

**West College Scotland
AUDIT COMMITTEE**

**21 May 2020 at 3.45 p.m.
by Skype**

AGENDA

**Audit Committee to meet with College staff only (3.45 pm)
Agenda item 1 is considered restricted business**

| | | |
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| 1. Annual Evaluation of Internal Auditors | Paper 1 | SG |
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Audit Committee to meet with Internal Auditors only (4.00 pm)

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| 2. Closed session review with internal auditors | Verbal | |
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General Business (4.20 pm)

3. Welcome and Apologies

4. Declaration of Interests

| | | |
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| 5. Minutes of the meeting held on 12 March 2020 | Enclosed | JM |
| Actions from the Minutes | Enclosed | JM |

6. Matters arising from the minutes
(and not otherwise on the agenda)

| | | |
|---|--------|----|
| .1 Internal and other audit services contract | Verbal | DA |
| .2 Audit and Assurance Framework Update | Verbal | AR |

External Audit

| | | |
|---|---------|----|
| 7. 2019-20 Audit Strategy Memorandum and Fee Proposal | Paper 7 | LN |
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Internal Audit

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| 8. Internal Audit Report – Continuing Professional Development | Paper 8 | EY |
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| 9. Internal Audit Report – Online Resources | Paper 9 | EY |
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| 10. Internal Audit Report – Regional Outcome Agreement (Stage 2) | Paper 10 | EY |
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| 11. Internal Audit Annual Plan 2019-20 Update | Paper 11 | EY |
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| 12. Rolling Audit Action Plan | Paper 12 | AR |
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| 13 Draft Annual Internal Audit Report 2019-20 | Paper 13 | EY |
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| 14 Draft Internal Audit Plan 2020-21 | Paper 14 | GG |
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Restricted Business

15. WCS Fraud Update Paper 15 DA

Items for Discussion/Approval

16. Risk Management Strategy and Strategic Risk Register Paper 16 AR

17. Governance Compliance and ROA Outcomes Paper 17 DA

18. Annual Review of the Effectiveness of the Audit Committee Paper 18 SG

Items for Information (to note only)

19. SFC Funding Announcement 2020-21 Paper 19 DA

20. Schedule of Business 2019-20 Paper 20 AR

21. Committee Remit, Membership and Dates of Meetings in 2020/21 Paper 21 SG

22. Any other business

Next meetings: **TBC**

Shirley Gordon
Secretary to the Committee

TITLE: ANNUAL EVALUATION OF THE INTERNAL AUDITORS

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Audit Committee: Actions from the Minutes

| Date of Meeting | Min Ref | Matter for Action | Responsible Person | Action Taken | Timescale (where applicable) |
|-----------------|---------|---|--------------------|---|------------------------------|
| 12 Mar 2020 | AM475 | Audit and Assurance Committee Handbook Update Committee would continue to be updated on developments. | A Ritchie | | Future Meeting |
| " | AM476 | Internal Audit Report – Equality and Diversity The Committee approved the report and agreed it should also be considered at the next HRCDC meeting. | S Gordon | Was included in the HRCDC 17 March 2020 agenda and noted. | Complete |
| " | AM477 | Internal Audit Report– Digital Strategy The Committee approved the report, asked that the College Digital Strategy be circulated to members and agreed that the report should also be considered at the next LTQC meeting. | S Gordon | 1 - College Digital Strategy was circulated by email on 16 March. 2 – Report is on the LTQC agenda for its meeting schooled for 20 May 2020. | Complete |
| " | AM480 | Annual Review of Effectiveness of the Committee The Committee considered and approved the wording of the questionnaires, the approach to be taken and the timetable for this. | S Gordon | Would be undertaken for presentation at the next Audit Committee meeting on 21 May. | May 2020 meeting |
| " | AM481 | Risk Management Strategy Report The Vice Principal Operations proposed to share, with the Committee Chair, a draft of a new format of the report could be adopted going forward (to ensure it was presented in a way that was as accessible and easy to follow as | D Alexander | | May 2020 Meeting |

| Date of Meeting | Min Ref | Matter for Action | Responsible Person | Action Taken | Timescale (where applicable) |
|-----------------|---------|--|--------------------------|---|------------------------------|
| | | possible). The Committee agreed to this approach. | | | |
| " | AM483 | Anti-Bribery and Corruption Policy The Committee approved, for presentation to the Board of Management, the updated Anti-Bribery and Corruption Policy. | D Alexander | Audit Committee recommended that the Board approve this – which it did on 23 March. | Complete |
| " | AM487 | Internal Audit and Other Services Contract The Committee approved the award of the provision of Internal and Other Audit Services contract to Wylie and Bisset for a period of three years from 1 August 2020 to 31 July 2023 - with the option to extend the contract for a further two years (to 31 July 2025) on a one year plus one-year basis. This approval would be submitted for endorsement to the Board of Management meeting scheduled for 23 March 2020. | D Alexander | Audit Committee recommended that the Board approve this – which it did on 23 March. | Complete |
| | | Actions from previous minutes | | | |
| 4 Sep 2019 | AM438 | Value for Money Policy Report Consideration on how the College compared with Audit Scotland's framework should be conducted and outcomes provided in next year's annual report. | A Ritchie | | September 2020 |
| | AM429 | Annual Evaluation of Internal Auditors Consideration to be given to number of days required for internal audit service in future | D Alexander A Ritchie | To be considered as part of discussion regarding the contract renewal for internal and other audit services | Complete |

| Date of Meeting | Min Ref | Matter for Action | Responsible Person | Action Taken | Timescale (where applicable) |
|-----------------|---------|--|--------------------|--------------|------------------------------|
| | AM410 | College Governance: Ministerial Statement Committee to be kept informed of progress with changes | S Gordon | | Future meeting |

AUDIT COMMITTEE

MINUTES: Thursday 12 March 2020.

PRESENT: John McMillan (in the Chair), Wai Wong, Andrew Hetherington, Graeme Bold.

ATTENDING: Liz Connolly (Principal), David Alexander (Vice Principal Operations), Alan Ritchie (Director of Finance and Estates), Shirley Gordon (Secretary to the Committee).

ATTENDING BY INVITATION: Claire Beattie (Scott Moncrieff), Paul Kelly (Scott Moncrieff).

BY INVITATION:

APOLOGIES: Elizabeth Young (Scott Moncrieff), Joanne Buchanan (Mazars).

AM470 DECLARATIONS OF INTERESTS

- John McMillan and Liz Connolly - as Trustees of West College Scotland Foundation.
- David Alexander - as a Board member of the Scottish Funding Council and as Chair of the Scottish Funding Council Audit and Compliance Committee.

AM471 MINUTES

The minutes of the meeting held on 12 December 2019 **were approved.**

AM472 ACTIONS FROM THE MINUTES

The Committee noted the actions taken and outstanding since the last meeting.

AM473 MATTERS ARISING FROM THE MINUTES (AND NOT OTHERWISE ON THE AGENDA)

There were no matters arising not otherwise on the agenda to be considered.

AM474 MINUTES OF THE JOINT AUDIT AND FINANCE & GENERAL PURPOSES COMMITTEE MEETING

The Minutes of the Joint Audit and Finance & General Purposes Committee meeting held on 19 November 2019 **were approved.**

AM475 AUDIT AND ASSURANCE COMMITTEE HANDBOOK UPDATE

The Director of Finance and Estates reported that work was ongoing to update the Assurance Framework with an anticipated completion timescale of the end of the calendar year. **It was agreed that the Committee would continue to be updated on developments.**

AM476 INTERNAL AUDIT REPORT – EQUALITY AND DIVERSITY

The Internal Auditor reported that, as part of the internal audit programme for 2019-2020, Scott Moncrieff conducted a review which considered the College's mechanisms for promoting staff equality and diversity and embedding these principles throughout the College including setting equality outcomes, implementing actions and ongoing monitoring and reporting.

The Internal Auditor led the Committee through the report which concluded that *“West College Scotland’s equality and diversity processes generally reflect good practice and have been appropriately designed”*.

The report identified several areas of good practice and three areas for improvement that, if addressed, would strengthen the College control framework. Management had accepted the recommendations and initiated the management actions noted in the report to address these.

The Committee approved the report and agreed it should also be considered at the next HR CDC meeting. {ACTION – SG}

AM477 INTERNAL AUDIT REPORT– DIGITAL STRATEGY

Claire Beattie reported that, as part of the 2019-20 Internal Audit Plan, Scott Moncrieff sought to confirm that there were adequate processes in place for the development of the College's Digital Strategy and that planning would support implementation.

The Internal Auditor led the Committee through the report which concluded that “the College had an extensive engagement process in producing its Digital Strategy during 2019. The Strategy includes a number of objectives which are aligned to the College’s Corporate Strategy. We also noted that there was effective governance in approving the Strategy. At the time of our audit work, whilst the Digital Strategy had been approved, the College had still to undertake formal processes to produce a plan which set out the activities that would be delivered to fulfil the Digital Strategy objectives. We have provided detailed recommendations for management on the processes and controls that should be established for delivery and oversight of the Digital Strategy”.

The report identified several areas of good practice and one area for improvement which related to the creating of an oversight group to monitor the implementation of the Strategy. As part of that implementation, a detailed plan would be created which was tied into the Financial Strategy of the College. Management had accepted the recommendation and initiated the management action noted in the report to address the issues identified.

The Committee approved the report, asked that the College Digital Strategy be circulated to members and agreed that the report should also be considered at the next LTQC meeting. {ACTION – SG}

AM478 INTERNAL AUDIT ANNUAL PLAN 2019-20

Claire Beattie reported that the Audit Committee approved the 2019-20 College internal audit plan in May 2019. She provided the Audit Committee with an update on 2019-20 internal audit activity to date, reporting that the internal auditors had, in line with the agreed programme of work, completed two reviews in the period since the previous Committee meeting:

- Equality and Diversity.
- Digital Strategy.

The remaining review to be undertaken from the Internal Audit Plan 2019-20 had been scheduled, with the outcomes to be presented to the May 2020 Committee meeting.

The Committee noted the report.

AM479 ROLLING AUDIT ACTION PLAN

The Director of Finance and Estates explained that the purpose of Rolling Audit Action Plan (RAAP) was 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 and approved by the Committee.
- b) External auditor management letter recommendations received as part of the year end reports made to the Joint Audit / Finance and General Purposes Committee.

He led the Committee through the report summarising the movement in relation to audit recommendations made since the last meeting and confirmed that the RAAP was reviewed by relevant staff on a continual basis and the College considered good progress was being made addressing the recommendations made by both the internal and external auditors.

The Committee approved:

- a) **The removal of 4 internal audit recommendations following the completion of the review work carried out by the internal auditor;**
- b) **An extension of time for 1 recommendation; and**
- c) **The Rolling Audit Action Plan.**

AM480 ANNUAL REVIEW OF EFFECTIVENESS OF THE COMMITTEE

The Secretary to the Committee explained that the Audit Committee's remit stated that it would 'review its own effectiveness at least annually and to report the results of that review to the Board'. She outlined the process proposed for the 2019-20 review of the Audit Committee's effectiveness which followed that agreed in previous years with one exception. In December 2019, the Audit Committee undertook a review of the External Auditor immediately following the completion of the external audit work. This was to ensure that the outcome from the audit was fresh in Committee members minds when undertaking the review. Given that the Committee had already undertaken a review of the External Audit Service, it would, therefore, only be issued with the two questionnaires this time around relating to:

- Evaluation of the Audit Committee.
- Evaluation of the Internal Auditors.

It was proposed that completed questionnaires be returned by Monday 6 April 2020 so that a report could be provided to the May 2020 Audit Committee for consideration and action as appropriate. Thereafter, the Audit Committee would report to the Board on its findings at the meeting in June. It was agreed that the College auditors would be asked to complete an Audit Committee evaluation form in order to inform the process, and that Committee members and key College executive officers would complete the evaluation form relating to internal auditors.

The Committee considered and approved the wording of the questionnaires, the approach to be taken and the timetable for this.

AM481 RISK MANAGEMENT STRATEGY REPORT

The Director of Finance and Estates reported that, in accordance with the Corporate Governance Code, the College Board of Management was tasked with ensuring a framework of risk management and control was in place. He provided:

- An update on the actions taken by the College to develop the College Risk Management Strategy;
- The next steps in the development of the College Risk Management Strategy.
- The current College Strategic Risk Register for the consideration of the Audit Committee.

The Committee discussed, in detail, the ten risk categories as well as the definitions of the five risk appetite levels. The Director of Finance and Estates explained that,

following a discussion at the February 2020 Board meeting, the risk appetite applicable to each of the ten risk categories was agreed.

The overall framework was commended by the Committee. Given the format of the Risk Register was now required to capture a significant amount of information, the Vice Principal Operations proposed to share, with the Committee Chair, a draft of a new format of the report could be adopted going forward (to ensure it was presented in a way that was as accessible and easy to follow as possible). The Committee agreed to this approach. **{ACTION – DA}**

The Vice Principal Operations reported that the College had completed a questionnaire issued by the SFC in respect of its preparedness in the event of a coronavirus outbreak and was responding daily. An executive team subgroup had been established to lead this work in accordance with Government guidance and in line with the College Business Continuity Plan.

The Committee:

- **Noted the update on the actions taken to embed risk across the College.**
- **Approved the next steps in the development of the College Risk Management Strategy.**
- **Reviewed and approved the College Strategic Risk Register and in doing so considered:**
 - ❖ **The risks included in the register.**
 - ❖ **The revised risk rating both pre and post mitigation.**
 - ❖ **Whether any other risks should be considered for removal.**
 - ❖ **Whether any new risks should be considered for inclusion.**

AM482 PUBLIC SECTOR ACTION PLAN ON CYBER RESILIENCE REPORT

The Vice Principal Operations reported that the remit of the Audit Committee included:

“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”.

He provided the Committee with information on the Cyber Resilience Framework, Supply Chain Cyber Security Guidance, and the College’s planning for responding to these publications. The Committee noted the requirements of the Cyber Reliance Framework would likely be incorporated into the Scottish Public Finance Manual during 2020. The Finance and General Purposes Committee had been provided with regular updates on the College’s response to the Scottish Government’s Public Sector Action Plan on Cyber Resilience since March 2018. This had included papers providing an update on the development of the Scottish Public Sector Cyber Resilience Framework. The Finance and General Purposes Committee would continue to have oversight of this area and receive further update reports on implementation within the College going forward.

The Vice Principal Operations outlined the Scottish Government’s proposed approach to implementation and reporting arrangements for the Framework. With these timescales in mind, the College had brought together a group of key staff to build a plan to respond to the Framework and it had performed an initial review of the published documents.

The Committee noted:

- **The implications for the College as outlined within the Cyber Resilience Framework and Supply Chain Cyber Security Guidance.**
- **The College’s planned response to the publications.**

AM483 ANTI-BRIBERY AND CORRUPTION POLICY

The Director of Finance and Estates explained that the Audit Committee remit included the requirement:

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

As part of the fulfilment of that requirement, the College would update and present for review to the Committee several Policies and Procedures. One of the internal control procedures utilised by the College to prevent fraud was the Anti-Bribery and Corruption Policy. That Policy had been reviewed by the College lawyers and updated to reflect best practice. He led the Committee through a tracked change version of the Policy for the Committee to review.

The Committee approved, for presentation to the Board of Management, the updated Anti-Bribery and Corruption Policy.

AM484 PROCUREMENT (PCIP) AUDIT OUTCOME

The Director of Finance and Estates presented the outcome of the Procurement and Commercial Improvement Programme (PCIP) audit review which took place in October 2019. The PCIP review was undertaken by the procurement centre of expertise for universities and colleges – Advanced Procurement for Universities and Colleges (APUC). Under the current public sector procurement operating framework PCIP reviews were undertaken every two years.

He led the Committee through the external assessment of College procurement policies and procedures which formed part of the assurance map which the College was developing.

The Director of Finance and Estates reported that the assessment resulted in an overall outcome rating of 76% which was performance band Gold, a significant improvement on the 2016 rating. Although there was no published sectoral table of PCIP rating reviews, through discussion with APUC staff, the College understood that the Gold banding put West College Scotland near the top of the 2019 PCIP outcomes across all institutions in Scotland. This outcome supported and validated the continuous improvement work and actions detailed within the College Procurement Strategy and Operational Plans, and as reported to the Finance and General Purposes Committee. The review also identified some areas for continued improvement and the College was developing an action plan to address these and which would be incorporated into the refresh of the Procurement Strategy due to take place towards the end of the 2020 calendar year.

The Committee noted the outcome of the 2019 College PCIP review.

AM485 SCHEDULE OF BUSINESS 2019-20

The Director of Finance and Estates outlined the remit of the Audit Committee and how the schedule of business assisted in fulfilling this. The schedule of business

was also used to inform the Annual Report of the Chair of the Audit Committee to the Board of Management.

The Committee noted the 2019-20 Schedule of Business.

AM486 ANY OTHER BUSINESS

- No other business items were raised.
- Date of Next meeting - Thursday 21 May 4.00 p.m. in Abercorn 2, Paisley Campus

The following item was considered by members of the Audit Committee and College staff only

AM487 INTERNAL AND OTHER AUDIT SERVICES CONTRACT

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
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Audit Strategy Memorandum

West College Scotland

Year ending 31 July 2020





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Wider scope work
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

This document is to be regarded as confidential to West College Scotland. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance by the Board of Management. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

The Board of Management
West College Scotland
Paisley Campus
Renfrew Road
Paisley
PA3 4DR

21 May 2020

Dear Members,

Audit Strategy Memorandum – Year ending 31 July 2020

We are pleased to present our Audit Strategy Memorandum for West College Scotland for the year ending 31 July 2020.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing West College Scotland which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor. We recognise that West College Scotland, in common with other public bodies, is under exceptional pressure whilst managing the impact of the COVID-19 pandemic. At the point of writing, much is unknown about future financing across the further education sector and how Colleges will operate going forward. As the impact of the pandemic on College finances and operations become more fully understood, we will review and assess our planned audit strategy and report to you where we recognise changes are required.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0738 724 2052.

Yours faithfully

Lucy Nutley
Mazars LLP

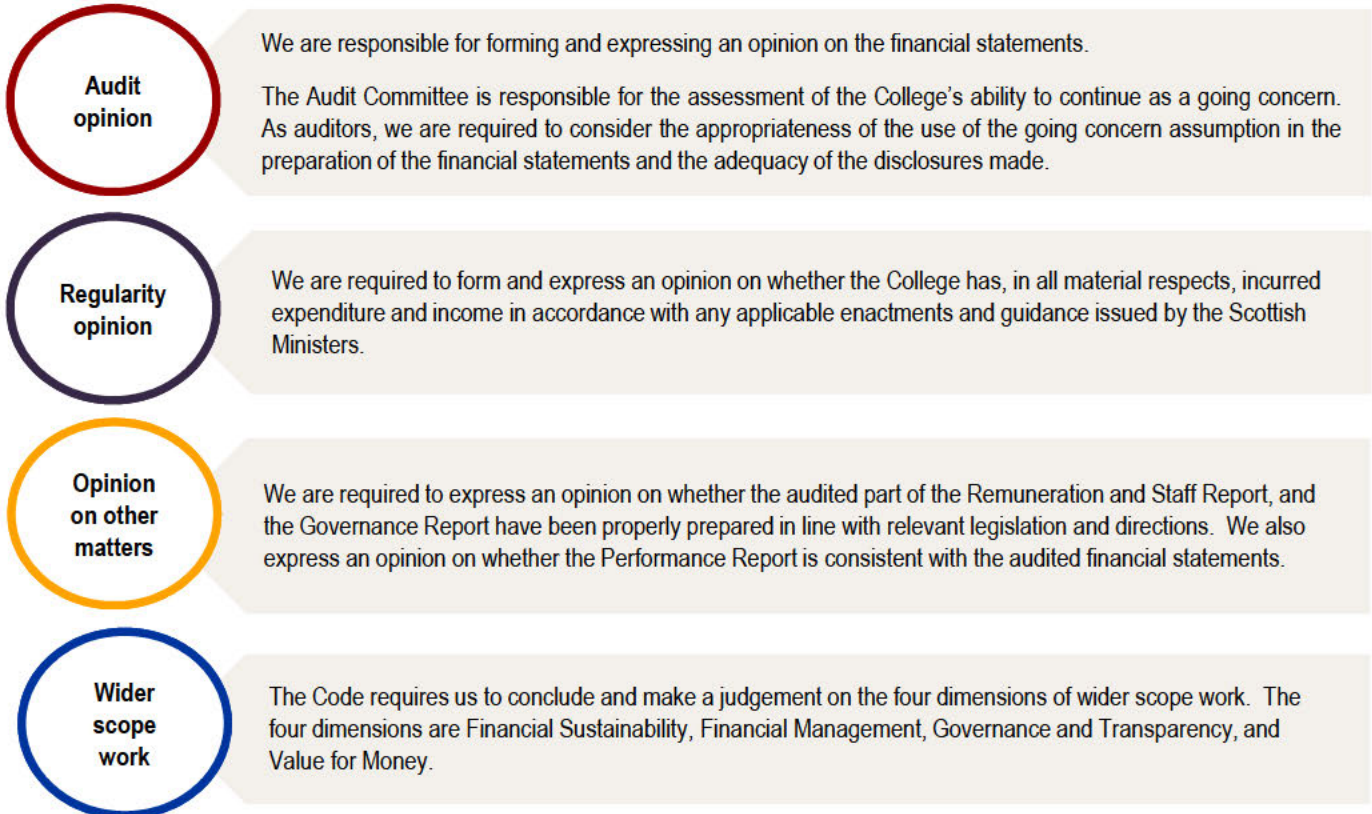
1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed by the Auditor General for Scotland to perform the external audit of West College Scotland for the year to 31 July 2020. This is our fourth year of appointment.

Responsibilities

Our responsibilities, principally derived from the Code of Audit Practice ('the Code') issued by Audit Scotland, are outlined below.



Our audit does not relieve the Board of Management, as those charged with governance, or management of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.



