Regional Outcome Agreement as agreed with SFC.</p>	<p>The College Regional Outcome Agreement is approved and monitored at Board sub-Committee and at Board level.</p>

Condition	College Response
<p>The institution plans and manages its activities to remain sustainable and financially viable. An institution is being managed on a sustainable basis if, year on year, it generates sufficient income to cover its costs and allow for maintenance of and investment in its infrastructure (physical, human and intellectual) at a level which enables it to maintain adaptive capacity necessary to meet future demands.</p>	<p>The College currently has a five year financial strategy in place and the 2017-18 budget presented to the Board shows a break even operating position.</p> <p>The College has not at this point received its final SFC funding allocation for 2018-19 however the indicative funding announcement indicated a material reduction in recurrent SFC lifecycle maintenance funding, a reduction in credit activity and ultimately a flat cash position in relation to core SFC grant movement when compared to 2017-18. Aligned with this decrease is the continued uncertainty around future funding of national pay bargaining and annual pay uplifts, an aging and costly estate and upward pressure on non-staff related costs.</p> <p>All of these factors present material financial challenges to the College being able to operate at a break even position into 2018-19 and beyond and strategic discussions are therefore ongoing with SFC in relation to this.</p>
<p>The institution has a sound system of internal management and control, including an Audit Committee, an effective internal audit service, and adequate procedures to prevent fraud or bribery.</p>	<p>Assurance in this area is provided by:</p> <ul style="list-style-type: none"> • Annual report of internal and external auditors - these have indicated no concerns in any of the stated areas. • Audit Committee annual review of the internal auditors, which has assessed the service provided as being effective. • Specific procedures in place in order to prevent fraud and bribery.
<p>The institution has an effective policy of risk management and risk management arrangements</p>	<p>The College has an approved Risk Management Strategy which has been subject to internal audit review. The review highlighted the positive work done to embed risk management into the culture of the College. Risk management is now a standing item at Senior Management Team meetings and all Board and Board sub-committee agendas.</p>

Condition	College Response
	The Board recently took part in a review the risk management process and risk appetite of the College. This was facilitated by Mott MacDonald and resulted in a number of actions which will be taken forward over the coming months.
The institution has regular, timely, accurate and adequate information to monitor performance and account for the use of public funds. Such information will be made available to the SFC on request, as necessary, for the exercise of its functions and to gain assurance	Regular reports are provided to Board sub-committees and to the Board of Management in a timely manner. Information is also made available to SFC on an on-going basis as required.
The institution is engaged actively in continuously enhancing the quality of its activities and involves students and other stakeholders in these processes	Education Scotland review highlighted the quality procedures in place at the College as being robust. Positive engagement with the Students Association and regular complaint reporting ensures quality issues are addressed.
Public sector pay policy	
The institution must have regard to public sector pay policy set by the Scottish Ministers.	The College does have regard to Public Sector Pay Policy through representation on the College's Scotland Employers' Association and associated National Pay Bargaining mechanism.
Tuition fees	
Where applicable, the institution must charge student tuition fees at the levels set by the Scottish Ministers under either the Student Fees (Specification) (Scotland) Order 2006 or the Student Fees (Specification) (Scotland) Order 2011, whichever is applicable.	The College follows this guidance as required.
Student activity	
Where appropriate, the institution must provide data returns requested by the SFC by the deadlines and to the standards specified.	The College continues to comply with requests for data from the SFC within the deadlines required. Unqualified audit opinions were received in regard to 2016/17 SFC student activity support audits and 2016/17 financial statements.

Condition	College Response
Student support guidance	
Where appropriate, the institution must follow SFC's Student Support Guidance.	The College follows and complies with all student support guidance issued. Unqualified audit opinions received in 2016/17 regarding all student support funds.
European Social Funds	
Where the institution is in receipt of European Social Fund funding, it must follow SFC ESF guidance.	The College follows SFC ESF guidance as required.
Audit and accounting	
The governing body must appoint an Audit Committee and ensure the establishment and maintenance of effective arrangements for the provision of internal and external audit. For incorporated colleges and Regional Boards, Audit Scotland will appoint external auditors.	<ul style="list-style-type: none"> • The College has an Audit Committee in place. The Committee remit and effectiveness are reviewed at least annually. • The effectiveness of both internal and external auditors are reviewed annually by the Audit Committee. • The College's current external auditors, Mazars, were appointed by Audit Scotland and they have completed their first annual audit in 2016-17.
The Audit Committee must produce an annual report to the governing body of the institution.	An annual report is produced by the Audit Committee and presented to the Board of Management each year. The Committee presented its last Annual Report to the December 2017 Board of Management.
Accounts direction	
The institution must follow the SFC's current Accounts Direction in the preparation of its annual financial statements.	The College follows current SFC Accounts Direction and this is subject to review by external auditors.