2. YOUR AUDIT ENGAGEMENT TEAM



- **Lucy Nutley** – Director
- Lucy is the Engagement Lead for the audit and will be the key point of contact for the Audit Committee. She will have overall responsibility for delivering a high quality audit to the College. Lucy will be responsible for the opinions given on the financial statements and will liaise with the Director of Finance and Estates and the Head of Finance & Student Funding. She will attend Audit Committee meetings, and where appropriate, Board meetings.
- lucy.nutley@mazars.co.uk
- 0738 724 2052



- **Joanne Buchanan** – Senior Manager
- Joanne will manage and coordinate the audit and be the key point of contact for the Head of Finance & Student Funding and the Principal Accountant, as well as liaising with Internal Audit. Joanne will oversee completion of audit work to a high standard and attend Audit Committees as appropriate.
- joanne.buchanan@mazars.co.uk
- 0779 403 1384



- **Suzie Graham** – Audit Assistant Manager
- Suzie will be responsible for leading the onsite work, reviewing the work of more junior members of the team and performing the audit work in more specialised areas.
- suzie.graham@mazars.co.uk
- 0781 046 8166

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Significant risks and key judgements

5. Wider scope work

6. Fees

7. Independence

8. Materiality and misstatements

Appendices

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

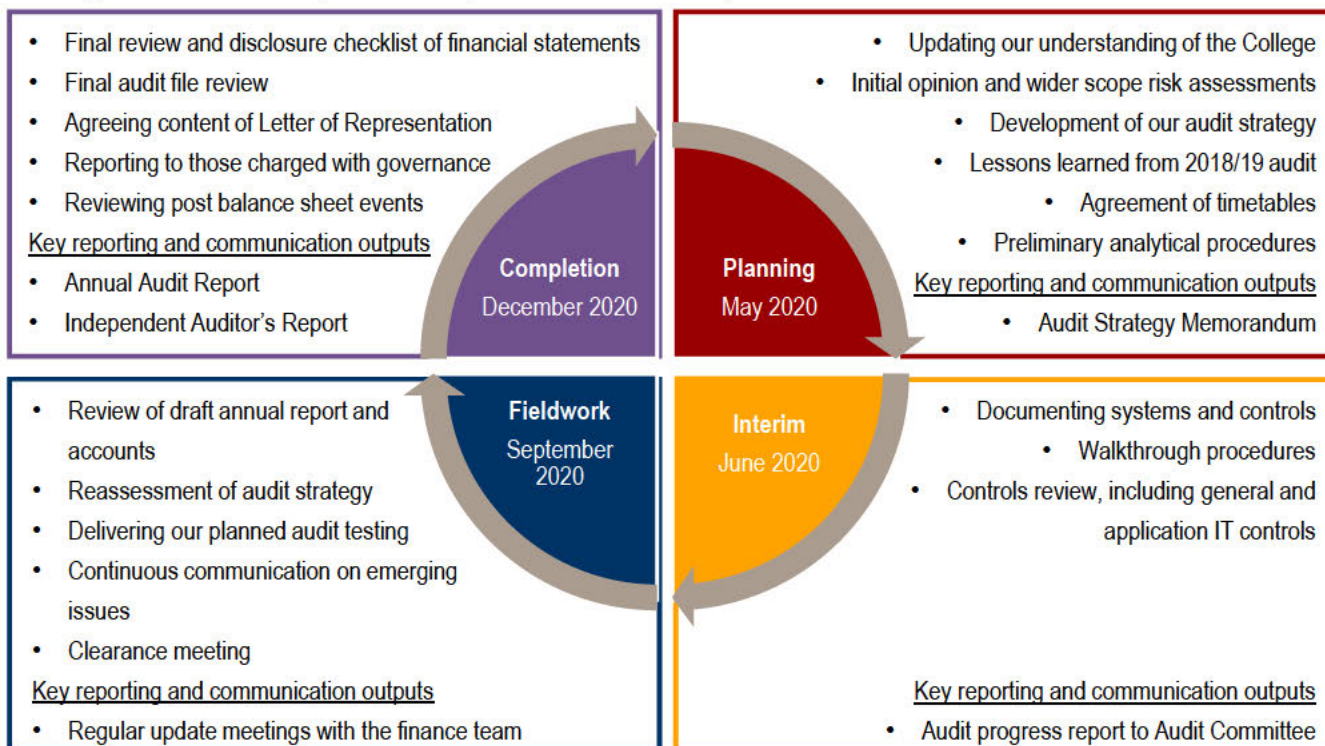
Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

The timescales overleaf are proposed on the basis of a return to 'business as usual' in the coming months. We understand there may be uncertainty in the College's capacity for reporting and engaging with audit while the pandemic continues. We will be as flexible as possible with timelines as the audit progresses.

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the College's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

| Items of account | Management's expert | Planned audit approach |
|--|----------------------------|--|
| Defined benefit pension liability and associated accounting entries and disclosures required by FRS 102. | Actuary – Hymans Robertson | We will consider the reasonableness of the actuarial assumptions made, referring to our in-house pension scheme experts. |

Reporting to Audit Scotland

During the year we will continue to make returns to Audit Scotland as they collect data to establish the impact on the further education sector and feed into any national reporting as required.

Final returns for the National Fraud Initiative were made to Audit Scotland in February 2020. West College Scotland took part in the NFI exercise for the second time in 2019/20. No issues were noted from the exercise.

Adding value

We aim to add value to West College Scotland through our external audit work by being constructive and forward looking, by identifying areas for improvement and be recommending and encouraging good practice. In doing so, we intend to help the College promote improved standards of governance, more effective use of resources and better management and decision making.

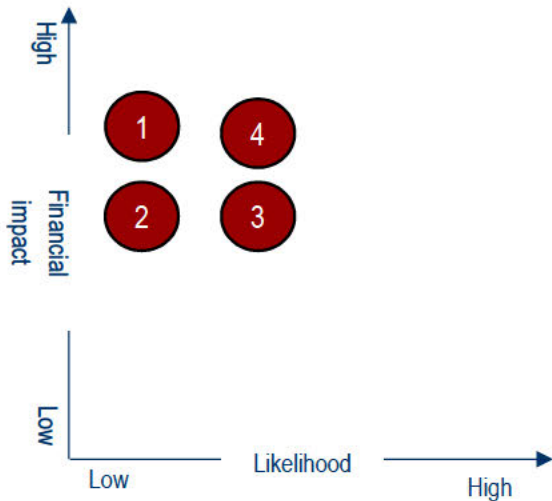


4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

- Significant risk** A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.
- Enhanced risk** An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
 - other audit assertion risks arising from significant events or transactions that occurred during the period.
- Standard risk** This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the audit risk continuum below, highlights those risks which we deem to be significant and other enhanced risks. We have summarised our audit response to these risks on the next page.



| Risk | |
|------|--------------------------------|
| 1 | Management override of control |
| 2 | Revenue recognition |
| 3 | Expenditure recognition |
| 4 | Going concern – COVID-19 |



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

| | Description of risk | Planned response |
|---|---|--|
| 1 | <p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p> | <p>We will address this risk through performing audit work over:</p> <ul style="list-style-type: none"> Accounting estimates impacting amounts included in the financial statements; Consideration of identified significant transactions outside the normal course of business; and Journals recorded in the general ledger and other adjustments made in preparation of the financial statements |
| 2 | <p>Revenue recognition</p> <p>There is a presumption under International Standards on Auditing that there is a significant risk of fraud and error in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when grant income should be recognised and if clawback conditions apply to the funding.</p> <p>The risk above applies only to the non-grant income generated by the College. The risk has been rebutted in relation to the grant income received by the College, given the highly regulated nature of this income, and therefore the low inherent risk associated with it.</p> <p>We consider that there is also a higher risk of non-recoverability of debts arising from the impact of COVID-19 on the economy and therefore expected credit loss provisions should be carefully considered, using forward looking data where appropriate.</p> | <p>We will address this risk through performing audit work over:</p> <ul style="list-style-type: none"> The design and implementation of controls management has in place to ensure income is recognised in the correct period; Cash receipts around the year end to ensure they have been recognised in the right year; The judgements made by management in determining when non-grant income is recognised; For major grant income, obtaining counterparty confirmation; and Expected credit loss provisions applied to receivables at the year end, considering the appropriateness of judgements made by management. |



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

| | Description of risk | Planned response |
|---|--|---|
| 3 | <p>Expenditure recognition</p> <p>For public sector organisations, the same risk in relation to fraud and error in respect of the timing of recording of transactions can apply to the recognition of non-payroll related expenditure and contractual obligations. The pressure to manage expenditure to ensure that budgeted outcomes are achieved increases the risk surrounding fraudulent reporting of expenditure.</p> | <p>We will address the risk through performing audit work over:</p> <ul style="list-style-type: none"> • The design and implementation of controls management has in place; • Testing of non-payroll expenditure around the year end to ensure transactions are recognised in the correct year; • Testing material year end payables, accruals and provisions; and • Reviewing judgements about whether the criteria for recognising provisions are satisfied |
| 4 | <p>Going concern – COVID-19</p> <p>The COVID-19 (Coronavirus) pandemic has resulted in the temporary cessation of college operations, albeit some courses are now being delivered remotely. The pandemic has led to increased uncertainty around current and future revenue for colleges due to loss or partial loss of funding as a result of credit targets not being met and from a reduction in commercial activities. The College is unlikely to meet it's original credit target for 2019/20 and loses commercial income each day the College buildings are closed. The College is only partially able to mitigate this risk through cost saving measures and it is likely that a significant deficit will be generated this year.</p> <p>Whilst the College has sufficient cash reserves to continue normal operations until the end of 2020, it is unknown at this time whether these reserves will be sufficient for the College to continue in operations for a period of 12 months from the date of signing the financial statements without further funding or a significant change in expenditure.</p> | <p>We will address the risk through performing audit work over:</p> <ul style="list-style-type: none"> • The design and implementation of controls management has in place; • Management's assessment of going concern; • The Board's assessment of the impact COVID-19 on going concern; and • Budgets and forecasts looking forward 12 months from date of signing the audit report. <p>We may also seek assurance from the Scottish Funding Council on the continuance of funding for the College.</p> |



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

| | Area of management judgement | Planned response |
|---|--|---|
| 1 | <p>Valuation of pension liabilities</p> <p>The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). While both are defined benefit schemes, it is not possible to identify the College’s share of the underlying assets and liabilities in the STSS scheme and it is therefore accounted for as a defined contribution scheme.</p> <p>The College’s share of the SPF’s underlying assets and liabilities is identifiable and a net liability is recognised in the accounts.</p> <p>Given the scale of the liability recognised in the accounts, a misstatement in the reported position could be material to the financial statements. The movement in the valuation of the liability could be made more volatile by the impact of COVID-19.</p> | <p>We will consider the College’s arrangements, including the existence of any relevant controls, for making estimates in relation to pension entries within the financial statements. We will also consider the reasonableness of the actuary’s assumptions used in providing the College with information in the financial statements through the use of our internal experts.</p> |
| 2 | <p>Valuation of land and buildings</p> <p>The College holds land and buildings with a net book value of £102m as at 31 July 2019.</p> <p>In line with the requirements of the Government Financial Reporting Manual, the College has adopted a formal revaluation policy of an external valuation every five years, with a desktop, interim valuation performed during the five year period.</p> <p>As the full valuation was performed as at 31 July 2018, no revaluation is planned in the current year, however the College is required to assess on an annual basis the value of the Land and Buildings for comfort that this is not materially different from fair value and assess for indicators of impairment to assets at the reporting date.</p> <p>The Royal Institute of Chartered Surveyors (RICS) issued guidance to valuers in March 2020, recognising that valuers are likely to disclose a material calculation uncertainty arising from the COVID-19 pandemic, due to the lack of reliable and contemporary market and cost data available to valuers. There is potential that this situation may still exist at the point the College requires to assess the valuation which could result in a greater degree of estimation uncertainty.</p> <p>Given the significance of the value of fixed assets held, a misstatement in the valuation could be material to the financial statements.</p> | <p>We will undertake a range of substantive procedures including:</p> <ul style="list-style-type: none"> • review of management’s assessment as to whether the value still reflects the prior year valuation; • review of the reconciliation between the College’s asset register and general ledger; and • consider the College’s impairment review process for land and buildings. |



5. WIDER SCOPE WORK

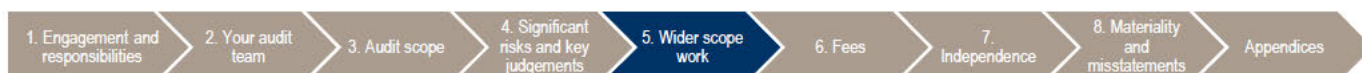
Our approach to wider scope work

The Code requires us to conclude and make a judgement on the four dimensions of wider scope work. These are:

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

We set out below the work that we intend to perform to reach these judgements:

| Dimension | Description | Our planned approach |
|-----------------------------|--|--|
| Financial sustainability | Extending our work on the going concern assumption in the financial statements looking forward two to five years from the reporting date, reviewing and assessing the College's arrangements for financial planning and affordable and sustainable service delivery. | We intend to consider: <ul style="list-style-type: none"> • the financial planning system in place for short, medium and long term periods • the adequacy and accuracy of financial reporting arrangements • the reasonableness of affordability assumptions made in financial planning • the extent to which the financial planning assumptions have been updated and affected by the COVID-19 pandemic |
| Governance and transparency | The Governance Statement sets out the internal control arrangements and governance framework in place for the year under review. | We intend to consider: <ul style="list-style-type: none"> • the effectiveness of internal control arrangements • the appropriateness of disclosures made in the Governance Statement • whether the disclosure requirements of the Accounts Direction and the Code of Good Governance for Scotland's Colleges have been met |
| Financial management | Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. | We intend to consider: <ul style="list-style-type: none"> • the monitoring of the effectiveness of internal control arrangements • the response to the COVID-19 pandemic and whether this has involved changes to the governance of the College • whether the College's budgetary control system is timely and accurate • whether and how the College has assessed their financial capacity and skills |
| Value for money | Value for money concerns using resources effectively and continually improving services. | We intend to consider: <ul style="list-style-type: none"> • the College's evidence of providing value for money • the focus on improving value for money and the pace of change at the College. |



5. WIDER SCOPE WORK (CONTINUED)

Identified significant risks to our wider scope work

We have also considered, as part of our planning, whether there are significant risks that would impact on any of the four areas of our wider scope work that require special audit consideration. At the planning stage we have identified one significant risks, as detailed below. Should our assessment of risk, or our planned approach to address the risk change during the course of the audit, we will report this to the Audit Committee.

| Description of significant risk | Planned response |
|---|---|
| <p>Our 2018/19 Annual Audit Report noted that West College Scotland had implemented their Business Transformation Plan with £1m funding provided by SFC to enact a voluntary severance scheme. The College has identified that in order to deliver a balanced budget for 2019/20 and beyond, it will require to make further efficiencies of £1.3m annually.</p> <p>The College has to manage the ongoing maintenance of its ageing Estate. Outline business cases for the replacement of the Greenock and Paisley campuses have been submitted to the SFC but, to date, have not been progressed further. The College continues to manage its portfolio and exit properties where possible which will result in costs savings going forward. There is a risk that without further revenue funding to support estates maintenance or capital funding to support replacement, the financial position of the College may deteriorate.</p> <p>The COVID-19 (Coronavirus) pandemic has resulted in the temporary cessation of operations of public sector organisations, including colleges, albeit some courses are now being taught remotely. As a result there is significant increased uncertainty around current and future revenue for colleges due to loss or partial loss of funding as a result of credit targets not being met and from a reduction in commercial activities. The College is only partially able to mitigate this risk through cost saving measures and it is likely that a significant deficit will be generated this year.</p> <p>The financial plans set by the College in prior years will require to be re-set with new funding assumptions as and when they become clearer.</p> <p>The estates program and outline business cases may require to be reviewed by the College as a response to potential impacts from the Covid-19 (Coronavirus) pandemic, for example changes in the student numbers accessing estates facilities and a reduction in credits may affect the College's ability to secure the capital funding previously sought.</p> | <p>We intend to consider:</p> <ul style="list-style-type: none"> the forecast financial position in the five year financial plans submitted to the SFC; the financial and resource implications of any voluntary severance scheme run by the College; alternative plans being considered by the College to ensure a balanced budget is achieved; the financial reporting arrangements in place at the College; and progress made with plans to replace the Greenock and Paisley campuses, alongside the impact on finance and performance. how management have considered the longer term implications of the COVID-19 outbreak and if this has been factored into the Business Plan. |



6. FEES FOR AUDIT AND OTHER SERVICES

Fees for audit and other services

Our fees for the audit of the financial statements and for any other services are outlined in the tables below.

| Service | 2019/20 proposed fee £ | 2018/19 final fee £ |
|--------------------------------------|---------------------------|------------------------|
| Auditor remuneration | 27,940 | 27,840 |
| Pooled costs | 1,570 | 1,540 |
| Contribution to Audit Scotland costs | 1,490 | 1,620 |
| Total Fee | 31,000 | 31,000 |

The fees outlined above are provided on the basis that we will receive a high-quality set of draft financial statements, supported by good working papers. Should we be required to perform significant levels of additional audit work, or face significant delay in our audit, we will discuss the impact of this on our proposed fee with management.



7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Lucy Nutley in the first instance.

Prior to the provision of any non-audit services, Lucy Nutley will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Annual Audit Report.



8. MATERIALITY AND MISSTATEMENTS

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Summary of initial materiality thresholds

| Threshold | Initial threshold £ |
|--|------------------------|
| Overall materiality | 1,238,000 |
| Performance materiality | 990,000 |
| Trivial threshold for errors to be reported to the Audit Committee | 37,000 |

Overall Materiality

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We consider that gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We expect to set a materiality threshold at 2% of gross expenditure (£1,238,000).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Performance Materiality

Our audit testing is based on a level of performance materiality, which is a percentage of overall materiality, but also dependent on the level of inherent risk assessed on the area being tested. It is the level we use to calculate our sample sizes, and is our acceptable difference in any substantive analytical procedures. It is lower than overall materiality as it helps to reduce the risk that the total of the uncorrected or undetected misstatements does not exceed materiality for the financial statements as a whole. It is based on between 50 – 80% of overall materiality depending on the risk level. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Specific Materiality

We assess specific materiality if there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the users of the financial statements. Specific materiality focuses on the qualitative nature, as well as the size, of an item. It recognises that, in some circumstances, it may take a much smaller misstatement to influence the user of the financial statements.

We are required to provide an opinion as to whether the audited part of the Remuneration and Staff Report has been properly prepared. Given the sensitivity of the disclosures made in the Remuneration and Staff Report, we have assessed a specific materiality for this work at £500, being the level that would impact rounding for figures shown to the nearest £'000.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £37,000 based on 3% of overall materiality.



APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

| Required communication | Audit Strategy Memorandum | Audit Completion Report |
|--|---------------------------|-------------------------|
| Our responsibilities in relation to the audit of the financial statements and our wider responsibilities | ✓ | |
| Planned scope and timing of the audit | ✓ | |
| Significant audit risks and areas of management judgement | ✓ | |
| Our commitment to independence | ✓ | ✓ |
| Responsibilities for preventing and detecting errors | ✓ | |
| Materiality and misstatements | ✓ | ✓ |
| Fees for audit and other services | ✓ | |
| Significant deficiencies in internal control | | ✓ |
| Significant findings from the audit | | ✓ |
| Significant matters discussed with management | | ✓ |
| Our conclusions on the significant audit risks and areas of management judgement | | ✓ |
| Summary of misstatements | | ✓ |
| Management representation letter | | ✓ |
| Our proposed draft audit report | | ✓ |



TITLE: 2019-20 AUDIT STRATEGY MEMORANDUM AND FEE PROPOSAL

Background: The purpose of this report is to present the Mazar LLP (external auditor) Audit Strategy Memorandum and fee proposal for the review of the 2019-20 financial statements. The Audit Strategy Memorandum 2019-20 will also be presented to the Finance and General Purposes Committee on 2 June 2020 given there is joint responsibility along with the Audit Committee for approving the College Annual Financial Statements.

The Audit Strategy Memorandum document provides the Audit Committee with an overview of the external auditor's preliminary audit planning procedures and approach in relation to the financial statements of the College for the year ended 31 July 2020. The memorandum also 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 £31,000 (2018-19: £31,000). This fee is within the fee range set by Audit Scotland.

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 2019-20 Audit Strategy Memorandum and the audit proposed fee.

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

Status: Open



Scott-Moncrieff
business advisers and accountants

With **Campbell Dallas**
a Capital company



West College Scotland

**Internal Audit Report
2019/20**

**Continuing Professional
Development**

April 2020



West College Scotland

Internal Audit Report 2019/20

Continuing Professional Development (CPD)

| | |
|--------------------------|----|
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| <i>Audit Sponsor</i> | <i>Key Contacts</i> | <i>Audit team</i> |
|---|--|--|
| <i>David Gunn, Director Organisational Development and HR</i> | <i>Joe Rafferty, Head of Organisational Development and HR Gary McIntyre, Organisational Development Manager</i> | <i>Elizabeth Young, Audit Director Claire Beattie, Audit Manager Nadia Goode, Assistant Manager Matthew Robson, Internal Auditor</i> |

Executive Summary

Conclusion

West College Scotland has continuing professional development (CPD) and staff induction processes in place that comply with national guidance, reflect best practice in many areas and are recognised by the General Teaching Council for Scotland.

We have, however, identified opportunities to improve these processes, in particular ensuring that the CPD process is mandatory for staff and that all staff fully comply with the process. We also found that the induction process in respect of mandatory training could be strengthened.

Background and scope

Continuing Professional Development (CPD) is the term used to describe the learning activities professionals engage in to develop and enhance their abilities. It enables learning to become conscious and proactive, rather than passive and reactive. CPD combines different methodologies to learning, such as training workshops, conferences and events, e-learning programs, best practice techniques and ideas sharing, all focused for an individual to improve and have effective professional development.

A structured, practical and methodical approach to learning helps employers across industries to keep key staff and develop the skills and knowledge in their organisations to maintain a sustainable and competitive advantage. Engaging in Continuing Professional Development ensures that both academic and practical qualifications do not become out-dated or obsolete, allowing individuals to continually 'up skill' or 're-skill' themselves, regardless of occupation, age or educational level.

In line with the Internal Audit Plan for 2019/20, we reviewed the processes in place for staff continuing professional development, including annual objective setting and assessment, development planning and reporting of CPD implementation.

Control assessment

■ The College has an approved CPD Review Procedure in place that clearly sets out the College’s CPD approach, has been fully communicated to staff and available on the staff intranet portal

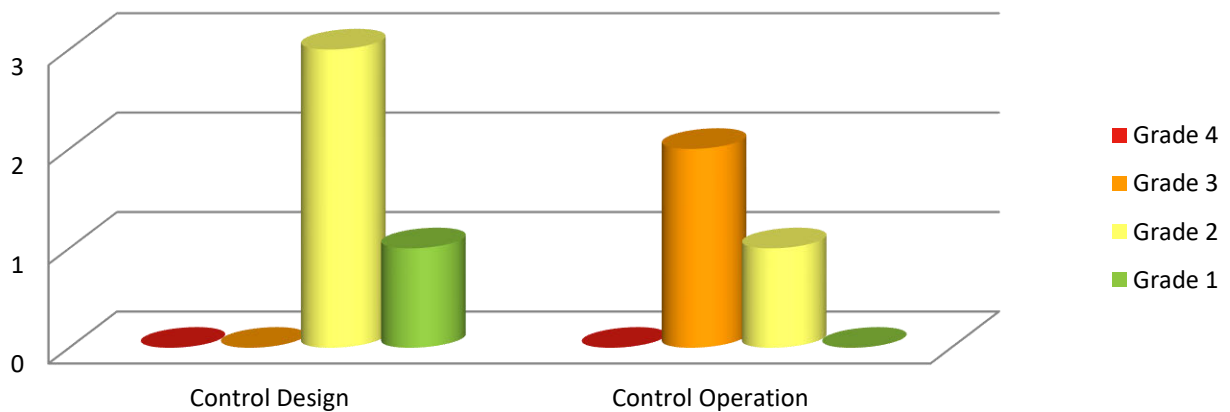


■ The College has in place an Annual Training Plan which reflects and addresses organisational strategic, operational and individual training needs, including statutory training requirements

■ The College’s Continuing Professional Development and Review process ensures individual development objectives are agreed and related to strategic, operational and individual professional needs with an annual review mechanism in place

■ The College has in place appropriate reporting mechanisms to both staff and the Board of Management to monitor the implementation of the Annual Training Plan including completion of mandatory/refresher training and individual CPD reviews

Improvement actions by type and priority



Seven improvement actions have been identified from this review, five of which relate to improving the design of controls, as opposed to compliance with existing controls. See Appendix A for definitions of colour coding.