Condition	College Response
Internal audit	
<p>The institution must have in place an effective internal audit service. The operation and conduct of the internal audit service must conform to the professional standards of the Chartered Institute of Internal Auditors. For incorporated colleges and Regional Boards, the operation and conduct of internal audit must comply with Public Sector Internal Audit Standards and, where relevant, the Scottish Public Finance Manual.</p>	<p>The College has in place a system for reviewing the effectiveness of the internal audit service. The next review is due to be undertaken as part of the May 2018 Audit Committee meeting.</p>
<p>The institution must inform SFC when an internal auditor is appointed and must inform SFC immediately if the internal auditor is removed or departs before the end of their term of office.</p>	<p>The SFC was informed of appointment of Scott Moncrieff at the start of their assignment in April 2015. An option to extend the internal audit contract for a further two years was exercised by the College. Scott Moncrieff will therefore provide internal audit services to the College until July 2020.</p>
<p>The internal audit service must provide the governing body and senior management of the institution with an objective assessment of adequacy and effectiveness of risk management, internal control, governance, and value-for-money.</p>	<p>The internal audit plan is designed to provide the coverage required in order that the auditors can comment upon the adequacy and effectiveness of risk management, internal control, governance, and value-for- money. An Annual Report from the internal auditors is received by the Audit Committee each year.</p>
<p>The internal audit service must extend its' review over all the financial and other management control systems, identified by the audit needs assessment process. It must cover all activities in which the institution has a financial interest, including those not funded by SFC.</p>	<p>This internal audit plan is reviewed annually taking into account any movements in the audit needs assessment, based on reports received during the year and the College strategic risk register.</p> <p>An annual internal plan is presented to the Audit Committee for review and approval. The internal audit plan provides coverage of all activities in which the College has a financial interest, including those not funded by the SFC.</p>
<p>The head of internal audit must produce an annual report for the governing body on its activities during the year. The report must include an opinion on the adequacy and effectiveness of the institution's risk</p>	<p>The annual internal audit report is produced each year with the next one due to be received by the Audit Committee early in 2018/19 as part of the scheduled Committee business.</p>

Condition	College Response
<p>management, internal control, and governance. The report must be presented to the institution's Audit committee and a copy sent to SFC.</p>	<p>A copy of the report is provided to the SFC.</p>
Value for money	
<p>The institution must have a strategy for reviewing systematically management's arrangements for securing value for money.</p>	<p>The College Procurement Strategy covers value for money and best practice in regard to purchasing goods and services. The Audit Committee also approved a College Value for Money Strategy during 2017-18.</p>
<p>As part of its internal audit arrangements, the institution must obtain a comprehensive appraisal of management's arrangements for achieving value for money.</p>	<p>Internal audit reviews that are undertaken assess arrangements in place for achieving value for money. The College also has in place a Value for Money Strategy. Approved by the Audit Committee during 2017-18.</p>
External Audit	
<p>The external auditor must be entitled to receive all notices of and other communications relating to any meeting of the governing body which any member of the governing body is entitled to receive. They must also be entitled to attend any such meeting and to be heard at any meeting which they attend, on any part of the business which concerns them as auditors.</p>	<p>Arrangements are in place to ensure that external auditors are entitled to receive such forms of communication and attend any meetings as required.</p>
<p>The external auditor must also be entitled to attend the meeting of the governing body or other appropriate committee at which the institution's annual report and financial statements are presented.</p>	<p>The external auditors attend the Joint Audit and Finance Committee meeting at which the annual financial statements are approved.</p>
<p>The external auditor is expected to attend, as a minimum, any meetings of the Audit Committee where relevant matters are being considered, such as planned audit coverage, the audit report on the financial statements and the audit management letter. It is the responsibility of the secretary to the audit committee to notify the external auditor of such meetings.</p>	<p>The external auditors receive all agendas and minutes of Audit and Finance & General Purposes Committees and attend as required. The external auditors attend the Joint Audit and Finance Committee meeting which takes place annually and approves the annual financial statements.</p>

2 Scottish Public Finance Manual

2.1 During 2017/18 the College updated its Financial Regulations to ensure that these remained compliant with the SPFM.

2.2 The Financial Regulations were the subject of a previous internal audit review during 2016/17 which concluded that:

“We identified no significant areas of non-compliance and no significant issues that need to be addressed by the College. We did however identify a small number of areas where the College could align the Financial Regulations more closely with the FM and the SPFM to achieve greater consistency. In addition, we have noted some amendments that should be made to the Audit Committee Remit to encompass all of the requirements of the Audit Committee Handbook. With the exception of these points we have gained assurance that these documents are both fit for purpose.”

2.3 Annually the College is required to submit an assurance statement to the SFC in line with the requirements of the Scottish Public Finance Manual. This statement is received from all Colleges and allows the Chief Executive of the SFC to sign a similar assurance statement to the Scottish Government. The 2017/18 Assurance Statement has been submitted to the SFC as required.

2.4 Noted below are the key areas of the SPFM and how the College is complying with these:

Scottish Public Finance Manual	
5. The institution must follow the requirements of the Scottish Public Finance Manual, except where any special actions or derogations have been agreed with the Scottish Ministers.	<ul style="list-style-type: none"> • The internal auditors have reviewed the College Financial Regulations and confirmed that they comply with the requirements of the SPFM. • The internal auditors have also carried out reviews of College financial procedures which have confirmed compliance with the SPFM.
7. In cases where the SPFM requires bodies to notify or request prior approval from the Scottish Government, the institution must, in the first instance, contact SFC.	Where prior approval is necessary the College will comply with this requirement.
Cash management and banking	
12. The institution may extend existing banking arrangements provided they are not extended beyond Financial Year 2016-17. Any extension beyond Financial Year 2016-17 requires the agreement of the Scottish Ministers.	The College transferred as required to the Scottish Governments banking contract from August 2017.
13. The institution can operate bank overdraft facilities to assist it in managing the timing of income and expenditure through its bank account. Overdrafts should not be used as a means of increasing borrowing.	The College does not have in place overdraft arrangements with its bank nor does it require such arrangements at this time.
Contingent commitments	
14. The institution must seek SFC's prior written consent if it intends to lend or give a guarantee, indemnity or letter of comfort. The value of the guarantee should be equal to the total contingent liability over the term of the guarantee. In all cases, the institution must take steps to restrict the contingent liability to a minimum and should undertake a careful appraisal of the risks before accepting any contingent liability.	No such letters have been issued, however should this be required the College will seek the required written consent. College Financial Regulations include this requirement.
15. The institution should also provide assurance that, in the event of the contingent liability arising, it can be met from within the institution's own resource, or that appropriate insurance cover has been arranged.	No such event has arisen to date however it should occur such assurance will be provided.

<i>Delegated financial limits and annual reporting requirements</i>	
17. The institution's specific delegated financial limits are set out in the FM. The institution must obtain SFC's prior written approval before entering into any undertaking to incur any expenditure that falls out with these delegations.	The Financial Regulations incorporate the delegated limits set out by the SFC FM.
18. Prior SFC approval must always be obtained before incurring expenditure for any purpose that is, or might be considered, novel, contentious or repercussive or which has or could have significant future cost implications.	The College will ensure prior SFC approval is sought in the event any such expenditure is likely to arise.
20. In addition, any frauds that are detected must be reported to SFC as and when they occur.	Any detected frauds would be reported to the Board and SFC as required should they occur.
21. The institution must establish appropriate documented internal delegated authority arrangements consistent with the Delegated Authority section of the SPFM and the FM.	The Financial Regulations incorporate these delegated limits.
<i>Donation of surplus funds to arms-length foundations</i>	
23. The institution may donate any surplus on its income and expenditure account as at 31 March each year to its arms-length foundation. The donation must take place in the financial year in which it arises, and is subject to sufficient cash and resource cover being available.	The College made no donation made to an ALF as at 31 March 2018 and has not made any such donation since the initial year of merger in 2013-14. Should any donation be considered going forward then there will be compliance with the appropriate governance processes.

Condition	Response
<i>Duties to provide information on certain expenditure as required by The Public Services Reform (Scotland) Act 2010</i>	
<p>24. As soon as is reasonably practicable after the end of each financial year, the institution must publish a statement of any expenditure that it has incurred during that financial year on or in connection with the matters described below.</p> <ul style="list-style-type: none"> • Public relations, • Overseas travel, • Hospitality and entertainment, • External consultancy. 	<p>The College has been formally notified by the SFC that this is no longer a requirement after discussions with the Scottish Government.</p>
<p>25. As soon as is reasonably practicable after the end of each financial year, the institution must publish a statement specifying the amount, date, payee and subject-matter of any payment, relating to any of the matters listed above, made during that financial year which has a value in excess of £25,000.</p>	<p>As above (24).</p>
<i>Early departures of staff</i>	
<p>26. The institution must follow the requirements of the SPFM in determining settlement agreements, severance, early retirement and redundancy arrangements and payments. In addition, the institution must have regard to the principles of good practice in managing early departures of staff contained in Audit Scotland's May 2013 report: <i>Managing early departures from the Scottish public sector</i>.</p>	<p>The College follows the requirements in relation to these areas, and complied in seeking SFC approval for a College VS scheme which was agreed by the College Board of Management during January 2017, which covered the period to July 2019. Any matters arising in relation to such guidance are considered by the OD&HR Committee.</p>
<p>27. In line with the requirements of the SPFM, the institution's severance scheme must be approved by SFC. Provided a severance payment is within the parameters of a scheme, which has been approved by the SFC, there will be no need for the institution to seek approval to the individual payment from SFC.</p>	<p>Not applicable at this time however in the event a severance scheme is required prior approval will be sought from the SFC.</p>
<p>28. However, special severance payments in excess of £1,000 must be approved by SFC, except where provision for such payments has been included in a severance scheme approved by SFC.</p>	<p>Where a special severance payment is in excess of £1,000 prior approval will be sought from the SFC.</p>