Key findings

Good practice

West College Scotland's procedures reflect good practice in several areas:

- The College has developed a centralised, electronic CPD review process that has been clearly articulated within the College's Continuing Professional Development Review (CPDR) Procedure. This captures staff roles and responsibilities and includes a standard template for use when completing CPD reviews. The CPDR procedure and CPD review system are easily accessible to all staff via the College's intranet portal.
- The College is committed to developing an annual staff training programme and all College Sectors and Departments are fully engaged in the process, ensuring the training programme is focused on meeting the training and development needs of all staff. College Sectors and Departments identify staff training needs through a range of activities such as development days, curriculum reviews and the operational planning process.
- The College has developed a suite of mandatory training courses for new members of staff that includes: Safeguarding Essentials, Equality & Diversity Essentials, Data Protection, Information Security Essentials, Fire Safety and Understanding Health & Safety. All mandatory training is delivered via e-learning modules that are accessible to staff via the Staff Room area in the College's Moodle system, ensuring staff have the flexibility to complete mandatory training at a convenient time.
- The General Teaching Council for Scotland reviewed and validated the College's Professional Update, CPD and training processes in June 2019, and confirmed that the College has made *"a strong commitment to the ongoing enhancement of learning and teaching through high quality professional learning and structures to support this"*.

Areas for improvement

We have identified several areas for improvement that, if addressed, would strengthen West College Scotland's control framework. These include:

- Individual's CPD plans should be aligned to the College's corporate objectives and operational plans, as well as the Annual Staff Training Programme
- The Organisational Development and HR team should consider introducing regular CPDR record reviews;
- Organisational Development and HR should notify new starts of the mandatory training requirements and target completion dates on their first day of employment or, where this is not possible, at the earliest opportunity;
- Staff should be reminded that their participation in the CPDR process is mandatory;
- The annual HR report to the Board of Management and staff should include an update on CPD and the completion of mandatory training; and

- The College should regularly monitor the completion of mandatory training and remind staff, and their line managers, when training isn't completed within the agreed timescales.

These are further discussed in the Management Action Plan below.

Impact on risk register

The West College Scotland corporate risk register (dated December 2019) included the following risks relevant to this review:

- Risk 9: Inability to maintain positive staff relations (Risk rating: 9 – Medium)
- Risk 10: Failure to embed Workforce Plan resulting in lack of appropriate resources and skills being developed to achieve College strategic objectives and outcomes (Risk rating: 6 – Medium)

We have concluded that the corporate risks remain valid, relevant and their assessment is in line with our audit findings.

Acknowledgements

We thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: The College has an approved CPD Review Procedure in place that clearly sets out the College's CPD approach, has been fully communicated to staff and available on the staff intranet portal



Green

1.1 Mandatory induction training

The College's Staff Induction Procedure sets out five mandatory training modules that new members of staff are required to complete:

- Safeguarding Essentials;
- Equality & Diversity Essentials;
- Data Protection;
- Fire Safety; and
- Understanding Health & Safety.

During our review we were advised that the College issued a staff announcement in February 2020 to advise that a new mandatory training module had been introduced, Information Security Essentials. The introduction of the new mandatory learning module has not been reflected within the Staff Induction Procedure (last updated in August 2019). We confirmed however that new starts are being instructed to complete this training.

Risk

Failure to incorporate all required mandatory training courses within the College's Staff Induction Procedure, may result in staff not completing the required mandatory training, leading to staff not being aware their assigned roles and responsibilities. This could ultimately lead to non-compliance with College policies and potentially non-compliance with legislation and regulations, which may negatively impact the reputation of the College.

Recommendation

The College should revise the Staff Induction Procedure to incorporate all required mandatory training courses, including the newly released Information Security Essentials module. Once revised, the latest version of the Staff Induction Procedure should be issued to all College staff.

Grade 1
(Design)

Management Action

The Staff Induction Procedure will be updated to reflect any changes and will be published on the staff intranet. The Procedure will be reviewed after any material amendments are made and will be updated annually as a minimum. After any update the revised document will be published on the staff intranet.

Action owner: Organisational Development Manager

Due date: 31 July 2020

Control Objective 2: The College has in place an Annual Training Plan which reflects and addresses organisational strategic, operational and individual training needs

Yellow

2.1 Alignment of staff training with the College's strategic objectives

The College's annual training planning process includes:

- As part of the College Operational Planning process the development of an annual operational Organisational Development and HR (ODHR) Plan. We reviewed the plan and noted that the plan sets out training targets and outcomes for the period from February 2019 to January 2020, and each training area identified is linked to the appropriate College strategy such as the Workforce Plan, People Strategy, Efficiency Savings, etc.
- The development of an annual Staff Development Programme. We reviewed this programme and noted that the plan lists the training sessions that have been agreed for the period from August 2019 to June 2020, however the proposed training areas are not linked to the College's Corporate Strategy 2019-2025 or other supporting strategies such as the People Strategy, Workforce Strategy, etc.

We also noted that there is no clear alignment between both training planning processes, the ODHR Operational Plan and the Annual Staff Development Programme, to ensure there is no overlap between the two training schedules.

Risk

There is a risk that the College's Corporate Strategy will not be achieved due to the College failing to assess and identify appropriate training and development areas that staff are required to undertake to provide them with the skills needed to support the achievement of the College's strategic objectives, ultimately impact the reputation of the College. In addition, failure to cross reference the College's two training programmes may result in duplicate training being provided to staff members, resulting in unnecessary resource and expenditure costs, which may impact the reputation of the College.

Recommendation

The College should review the Annual Staff Development Programme planning process to ensure a comprehensive training plan is developed that is fully aligned with, and supports the achievement of, the College's strategic objectives. In addition, it would be good practice to align the ODHR Operational Plan and Annual Staff Development Training Programme timetables to ensure the plans are covering the same time periods, as doing so will allow the College to compare both plans before they are agreed to ensure there is no duplication and efficiencies are achieved where possible.

Management Action

The 2020-21 Staff Development Training Plan is not yet finalised due to the challenges relating to COVID-19. The staff training plan will require to be reconfigured to incorporate revised approaches to the delivery of teaching and training through primarily digital methods. The training plan for 2020-21 will be finalised by 30 August 2020. The next suitable point to align both the operational and annual training planning cycles will be during the third quarter of 2020-21 ending April 2021 when both documents will be due to be refreshed and updated.

Action owner: Head of Organisational Development and HR

Due date: 31 March 2021

Control Objective 3: The College's Continuing Professional Development and Review process ensures individual development objectives are agreed and related to strategic, operational and individual professional needs with an annual review mechanism in place

3.1. Completion of CPD Review

The College has a CPDR Procedure that explains the processes to be followed by staff when managing their CPD. The CPD process is mandatory and requires College staff to participate to improve their personal effectiveness by reflecting on work activities, identifying training requirements and agreeing personal development needs through self-evaluation and reflection. College staff are required to attend annual and interim CPD review meetings with their line manager.

The CPDR process was first launched as a pilot project and initially covered the Faculty of Life Sciences and the Student Services and has continued to be relaunched to all staff each year. As at the time of our audit, 326 employees had completed the CPDR process since its initial launch in 2016-17 (29% of total headcount). During our review, management advised that the low uptake of the CPDR process in recent years has been predominantly due to time constraints particularly in curriculum areas.

We tested a sample of 15 completed CPD forms and found that:

- In 3 cases, forms had not been fully completed in respect of the *Review and Self-Evaluation* and *Objective Setting and Personal Development Plan* sections;
- In 5 cases, we were unable to evidence that the *Objective Setting* section of the form had been confirmed as approved by the reviewee; and
- In 8 cases, future objectives did not articulate any linkage to the College's strategic or operational plans.

We were also unable to confirm that interim CPD reviews had taken place for any of the 15 sampled employees.

From our review of the College's CPDR records and our discussion with management, we noted that there is no quality review process undertaken for completed CPDR forms to ensure they are being appropriately completed and are fully compliant with the CPDR Procedure. A robust quality assurance process would better enable the College to ensure forms are completed consistently, and that interim reviews are completed on a timely basis.

Risk

In the absence of completing CPDR reviews, there is a risk that the College may not identify staff training needs, which may result in staff not having the required skills and knowledge needed to effectively deliver their roles. This could lead to poor staff performance which will ultimately impact the performance of the College

Recommendation

The College should consider relaunching the CPDR process with staff being reminded that the completion of the process is a mandatory requirement, this will ensure the College has a clear understanding of individual staff skill gaps and training needs. In addition, the College must ensure the CPDR process is being fully applied when a staff member participate in the process, thus all annual and interim reviews must be scheduled and completed. Management should also implement a quality assurance regime to ensure that all reviews take place in line with the CPDR procedure.

Management Action

Grade 3
(Operation)

The College plans to relaunch the CPDR process and implement a quality assurance regime to ensure all reviews are carried out in accordance with the CPDR process. Due to the operational challenges created by Covid-19 enough time is required to ensure that all staff are capable of fully engaging with the CPDR process. The College will establish a suitable point to relaunch the CPDR process during the 2020-21 year and to implement the required quality assurance process relating to completion and quality of the forms.

Action owner: Director, Organisational Development & HR

Due date: 31 March 2021

3.2. Alignment of CPDR development plans with corporate objectives and operational priorities

The College CPDR Procedure requires staff to complete the standard CPDR electronic template which is accessible to all managers and staff. The Procedure requires staff and line managers to link individual CPD objectives to job description, Department/Sector Operational Plan and College Strategic Objectives.

We reviewed a sample of 15 completed CPD forms and noted 8 instances where the forms failed to demonstrate an appropriate connection between an individual's objectives and the College's strategic objectives and/or Sector operational plans. All objectives were linked with the staff members job description and self-evaluation only.

Risk

Failure to align CPDR plans with the College's strategic and operational priorities, increases the risk of the College agreeing and delivering training to staff that will not provide them with the skills and knowledge needed to support the College achieving its strategic objectives, ultimately resulting in the College's strategy failing and the reputation of the College being damaged.

Recommendation

The College must ensure line managers are reminded of the importance of linking staff personal objectives with those of the wider College. Quality assurance checks should be completed by the College to ensure the process is being properly applied by staff and line managers.

Management Action

Grade 2
(Operation)

The relaunch of the CPDR process will make explicit the requirement to link staff personal objectives to the College Strategic Objectives. Quality assurance checks will be completed to ensure that the staff member CPDR forms are being completed as required.

Action owner: Organisational Development Manager

Due date: 31 March 2021

3.3 Mandatory induction training

All new members of College staff have direct access to online mandatory training courses via the Staff Room area in Moodle. The Staff Induction Procedure requires all new members of staff to complete all mandatory training modules within 3 months from their start of employment.

We obtained the most up to date mandatory training statistics and noted that completion of mandatory training by new starts was low in all areas:

- Safeguarding Essentials - 31%
- Equality & Diversity Essentials - 42%
- Data Protection - 54%
- Information Security Essentials - 31%
- Fire Safety - 31%, and
- Understanding Health & Safety - 29%.

We tested a sample of 8 new starts and noted that only 2 of these had completed all mandatory induction training within the required 3 months' timescale.

The College email new starters the details of their Moodle access and that the Staff Induction mandatory training must be completed. However, there are no follow up emails issued to remind new starts when the target deadline is approaching, or to chase non-completion after the target date has passed. Management advised that HR are developing a training reminder prompt to remind staff to complete mandatory training, with overdue training notifications also being provided to line managers. Migration of data from Moodle to the HR iTrent database will merge HR and training data and support monthly reporting to facilitate this monitoring process.

We also found that the completion dates of courses recorded within the Moodle induction report were incorrect due to a system error. HR advised that the Technology and Innovation Team had already been made aware of the error, and that this has now been resolved.

Risk

If completion of mandatory induction training not appropriately monitored, there is a risk that staff will be unaware of the College's legal, regulatory and operational requirements. This could result in staff not complying with College policies and potentially laws and regulations, resulting in potential financial sanctions and reputational damage to the College.

Recommendation

We support the College's approach to migrate Moodle data to the HR iTrent database to support the effective monitoring of mandatory training. The College must ensure they regularly monitor the completion of all mandatory training and send reminder emails to staff who fail to complete the training within the required timeframe. In addition, line managers should also be informed of staff who haven't completed mandatory training and they should actively encourage staff to complete the training as soon as possible.

Management Action

A technological process for tracking the completion of staff mandatory training is currently being piloted. The updated quality assurance process will involve quarterly monitoring of staff completion rates with staff who have not completed the required training being notified by email. A separate report will be sent to line managers informing them of their staff who have failed to complete the required training and requesting they ensure that it is undertaken within a set timeframe.

Action owner: Organisational Development Manager

Due date: 30 November 2020

3.4 New start mandatory training email notifications

The College issues email notifications to all new members of staff that set out the mandatory training courses that new starts must complete along with the due dates for completion. We undertook detailed testing to confirm training emails had been issued to new starts on a timely basis. From our sample of 8 new starts, who joined the College after 1 April 2019, we noted that:

- In 4 instances, the email notification was issued within 10 days of the employee start date; and
- For all other sampled employees, the email notification was issued more than 30 days after the employee start date, with one email notification exceeding 70 days.

Risk

Failure to notify new starts of the requirement to complete introductory mandatory training on a timely basis could result in staff members not being aware of their roles and responsibilities, leading to non-compliance with College requirements and potentially legislation. This could ultimately result in financial sanctions and reputational damage to the College.

Recommendation

The College should ensure new employees are consistently advised of the College's mandatory training requirements on their start date. This will ensure staff are aware of the training completion deadlines as early as possible allowing them to schedule time to complete the required training within the assigned due dates.

Management Action

Grade 3
(Operation)

A process will be put in place which will ensure all new starts are advised not only of the requirements to complete the mandatory training but of the dates this training must be undertaken by. The new start will be requested to confirm receipt of the notification. The training log will be updated to record this information and will be reviewed each month by the Organisational Development Manager to ensure the notifications have been issued and responded to in a timely manner

Action owner: Director, Organisational Development & HR

Due date: 31 July 2020

Control Objective 4: The Colleges has in place appropriate reporting mechanisms to both staff and the Board of Management to monitor the implementation of the Annual Training Plan including completion of mandatory/refresher training and individual CPD reviews

Yellow

4.1 CPD and Induction training reports

A HR Report is provided annually to the Board of Management. The HR Report includes a CPDR section, providing information on the courses offered to staff and levels of attendance that were achieved at these courses. However, we noted that the CPDR reporting section within the annual HR report does not contain information on the uptake and completion of the CPD review process by staff members, nor does it provide any data on the completion of mandatory training by staff.

We were advised that operational updates on CPDR and mandatory training are provided on an ad-hoc basis to Senior Management Team (SMT), the ODHR Committee and to the Staff Development Group. We obtained copies of these updates and noted these were sufficient and provided management with appropriate information on CPD development plans, processes updates, technical solutions etc. Staff are informed on CPD and mandatory training updates through the Staff Announcements that are published on the College's intranet.

Risk

The failure to include CPD Review and Staff Induction progress data within the Board of Management reports, increases the risk that the Board of Management are unaware of underperformance in these areas, resulting in the issues not being discussed and improvement actions being identified and agreed, leading to ineffective high level governance and the continuance of poor staff learning and development processes, ultimately leading to reputational damage.

Recommendation

The College should incorporate CPD Review and mandatory training completion data within the annual HR report. This will ensure transparency of the CPD and mandatory training processes with Board members and will provide an audit trail to demonstrate the progress the College has made towards improving these processes.

Management Action

Grade 2
(Design)

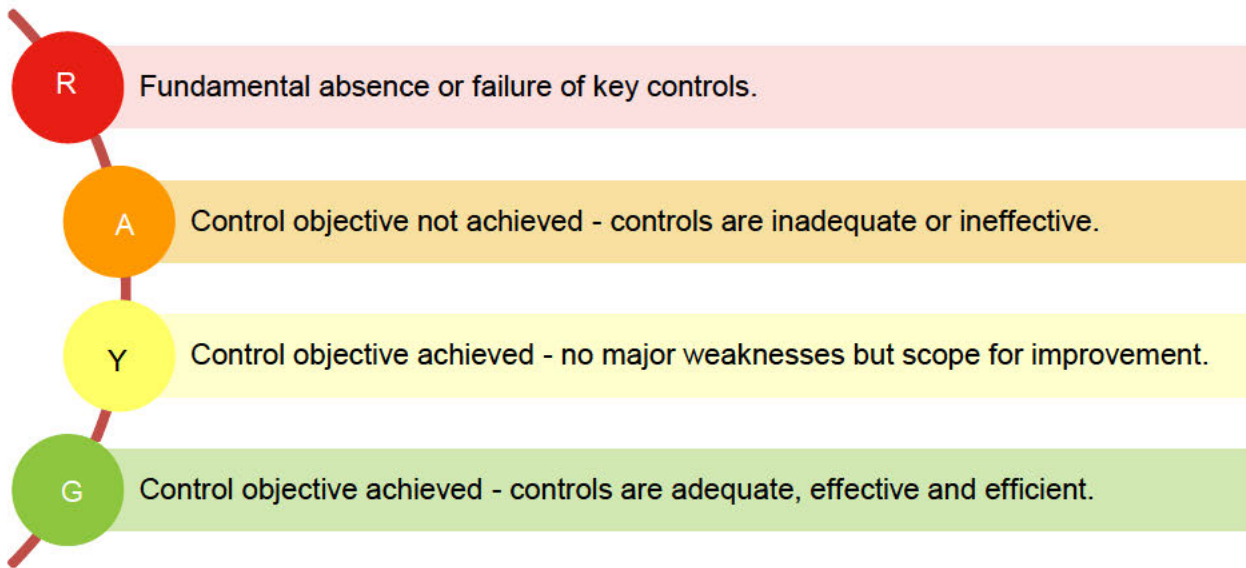
CPD review and mandatory training data including completion data will be incorporated into the annual HR Report along with a commentary on any applicable trends and actions to be taken in the coming year.

Action owner: Head of Organisational Development and HR

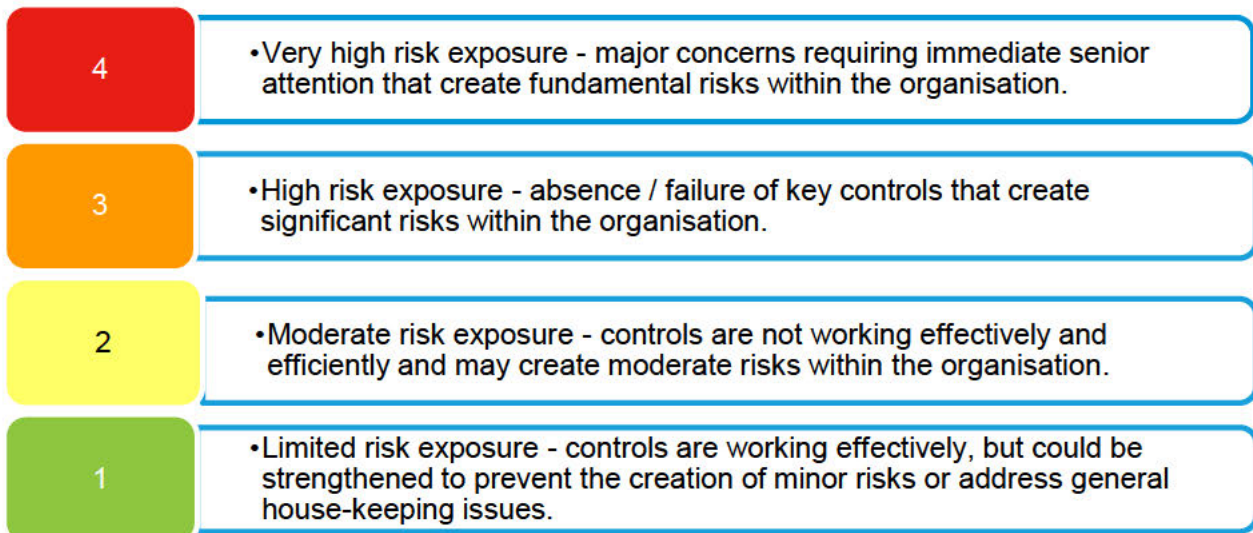
Due date: 30 April 2021

Appendix A – Definitions

Control assessments



Management action grades



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TITLE: INTERNAL AUDIT REPORT – CONTINUING PROFESSIONAL DEVELOPMENT

Background: As part of the internal audit programme for 2019-20 Scott Moncrieff conducted a review of the processes in place for staff continuing professional development, including annual objective setting and assessment, development planning and reporting of CPD implementation.

This report will be presented to the next HR and Corporate Development Committee for review.

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

Lead: Elizabeth Young, Director

Status: Open

1. Introduction

- 1.1 Continuing Professional Development (CPD) is the term used to describe the learning activities staff engage in to develop and enhance their abilities. It has the intention of ensuring learning becomes conscious and proactive, rather than passive and reactive. CPD combines different methodologies for and approaches to learning, such as training workshops, conferences and events, e-learning programs, best practice techniques and idea sharing.
- 1.2 A structured, practical and methodical approach to learning helps employers to retain staff and develop the skills and knowledge in their organisation in order to maintain a sustainable and competitive advantage. Engaging in Continuing Professional Development ensures that qualifications do not become out-dated or obsolete, enabling staff to continually 'up skill' or 're-skill' themselves, regardless of occupation, age or educational level.
- 1.3 In line with the Internal Audit Plan for 2019-20, Scott Moncrieff reviewed the processes in place for staff continuing professional development, including annual objective setting and assessment, development planning and reporting of CPD implementation.

2. Conclusion

- 2.1 The review concluded that:

West College Scotland has continuing professional development (CPD) and staff induction processes in place that comply with national guidance, reflect best practice in many areas and are recognised by the General Teaching Council for Scotland.

- 2.2 The report identified several areas of good practice including:

- A centralised, electronic CPD review process has been developed and clearly articulated within the College's Continuing Professional Development Review (CPDR) Procedure. The CPDR procedure and CPD review system are easily accessible to all staff via the College's intranet portal.
- The College is committed to developing an annual staff training programme and all areas across the organisation are fully engaged in the process, ensuring the training programme is focused on meeting the training and development needs of all staff.
- The College has developed a suite of mandatory training courses for new members of staff that includes: Safeguarding Essentials, Equality and Diversity Essentials, Data Protection, Information Security Essentials, Fire Safety and Understanding Health and Safety.
- The General Teaching Council for Scotland reviewed and validated the College's Professional Update, CPD and training processes in June 2019, and confirmed that the College has made "a strong commitment to the ongoing enhancement of learning and teaching through high quality professional learning and structures to support this".