Condition	Response
<i>External business and management consultancy contracts</i>	
<p>29. Any external consultancy contracts with a value of more than £100,000 must be approved in advance by the SFC.</p>	<p>The College does not have a consultancy contract in place at this level of value. Should there be an intention to award such a contract then the necessary SFC approval will be sought.</p>
<i>Impairments, provisions and write-offs</i>	
<p>30. Assets must be recorded in the Balance Sheet at Depreciated Replacement Cost (DRC) for Land and Buildings and at Historic Cost less depreciation for Equipment in accordance with the Financial Reporting Manual (FRM). Where an asset, including investments, suffers impairment, it is important that the prospective impairment and background is communicated to the SFC at the earliest possible point in the financial year to determine the budget implications. Any significant movement in existing provisions or the creation of new provisions must be discussed with the SFC.</p>	<p>Asset valuation under DRC was carried out for the year end 31/7/16 audit. As part of year-end work all assets are reviewed for major impairments and SFC informed in timely manner as required.</p> <p>In line with the College Fixed Asset policy the fixed assets of the College will be subject to a full valuation under the DRC methodology as at 31 July 2018.</p>
<i>Insurance</i>	
<p>33. The Scottish Ministers have agreed a derogation whereby institutions can extend their current commercial insurance arrangements for three years to 31 July 2021.</p>	<p>The College currently holds a full insurance portfolio for the period to 31 July 2018 and is in the process of renewing its commercial insurance for a further year.</p>
<i>Investments</i>	
<p>34. The institution must not make any investments of a speculative nature without the prior written approval of SFC.</p>	<p>The College has not taken out any speculative investments. Prior SFC approval will be sought for any speculative investments if required.</p>
<i>Procurement and payment</i>	
<p>35. The institution's procurement processes must reflect the relevant guidance provided by the Advanced Procurement for Universities and Colleges (APUC), and relevant policy and advice issued by the Scottish Procurement Directorate. Procurement must be undertaken by appropriately trained and authorised staff and treated as a key component of achieving the institution's objectives consistent with the principles of Best Value, the</p>	<p>College processes follow the relevant guidance, policies and advice provided by APUC and an approved College Procurement Strategy is in place. The College employs appropriately trained and authorised Procurement staff.</p>

Condition	Response
highest professional standards and any legal requirement.	
36. Any proposal to award a contract without competition (non-competitive action) must be approved in advance by SFC. Specific delegated authority is given to award a contract without competition for £25,000 or less without advance approval.	Approval for any such proposal will be sought in advance from the SFC if/as required.

3 Code of Good Governance

- 3.1 The College continues to follow the Code of Good Governance. The Board is currently conducting its annual self-evaluation exercise (closing date for responses 14 May 2018) which will be used to identify any areas that need to be reviewed or improved and also any development needs of the Board members. A report on the outcomes of this exercise will be produced and, once approved by the Board, will be forwarded to SFC and placed on the College website.
- 3.2 A Corporate planning session was held in April attended by Board members, co-opted Committee members and members of the Senior Management Team (SMT). The outcomes of this, together with the outcomes of the Board's annual self-evaluation exercise, will be used to update the Board Development Action Plan. Once revised and approved by the Board this Action Plan will also be forwarded to SFC and placed on the College website.

4 Regional Outcome Agreement (ROA)

- 4.1 The Audit Committee meeting of 7 September 2017 considered those areas of the 2017-18 Regional Outcome Agreement which fell within its remit and agreed the monitoring processes in relation to these in order to provide an update report on progress to the Board of Management in June 2018.
- 4.2 Under the outcomes associated with Efficient and Sustainable Regional Structures the ROA guidance states that 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.
- 4.3 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.
- 4.4 During the year the Audit Committee has been provided with a number of reports which provide assurance regarding achievement of the above ROA outcome, including:
- 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;
 - Report on outcome of National Fraud Initiative work;
 - 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

4.5 The Audit Committee is therefore asked to consider the progress that has been made in relation to the above areas of the 2017-18 ROA for which it has responsibility, in order to provide an update report to the Board of Management.

5 Dashboard of Performance Measures

5.1 The following measures were adopted by the Audit Committee during 2016-17 and have been updated for the Committees information:

a) Internal Audit Recommendations

Grade	1 (Low)	2	3	4 (High)	Total
2016/17	2	16	8	0	26
2017/18 to date	1	15	2	0	18

5.2 There are still two outstanding internal audit assignments to be undertaken for 2017-18 and therefore the figures are not comparable. However it should be noted that the College has not had any high priority recommendations made during 2017-18.

b) Audit Plan Progress 2017-18

	No. of Audits Planned	No. of Audits Complete	% Complete
Internal	8	5	63%
Other Audit Work	4	0	0%
Total	12	5	42%

5.3 The above figures show the position as at June 2018 and will be updated after the year end. The other audit work will be undertaken as part of the year end audits. As per the internal audit progress report there are two internal audit assignments to be undertaken as part of the 2017-18 plan – Procurement and Workforce Planning, both of which are in planning or progress. The final internal audit assignment is in relation to follow up work will now not be undertaken as a separate audit but as part of a quarterly review.

5.4 The College anticipates completing all required audit assignments.

6 Conclusion

- 6.1 This report seeks to provide assurance to the Audit Committee that in fulfilment of its' remit the College is operating in compliance with:
- The Financial Memorandum with SFC;
 - The Scottish Public Finance Manual; and
 - The Code of Good Governance
- 6.2 In addition there is a need for the Committee to demonstrate that it has met its requirements in relation to the relevant areas of the 2017-18 Regional Outcome Agreement and confirm this to the Board in June 2018.
- 6.3 The Audit Committee is requested to consider:
- the assurance provided in relation to governance compliance; and
 - the progress that has been made in relation to those 2017-18 ROA areas for which the Audit Committee has responsibility in order to provide an update to the Board of Management.