- 2.3 The report identified seven areas for improvement, including two grade three recommendations, that if addressed would strengthen the College's control framework. These are as follows:
- Individual CPD plans should be aligned to the College's corporate objectives and operational plans, as well as the Annual Staff Training Programme;
 - The Organisational Development and HR team should consider introducing regular CPDR record reviews;
 - Organisational Development and HR should notify new starts of the mandatory training requirements and target completion dates on their first day of employment or, where this is not possible, at the earliest opportunity;
 - Staff should be reminded that their participation in the CPDR process is mandatory;
 - The annual HR report to the Board of Management and staff should include an update on CPD and the completion of mandatory training; and
 - The College should regularly monitor the completion of mandatory training and remind staff, and their line managers, when training isn't completed within the agreed timescales.
- 2.4 The College has accepted the recommendations and initiated the management actions noted in the report to address the issues identified. The recommendations will be added to the Rolling Audit Action Plan for monitoring purposes.
- 2.5 The internal audit report will be presented to the next HR and Corporate Development Committee for review.
- 3. Recommendation**
- 3.1 The Audit Committee is requested to consider and approve the contents of this report.



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West College Scotland

**Internal Audit Report
2019/20**

Online Resources

April 2020



West College Scotland

Internal Audit Report 2019/20

Online Resources

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| <i>Audit Sponsor</i> | <i>Key Contacts</i> | <i>Audit team</i> |
|--|--|---|
| <i>Sara Rae, Director of Business, Enterprise and Innovation</i> | <i>Sara Rae, Director of Business, Enterprise and Innovation</i> | <i>Elizabeth Young, Audit Director Claire Beattie, Audit Manager Cara Doyle, Internal Auditor</i> |

Executive Summary

Conclusion

West College Scotland has generally robust and effective arrangements in place over online resources. We confirmed that the use of online resources is actively considered as part of the curriculum planning process and that the College obtains and acts upon student feedback to support continuous improvement in this area.

We have identified three minor improvement actions that, if implemented, will enable the College to improve its overall control framework in this area.

Background and scope

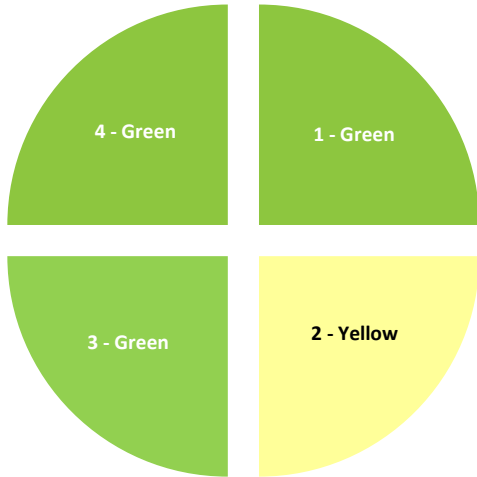
Research has suggested that integrating technology in the classroom enhances student engagement, improves student knowledge retention, and encourages individual learning and collaboration. Recent advances in this area have created many opportunities for West College Scotland to benefit from integrating some forms of technology in the classroom, with the aim of making teaching and learning more effective.

West College Scotland has developed a range of platforms that the student body can interact with, including:

- Moodle, a virtual learning environment that brings together tools for presenting course content and supporting interaction and communication between students; and
- MyDay, a virtual platform that makes it easy for students to manage their student life by centralising all the information they need in one intuitive place.

In line with the Internal Audit Plan for 2019/20, we reviewed the College's use of online resources for engaging with students, including Moodle and 'MyDay'. The audit reviewed planning, usage policies, monitoring and student feedback mechanisms.

Control assessment



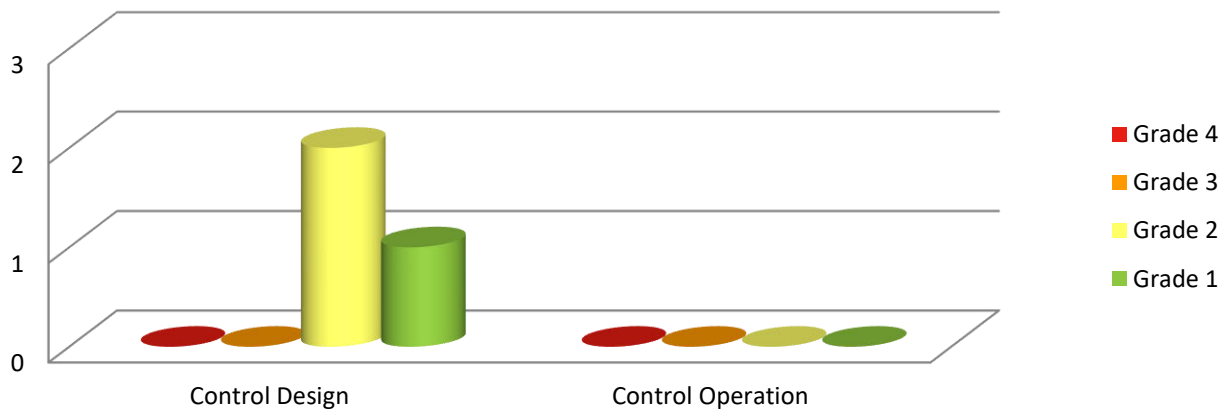
■ 1. The College has approved online resource policies that clearly set out the roles and responsibilities of system users and are easily accessible by staff and students

■ 2. Online resources utilisation is monitored and root cause analysis is undertaken to understand instances of poor utilisation, with remedial actions being identified and tracked until completion

■ 3. Student feedback is analysed and used by management to aid the continuous development and improvement of online resources

■ 4. The College considers the online needs and demands of students during curriculum planning processes to identify if changes to online resources are required to meet student expectations for future periods

Improvement actions by type and priority



Three improvement actions have been identified from this review, all of which relate to the design of controls. See Appendix A for definitions of colour coding.

Key findings

Good practice

We confirmed that West College Scotland's processes reflect good practice in a number of areas:

- User guides for both Moodle and MyDay are readily available to all staff, via the staff intranet and the Centre of Learning Technologies (CoLT) website.
- The College uses both student feedback and MyDay analytics to identify opportunities to enhance the College's online resources and improve overall user experience.
- The College considers the online needs and demands of the students during the curriculum planning process, including consideration of course delivery methods, use of IT and assessment arrangements.

Areas for improvement

We have identified three areas for improvement that, if addressed, would strengthen West College Scotland's control framework in this area:

- Implementing a review schedule for each of the supporting Moodle process documents to ensure that these are subject to consistent review and update.
- Analysis of student utilisation of Moodle pages at individual course level.
- Introduction of utilisation targets for both staff and students in respect of Moodle and MyDay to support continuous improvement in the provision of online resources.

These are further discussed in the Management Action Plan below.

Impact on risk register

The West College Scotland's corporate risk register (dated December 2019) included the following risks relevant to this review:

- Risk 2: Failure to secure adequate estates maintenance/capital funding for future investment or refurbishment of IT and physical infrastructure (Risk rating: 16-High)
- WCS 6: Failure to maintain or acquire and use IT systems and infrastructure to support the digital ambitions of the College (Risk rating: 12-Medium)

Our findings under this review have not identified any requirement to revise the current risk scores. Implementation of the findings identified in the Management Action Plan below will allow the College to improve its current control framework in this area.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: The College has approved online resource policies that clearly set out the roles and responsibilities of system users and are easily accessible by staff and students



1.1 Version control on user guides

The College has developed user guides for both Moodle and MyDay. These are reviewed annually by the Learning Technology Team Leader and the Systems Development Team Leader at the rollover of the platforms in advance of the start of the next academic year.. Process documents are also published that provide step-by-step guidance on how to complete key tasks on the Moodle system, for example:

- Adding a page
- Creating and adding files to a folder
- Enabling pop-ups

Each of the process documents have month and year included to demonstrate the last date of review. We noted however, that there is no documentation of the next scheduled review, or a summary of the changes that have been made. We also found that there was no central list of all the process documents, to ensure that each one has been updated prior to the start of the new academic year.

Risk

There is a risk that the review and update of process documents are not consistently completed, where there is no central review schedule in place. Documents may not be effective of the most up to date practices as a result.

Recommendation

We recommend the College prepares a schedule that details each of the Moodle / MyDay process documents, their last date of review, and the next planned review. Staff can then use this schedule as a checklist to ensure that each document is reviewed and updated on a timely basis.

Management Action

Grade 1
(Design)

The College will amend the tracked change section of the process documents to include date of last review, a summary of the changes made and the date of the next planned review

Action owner: Assistant Principal: Enterprise and Skills

Due date: 31 August 2020

Control Objective 2: Online resources utilisation is monitored and root cause analysis is undertaken to understand instances of poor utilisation, with remedial actions being identified and tracked until completion

Yellow

2.1 Utilisation of course Moodle pages

The Learning and Technology Team run a housekeeping report annually that highlights how many people are accessing various Moodle courses. The team do not investigate which specific sections of Moodle course pages are being accessed and utilised. We understand that this functionality does exist within the system but is not currently being used due to resource limitations.

Without a clear understanding of how Moodle pages are being utilised, Curriculum Quality Leaders (CQLs) are unable to understand which areas of Moodle course pages are being most used and those which require more attention.

Risk

There is a risk that CQLs and other teaching staff are not able to support continuous improvement of their Moodle course pages, caused by a failure to ensure detailed monitoring of utilisation on a regular basis.

Recommendation

We recommend that as part of the annual housekeeping review process, CQLs should analyse in more detail the utilisation of individual Moodle course pages, including a review of which functions are most utilised by students. This analysis will allow the College to undertake a root cause analysis to better understand the effectiveness of the College's current approach, as a means of supporting continuous improvement in the provision of online resources.

Management Action

Grade 2
(Design)

As part of the annual housekeeping exercise a report will be provided to the relevant Head and CQL on the usage of sector Moodle course pages. Where required further detail will be provided to allow the Head / CQL to further investigate the usage of Moodle courses.

Action owner: Assistant Principal: Enterprise and Skills

Due date: 31 October 2020

2.2 Utilisation targets for staff and students

As noted at MAP 2.1 above, the College makes use of analytics to identify how often students are using MyDay and Moodle. We found however, that the College does not have any utilisation targets in place for staff or student usage of their online resources to put current utilisation into context. Management advised that this is because delivery methods vary across subject groups and individual lecturer styles, and as such there is no standard approach to inform expected utilisation.

In addition, whilst utilisation is monitored from a student perspective, we found that this is not the case for College staff. There is no guidance as to the minimum content that lecturers are expected to upload to Moodle, however staff are asked to review and refresh the content of their Moodle course pages during the last few weeks of each term. Staff receive a system generated notification to remind them to do so.

Risk

If staff fail to update and maintain online resources on a regular basis, there is a risk that content becomes out of date or includes irrelevant information. Further, without utilisation targets, there is a risk that the College is unable to identify and act upon poor utilisation of online resources.

Recommendation

We recommend that the College develops utilisation benchmarks, targets or other means of assessing performance for both Moodle and MyDay to help identify areas of poor utilisation. This will allow poor utilisation to be identified and also support sharing of good practice where areas of higher utilisation are identified.

We also recommend that staff usage of Moodle is monitored to ensure that content is being reviewed and updated on a regular basis.

Management Action

Grade 2
(Design)

The College will look to initially introduce high level utilisation benchmarks to allow performance to be monitored and action taken where necessary for both Moodle and MyDay. The results will be shared with Heads/CQLs to allow good practice to be shared. The College will also undertake a review twice a year of the staff usage of Moodle to ensure that content is being reviewed and updated.

Action owner:

Due date:

Control Objective 3: Student feedback is analysed and used by management to aid the continuous development and improvement of online resources



Green

No reportable weaknesses identified

Management obtain and review student feedback regularly as a means of supporting continuous development and identifying ways to improve online resources. This is feedback obtained through asking students to complete feedback forms twice a year. There has also been market research, specific to MyDay, which is collated within a log and changes in response to this are planned for the summer 2020 rollover period.

We were also able to confirm that focus groups with students have been held, where the use of online resources was discussed. In one example, we found that class reps had highlighted a lack of training in the use of online resources and that further training had subsequently been provided across all subject groups. This demonstrates the College's commitment to seeking and acting upon student feedback as a means of driving continuous improvement.

Control Objective 4: The College considers the online needs and demands of students during curriculum planning processes to identify if changes to online resources are required to meet student expectations for future periods



Green

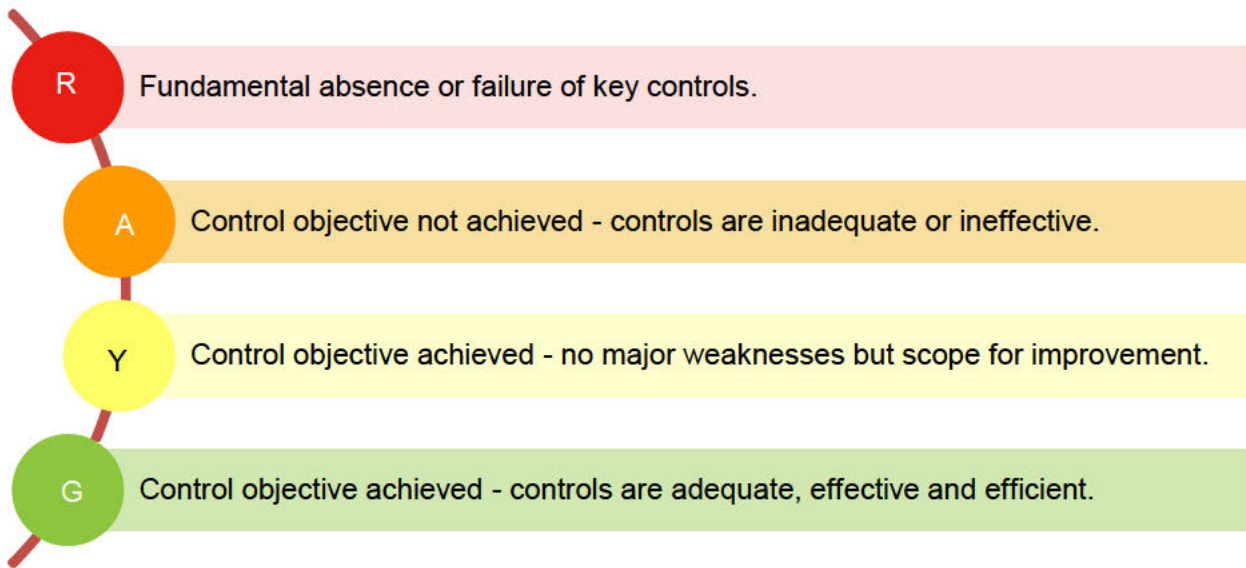
No reportable weaknesses identified

As part of the curriculum planning process, each sector is given guidance documentation that requires them to consider course delivery methods, modes of learning, IT and Moodle; demonstrating that the College is considering online resources as part of this process. As part of the curriculum planning process, course teams also consider student qualification success outcomes and any feedback from student surveys obtained during the prior academic year. Where issues are identified from this review, these are collated and reported to the Educational Leadership Team (ELT), with corrective actions documented within Intervention and Improvement Plans (IIPs) as necessary.

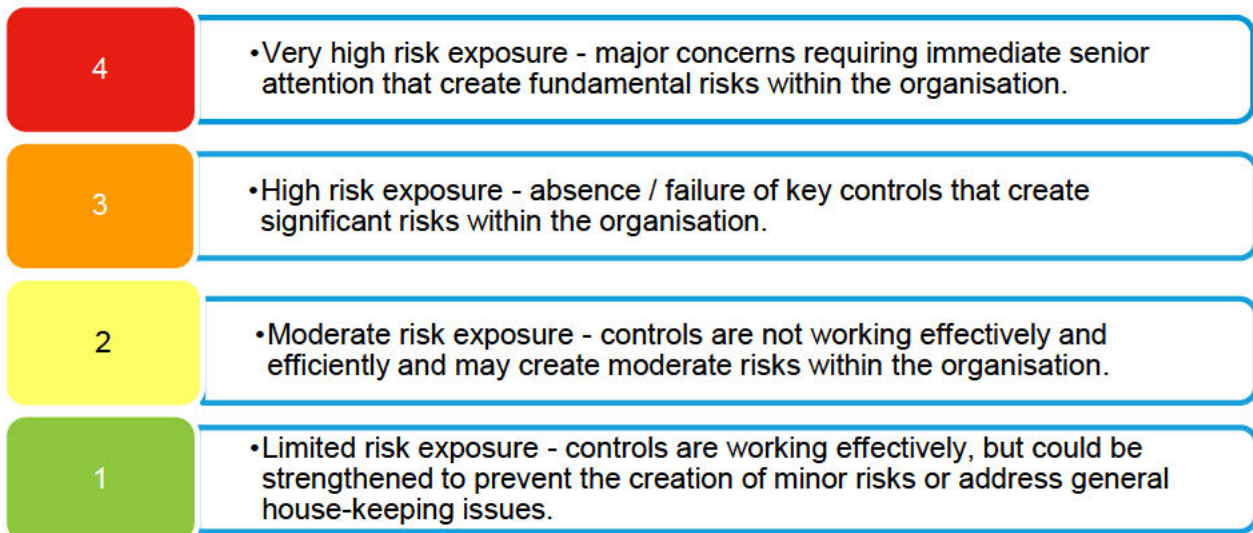
These actions are discussed fortnightly between CQLs and Heads of Sector, with progress being reported back to the Assistant Principals. The IIPs are then reviewed at the ELT team meeting, 3 months after first being issued. Through sample testing, we confirmed that issues relating to online resources had been monitored and addressed through this process as part of curriculum planning for 2019/20.

Appendix A – Definitions

Control assessments



Management action grades



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Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

TITLE: INTERNAL AUDIT REPORT – ONLINE REOSURCES

Background: As part of the internal audit programme for 2019-20 Scott Moncrieff conducted a review of the College’s use of online resources for engaging with students, including Moodle and ‘MyDay’. The audit reviewed planning, usage polices, monitoring and student feedback mechanisms.

This report will be presented to the next Learning, Teaching and Quality Committee for review.

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

Lead: Elizabeth Young, Director

Status: Open

1. Introduction

- 1.1 Research has suggested that integrating technology in the classroom enhances student engagement, improves student knowledge retention, and encourages individual learning and collaboration. Recent advances in this area have created many opportunities for the College to benefit from integrating some forms of technology in the classroom, with the aim of making teaching and learning more effective.
- 1.2 The College has developed a range of platforms that the student body can interact with, including:
- Moodle, a virtual learning environment that brings together tools for presenting course content and supporting interaction and communication between students; and
 - MyDay, a virtual platform that makes it easy for students to manage their student life by centralising all the information they need in one intuitive place.
- 1.3 In line with the Internal Audit Plan for 2019/20, Scott Moncrieff reviewed the College's use of online resources for engaging with students, including Moodle and 'MyDay'. The audit reviewed planning, usage policies, monitoring and student feedback mechanisms.

2. Conclusion

- 2.1 The review concluded that:

'West College Scotland has generally robust and effective arrangements in place over online resources. We confirmed that the use of online resources is actively considered as part of the curriculum planning process and that the College obtains and acts upon student feedback to support continuous improvement in this area.'

- 2.2 The report identified several areas of good practice including that the College:

- User guides for both Moodle and MyDay are readily available to all staff, via the staff intranet and the Centre of Learning Technologies (CoLT) website.
- The College uses both student feedback and MyDay analytics to identify opportunities to enhance the College's online resources and improve overall user experience.
- The College considers the online needs and demands of the students during the curriculum planning process, including consideration of course delivery methods, use of IT and assessment arrangements.

2.3 The report identified three minor areas for improvement (two at grade 2 and one at grade 1), that, if addressed, would strengthen the College's control framework. These are as follows:

- Implementing a review schedule for each of the supporting Moodle process documents to ensure that these are subject to consistent review and update.
- Analysis of student utilisation of Moodle pages at individual course level.
- Introduction of utilisation targets for both staff and students in respect of Moodle and MyDay to support continuous improvement in the provision of online resources.

2.4 The management have accepted the recommendations and initiated the management actions noted in the report to address the issues identified. The recommendations will be added to the Rolling Audit Action Plan for monitoring purposes.

3. Recommendation

3.1 The Audit Committee is requested to approve the contents of this report.



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West College Scotland

Internal Audit Report Regional Outcome Agreement

April 2020



West College Scotland

Internal Audit Report 2019/20

Regional Outcome Agreement

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| <i>Audit Sponsor</i> | <i>Key Contacts</i> | <i>Audit team</i> |
|--|--|---|
| <i>Stephanie Graham, Vice Principal Educational Leadership</i> | <i>Stephanie Graham, Vice Principal Educational Leadership</i> | <i>Elizabeth Young, Director Claire Beattie, Manager Christopher Young, Auditor</i> |

Executive Summary

Conclusion

West College Scotland's processes for developing its Regional Outcome Agreement (ROA) are robust and compliant with SFC guidelines.

We confirmed the College's ROA process was fully complied with during development of the ROA, ensuring a quality ROA was drafted and submitted to SFC on a timely basis. The Board of Management was able to review and approve the ROA during the midst of COVID-19, ensuring the College continued to meet SFC submission deadlines.

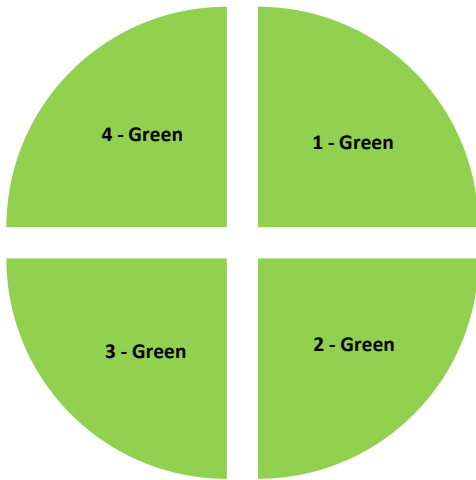
Background and scope

Regional Outcome Agreements are used by the Scottish Funding Council to assess the contribution of colleges towards Scottish Government priority outcomes and measure the impact of funding allocations. The Scottish Government has expressed a desire for intensification of the outcome agreement process and the establishment of clearer links between investment and outcomes. As a result, Colleges now face increasing pressure to deliver more challenging targets.

It is vital that colleges can negotiate and agree targets that are achievable but also evidence their wider contribution in a national and regional context.

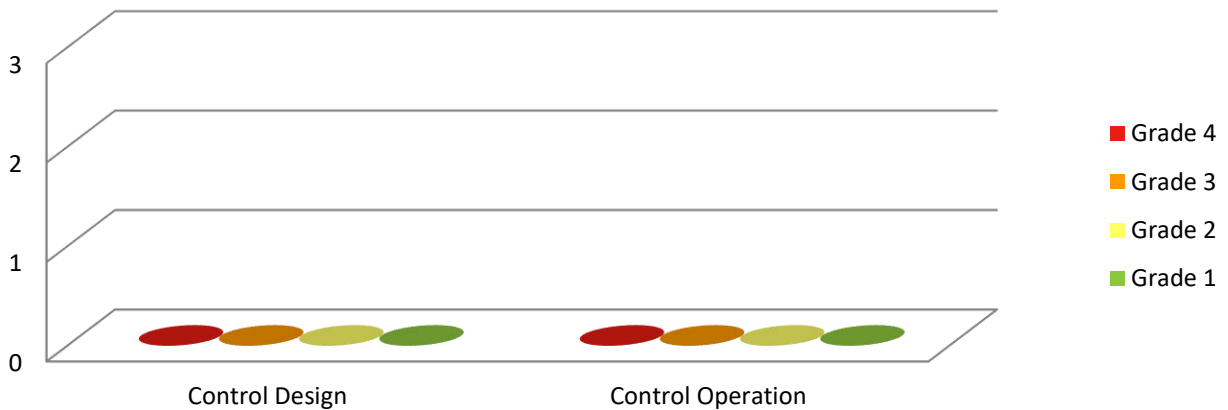
In accordance with the 2019/20 Internal Audit Plan, we reviewed the processes in place for agreeing the ROA including the linkage to strategic and operational plans, ensuring SMART objectives are set and obtained evidence of engagement with internal and external stakeholders. We carried this out in two separate stages; stage one assessed the College's ROA planning processes and stage two assessed the finalisation of the ROA and target setting.

Control assessment



- 1. A clearly defined process is in place for the negotiation of ROA with the SFC
- 2. Responsibilities and timescales for the Board of Management and executive management are clearly defined
- 3. The College has planned for effective engagement with internal and external stakeholders
- 4. The ROA identifies outcomes that are clearly linked to the College's Strategic and Operational plans

Improvement actions by type and priority



No improvement actions have been identified during the second stage of our ROA review.

Key findings

Good practice

We have gained assurance that the College's procedures reflect good practice in a number of areas:

- The College has a clearly defined ROA plan that is fully aligned with SFC Guidance. The ROA planning process is geared towards ensuring both the draft ROA and the final ROA are submitted to the SFC within the required timescales of the 13 December 2019 and 30 April 2020 respectively.
- The Board of Management are aware of their roles and responsibilities for the preparation of the ROA and we confirmed that the ROA was developed and submitted to the SFC within the agreed timetable. The document development process was discussed at the Learning, Teaching and Quality Committee (LTQC) in November 2019. The initial draft ROA was submitted to the SFC by the required submission date of 13 December and then presented to the Board of Management in February 2020, along with any initial feedback from the SFC. The ROA was then updated to reflect the feedback received and was approved by the Board of Management at the March meeting and was submitted to the SFC by the required submission date of 31 March 2020.
- The ROA is clearly linked to the strategic values and priorities of the College, as well as linked to the National objectives set by the Scottish Government.
- The College effectively followed SFC guidance during the development, review and completion of the ROA. As such, a high-quality ROA was drafted as evidenced by the small amount of feedback that was received from the SFC in terms of making amendments to targets and the ROA itself.
- Ambitious performance targets have been developed and these will enable the College to demonstrate ongoing performance against its agreed ROA targets. The ROA performance targets have been reviewed and approved by the LTQC and the Board of Management and were submitted to the SFC along with the College's ROA.

This is further discussed in the Management Action Plan below.

Impact on risk register

The College's corporate risk register (as at December 2019) included the following risks relevant to this review:

- WCS1: Inability to clearly forecast the volatility and impact of SFC funding and funding methodology changes in relation to core grant-in-aid; credit activity model; reduction in European funding; student support funding and estates maintenance (score 24)
- WCS4: Failure to deliver SFC Regional Outcome Agreement targets at a time of limited resource results in future credit and/or funding adjustments (score 12)

Based on our audit work, we have not identified weaknesses which would warrant any specific consideration of changes in the risk scoring within the College's risk register.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: A clearly defined process is in place for the negotiation of ROA with the SFC

Green

No weaknesses identified

The College has developed a clearly defined ROA completion plan that is fully aligned with SFC Guidance. The ROA planning process ensures all staff and governing groups involved in the development of the College's ROA are aware of their roles and responsibilities in ensuring the draft and final ROA were submitted to the SFC within the required timescales of the 13 December 2019 and 30 April 2020 respectively.

We confirmed that the College developed and submitted both the draft and final ROA to the SFC by the required due dates.

Control Objective 2: Responsibilities and timescales for the Board of Management and executive management are clearly defined

Green

No weaknesses identified

The ROA completion plan was developed by the Vice Principal Educational Leadership and sets out the responsibilities and review due dates required by both the College executive management and Board of Management. Once developed, the ROA completion plan was shared with the senior management team, via the LTQC, and the Board of Management to ensure all parties were aware of their responsibilities. We confirmed all parties had sufficient time to review and approve the draft and final ROA prior to SFC submission.

Control Objective 3: The College has planned for effective engagement with internal and external stakeholders

Green

No weaknesses identified

The College engages with internal stakeholders during the development of the ROA, including key governance forums such as the Board of Management, Board of Management Learning, Teaching and Quality Committee (which is attended by the Student President and Vice President) and the Senior Management Team.

Following receipt of the phase 1 Internal Audit Report – ROA, the College did look to widen its community engagement through engagement with the three local Community Planning Partners (CPP). The College recognised that engagement with the CPPs will reduce the risk of the ROA not being fully inclusive when it sets

the outcomes/targets that are important to both the College and the communities it operates within. The ROA was on as an agenda item at all three local CPP meetings (Renfrewshire, West Dunbartonshire and Inverclyde) over February and March 2020. The West Dunbartonshire CPP considered the ROA and made several positive contributions towards finalising the ROA. Unfortunately, the COVID19 outbreak impacted the other two CPP meetings from fully engaging with the College. However, it is noted that the College has now the processes in place to ensure future ROA agreements are widely consulted upon.

Control Objective 4: The ROA identifies outcomes that are clearly linked to the College's Strategic and Operational plans



Green

The College's ROA clearly outlines each of the Scottish Government's National priorities and includes the College's priorities as set out within the 2019-2025 Corporate Strategy. Each objective within the Corporate Strategy is linked through to the body of the ROA, which explains how the College will deliver against these objectives. These outcomes have been split into three sections: The Learner, The System and Innovation.

Control Objective 5: Performance measures and targets have been defined and ownership clearly allocated.



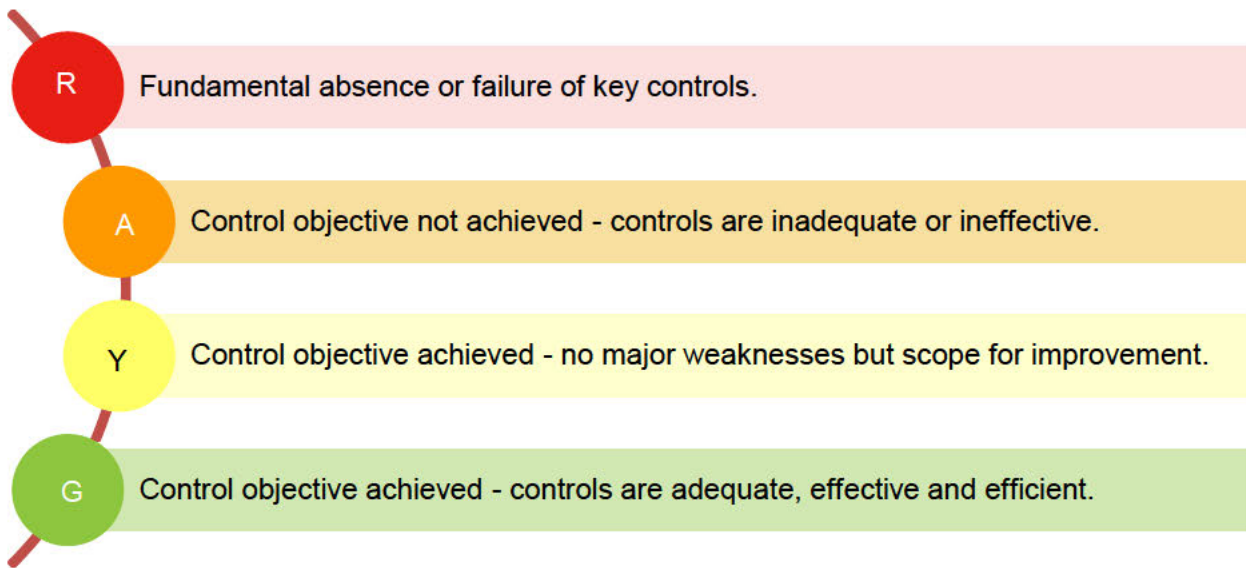
Green

The SFC ROA guidance requires 'ambitious' targets to be set by colleges. The College gathered and analysed 2018-19 final outturn data results to ensure the targets being proposed and agreed were aligned with SFC 'ambitious' expectations.

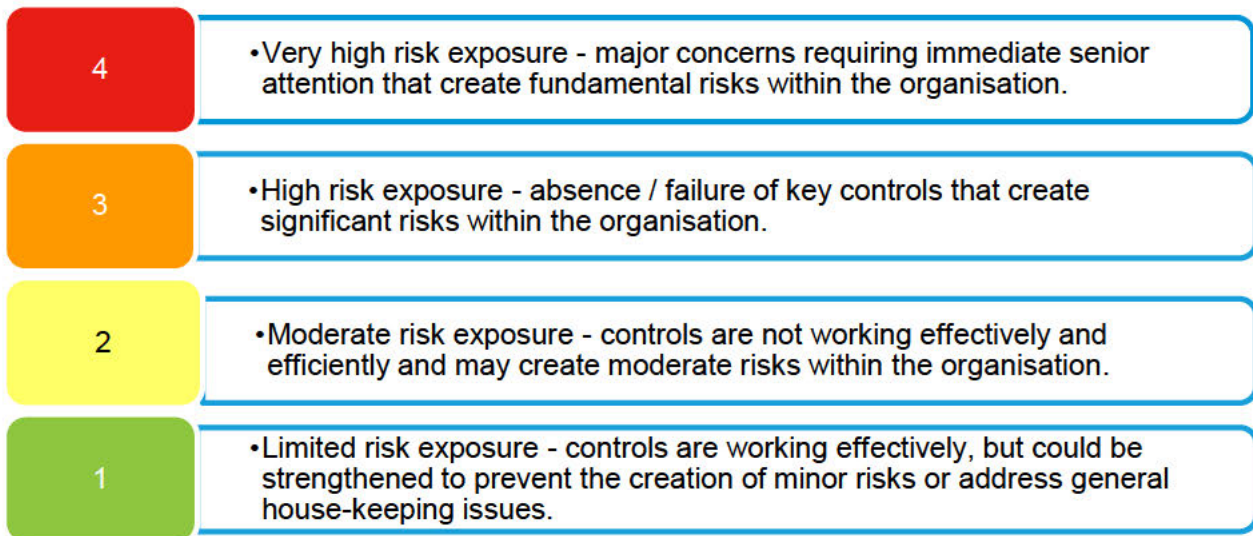
We have reviewed the College's ROA targets and believe these aligned with SFC 'ambitious' requirements. In support of our findings, the SFC have advised that they agree with the level of the targets and measures that have been included within the College's ROA.

Appendix A – Definitions

Control assessments



Management action grades



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TITLE: INTERNAL AUDIT REPORT – REGIONAL OUTCOME AGREEMENT (STAGE 2)

Background: As part of the internal audit programme for 2019-20 Scott Moncrieff conducted a review of the processes in place for agreeing the College Regional Outcome Agreement (ROA) with the SFC.

Scott Moncrieff progressed the review in two separate stages with stage one assessing the College's ROA planning processes and stage two assessing the finalisation of the ROA and target setting. The Audit Committee received and approved the stage one Report at the December 2019 meeting. The attached report now concludes the stage two element of this assignment.

This report will be presented to the next Learning, Teaching and Quality Committee for review.

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

Lead: Elizabeth Young, Director

Status: Open

1. Introduction

- 1.1 Regional Outcome Agreements (ROA) are used by the Scottish Funding Council (SFC) to assess the contribution of colleges towards Scottish Government priority outcomes and measure the impact of funding allocations. The Scottish Government's expressed desire is for intensification of the outcome agreement process and the establishment of clearer links between investment and outcomes. As a result, there is a need to deliver ever more challenging targets which are achievable but also evidence the wider contribution of the College in a national and regional context.
- 1.2 In accordance with the 2019-20 Internal Audit Plan, Scott Moncrieff have reviewed the processes in place for agreeing the Regional Outcome Agreement (ROA), including linkage to strategic and operational plans, SMART objective and target setting and effective engagement with internal and external stakeholders.
- 1.3 The review was a two-stage audit. An interim report set out their findings from the first stage review assessing the College's planning processes for the development of the 2020-21 ROA. The attached report encompasses the results from both the stage one and two reviews and encapsulates the auditor's considerations of the finalisation of the ROA.

2. Conclusion

- 2.1 The review concluded that:

'West College Scotland's processes for developing its Regional Outcome Agreement (ROA) are robust and compliant with SFC guidelines.'

'We confirmed the College's ROA process was fully complied with during development of the ROA, ensuing a quality ROA was drafted and submitted to SFC on a timely basis. The Board of Management was able to review and approve the ROA during the midst of COVID-19, ensuring the College continued to meet SFC submission deadlines.'

- 2.2 The report identified several areas of good practice including that the College:
- The College has a clearly defined ROA plan that is fully aligned with SFC Guidance.
 - The Board of Management are aware of their roles and responsibilities for the preparation of the ROA and the auditors confirmed that the ROA was developed and submitted to the SFC within the agreed timetable.
 - The ROA is clearly linked to the strategic values and priorities of the College, as well as linked to the National objectives set by the Scottish Government.

- The College effectively followed SFC guidance during the development, review and completion of the ROA. As such, a high-quality ROA was drafted as evidenced by the small amount of feedback that was received from the SFC in terms of making amendments to targets and the ROA itself.
- Ambitious performance targets have been developed and these will enable the College to demonstrate ongoing performance against its agreed ROA targets.

2.3 The report did not identify any areas for improvement.

2.4 The internal audit report will be presented to the next Learning, Teaching and Quality Committee for review.

3. Recommendation

3.1 The Audit Committee is requested to consider approve the contents of this report.



West College Scotland Internal Audit Progress Report

May 2020



Scott-Moncrieff
business advisers and accountants

West College Scotland

Internal Audit Progress Report

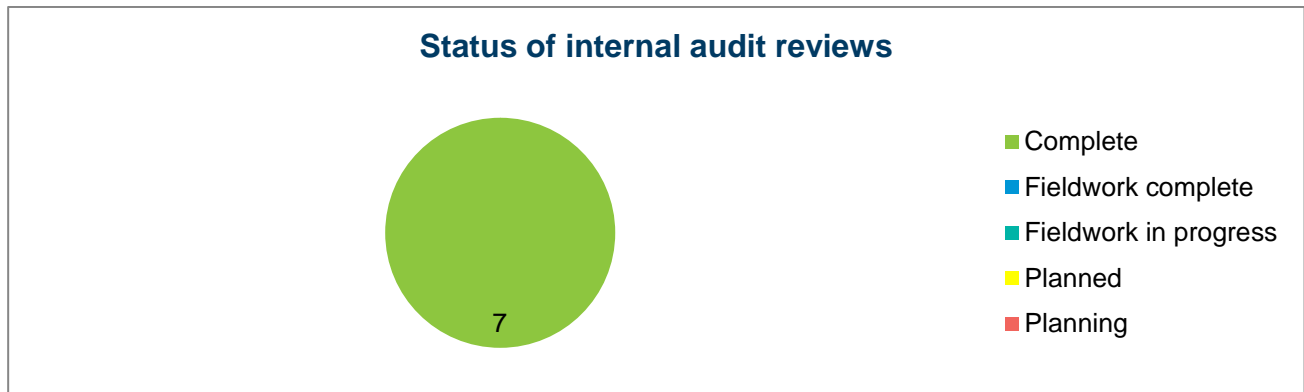
| | |
|---|---|
| Summary of progress | 1 |
| Audits completed | 2 |
| Appendix 1 – Progress against 2019/20 internal audit plan | 3 |

Summary of progress

This paper provides the Audit Committee with a summary of internal audit activity since its last meeting and confirms the reviews planned for the coming quarter, identifying any changes to the original annual plan.

Progress against annual audit plan

We have completed three audits in the period to May 2020: Continuing Professional Development, Online Resources and Regional Outcome Agreement. This completes our 2019/20 internal audit plan and our contract with the College.



Appendix 1 sets out the status of the 2019/20 internal audit programme.




Action for Audit Committee

The Audit Committee is asked to note the contents of this report. Contact details are as follows:

Elizabeth Young, Chief Audit Executive elizabeth.young@scott-moncrieff.com 0141 567 4500

Audits completed

The table below sets out the reports completed since the last Audit Committee meeting. There were no Grade 4 recommendations (very high risk exposure) and there are no control objectives assessed as red. Full definitions for the colour coding and the grading structure are set out below.

| Review | Control objective assessment | No of issues per grading | | | |
|---|---|--------------------------|---|---|---|
| | | 4 | 3 | 2 | 1 |
| B.1b Regional Outcome Agreement (ROA) |  | - | - | - | - |
| C.3 Continuing professional development |  | - | 2 | 4 | 1 |
| D.2 Online Resources |  | - | - | 2 | 1 |

The full reports will be presented to this meeting under separate agenda items.

Definitions

We use the following definitions to describe the effectiveness of controls in the area under review.

| Assessment | Definition |
|---------------|--|
| RED | Critical: fundamental absence or failure of key controls |
| AMBER | High: control objective not achieved - controls are inadequate or ineffective |
| YELLOW | Moderate: Control objective achieved - no major weaknesses but scope for improvement |
| GREEN | Low: Control objective achieved - controls are adequate, effective and efficient |

Recommendations are graded as follows:

| Ranking | Definition |
|---------|---|
| 4 | Very high risk exposure - major concerns requiring immediate senior management attention. |
| 3 | High risk exposure - absence / failure of key controls. |
| 2 | Moderate risk exposure - controls not working effectively and efficiently. |
| 1 | Limited risk exposure - controls are working effectively, but could be strengthened. |

Appendix 1 – Progress against 2019/20 internal audit plan

| Ref and Name of report | Audit Sponsor | Status | Quarter | Planned Audit C'ttee | Actual Audit C'ttee |
|---|---|---------------------|---------|----------------------|---------------------|
| A.1 Financial systems health-check | Director of Finance and Estates | Complete | Q2 | Mar 20 | Dec 19 |
| B.1a Regional Outcome Agreement (ROA) | Vice Principal Educational Leadership | Complete | Q1 | Dec 19 | Dec 19 |
| B.1b Regional Outcome Agreement (ROA) | Vice Principal Educational Leadership | Complete | Q3 | Mar 20 | May 20 |
| C.1 Equality and diversity | Director of Organisational Development and HR | Complete | Q2 | Dec 19 ¹ | Mar 20 |
| C.3 Continuing professional development | Director of Organisational Development and HR | Complete | Q3 | May 20 | May 20 |
| D.2 Online Resources | Director of Business, Enterprise and Innovation | Complete | Q3 | May 20 | May 20 |
| E.1 Digital Strategy | Director of IT | Complete | Q2 | Mar 20 | Mar 20 |
| F.1 Follow Up | Director of Finance and Estates | N/A – every quarter | N/A | All | All |

| Key: | |
|------------------------------|--|
| Complete | Audit work complete and report has been agreed and finalised |
| Draft Report | A draft report has been issued |
| Fieldwork complete | The audit work is complete but the draft report has not yet been issued. |
| Fieldwork in progress | The audit work is in progress. |
| Planned | The scope and timing have been agreed with management |
| Planning | The scope of the audit has yet to be agreed with management |

¹ Postponed to Mar 20 as agreed with management

TITLE: INTERNAL AUDIT ANNUAL PLAN 2019-20 UPDATE

Background: The Audit Committee approved the 2019-20 College internal audit plan in May 2019. This paper provides the Audit Committee with an update on 2019-20 internal audit activity to date. The internal auditors have, in line with the agreed 2019-20 programme of work, completed three reviews in the period since the previous Committee meeting:

- Continuing Professional development;
- Online Resources; and
- Regional Outcome Agreement (Stage 2).

The above three reports complete the 2019-20 internal audit plan.