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 along with a summary of the recent Board of Management training session on risk appetite.

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;
- Whether any other risks should be considered for removal; and
- Whether any new risks should be considered for inclusion.

The Audit Committee is asked to note and consider the outcomes of the risk workshop and the next steps associated with these.

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 the Senior Management Team

- 2.1 The Board of Management approved the current version of the risk register at its meeting in March 2018 and a copy is provided with this report (Appendix A).
- 2.2 Since that meeting the College Senior Management Team (SMT) has carried out a periodic review of the College strategic risk register. In a number of instances the mitigating controls and actions taken have been updated to take account of items such as the SFC indicative funding announcement and ongoing interactions with the SFC.
- 2.3 Risk 1 has been amended, with the risk probability (previously 5 pre-mitigation and 4 post-mitigation) being amended to 6 following the SFC indicative funding announcement, with this resulting in an overall risk rating of 24.
- 2.4 The mitigations in relation to Risk 3 (Business Cases for Development of the Estate) have also been revised to reflect the fact that ongoing discussions with the SFC and wider partners are continuing and revised OBCs are now intended to be submitted later in 2018.
- 2.5 Following on from the recent Board of Management risk training session an addition has also been made to the risk register in the form of a risk score unique identifier.
- 2.6 The Strategic Risk Register is therefore 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.

3. West College Scotland Risk Management Training and Assurance

- 3.1 The College engaged Mott MacDonald to undertake a facilitated workshop with the Board of Management on the 26 March 2018 which aimed to:
- Supplement previous risk management training provided to the Board through a refresh presentation on the Risk Management Strategy including worked through examples and the recording of any changes required to the Colleges current operating environment; and
 - Facilitate a discussion on risk appetite in recognition that this may have altered from previous developed Strategy. Through this process the College may identify risks which may previously have been tolerable but which it now considers to be adverse to. This may result in a proposed update to the risk scoring parameters.

3.2 A copy of the Mott MacDonald slide presentation is attached for reference purposes at Appendix B.

3.3 The main outputs from the session included the following:

- The review of the current Risk Management Strategy indicated that the current approach and process is felt to be adequate based on the operating environment within which the College currently functions.

It was noted that the College is currently updating its Corporate Plan and the output from this exercise will require to be incorporated into the Risk Management Strategy and Strategic Risk Register. The attendees noted the linkage between the Corporate Plan and Strategic Risk Register and felt that any further development of the risk strategy, risk register and overall risk approach required to be undertaken in conjunction with the impending revision of the Corporate Plan.

- The embedding of the Risk Management Strategy had progressed well over the previous period and this embedding was to be further supplemented by workshops with senior College staff. The development of the Operational Planning process would assist with this embedding process from a bottom up perspective.
- The current risk scoring matrix was one that the College understood and was comfortable using and therefore is suitable for use going forward. Other options were considered but the current approach was considered the most appropriate at this stage.
- Consideration to be given to the introduction of:
 - A specific reference being applied to each risk which is maintained regardless of position on the risk register.
 - A Dashboard Report at the start of the Strategic Risk Register. This was felt to add value to the process by clearly identifying the high level risks faced by the College along with movements. However the attendees noted that its introduction should not detract from a detailed review and understanding of the individual risks. An initial summary example of this has been included with the risk register report tabled at this meeting.
 - A further True Risk score which would aim to identify where the College aims to be in the future in relation to the particular risk. Whilst this was seen as a positive step it was felt to be a development for future consideration given where the College is currently placed on its risk management journey.

- The introduction of a risk appetite statement was considered as a positive step as it allows users to understand the nature of the risks the College is willing to accept or where action should be taken to mitigate the risk. It was agreed this statement should be linked to the updated Corporate Plan and will be reviewed once the Plan has been finalised.
- The Board were also asked to consider the positioning of the consideration of risk within any agendas. It was noted that there are pros and cons with having risk as an agenda item early in the agenda, later in the agenda and/or at both the start and end of the agenda. Attendees agreed that individual Board sub-committees should seek to adopt an approach which met their requirements.

3.4 The workshop concluded that good progress has been made on integrating risk management into the operations of the College. The Board of Management continues to own and discuss the direction of travel for risk management in the College.

3.5 A number of recommendations were considered by the attendees for implementation in conjunction with development of the updated Corporate Plan including:

- The introduction of a formal risk management appetite statement;
- Revisions to risk appetite rating of Corporate Strategic Objectives;
- The introduction of a “true” target risk score; and
- Prioritisation of risk management on Board and Committee agendas.

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;
- Whether any other risks should be considered for removal; and
- Whether any new risks should be considered for inclusion.

4.2 The Audit Committee is also asked to note and consider the outcomes of the risk workshop and the next steps associated with these.