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

Lead: Elizabeth Young, Director – Scott Moncrieff

Status: Open

West College Scotland

Rolling Audit Action Plan 2019-20

Internal Audit Recommendations

| Number | Audit Period | Audit | Action | Finding Description | Finding Risk | Recommendation | Grade | Original Due Date | Revised Due Date | Client Action Owner | Client Update at May 2020 | Previous Report Progress Status | Status update May 2020 |
|--------|--------------|----------------------------|---|--|--|---|-------|-------------------|---|---------------------|---|---------------------------------|-----------------------------------|
| 1 | 2018-19 | Safeguarding | 3.2 - Completion of mandatory Safeguarding training for all staff | <p>West College Scotland is currently using an online Safeguarding Essentials course which staff can access in Staff Room Moodle site. Discussions with client that all new staff members are required to complete this course as part of the Induction process.</p> <p>Prior to Cylix eLearning programme WCS staff members were required to complete the College Development Network Safeguarding Students and Staff online course. On completion of the course staff submitted their certificate to the HR Team for recording on the HR system. Around 9 months ago purchased new modules from the training provider Cylix as the College felt it was a better way of understanding safeguarding and how to deal with it rather than just solely the legislative element.</p> <p>We confirmed that all of the safeguarding team have undertaken the training.</p> <p>We identified during our testing that not all staff had completed the training either being the new course on Cylix, the old CPD or the in</p> | <p>Safeguarding concerns are not handled appropriately, as staff have not received adequate training, leading to cases going unreported impacting the well-being of young and vulnerable people.</p> | <p>West College Scotland should monitor who have not completed the safeguarding training in a timely basis and decide the action to take when following up on this, this could also be reviewed at the annual CPD Reviews to ensure all staff are completing the training.</p> <p>A risk based approach should be applied to ensure all relevant staff receive the appropriate training in a timely manner. Staff with a high level of student contact should be prioritised with training.</p> | 3 | 31/12/2019 | 30/04/2020 previously agreed to extend to 31/7/2020 | Iain Forster-Smith | <p>The action point relates to the completion of mandatory safeguarding training. The core College Safeguarding Team have all undertaken the required training and follow up reviews have been held with the Team to assess any other training needs.</p> <p>The April 2020 Internal Audit Report on Continuing Professional Development (CPD) references the requirement for all staff to undertake mandatory training across several areas including Safeguarding Essentials.</p> | Partially Complete | Partially Complete |
| 2 | 2019-20 | Regional Outcome Agreement | Feedback | <p>The College should consider how it can improve its engagement with external stakeholders on the ROA.</p> | <p>Engagement with the CCP will reduce the risk of the ROA not being fully inclusive of setting outcomes/targets that are important to both the College and the communities it operates within.</p> | <p>The College could consider involving the Community Planning Partnership (CPP) during the development stage of the ROA to ensure their input is taken into consideration.</p> | N/a | 31/07/2020 | | Stephanie Graham | <p>The College has actively engaged with the Community Planning Partners in the completion of the current ROA. This engagement has taken the form of meetings and exchange of emails especially due to the impact of Covid-19. However the basis has been set for future engagement which will be taken forward for further ROAs.</p> | | Complete and agreed to be removed |
| 3 | 2019-20 | Equality and Diversity | 2.1 EDI training for temporary staff | <p>The College's Equal Opportunities Policy and Procedure requires all staff to undertake equality, diversity and inclusion (EDI) training. Management advised that the EDI training is difficult to deliver to temporary staff due to their hours of work, the part time nature of their work and sometimes short tenure of their role.</p> <p>The Policy does not specify a minimum length of service for individuals to have with the College before completing the EDI training but during our testing, management explained that due to the difficulties of delivering face to face training to temporary staff, this was not routinely scheduled in the same way as permanent members of staff. The College has attempted to address this difficulty through the use of an on-line EDI training package.</p> | <p>There is a risk that temporary employees, who may have been working for the College for a period of time, are not being provided with EDI training, increasing the risk of temporary staff not being aware of their rights and responsibilities under the Equality Act 2010. This may result in non-compliance with the Equality Act leading to the reputational damage of the College.</p> | <p>The College has a responsibility to ensure all staff, permanent and temporary, are aware of their roles and responsibilities and to seek compliance with College policies. As a result, the College should ensure that all staff complete EDI mandatory training within a specified time period.</p> | 3 | 31/07/2020 | N/a | David Gunn | <p>The College's expectation is that EDI training will be completed within 3 months of starting. The College has developed a computer programme to assist the HR Department to identify all staff members who have not completed any mandatory training, including EDI. The list of staff who have not completed the required training will be circulated to College managers starting from 1 June 2020. Manager will be requested to ensure that the identified staff undertake the required training by a specific date and report back to the HR department on progress made.</p> <p>The Equal Opportunities Policy and Procedure has been updated to reflect this change in practice including escalation routes should the training not be undertaken. The updated Policy and Procedure will be presented to SMT by 31 July 2020 for approval.</p> | | Partially Complete |
| 4 | 2019-20 | Equality and Diversity | 2.2 Completion of Equality, Diversity and Inclusion Training | <p>College staff are required to complete online EDI training during their induction. We tested a sample of seven new starts to verify their completion of the EDI training, but could only obtain evidence of completion by three of these employees.</p> <p>We also noted that there are no guidelines in place setting out the timescale staff are required to complete the training by, nor could we find any evidence of line managers actively encouraging staff members to complete outstanding EDI training. Management has informed us that the OD Manager has in the past sent out general reminder emails to all staff to remind them to undertake the required training.</p> | <p>The non-completion of EDI training for new starts, increases the risk of staff not being aware of their rights and responsibilities under the Equality Act 2010. This may result in non-compliance with the Act leading to the reputational damage of the College.</p> | <p>The College must ensure all new members of staff complete mandatory EDI training within an agreed timeframe. Also, line managers should be actively encouraged to monitor the completion of mandatory training by new starts and, where required, follow up uncompleted training areas with the new employee and explain the importance of completing such training.</p> | 2 | 31/07/2020 | N/a | David Gunn | <p>Work has commenced to update the College induction checklist for new staff to include the necessity for all new staff to undertake the required mandatory training. The HR new starter procedure has also been amended to ensure that the induction checklist is reviewed by the responsible HR Manager. Where there is mandatory training outstanding the OD Manager will discuss this with the new starters Line Manager to ensure that all relevant training is undertaken within 6 months of the employees start date. These revisions to the induction procedure will be combined with the actions identified above whereby staff who have not completed the required training are identified on a quarterly basis.</p> | | Partially Complete |

| Number | Audit Period | Audit | Action | Finding Description | Finding Risk | Recommendation | Grade | Original Due Date | Revised Due Date | Client Action Owner | Client Update at May 2020 | Previous Report Progress Status | Status update May 2020 |
|--------|--------------|------------------------|---|---|---|---|-------|-------------------|--|---------------------|---|---------------------------------|-----------------------------------|
| 5 | 2019-20 | Equality and Diversity | 3.1 Equality Impact Assessments / Policy review | <p>The Equality Act requires all policies to include an Equality Impact Assessment (EQIA) that involves assessing the impact of new or revised policies, practices or services against the requirements of the public sector equality duty. The EQIA should be regularly reviewed and updated in line with the review schedule of each policy. We confirmed that the College's Equal Opportunities Policy includes the requirement for EQIAs and the College has developed an equality impact assessment template to assist with drafting these. We confirmed that this is being completed and included within all College policies and procedures.</p> <p>All the College's policies and procedures include a review schedule that captures the Senior Manager responsible for maintaining the policy, the Committee responsible for approving the policy, the date the policy was last approved and the next policy review date. The College has developed a Policy Review Schedule that sets out the current policy review status for all policies and procedures.</p> | <p>A failure to regularly review and maintain policies and procedures increases the risk of policies and procedures becoming outdated, meaning that those may not reflect current working practices and may also fail to comply with current regulation and legislation requirements. Linked to this is a risk that equality considerations will not be adequately assessed due to the EQIA not being updated to reflect current legislation or changes in working practices.</p> | <p>The College should ensure policies and procedures are reviewed in line with agreed review dates and the Policy Review Schedule should be routinely maintained to accurately reflect the current position of all College policies and procedures, including any approved revised revision dates. This should include refreshing the EQIA to reflect any changes in practice/policy since it was last undertaken. In addition, a senior member of staff should be allocated responsibility for overseeing the review of College policies and procedures to confirm reviews are taking place as expected and valid explanations are received from policy owners where policy reviews have been postponed or delayed.</p> | 2 | 30/06/2020 | N/a | Liz Connolly | <p>The Senior Management Team (SMT) agenda now incorporates a standing item to review the College Policies Review Schedule to ensure that most relevant document is available for staff. The Schedule includes all relevant dates and the member of the SMT responsible for updating the documentation.</p> <p>The Senior Management Team will review the Policy Review Schedule on a quarterly basis to ensure that all relevant policies and procedures are updated / refreshed by their due dates. The review process was started at the SMT meeting on 18 February 2020 with a further review undertaken at its meeting on 28 April 2020. These reviews will continue to be undertaken on a quarterly basis.</p> | | Complete and agreed to be removed |
| 6 | 2019-20 | Digital Strategy | 4.1 Governance Arrangements and Operational Plans | <p>At the time of our audit work, whilst the Digital Strategy had been approved by the College Board of Management, a formal delivery plan had not yet been developed. Management stated that it is intended to develop this within the first half of 2020 and that oversight for the Strategy will sit with the Board of Management Learning, Teaching and Quality Committee.</p> <p>We recognise that there has been some progress in implementing the principles outline within the Strategy. This includes piloting new technologies and taking a 'Digital First' approach. This has resulted in the digitisation of several processes such as a fully digitised student funding application process, the use of Skype for Business to broadcast lectures live across all three campuses and the planned use to build on this with the piloting and introduction of Microsoft Teams to improve interact and engagement for staff and students.</p> | <p>There is a risk that, without delivery plans which set out planned activities/initiatives and supporting governance arrangements, the College will not be able to deliver the Digital Strategy in a coherent and cost-effective manner.</p> | <p>We recommend that the College develops an overarching delivery plan for the Digital Strategy. This should set out the planned activities to be undertaken that will achieve the objectives set out within the digital and corporate strategies. In developing the delivery plan, management should also ensure this is integrated with the College Financial Strategy which identifies the estimated capital and revenue costs of all planned activities. In developing the delivery plan and the Financial Strategy which supports it, there will need to be appropriate prioritisation of activities to recognise financial constraints not only to deliver agreed strategic imperatives but also to maintain business as usual technologies/services.</p> | 2 | 31/05/2020 | 31/05/2020 requested to extend to 31/10/2020 | Angela Pignatelli | <p>The College objective still remains to establish an Oversight Group consisting of both senior and operational managers to address the objectives of the Digital Strategy. The Oversight Group will agree a remit to include the matters noted within the audit report including the creation of a delivery action plan including SMART targets aimed at delivering the Digital Strategy objectives.</p> <p>However the impact of Covid-19 on College operations has resulted in staff becoming involved in addressing these immediate challenges including digital CPD for staff, digital platform recommendations and advice and digital resources toolkit recommendations. Given these immediate challenges the College has requested an extension of time to allow the original recommendation to be addressed in due course.</p> | | Partially Complete |

External Audit Recommendations

| Number | Audit Period | Audit | Action | Finding Description | Finding Risk | Recommendation | Grade | Original Due Date | Revised Due Date | Client Action Owner | Client Update at November 2019 | Previous Report Progress Status | Status update November 2019 |
|--------|--------------|-------------------|------------------------|--|---|--|-------|-------------------|------------------|---|--|---------------------------------|---|
| 1 | 2018-19 | SFC Credits Audit | Infill Courses | Infill courses should have the prefix 'I' in the course code and the word 'infill' in the course title. | There is a risk that the College's statistical information is not correct in terms of the classification of its infill courses and credits. | We recommend that care be taken when deciding whether a course should be treated as an infill course. The College should only use the prefix 'I' in the course code and the word 'infill' in the course title when the course is an infill course. All other non full time courses should have a different prefix to the course code and should not have the work 'infill' in the title. | Low | 31/01/2020 | N/a | Head of Student Services | The College has issued updated guidance to curriculum teams highlighting when particular modes of attendance should be used especially in relation to the use of infill versus part time. The use of the infill category continues to be monitored during 2019-20 to ensure it is appropriately use. | | Fully Implemented subject to audit confirmation |
| 2 | 2018-19 | SFC Credits Audit | Price Group 5 | Price Group 5 credits should be calculated by using the planned learning hours divided by 40. | There is a risk that the College over/under states its credit count for those courses classified as Price Group 5. | We recommend that care be taken when calculating the credits for the Price Group 5 courses. The calculation should be based on the planned learning hours divided by 40. | Low | 31/01/2020 | N/a | Head of Student Services | The College has issued updated guidance to Heads of Sector to ensure that Credit calculations for Price Group 5 courses is carried out using 40 hours. The implementation of this guidance continues to be monitored during 2019-20 through the issuing of regular reports to Heads of Sector to validate the Credits claimed. | | Fully Implemented subject to audit confirmation |
| 3 | 2018-19 | SFC Credits Audit | Student Attendance | Credits should only be allocated to students if they have attended beyond the required date and are actively participating in the course. | There is a risk that credits may be claimed for students who do not meet the attendance criteria and thus credits are overstated. | We recommend that care be taken when including students in the credits count. Student should only be included if the College can demonstrate that the student has actively participated in the course. | Low | 31/01/2020 | N/a | Head of Student Services | The College has issued updated guidance to CQLs to ensure that there is improved clarity concerning student attendance, engagement and withdrawals processes is understood. Course participation is being monitored on a regular basis through the generation of regular reports which are being issued to CQLs for validation and early intervention where necessary. | | Fully Implemented subject to audit confirmation |
| 4 | 2018-19 | SFC Credits Audit | Work Based Learning | Credits should only be claimed for those students on work based learning courses if there is sufficient evidence available to provide evidence of course progression and staff support. | There is a risk that the College could overstated its credits count. | We recommend that the College ensures that all work based learning students have evidence of course progression and staff support on file. | Low | 31/01/2020 | N/a | Head of Enterprise & Employability | The College has revised the process for the enrolment of work based learning students to ensure that they are only enrolled on a subject after there is sufficient evidence of participation and staff support. | | Fully Implemented subject to audit confirmation |
| 5 | 2018-19 | SFC Credits Audit | Fee Waiver | Evidence in support of the student's fee waiver claim should be noted on the fee waiver form (enrolment form) by the Enrolling Officer. For the outreach centres the fee waiver form is part of the enrolment form. In these circumstances the fee waiver is approved by the lecturer. The lecturer is supposed to have sight of the supporting documentation prior to agreeing the fee can be waived. | There is a risk that fee waivers are given without the proper evidence being seen by the Enrolling Officer. | We recommend that the outreach enrolment form is amended to include a box for the enrolling officer to indicate what evidence they have seen in support of the student's claim for their fees to be waived. We also recommend that staff are reminded that they should sign the enrolment form. | Low | 31/01/2020 | N/a | Head of Learning Communities | The College has amended the outreach enrolment form to enable the enrolling staff member to specify what evidence was presented to justify the fee waiver being claimed. the revised procedure continues to monitor for unsigned outreach enrolment forms which are being returned to the relevant staff member for completion. | | Fully Implemented subject to audit confirmation |
| 6 | 2018-19 | SFC Credits Audit | Open/Distance Learning | Credits should only be claimed for students on open/distance learning provision if there is evidence of progression by the student. | There is a risk that credits are overstated. | We recommend that the College ensures that all open/distance learning students have evidence of work completed and progression on their course before claiming Credits. | Low | 31/01/2020 | N/a | Head of Business Development and Innovation | The College has updated its process for the enrolment of open/distance learning students to ensure that students are only enrolled on a subject after there is sufficient evidence of participation. This revised process continues to be monitored to ensure the correct level of Credits are being claimed. | | Fully Implemented subject to audit confirmation |

TITLE **ROLLING AUDIT ACTION PLAN**

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

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

Action The Audit Committee is requested to approve:

- a) an extension of time for 1 recommendation;
- b) the removal of 2 completed recommendations; and
- c) the Rolling Audit Action Plan.

Lead Alan Ritchie, Director of Finance and Estates

Status Open

1. Introduction

- 1.1 Appendix A provides an update on the progress made by the College in addressing the recommendations arising from the work of both the internal and external auditors.

2. Summary of Recommendations

- 2.1 The tables below summarise the movement in relation to the audit recommendations since the last Committee meeting in March 2020:

| Total Number of Recommendations | Internal Audit | External Audit | Total |
|--|----------------|----------------|-----------|
| Total brought forward recommendations | 1 | 6 | 7 |
| Proposed for removal following audit follow up work | | | |
| Added to the RAAP – audit reports approved at prior Committee meeting: | | | |
| Regional Outcome Agreement (stage 1) | 1 | 0 | 1 |
| Equality and Diversity | 3 | 0 | 3 |
| Digital Strategy | 1 | 0 | 1 |
| Total recommendations as per RAAP | 6 | 6 | 12 |

| Status of Recommendations | Internal Audit | External Audit | Total |
|--|----------------|----------------|-----------|
| Total recommendations as per RAAP | 6 | 6 | 12 |
| Recommend for removal following Committee review | (2) | 0 | (2) |
| Number of recommendations remaining | 4 | 6 | 10 |
| Status of remaining recommendations | | | |
| Partially complete (Not yet due) | 3 | 0 | 3 |
| Partially implemented (Due for completion – extension requested) | 1 | 0 | 1 |
| Complete pending external auditor review | 0 | 6 | 6 |
| Total recommendations remaining | 4 | 6 | 10 |

3. Commentary on Audit Recommendations

External Audit

- 3.1 The finalisation of the external audit work for the year ended 31 July 2019 resulted in six low category recommendations from the audit of SFC Credits audit.
- 3.2 The College has implemented all the recommendations, and these will be reviewed by the external auditor as part of their year ended 31 July 2020 audit work.

Internal Audit

- 3.3 The College has fulfilled the requirements of two of the six outstanding internal audit recommendations (2 and 5). Following review by the internal auditors the College is now requesting authorisation to remove these recommendations from the Rolling Audit Action Plan.
- 3.4 The College is requesting an extension of time in relation to 1 recommendation:
- Recommendation (6) – Digital Strategy Governance Arrangements from 31/5/20 to 31/10/20
 - The original recommendation was for the College to establish an Oversight Group to ensure there was an action plan created to enact the objectives of the Digital Strategy. Due to the Covid-19 challenges faced by the College this group has not yet been established but members of the intended group have been tasked with providing advice and guidance to the College in relation to digital CPD for staff and digital platform and resource toolkit recommendations. The College is requesting an extension to the current deadline from 30/5/20 to 30/9/20 to allow for the College to deal with the current Covid-19 challenges and to enable the staff to prepare for the new academic year likely to commence in September 2020.

4. Conclusion

- 4.1 The RAAP is reviewed by the relevant staff on a continual basis and the College considers that good progress is being made addressing the recommendations made by both the internal and external auditors.
- 4.2 The Audit Committee is requested to approve:
- a) an extension of time for 1 recommendation;
 - b) the removal of 2 completed recommendations; and
 - c) the Rolling Audit Action Plan.



West College Scotland

Internal Audit Annual Report 2019/20

May 2020



Scott-Moncrieff
business advisers and accountants

West College Scotland

Internal Audit Annual Report 2019/20

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Introduction

The Public Sector Internal Audit Standards (PSIAS) state that:

“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.”

“The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”

To meet the above requirements, this Annual Report summarises our conclusions and key findings from the internal audit work undertaken at West College Scotland for the period from 1 August 2019 to 31 July 2020, including our overall opinion on West College Scotland’s internal control system.

Acknowledgement

We would like to take this opportunity to thank all members of management and staff for the help, courtesy and co-operation extended to us during the year.

Overall internal audit opinion

Basis of opinion

As the Internal Auditor of West College Scotland, we are required by PSIAS to provide the audit committee with assurance on the whole system of internal control. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control.

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

- All reviews undertaken as part of the 2019/20 internal audit plan;
- Any scope limitations imposed by management;
- Matters arising from previous reviews and the extent of follow-up action taken including in year audits;
- Expectations of senior management, the audit committee and other stakeholders;
- The extent to which internal controls address the client's risk management /control framework;
- The effect of any significant changes in West College Scotland's objectives or systems; and
- The internal audit coverage achieved to date.

In my professional judgement as Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the basis and the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria. The conclusions are only applicable for the entity examined. The evidence gathered meets professional audit standards and is sufficient to provide senior management with proof of the conclusions derived from the internal audit work.

Internal Audit Opinion

In our opinion West College Scotland has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

We would however highlight that all of our audit fieldwork was undertaken pre COVID-19 and that work is the basis on which we have formed our opinion. The nature and timing of amendments to governance, risk and internal control arrangements as a result of Covid-19 should be carefully considered by the Audit Committee for any impact on the governance statement and related commentary.

Scott-Moncrieff

May 2020

Internal audit work performed

Scope and responsibilities

Management

It is management's responsibility to establish a sound internal control system. The internal control system comprises the whole network of systems and processes established to provide reasonable assurance that organisational objectives will be achieved, with particular reference to:

- risk management;
- the effectiveness of operations;
- the economic and efficient use of resources;
- compliance with applicable policies, procedures, laws and regulations;
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- the integrity and reliability of information and data.

Internal auditor

The Internal Auditor assists management by examining, evaluating and reporting on the controls in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, the Internal Auditor should:

- analyse the internal control system and establish a review programme;
- identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner;
- report findings and conclusions and, where appropriate, make recommendations for improvement;
- provide an opinion on the reliability of the controls in the system under review; and
- provide an assurance based on the evaluation of the internal control system within the organisation as a whole.

Planning process

In order that we can provide an annual assurance statement supporting the Governance Statement, we include all of West College Scotland's activities and systems within the scope of our internal audit reviews.

Our strategic and annual internal audit plans are designed to provide the audit committee with assurance that West College Scotland's internal control system is effective in managing the key risks and best value is being achieved. The plans are therefore informed by the College's risk management system and linked to the Corporate Risk Register.

The Strategic Internal Audit Plan was agreed in consultation with senior management and formally approved by the audit committee.

The Annual Internal Audit Plan is subject to revision throughout the year to reflect changes in West College Scotland's risk profile.

We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. However, internal audit can never guarantee to detect all fraud or other irregularities and cannot be held responsible for internal control failures.

Cover achieved

Our Internal Audit Plan typically comprises 55 days per annum. We completed 55 days of internal audit work in 2019/20. No changes were made to our Internal Audit Plan during the year.

A comparison of actual coverage against the 2019/20 plan is attached at Appendix 1.

We confirm that there were no resource limitations that impinged on our ability to meet the full audit needs of the College and no restrictions were placed on our work by management.

We did not rely on the work performed by a third party during the period

Reports







We have prepared a report for each of the internal audit reviews completed and presented these reports to the Audit Committee.

Where relevant, all reports contained action plans detailing responsible officers and implementation dates. The reports were fully discussed and agreed with management prior to submission to the audit committee.

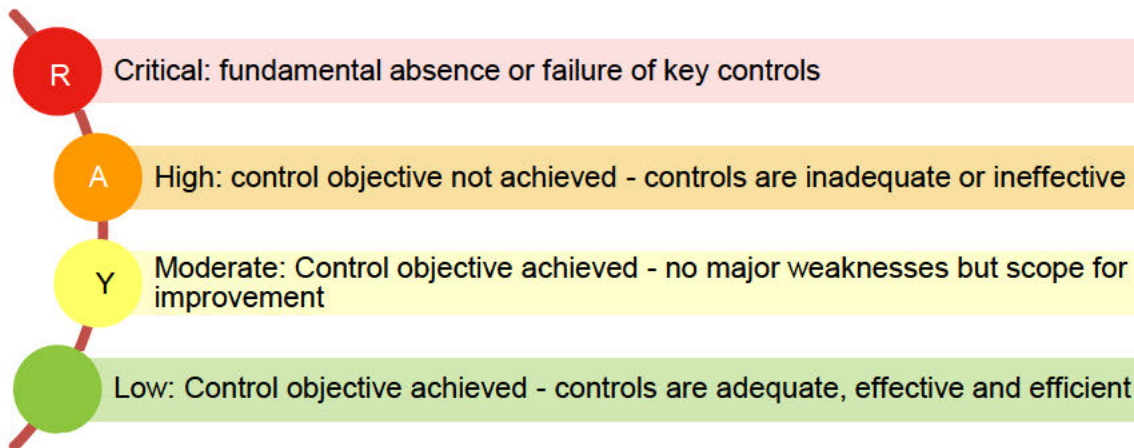
We made no significant recommendations that were not accepted by management.

Summary of reports by control objective and action grade

Six internal audit reports have been completed during 2019/20 as summarised in the table below.

| Review | Control objective assessment | No. of issues per grading | | | |
|---|---|---------------------------|---|---|---|
| | | 4 | 3 | 2 | 1 |
| A1. Financial systems health-check |  | - | - | - | - |
| B1. Regional Outcome Agreement |  | - | - | - | - |
| C1. Equality and diversity |  | - | 1 | 2 | - |
| C3. Continuing professional development |  | - | 2 | 4 | 1 |
| D2. Online resources |  | - | - | 2 | 1 |
| E1. Digital Strategy |  | - | - | 1 | - |

Control objective assessment definitions



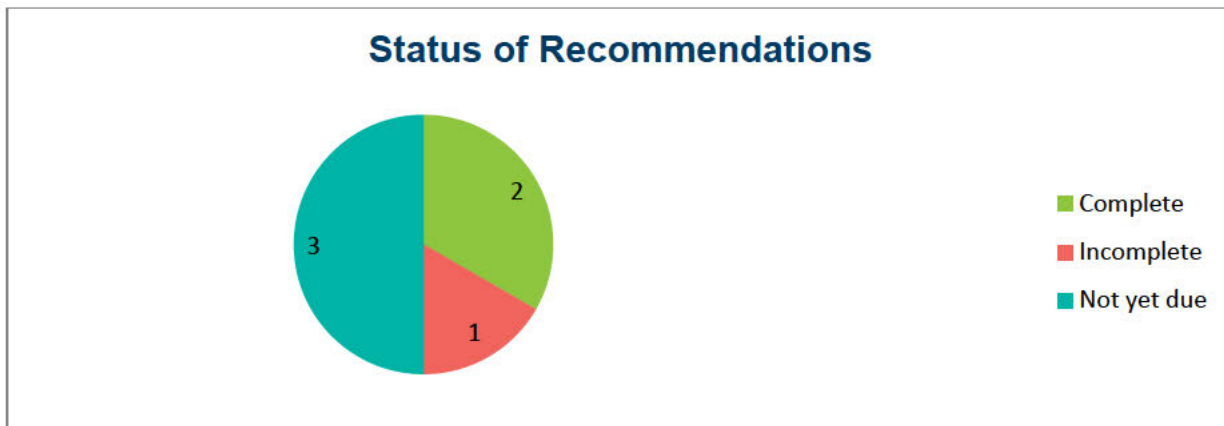
Management action prioritisation definitions

| | |
|---|--|
| 4 | •Very high risk exposure - major concerns requiring immediate senior management attention. |
| 3 | •High risk exposure - absence / failure of key controls |
| 2 | •Moderate risk exposure - controls not working effectively and efficiently. |
| 1 | •Limited risk exposure - controls are working effectively, but could be strengthened. |

Progress in implementing internal audit actions

West College Scotland has a well-developed process for monitoring the implementation of management actions and ensures that actions are completed on a timely basis. We review progress made on a quarterly basis to validate management's assessment of each action's status.

At our last follow-up in May 2020, there were a total of six outstanding actions. We reviewed these and obtained sufficient evidence to close 2 (33%) actions. Three of the remaining 4 (50%) actions were not yet due for completion, with one (17%) incomplete.



Key Themes

- The College has suffered a further incident of fraud this year, again relating to a fraudulent change of supplier bank details. We reviewed the fraud prevention arrangements at the College in 2018/19 and confirmed that the small number of remedial actions identified have since been implemented. We have reviewed the information provided by management and understand that the latest instance of fraud was successful due to two members of staff not following the documented procedure. It is important that the College remain vigilant when overseeing staff to ensure this does not reoccur; this is especially important in the current home-working environment where this may be more challenging.
- Following a number of findings raised in prior years relating to training and development issues, we undertook a review of the College's continuing professional development process. We found a large number of weaknesses in the College's current processes, with improvements needed both to strengthen the controls in place and also to improve compliance with the underlying process. Most notably, we found that a large number of staff were not completing the CPD process effectively and also that induction training was not being delivered within the allowable timeframes.
- Our review of the equality and diversity arrangements within the College also found issues relating to training, whereby temporary staff were not routinely receiving the mandatory training alongside permanent members of staff. We also found that there was a lack of oversight over the completion of this training by permanent members of staff. We also noted within this audit a need to ensure all policies were updated in line with their scheduled review dates, with updated Equality Impact Assessments included.

Independence

PSIAS require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that the staff members involved in each 2019/20 internal audit review were independent of West College Scotland and their objectivity was not compromised in any way.

Conformance with Public Sector Internal Audit Standards

We confirm that our internal audit service conforms to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing. This is confirmed through our quality assurance and improvement programme, which includes cyclical internal and external assessments of our methodology and practice, against the standards.

A summary of the results of our most recent internal assessment is provided at Appendix 2.

Appendix 1 – Planned v actual days 2019/20

| Ref and Name of report | Planned Days | Actual Days |
|---|--------------|-------------|
| Key Financial Systems | | |
| A1. Financial systems health-check | 6 | 6 |
| Strategic | | |
| B1. Regional Outcome Agreement | 7 | 7 |
| Operational | | |
| C1. Equality and diversity | 6 | 6 |
| C3. Continuing professional development | 8 | 8 |
| Operational | | |
| D2. Online resources | 8 | 8 |
| Information Technology | | |
| E1. Digital strategy | 8 | 8 |
| General | | |
| F1. Follow-up of Prior Recommendations | 5 | 5 |
| F2. Audit management, External audit liaison, Annual planning | 2 | 2 |
| F2. Audit Committee Attendance | 4 | 4 |
| F2. Annual Audit Report | 1 | 1 |
| Total | 55 | 55 |

Appendix 2 – Summary of Quality Assurance Assessment

We are required by Public Sector Internal Audit Standards to disclose the outcome of our regular internal and external quality assessments.

The table below summarises the outcome of our most recent internal quality assessment, in which we have assessed the extent to which our internal audit methodology conforms to the standards.

| Standard | Does not conform | Conforms | Improvements we have identified |
|---|------------------|----------|---------------------------------|
| Purpose & positioning | | | |
| • Remit | | ✓ | |
| • Reporting lines | | ✓ | |
| • Independence | | ✓ | |
| • Other assurance providers | | ✓ | |
| • Risk based plan | | ✓ | |
| Structure & resources | | | |
| • Competencies | | ✓ | |
| • Technical training & development | | ✓ | |
| • Resourcing | | ✓ | |
| • Performance management | | ✓ | |
| • Knowledge management | | ✓ | |
| Audit execution | | | |
| • Management of the IA function | | ✓ | |
| • Engagement planning | | ✓ | |
| • Engagement delivery | | ✓ | |
| • Reporting | | ✓ | |
| Impact | | | |
| • Standing and reputation of internal audit | | ✓ | |
| • Impact on organisational delivery | | ✓ | |
| • Impact on Governance, Risk and Control | | ✓ | |

Comment

Overall, our service conforms to the requirements of the PSIAS.

Our assessment is based on the overall service that is delivered to each client. Compliance with the methodology will be monitored through an enhanced system of internal quality assurance to supplement existing arrangements.

We are happy to provide Audit Committee members with further details of the information set out above and the assessment process, if required.

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TITLE: DRAFT ANNUAL INTERNAL AUDIT REPORT 2019-20

Background: The attached report presents to the Audit Committee the draft Annual Internal Audit Report for 2019-20. This document forms part of the suite of year-end reports and is designed to assist the Board of Management inform its governance statement.

Action: The Audit Committee is asked to consider and approve the contents of the Draft Annual Internal Audit Report 2019-20.

Lead: Elizabeth Young, Director, Scott Moncrieff

Status: Open

1 Introduction

1.1 The Scottish Public Finance Manual states that:

- 'Internal audit should provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It should provide an appraisal of an organisation's internal control system and take the action needed to provide Accountable Officers with a continuing assurance that the organisation's risk management, control and governance arrangements are adequate and effective. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The operation and conduct of internal audit should comply with Public Sector Internal Audit Standards.
- Accountable Officers are responsible for ensuring that appropriate internal control systems exist within their own organisations (or parts thereof), and for deciding whether to accept and implement internal audit findings and recommendations. Accountable Officers have overall responsibility for ensuring that prompt and effective action is taken on recommendations, and that the risks resulting from inaction are recognised and accepted. The organisation's Head of Internal Audit should have the right of direct access to the Accountable Officer and the organisation's Audit Committee.
- Internal audit evaluates compliance with an organisation's internal control system - including relevant regulations, guidance and procedures - as part of its review process. However, the primary responsibility for monitoring compliance rests with operational areas and their line management, up to and including the relevant Accountable Officer.'

1.2 An annual audit assurance is provided to Accountable Officers through the professional opinion of the Internal Auditor on the adequacy and effectiveness of the internal control system and the extent to which it can be relied upon. That opinion is contained in the attached annual report from the Internal Auditor to the Audit Committee, and forms part of the assurance required by Accountable Officers to enable them to sign a governance statement as part of the accounts for which they are directly responsible.

- 1.3 To meet the above requirements, the attached Annual Report summarises the conclusions and key findings from the internal audit work undertaken at the College during the year ended 31 July 2020, including the internal auditor's overall opinion on the College's internal control system.

Scope

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

Overall Internal Audit Opinion

Basis of Opinion

- 1.5 The Internal Auditor of West College Scotland are required by Public Sector Internal Audit Standards (PSIAS) to provide the Audit Committee with assurance on the whole system of internal control. In giving their opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control.
- 1.6 In assessing the level of assurance to be given, the internal auditors have considered:
- All reviews undertaken as part of the 2019/20 internal audit plan;
 - Any scope limitations imposed by management;
 - Matters arising from previous reviews and the extent of follow-up action taken including in year audits;
 - Expectations of senior management, the audit committee and other stakeholders;
 - The extent to which internal controls address the client's risk management /control framework;
 - The effect of any significant changes in West College Scotland's objectives or systems; and
 - The internal audit coverage achieved to date.

Internal Audit Opinion

- 1.7 The internal audit opinion on the College framework of controls is stated on page 2:

'In our opinion West College Scotland has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.'

- 1.8 Scott Moncrieff have highlighted that all their audit fieldwork was undertaken pre COVID-19 and that work was the basis on which they formed their opinion. They note that the nature and timing of amendments to governance, risk and internal control arrangements as a result of Covid-19 should be carefully considered by the Audit Committee for any impact on the governance statement and related commentary.

2 Conclusion

- 2.1 The Audit Committee is asked to consider and approve the contents of the draft Annual Internal Audit Report 2019-20.

TITLE **DRAFT INTERNAL AUDIT PLAN 2020-21**

Background In March 2020 the Audit Committee approved the appointment of Wylie and Bisset to provide internal and other audit services to the College for three years until 31 July 2023, with the option to extend the contract for a further two years until 31 July 2025.

The attached report presents to the Audit Committee the draft internal audit plan for 2020-21. The draft plan has been compiled following discussion with the College Senior Management Team and a detailed review of the strategic risk register and other several key College documents by the audit team.

Action The Audit Committee is requested to consider and approve the 2020-21 Internal Audit Plan.

Lead Graham Gillespie, Partner, Wylie & Bisset

Status Open

1. Introduction

- 1.1 Wylie & Bisset LLP were appointed as Internal Auditors by the College with effect from 1 August 2020 for a three-year period to 31 July 2023 with the option to extend the contract until 31 July 2025.
- 1.2 The prime responsibility of the Internal Audit Service (IAS) is to provide the Board of Management, via the Audit Committee, with an objective assessment of the adequacy and effectiveness of management's internal control systems.
- 1.3 The IAS objectively examines, evaluates and reports on the adequacy of internal control thus contributing to the economic, efficient and effective use of resources and to the reduction of the potential risks faced by the College. Also, the operation and conduct of the IAS must comply with the standards and guidelines set down by the Chartered Institute of Internal Auditors.
- 1.4 The attached Audit Needs Assessment presents to the Audit Committee the work which the internal auditors propose undertaking during the initial three-year appointment. The draft plan has been arrived at after consultation with the College Senior Management Team and through a detailed review by the audit team of several key documents, including the College Strategic Risk Register and Corporate Plan 2019-2025.
- 1.5 The planned number of internal audit days for 2020-21 is 50 days of internal audit work and 15 days of other audit services (which includes the audits of student activity and student support funds). This level of activity meets the required number of days approved by the Audit Committee in March 2020.
- 1.6 The rationale for inclusion of each area within the draft plan – as agreed by the College Senior Management Team and internal auditors - is noted below:
 - Overall Financial Controls – The College's financial systems are a core and essential element of business operations. During the previous 5 years there has been several specific audits of financial controls (accounting policies, financial reporting, fixed assets) and there is now a need to undertake a high-level review of all financial controls within one review. The proposed review will enable the College to satisfy itself that the process and procedures in relation to overall financial controls are still operating as required.
 - Fraud Awareness – Due to a recent fraud the College considers that the controls associated with detecting and preventing fraud should be reviewed.

- Study of effects of Covid-19 –The impact of the Covid-19 outbreak has had, and will continue to have, wide ranging impacts on working practices across the College. It is felt that a review of the changes impacting upon the College operating environment as arising from COVID19 should be undertaken to assess the College response to this. Digital transformation and the changes for all staff in engaging with this is expected to be a key aspect of the review. It is also expected that this review will dovetail with the audit review work being undertaken on the Digital Strategy during the first half of 2020-21.
- Complaints Handling – This is a key area for the College given the regulatory regime which is applicable in this area. There is the possibility for reputational damage to the College should a complaint be mishandled. The area has not been specifically reviewed during the previous 5 years. The Scottish Public Services Ombudsman (SPSO) are currently updating the guidance to Colleges on complaint handling which requires to be in place for August 2020. This work will be undertaken towards the end of 2020-21 to allow the new guidance to be embedded in the College and for any recommendations to be implemented for the 2021-22 year.
- External Communications – The College has previously reviewed the area of internal communications and the impact which it has upon the College staff and students. The front facing messaging is critical to ensure that the College is presented in the most favourable light to prospective students and clients. The area of external communications has not been reviewed as part of the previous internal audit regime. The College is currently due to update its website and this work will complement the intended upgrading work.
- HR: Sickness Absence Reporting – The College has more than 1,200 staff and people are essential to the delivery of all services. Employee costs also form the most significant element of the College budget. This review will consider College absence management reporting and all processes in this area. This area was not reviewed during the previous audit plan.
- Assurance Mapping – The Audit Committee are aware of the requirement to produce an Assurance Map and the College has committed to progressing this. As previously discussed at the Audit Committee, the College will look to engage with the internal auditors in developing this further and reflect best practice in providing the assurance map through this advisory audit.

- Follow Up Reviews – This represents the time the internal auditors will use to review the recommendations arising from previous internal audit reviews. It is intended that this review will be undertaken throughout the year with an updated Rolling Audit Action Plan presented to each Audit Committee for consideration.
- Student Support Funds / Educational Maintenance Allowance (EMA) / Credit audits – these are the statutory audits required by the SFC and Student Awards Agency for Scotland (SAAS) and undertaken as part of the year end financial statements work.

2. Next Steps

- 2.1 The draft 2020-21 Internal Audit Plan is presented to the Audit Committee for consideration on the basis as outlined above. This proposed plan takes account of the current College Strategic Risk Register, College Corporate Plan, Regional Outcome Agreement and other key documents and reflects discussion between the College Senior Management Team and internal auditors.
- 2.2 Given the College Strategic Risk Register is subject to ongoing review by the Board of Management and by Board of Management Committees, any agreed internal audit plan for 2020-21 will remain subject to review during the year and this approach is consistent with previous years.
- 2.3 It is intended that the College Strategic Plan 2019-2025 will be referenced to the Internal Audit Plan as part of the assurance mapping exercise to be undertaken during the first half of 2020-21. This will be done in conjunction with the review of the updated College Strategic Risk Register. The Internal Audit Plan will then be updated to incorporate the revised risk register and Corporate Plan 2019-25 objectives.

3. Conclusion

- 3.1 The Audit Committee is requested to consider and approve the 2020-21 Internal Audit Plan.



West College Scotland

Audit Needs Assessment

2020 - 2023

May 2020

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1. Introduction

Background

Wylie & Bisset LLP were appointed as Internal Auditors by the College with effect from 1 August 2020 for the period to 31 July 2023 with the option to extend for up to a further two 12-month periods.

Internal Audit

The prime responsibility of the Internal Audit Service (IAS) is to provide the Board of Management, via the Audit Committee, with an objective assessment of the adequacy and effectiveness of management's internal control systems.

The IAS objectively examines, evaluates and reports on the adequacy of internal control thus contributing to the economic, efficient and effective use of resources and to the reduction of the potential risks faced by the College. Also, the operation and conduct of the IAS must comply with the standards and guidelines set down by the Chartered Institute of Internal Auditors.

Terms of Reference – Internal Audit

The provision of the IAS by Wylie & Bisset LLP is covered by the letter of engagement dated May 2020.

Formal Approval

The Audit Needs Assessment (ANA) was developed based on discussions with the Vice Principal: Operations and the Director of Finance & Estates of the College and a review of various documentation. The ANA was presented to the SMT meeting on 12 May 2020 for discussion and subsequently presented to the Audit Committee for discussion and approval on 21 May 2020.

2. Approach

The Process

The Audit Needs Assessment (“ANA”) has been produced based on the following:

- Discussions with the College's Vice Principal: Operations and the Director of Finance & Estates;
- Presentation and discussion to the SMT;
- Review of previous internal audit coverage;
- Discussions with the Audit Committee;
- Review of the College's Risk Register;
- Undertaking an Assurance Mapping Exercise
- The identification of all areas of work by system and sub-system;
- The grouping of systems for audit purposes;
- The identification of key controls and associated risks for each system and sub-system; and
- The determination of the internal audit resource required to meet the identified audit needs;

Summary of Proposed Internal Audit Plan 2020-2023

A summary of the proposed Internal Audit Plan for the three years to 31 July 2023 can be found at Appendix A.

2. Approach

Revisiting the ANA

The ANA will be reviewed continuously throughout our appointment, and will take account of the results of audit work, the development of new systems and any other risk factors identified.

Any proposed changes to the ANA will be presented to the Audit Committee for discussion and approval.

The staff involved in servicing the College internal audit requirements are noted below.

| Name | Role | Email Address |
|------------------|------------------|----------------------------------|
| Graham Gillespie | Partner | graham.gillespie@wyliebisset.com |
| Stephen Pringle | Senior Manager | stephen.pringle@wyliebisset.com |
| Audrey Cowan | Audit Supervisor | audrey.cowan@wyliebisset.com |
| Faisal Kayani | Audit Senior | faisal.kayani@wyliebisset.com |
| Allan O'Hagan | IT Auditor | allan.ohagan@wyliebisset.com |
| Tom Wilinski | IT Auditor | tom.wilinski@wyliebisset.com |

Wylie & Bisset set several key performance indicators in relation to all contracts. The performance indicators for the work to be undertaken on behalf of West College Scotland can be found at Appendix C and will be reported to the Audit Committee as part of the Annual Internal Audit Report.

3. Internal Audit Plan 2020/21

| Audit Area | High level indicative summary scope | Total Number Of Days |
|------------------------------|---|----------------------|
| Overall Financial Controls | <p>This review will consider the controls in place at the College to ensure these are adequate, performing as expected and are being adhered to by staff. We will also consider whether there are any gaps in these controls which could give rise to potential fraud or theft of assets. We will also ensure that the processes are being followed consistently.</p> <p>This will form the basis for future financial controls reviews.</p> | 6 |
| Fraud Awareness | <p>The purpose of this review is to ensure that the College are aware of fraud and that there are procedures in place to ensure appropriate reporting is in place at the College. We would also provide a fraud awareness session to staff on some of the examples of fraud which we have dealt with in recent years and the controls in place to prevent fraud.</p> | 5 |
| Study of effects of Covid-19 | <p>The purpose of this review is to assess the impact of Covid-19 on the College's working practices. We will look to undertake this review over the two phases, one early in the year and one later in the year. The early work will be a review to assess the impacts of Covid-19 on teaching and learning with an emphasis on the digital technology improvements / challenges and how these plan to be addressed by the College. The later phase will review the impact of changes in digital technologies have had on teaching and learning.</p> | 8 |
| Complaints Handling | <p>The purpose of this assignment is to review the processes in place for the management, monitoring and reporting of complaints. We will seek to provide assurance that the process is robust and that performance against targets are being monitored. We will also look to ensure that complaints are being addressed in line with SPSO requirements.</p> | 5 |

3. Internal Audit Plan 2020/21

| Audit Area | High level indicative summary scope | Total Number Of Days |
|----------------------------------|--|----------------------|
| SSF Audit | Mandatory review of the Student Support Funds Returns. | 4 |
| EMA Audit | Mandatory review of the Education Maintenance Allowance Returns. | 3 |
| Credits Audit | Mandatory review of the Credits Return. | 8 |
| External Communication - Website | The purpose of this review is to ensure there is sufficient website analytical information in place at the College. We will also review the website traffic and the reporting arrangements in place at the College to assess whether the arrangements in place are sufficient. We will also consider accessibility in order to meet current EU directives. | 6 |

3. Internal Audit Plan 2020/21

| Audit Area | High level indicative summary scope | Total Number Of Days |
|------------------------------------|--|----------------------|
| HR: Sickness and Absence Reporting | The purpose of this assignment is to review the methods in place at the College for sickness and absence reporting. We will review the procedure in place and also the monitoring arrangements in place. We will also review the monitoring of targets and the actions taken by the College to improve staff absence. | 5 |
| Assurance Mapping | The purpose of this assignment is to assist the College in reviewing and developing their assurance mapping arrangements. This will include a review of the current arrangements, a review of the methods of assurance in place in order to provide assurance that the College has assurance over its key business objectives. | 6 |
| Follow Up Review | <p>The purpose of this ongoing review is to assess whether the College has appropriately implemented the internal audit recommendations made in 2019/20 and earlier years. Our ongoing review will consider whether any issues are outstanding beyond the agreed implementation deadline.</p> <p>Our ongoing review will consider all outstanding recommendations to provide the Audit Committee with independent assurance that we are satisfied that these recommendations have been fully implemented by the College and can therefore be removed from the audit action plan.</p> | 4 |

3. Internal Audit Plan 2020/21

Assignment Plans

A detailed assignment plan will be prepared for each audit undertaken, setting out the scope and objectives of the work, allocating resources and establishing target dates for the completion of the work. Each assignment plan will be agreed and signed off by an appropriate sponsor from the College.

Key Dates

| Phase | Audit Areas | Key College Personnel | Provisional Date for Visit | Date of Issue of Draft Report | Provisional Date to the Audit Committee |
|---------|---|-----------------------|--|-------------------------------|---|
| Phase 1 | Assurance Mapping SSF EMA Credits | TBC | August 14 September 2020 & 21 September 2020 | 2 October 2020 | November 2020 |
| Phase 2 | Fraud Awareness Overall Financial Controls Study of effects of Covid-19 HR: Sickness and Absence Reporting | TBC | January / February 2021 | January 2021 | March 2021 |
| Phase 3 | External Communication – Website Study of effects of Covid-19 Complaints Handling | TBC | March/April 2021 | April 2021 | May 2021 |

4. Reporting

Internal audit would propose to provide the following reports to the Audit Committee as part of the provision of the service:

- An Audit Needs Assessment;
- A report for the internal audit assignments undertaken each year;
- An update report to each Audit Committee meeting showing the progress made against the plan for the year; and
- An annual report on IAS's activities.

For each recommendation a target date for remedial action will be set taking into the account the degree of priority associated with the recommendation. Appendix B shows the intended assurance grading structure which ranges from Strong Assurance to No Assurance. Appendix B also shows the proposed risk grading structure which ranges from High to Low risk levels.

The draft report for each assignment will be discussed with the auditees and the factual accuracy agreed prior to issue of the report in its final form.