Strategic Risk Register Dashboard Report

Risk register reference date:

May-18

Committee review date:

24-May-18

Top 5 risks this period					Risk Register Values												
Ref	Risk	Probability	Impact	Score													
WCS 1	Negative impact of SFC funding changes including core-grant-in-aid, 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.	6	4	24	<p>Number of Risks</p> <table border="1"> <thead> <tr> <th>Score</th> <th>Number of Risks</th> </tr> </thead> <tbody> <tr> <td>24</td> <td>1</td> </tr> <tr> <td>16</td> <td>2</td> </tr> <tr> <td>12</td> <td>3</td> </tr> <tr> <td>9</td> <td>5</td> </tr> <tr> <td>6</td> <td>3</td> </tr> </tbody> </table> <p>Risk 1 has been amended, with the risk probability (previously 5 pre-mitigation and 4 post-mitigation) being amended to 6 following the SFC indicative funding announcement, with this resulting in an overall risk rating of 24.</p> <p>The mitigations in relation to Risk 3 (Business Cases for Development of the Estate) have also been revised to reflect the fact that ongoing discussions with the SFC and wider partners are continuing and revised OBCs are now intended to be submitted later in 2018.</p>	Score	Number of Risks	24	1	16	2	12	3	9	5	6	3
Score	Number of Risks																
24	1																
16	2																
12	3																
9	5																
6	3																
WCS 2	Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT and physical infrastructure.	4	4	16													
WCS 3	Business cases for development of estate are delayed, impacting upon ability of College to recruit students / retain staff.	4	4	16													
WCS 4	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.	4	3	12													
WCS 5	Impact and outcome of National Pay Bargaining for both teaching and support staff.	6	2	12													

WEST COLLEGE SCOTLAND STRATEGIC RISK REGISTER 2017-18

Risk No.	Risk Reference	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	WCS 1	1,2,3,11	Negative impact of SFC funding changes including core-grant-in-aid, 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.	6	4	24	1) 2017/18 budget approved in conjunction with 5 year future financial scenario planning and detailed assumptions. 2) Detail of 2018/19 indicative SFC funding received on 27 February 2018. This indicates a level of core funding which is not greater than in 2017/18; a reduction in the level of activity the College will be required to deliver; a change in the estates funding methodology which will impact upon College operations; and no specific funding in order to meet the cost of any annual pay increases. The College is also awaiting an understanding of the impact and outcomes arising from the national appeal process for WCS promoted staff. Thus the College will face a number of financial challenges arising from this. 3) Robust forecasting including production and review of monthly management accounts. 4) Estates Strategy including objective to improve / rationalise the College estate utilising estate maintenance funding. 5) Commercial Development Group reporting to Corporate Development Committee with focus on maintaining and growing income including ESF activity. 6) Robust monitoring of current and future curriculum delivery plans (CMAP) including staffing requirements. 7) Significant work undertaken to embed Workforce Planning into College operations / planning. 8) On going discussions with SFC combined with modelling of financial and delivery scenarios. 9) Active College representation and involvement in external SFC review groups - Director of Finance network; Credit review; Access and Inclusion; Rural and remoteness Premium; and Student Funding.	6	4	24	VP Operations / VP Educational Leadership

Risk No.	Risk Reference	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	
2	WCS 2	1,2,3,11	Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT and physical infrastructure.	5	4	20	1) College Estate Strategy submitted to SFC, reviewed by internal audit and Year 1 implementation update provided to Board of Management Estates Committee. 2) 2018/19 indicative funding for estates now split into lifecycle maintenance and high priority maintenance. Reduction in lifecycle maintenance will present college with operational challenges as financial modelling assumed flat cash settlement in future years. Initial discussions have been had with the SFC on nature of spend under high priority maintenance heading. Further work to be done to establish what funding can be spent on. There is also a need to understand the basis of estates maintenance funding allocation beyond 2018/19. 3) WCS participation in SFC/sector Capital Working Group. 4) College working with the SFC to review Outline Business Case for Greenock. Discussions being progressed with Inverclyde Council as to nature of future development. 5) Outline Business Case for the development of the Paisley campus submitted to the SFC. Feedback from the SFC in relation to the OBC received in February 2018 and work is now ongoing to progress this to agreed completion. 6) SFC have issued the outcome of a national College estate condition survey. College requires further understanding from the SFC as to how this will be used to inform the prioritisation and funding of major college sector infrastructure projects.	4	4	16	VP Operations

Risk No.	Risk Reference	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	
3	WCS 3	1,2,3,11	Business cases 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) College Estate Strategy highlights required estate investment for consideration by SFC and Scottish Government. 3) Option Appraisal and Outline Business Case for College estate in Greenock and Paisley submitted to the SFC. Response received from SFC in regard to Paisley OBC and College now working through making necessary changes and liaising with partners as required. College also meeting with Inverclyde Council in seeking to progress Greenock plans and liaising with the SFC and SFT on next steps regarding this. Revised OBCs are expected to be submitted to the SFC in late summer 2018. 4) 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. 5) Ongoing involvement in sector/SFC capital working group enables WCS input to ongoing discussions in relation to SFC estates maintenance allocation methodology and capital allocations. 6) Ongoing engagement with SFC in relation to implementation of national estate condition survey review and future direction of travel.	4	4	16	VP Operations
4	WCS 4	1, 3, 5, 6	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.	5	4	20	1) Improving working relationships with local authorities and school head teachers in order to access attainment funding in support of College activities in this area. 2) Continued engagement with SFC over likely impacts of "intensification of ROA objective monitoring" for current and future year delivery and funding. 3) 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. 4) Detailed curriculum development planning and review process which has been subject to review by internal audit. 5) Blended approach to delivery of teaching and learning including distance and online learning allowing College to address changes in recruitment and delivery. 6) Curriculum offering is reviewed to ensure employer and student needs are met and appropriate courses delivered.	4	3	12	VP Educational Leadership

Risk No.	Risk Reference	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	
5	WCS 5	3, 11	Impact and outcome of National Pay Bargaining for both teaching and support staff.	6	3	18	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) 2018/19 Indicative SFC funding included an allocation in order to meet the initial costs of national bargaining. However further information and understanding of how this will be funded beyond 2018/19 is required. 4) Business continuity Planning considers impact of industrial action, with specific plans in place. 5) Local trade union consultation and negotiating committees for support and teaching staff continuing to meet on an ongoing basis in order to maintain positive College industrial relations. 6) Robust college sector and WCS communications plan. 7) Local workforce planning arrangements subject to positive internal audit review (May 2017) - with a follow up review planned during 2018.	6	2	12	Principal
6	WCS 6	2, 3	Failure to maintain or acquire and use IT systems and infrastructure to support the digital ambitions of the College.	4	4	16	1) IT Strategy, Policies / Procedures and system access processes in place. The Finance and General Purposes Committee have reviewed progress achieved in delivering the IT Strategy as at Year 2 and are satisfied with progress given the level of resource available to the College - although recognise that the College digital ambitions are being constrained by the level of SFC funding. Strategic dialogue with the SFC is therefore ongoing in an effort to secure the required level of funding in order to deliver College digital ambitions. 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. 5) Review of College cyber resilience undertaken with a plan in development to secure Cyber Essentials Plus accreditation by October 2018 in accordance with Scottish Government guidelines. 6) Development of College Digital Strategy with assistance from external organisations. 7) Development of funding bid based on above work for submission to SFC to ensure IT systems are fit for purpose.	4	3	12	VP Operations

Risk No.	Risk Reference	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	WCS 7	2, 11	Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery.	3	4	12	1) Internal audit report on Business Continuity Planning highlighted areas for development. Action being taken to address the audit recommendations with updates being provided to Audit Committee. 2) Internal audit have carried out IT security health check with aim of preparing the College to answer requirements of Governments Cyber resilience Strategy. Action plan in place to address recommendations made. 3) Incident response plan has been updated and communicated to all relevant staff. 4) Effective estate response procedures to incidents. 5) Adequate insurance cover to assist in recovery after an incident. 6) Risk assessment process well embedded at strategic level now being further embedded at operational level. Review of risk appetite undertaken by Board and SMT. 7) Planned preventative maintenance regime in place including fire and intruder alarms. 8) Engagement of external consultancy support to assist with addressing requirements of cyber resilience action planning and implementation.	3	3	9	VP Operations
8	WCS 8	2, 9, 11	Unable to develop and commence implementation of an Estate Strategy that achieves the agreed criteria for size, quality, flexibility and carbon emissions	3	4	12	1) Estate Strategy 2016-2026 approved by Board of Management and submitted to SFC. 2) Improvements to infrastructure and equipment are actioned and updated annually based on funding available. 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) College wide 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 develop and implement the College Estate Strategy 2016-26. 7) 2018/19 indicative funding for estates now split into lifecycle maintenance and high priority maintenance. Reduction in lifecycle maintenance will present College with operational challenges as financial modelling assumed flat cash settlement in future years. Initial discussions have been had with the SFC on nature of spend under high priority maintenance heading. Further work to be done to establish what funding can be spent on. There is also a need to understand the basis of estates maintenance funding allocation beyond 2018/19.	3	3	9	VP Operations

Risk No.	Risk Reference	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	
9	WCS 9	3, 4, 11	Inability to maintain positive staff relations	4	3	12	1) Internal audit report on Workforce Planning confirmed positive outcomes based on Audit Scotland guidance. 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 and negotiations. 4) Staff engagement session and staff surveys undertaken on regular basis allowing issues to be addressed early. 5) Local trade union consultation and negotiation committees in place for teaching and support staff and meet on an ongoing basis	3	3	9	Principal
10	WCS 10	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	1) Internal working groups have been set up to develop College workforce Plan and associated reporting requirements. 2) Detailed teaching resource planning through use of curriculum mapping tool (CMAP). 3) Resourcing of support staff structures reviewed on an ongoing basis by Executive Management Team to ensure alignment with operational and strategic priorities. 4) Itrent HR and Payroll software developed to provide staff data and reports. 5) Professional Development Policies are aligned to strategic priorities. 6) Roll out of College CPD review process is ongoing and supports succession planning, leadership development and assists in mitigating the impact of the loss of key staff. 7) Internal audit reviewed workforce planning as part of 2016/17 audit plan. Action plan developed to address recommendations made. Follow up audit of work carried out planned as part of 2017/18 work.	3	3	9	VP Educational Leadership VP Operations
11	WCS 11	5, 6, 8, 11	Inability to specify, deliver and effectively implement an approach to generation of alternative income	3	4	12	1) Development of strong partnerships with local employers and stakeholders. 2) Operation planning process used to identify potential opportunities for income growth. 3) Adaption of course portfolio to meet student / employer needs. 4) Financial strategy and planning in place to address resource needs and redirect as required. 5) Review of resources required within Curriculum Development Planning procedure. 6) Annual financial target is agreed and monitored by the Corporate Development Committee. 7) Commercial Development Group reporting to Corporate Development Committee.	3	3	9	VP Corporate Development

Risk No.	Risk Reference	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	
12	WCS 12	1,2,3,11	Failure to invest sufficient resource (financial / staff) into delivery of College Carbon Management Plan (CMP) resulting in negative publicity and failure to achieve ROA outcomes.	3	3	9	1) Approval of CMP by Board of Management in October 2016 with this subsequently being submitted to the SFC. 2) Specific resource - staff and funding - allocated to allow CMP to be implemented. 3) Development of Sustainability Group involving board, staff and student representatives. 4) Annual Scottish Government report on carbon management and wider sustainability issues now reported on for second year. 5) College on target to achieve objectives of CMP including 10% reduction in emissions.	2	3	6	VP Operations
13	WCS 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 embedded within the operations of the College. 6) Working with other Colleges to pool resources and minimise duplication of effort.	3	2	6	Principal
14	WCS 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

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 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
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 governance requirements • Review of court judgement – Glasgow Clyde College • Review of College Articles of Governance / Scheme of Delegation and Standing Orders 	Y		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"> • 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 National Fraud Initiative • Value for Money Policy / update report 	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
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 	Y Y				
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 • Register of Interest for Board and Committee members 	Y 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 		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"> Governance Statement Financial Statements July 2017 	Y	Y Y			
<u>2017/18</u> <ul style="list-style-type: none"> External audit fee proposal 2017-18 External Audit Engagement Strategy 2017-18 Approval of contractor for other audit work 					Y Y Y
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	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			

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint Meeting with FGP)	14/12/17	8/3/18	24/5/18
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 Review / update - internal audit contract 			Y	Y	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 	Y				Y
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
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	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 	Y				
	Y				
<u>2017-18</u>					
<ul style="list-style-type: none"> A5. Payroll and expenses (OD&HR) A9. Procurement and tendering (F&GP) (to be presented to first meeting of 18/19) 				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"> B5. Student experience C1. Workforce management (OF&HR) (to be presented to first meeting of 18/19) 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
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 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

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint Meeting with FGP)	14/12/17	8/3/18	24/5/18
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 / funding) 	Y			Y	Y
To establish appropriate performance measures and indicators to monitor the 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 					

REMIT	DELIVERABLES				
	7/9/17	21/11/17 (Joint Meeting with FGP)	14/12/17	8/3/18	24/5/18
4) Risk					
To review the Risk Management Strategy and recommend to the Board for approval					
• Review of College Risk Management Strategy			Y		
To consider the Strategic Risk Register and to advise the Board accordingly					
• Report on College 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.					
• Report on Strategic Risk Register	Y		Y	Y	Y
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					

TITLE: PROPOSED DATES OF MEETINGS IN 2018/19

Background: Consideration has been given to the schedule of meetings for the Board and its committees in session 2018/19. The Committee is asked to note that it is proposed that it meet on the following dates in 2018/19:

6 September 2018
13 December 2018
14 March 2019
23 May 2019

All Thursdays starting at 4.00 p.m.

Additionally the Joint meeting with the Finance and General Purposes Committee will be held on **Tuesday 20 November 2018 at 4.00 p.m.** to look at the Financial Statements before they are submitted to the Board for approval.

The proposed schedule of Board and committee meeting dates for 2018/19 is attached for information.

Action: The Committee is asked to consider and agree these dates.

Lead: Gwen McArthur, Secretary to the Committee

Status: Open

Dates of Meetings in 2018/19

Committee	Aug	September	October	November	December	January	February	March	April	May	June
BOARD Mondays at 4.00 p.m.			8 C		3 P		4 G	25 P			17 P
Audit Thursdays at 4.00 p.m.		6			13			14		23	
Joint Audit & Finance				20 4.00 p.m.							
Finance and GP Tuesdays at 4.00 p.m.		25		20 2.00 p.m.				5			4
Corporate Development Tuesdays at 4.00 p.m.			23				19			7	
Estates Tuesdays at 4.00 p.m.		11 C			11 G		26 P			28 C	
OD&HR Wednesdays at 4.00 p.m.		12		7			13			15	
LTV Wednesdays at 4.00 p.m.			24 C				20 P			22 G	

NOTE: the venue for the Board and some Committee meetings will alternate between different Campuses as indicated above.

C = Clydebank; G = Greenock; P = Paisley.