The auditees will be required to respond to the recommendations stating their proposed action and nominating the person responsible for each action point

Appendix A - Summary of Internal Audit Input

1 August 2020 to 31 July 2023

| System | Audit Area | Operating Plan (No. Of days) | | | |
|-----------------------|------------------------------------|------------------------------|-----------|-----------|-----------|
| | | 2020/21 | 2021/22 | 2022/23 | |
| Financial Systems | Overall Financial Controls | 6 | | | |
| | Review of Financial Regulations | | 5 | | |
| | Procurement & Tendering | | | 5 | |
| | Treasury & Cash Management | | 5 | | |
| | Financial Systems | | | 5 | |
| Non Financial Systems | Study of effects of Covid-19 | 8 | | | |
| | Fraud Awareness | 5 | | | |
| | Complaints Handling | 5 | | | |
| | External Communications - Website | 6 | | | |
| | Assurance Mapping | 6 | | | |
| | HR: Sickness and Absence Reporting | 5 | | | |
| | Digital Drivers & Technology | | 6 | | |
| | Delivery & Online Learning | | | 6 | |
| | Carbon Management/Sustainability | | 5 | | |
| | C/F | | 41 | 21 | 16 |

Appendix A - Summary of Internal Audit Input

1 August 2020 to 31 July 2023

| System | Audit Area | Operating Plan (No. Of days) | | |
|------------|---|------------------------------|-----------|-----------|
| | | 2020/21 | 2021/22 | 2022/23 |
| | B/F | 41 | 21 | 16 |
| | Estates Strategy | | 5 | |
| | Business Continuity | | 5 | |
| | Catering & Cleaning Improvement Plan | | | |
| | Curriculum Planning & Timetabling | | | 5 |
| | Student Recruitment / Admissions / Enrolments | | 5 | 5 |
| IT Systems | IT Systems | | 5 | |
| | IT Strategy | | | 5 |
| Governance | Corporate Governance | | | 5 |
| | Risk Management | | | 5 |
| Funding | SSF | 4 | 4 | 4 |
| | EMA | 3 | 3 | 3 |
| | Credits | 8 | 8 | 8 |
| | | | | |
| | C/F | 56 | 56 | 56 |

Appendix A - Summary of Internal Audit Input

1 August 2020 to 31 July 2023

| | | Operating Plan (No. Of days) | | |
|----------|-------------------|------------------------------|-----------|-----------|
| System | Audit Area | 2020/21 | 2021/22 | 2022/23 |
| | C/F | 56 | 56 | 56 |
| Required | Follow Up | 4 | 4 | 4 |
| | Audit Management | 5 | 5 | 5 |
| | Total Days | 65 | 65 | 65 |

Appendix B - Grading Structure

For each area of review we assign a grading in accordance with the following classification:

| Assurance | Classification |
|-------------|--|
| Strong | Controls satisfactory, no major weaknesses found, some minor recommendations identified |
| Substantial | Controls largely satisfactory although some weaknesses identified, recommendations for improvement made |
| Weak | Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately |
| No | No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately |

For each recommendation we make we assign a grading either as High, Medium or Low priority depending upon the degree of risk assessed as outlined below:

| Grading | Risk | Classification |
|---------|-------------|--|
| High | High Risk | Major weakness that we consider needs to be brought to the attention of the Audit Committee and addressed by senior management of the College as a matter of urgency |
| Medium | Medium Risk | Significant issue or weakness which should be addressed by the College as soon as possible |
| Low | Low Risk | Minor issue or weakness reported where management may wish to consider our recommendation |

Appendix C – Key Performance Indicators

Analysis of Performance Indicators

| Performance Indicator | Target |
|---|--------|
| Internal audit days completed in line with agreed timetable and days allocation | 100% |
| Draft scopes provided no later than 10 working days before the internal audit start date and final scopes no later than 5 working days before each start date | 100% |
| Draft reports issued within 15 working days of exit meeting | 100% |
| Management provide responses to draft reports within 10 working days of receipt of draft reports | 100% |
| Final reports issued within 5 working days of receipt of management responses | 100% |
| Recommendations accepted by management | 100% |
| Attendance at Audit Committee meetings by a senior member of staff | 100% |
| Annual Report to be issued by 31 August each year | 100% |
| Suitably experienced staff used on all assignments | 100% |

TITLE: WCS FRAUD UPDATE

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Risk Management Strategy

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Document control

| Version | Date | Review | Summary of changes made |
|-------------|-----------------|------------------|--|
| V1.0 Draft | 01.09.15 | A Ritchie | Initial strategy document for review |
| V1.2 | 12.09.15 | A Ritchie | Final 2014-17 Strategy for approval |
| V2.0 | 04-12-17 | A Ritchie | Strategy document review |
| V2.1 | 08-05-20 | A Ritchie | Inclusion of risk appetite update |

1 Introduction from Chair of Board of Management and the Principal

The Financial Memorandum with the Scottish Funding Council (SFC) requires that the governing body complies with the principles of good governance set out in the Code of Good Governance for Scotland's Colleges. The SFC also requires the governing body to ensure that:

- The College has an effective policy of risk management and risk management arrangements;
- Internal audit must provide the governing body and senior management of the College with an objective assessment of adequacy and effectiveness of risk management, internal control, governance and value-for-money; and
- The College undertakes careful appraisal of the risks before accepting any contingent liability.

The College must recognise the environment within which it operates as a non-departmental public body (NDPB). This environment includes compliance with the Scottish Public Finance Manual (SPFM) which requires that it is “...*necessary to develop a framework for assessing risks that evaluates both the likelihood of the risk being realised, and of the impact if the risk is realised. Risk assessment should be recorded in a way that demonstrates clearly the key stages of the process.*” This Strategy therefore takes account of the requirements of the SFC Financial Memorandum and SPFM as required.

In addition to the above requirements the internal auditor must produce an annual report for the governing body on their activities during the year. The report must include an opinion on the adequacy and effectiveness of the College's risk management, internal control and governance. The report must be presented to the College's Audit Committee and a copy provided to the SFC.

The College Strategy 2019-2025 Vision states that we will be 'Inspirational and Innovative' seek 'To make a difference', 'To be bold' and 'To be forward thinking' and achieve the Strategic Priority of being 'Agile and Adaptive' by improving our efficiency and ensuring the best use of all resources.' ~~delivering '...a sustainable, effective and efficient service'~~. The Risk Management Strategy is a key link between the Vision and Strategic Priorities, ensuring the College is aware that some risks will always exist and will never be eliminated, however mitigation can be put in place to minimise the impacts and deliver the Vision.

The College recognises that it has a responsibility to manage risks and supports a structured and focused approach to managing them through application of the Risk Management Strategy. In this way the College will better achieve strategic priorities and enhance the value of services it provides to the community.

The approach of the Strategy is that it is owned and led by the Board of Management and it is intended to deliver a more dynamic and inclusive approach to risk management. The Strategy aims to ensure that the Strategic Risk Register ~~is~~will be informed by the College ~~Operational~~Planning processes and ~~from~~all Board of Management Committees, with a strategic focus which recognises the impact of the wider operating environment on College operations. ~~the objective of being outward facing and strategically focused.~~

The College's Risk Management Strategy objectives are to:

- 1) Integrate risk management into the culture of the College;
- 2) Manage risk in accordance with best practice;
- 3) Anticipate and respond to changing requirements;
- 4) Prevent injury, damage, losses and reduce the cost and negative impacts of risk; and
- 5) Raise awareness of the need for risk management by all those connected with delivering the College's Strategic Priorities.

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the College for risk management;
- Providing opportunities for shared learning on risk management across the College;
- Reinforcing the importance of effective risk management as part of everyday work by offering training;
- Incorporating risk management considerations into the annual internal audit plan and any internal / external audit work carried out; and
- Monitoring arrangements on an on-going basis.

The Risk Management Strategy aligns with the Regional Outcome Agreement (ROA) and will be reviewed annually. In the event material amendments to the Strategy are required it will be presented to the Board of Management for approval.

The Board of Management and Senior Management Team are fully committed to the principles of Risk Management and the approach outline within this Strategy.

Approved by:

Dr Waiyin Hatton
Chair of the Board of Management

Liz Connelly
Principal

2 Risk Management Overview

2.1 Purpose

The purpose of the Risk Management Strategy is to:

- outline West College Scotland's approach to risk management; and
- describe the procedures for the management of risk within the College while detailing the roles and responsibilities of the key business areas.

2.2 Objectives

To ensure the effective delivery of the College Risk Management Strategy, the following objectives require to be progressed by the College Senior Management Team:

1. Undertaking an annual review of the College Risk Management Strategy. The review will ensure clear roles, responsibilities and a reporting framework for the managing of risk across the College is maintained and developed;
2. Development of operational planning guidance on risk identification and translation into strategic risk where appropriate;
3. Monitoring and reporting on risk management arrangements to the Board of Management Audit Committee;
4. Integrating risk management into the culture of the College on an ongoing basis, and raising awareness of the need to manage risk effectively throughout the College;
5. Complying with Corporate Governance and ensuring effective processes are in place to allow the Board to approve the annual Accountability Report, including the section on Risk Management and Internal Controls.

2.3 Definitions

The following represents the meaning of terminology that is used throughout this Strategy document.

- Risk: An uncertain event, which, should it occur, will have an effect on the achievement of objectives. Risks may have a negative effect, in which case they are recorded as threats, or a positive effect, denoted as opportunities.
- Issue: A certain event which is known and will impact upon the achievement of the College's objectives.
- Risk Appetite: The level of risk which is deemed acceptable to the organisation in the pursuit of its objectives. This refers to the level of risk the College is willing to tolerate or accept in the pursuit of its objectives. When considering threats, risk appetite defines the acceptable level of exposure deemed tolerable or justifiable by the College; when considering opportunities, risk appetite defines how much the College is prepared to actively put at risk in order to realise potential or expected benefits.

- Risk Exposure: The calculated level of risk which the organisation is exposed to in pursuit of its objectives.

2.4 Roles and Responsibilities

To be effective, the risk process is recognised as the responsibility of all WCS employees and will integrate with the College operating requirements.

| Owner | Role |
|--|---|
| <p><u>Board of Management</u></p> <ul style="list-style-type: none"> - <i>Has a fundamental role to play in the management of risk.</i> | <ul style="list-style-type: none"> - Provide authority and responsibility for the establishment, maintenance, support and evaluation of the Risk Management Strategy - Set the tone and promote a positive risk culture within the College - Delegate the overall implementation of risk management to the SMT - Have knowledge of the significant risks facing the College |
| <p><u>Audit Committee</u></p> <ul style="list-style-type: none"> - <i>Has a fundamental role to play in the review and management of risk.</i> | <ul style="list-style-type: none"> - To ensure compliance with corporate governance requirements - To review the Strategic Risk Register and approve for presentation to the Board - To review internal processes and systems and work closely with internal and external auditors to obtain reports on these |
| <p><u>Senior Management Team (SMT)</u></p> <ul style="list-style-type: none"> - <i>Support and implement policies approved by the Board of Management.</i> - <i>The Senior Management Team consists of the Principal, Vice Principals, Assistant Principals and Directors.</i> | <ul style="list-style-type: none"> - Implementation of Risk Management Strategy - Overall co-ordination of risk management - Promotion of a holistic approach to risk management - To review the probability and impact assessments of risks on a regular basis - Ensure appropriate levels of awareness throughout the College |
| <p><u>College Management Teams</u></p> <ul style="list-style-type: none"> - <i>Encouraging and embedding good risk management practice within their area of activity.</i> - <i>The College Management Team consists of all those managers who are directly line managed by SMT.</i> | <ul style="list-style-type: none"> - Co-ordinating and ensuring that the operational objectives are implemented in line with the Risk Management Strategy - Have an awareness and understanding of risks which fall into their area of responsibility, the impacts these may have, and monitor outcomes against the risks identified ensuring that response plans detail corrective action to minimise risk |

| Owner | Role |
|---|---|
| | <ul style="list-style-type: none"> - Report any new risks identified or failures of existing control measures to SMT - Report on current 'active' risks highlighting mitigating actions and effect towards risk reduction - |
| <p><u>College Staff</u></p> <ul style="list-style-type: none"> - <i>Encouraging and embedding good risk management practice within their area of activity</i> | <ul style="list-style-type: none"> - Understand their accountability for individual risks - Understand how they can enable continuous improvement of risk management and risk awareness - Report systematically and promptly to a member of the College Management Team or Senior Management Team any perceived new risks or failures of existing control measures |
| <p><u>Internal/External Audit</u></p> <ul style="list-style-type: none"> - <i>Ensuring the effectiveness of organisational and financial control systems, including monitoring performance against quality assurance standards.</i> | <ul style="list-style-type: none"> - To review risks and limitations of existing control measures - To review the adequacy of internal control systems designed to minimise risk - To make appropriate recommendations following on from any internal / external audit reports to the SMT, which will effectively improve systems of control |

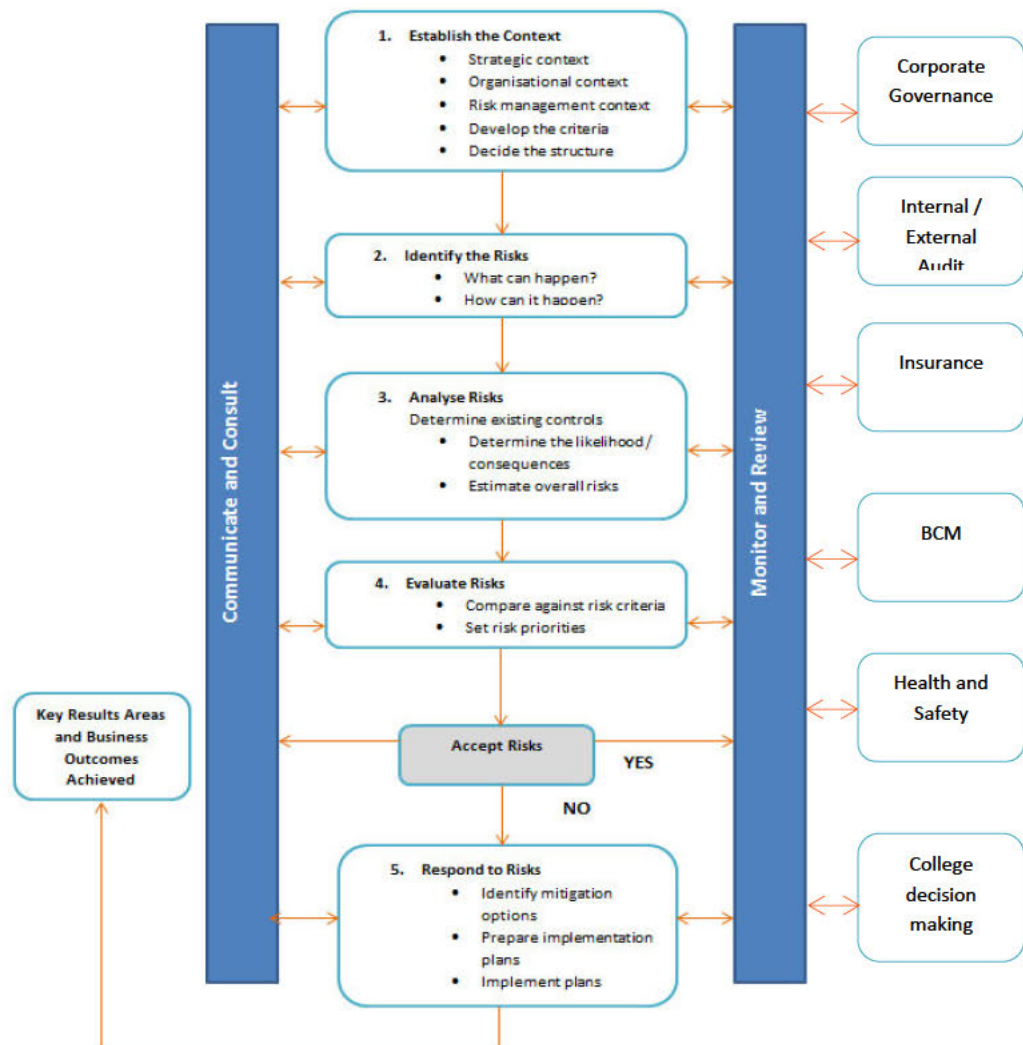
2.5 Partnership and Projects

For the College, it is important to ensure partnerships and projects are considered in a Risk Management context, as well as core services. Where the College is involved in strategic projects and partnerships, it will look to develop joint risk management practices with relevant partners as required.

3 Risk Management Framework

The overall responsibility for ensuring the College has effective Risk Management arrangements in place is with the Board of Management – however but this is implementimplementation ed and co-ordination of the risk management approach is led ed by the College SMT. Risk Management at the College is closely aligned to corporate governance, internal/external audit, business continuity management (BCM), insurance, health and safety and occupational health and safety arrangements. These different elements act as support mechanisms for the delivery of the Risk Management Strategy at the College. Internal and external audit also play a key role in scrutinising the mitigations and controls implemented by the College.

Figure 1 - WCS Risk Management Framework



3.1 Code of Corporate Governance

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

The Board of Management has delegated the day-to-day responsibility to the Principal, as Chief Executive, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and asset.

3.2 Internal / External Audit

Internal Audit will assess the effectiveness of the College's internal controls and review risk management as part of the corporate governance arrangements. Internal audit will use the information contained within the Strategic Risk Register to inform their annual audit plan.

External audit will annually undertake an overall review of the corporate governance arrangements and processes of internal control in place at the College. Based on their audit work and the findings made by the internal auditors they will form an opinion on adequacy of the systems in place to comply with corporate governance requirements.

3.3 Insurance

Insurance is one method the College uses to transfer risk. The implementation of an effective Risk Management Strategy will have an impact upon the premiums paid by the College. The prevalence of insurance claims will need to be monitored as these will have a bearing on the Strategic Risk Register.

3.4 Business Continuity Management (BCM)

Business Continuity underpins Risk Management and is concerned with how the College can overcome disruption in the event of an adverse incident or situation and continue to deliver key services at an agreed, pre-determined level. It is the low probability/high impact risks that if they occurred could result in the failure of key services or systems.

3.5 Health and Safety

There are clear and well-established links between College approach to Health and Safety and Risk Management. The College is committed to achieving best practice in health and safety management and is fully committed to controlling risk and preventing harm to people.

The College will use the guidance in Managing for Health and Safety (MFHS), which supports the model of managing health and safety with a 'Plan, Do, Check and Act' approach. This model helps to achieve a balance between the systems and behavioural aspects of management.

The Board of Management has a primary objective to ensure health and safety is integrated into the College's core business management activities and that suitably resourced health and safety management systems are implemented which are also influenced by risk management.

3.6 Risk Implications – Decision Making Process

Effective Risk Management is crucial to the achievement of the College's Vision and the success of the strategic operation and provision of services. It is important to recognise that there are risks associated with decisions taken in respect of the delivery of College business.

The nature, severity and likelihood of these risks will vary depending on a wide range of circumstances or potential outcomes.

4 Risk Management Process and Approach

Risk Management is a cyclical process – new risks emerging while old risks become obsolete. Below are listed the steps in the Risk Management process.

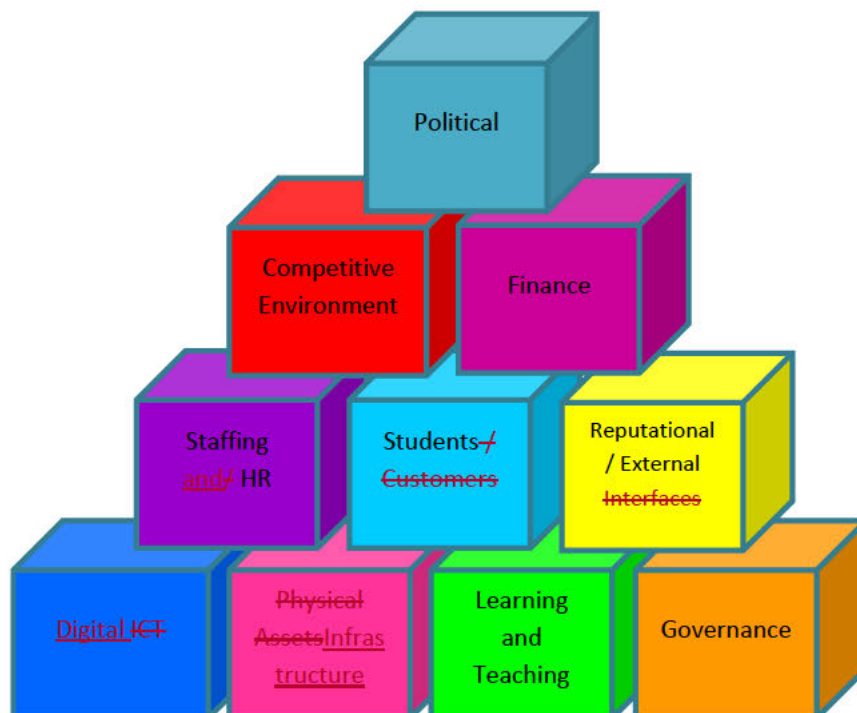
4.1 Risk Tolerance

The Risk Management Strategy is objective driven. The College's Strategic Priorities within the Corporate Plan are used as the basis for developing the Strategic Risk Register. The first step in the risk management cycle is to establish the tolerance level that the Board of Management is willing to accept. It may require to be expressed as more than one threshold depending on strategic priorities and objectives e.g. separately in respect of financial or reputational outcomes as well as for both the delivery of projects and "business as usual" activities.

4.24.1 Risk Categorisation

Risks shall be categorised to enable identification of risk trends and gap analysis. [A fuller definition of the risk categories can be found at Appendix 1.](#) Risk will be categorised according to:

Figure 2 –Risk Categories



4.34.2 Risk Identification

Risk identification is focussed on the key risks against the achievement of College Strategic Priorities. The risk categories, as per figure 2, above, ensure a holistic approach to risk identification is taken. However, this list is not exhaustive and acts as a prompt only. Not all risks will apply to each category and some may apply to more than one.

During risk identification, it is helpful to consider the drivers for each risk, causes of the risk, and potential negative (or positive if an opportunity) outcome should the risk arise.

Risks identified within Board Committee and other meetings; the operational planning cycle; dedicated risk workshops and other reviews will be recorded in such a manner as to allow easy identification and understanding of the risk. Each Risk Description will contain information on the three composite parts of a risk; the cause, the risk event and the impact on the College Strategic Priorities:

'As a result of <cause/statement of fact>, there is a risk that <uncertain event> may occur, which would result in <an effect on Strategic Priorities>.'

4.3 Risk Appetite

The next step in the risk management cycle is to establish the risk appetite level that the Board of Management is willing to accept in pursuit of its Strategic Priorities.

The College accepts that it must take risks, to some extent, in order to achieve its pPriorities and to realise expected benefits. The College is committed to ensuring that all risks taken will be proactively controlled and any exposure will be kept to an acceptable level where possible. The College acknowledges that the level of risk exposure carried by different activities will vary and theits threshold for accepting varying levels of risk will change depending on the risk area under consideration, the specific objectives involved, the subsequent activities undertaken and the projected benefits.

However, the College is clear that it will reject or closely manage any activity that has the potential to cause significant financial or reputation harm to the institution, most notably where thisese might endanger the College's ongoing viability, its ability to achieve its key strategic priorities and/or its ability to meet its regulatory and/or legal obligations.

The College defines Risk Appetite based on the following categories:

| <u>Classification</u> | <u>Description</u> |
|-----------------------|---|
| <u>AVERSE</u> | <u>Avoidance of risk and uncertainty is a key organisational objective.</u> |

| <u>Classification</u> | <u>Description</u> |
|-----------------------|---|
| <u>MINIMALIST</u> | <u>Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.</u> |
| <u>CAUTIOUS</u> | <u>Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.</u> |
| <u>OPEN</u> | <u>Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.)</u> |
| <u>HUNGRY</u> | <u>Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.</u> |

Based on these categories, the College's institutional baseline Risk Appetite is defined as 'cautious to open'. This means that, while maintaining a level of prudence, the College is generally willing to consider all options and will accept moderate levels of risk in the pursuit of its pPriorities, albeit with a preference for options or activities that limit exposure, even if the rewards are likely to be similarly limited.

A full definition of the College risk appetite for each category of risk can be found at Appendix 2.

While a general appetite of cautious to open is in place, it is recognised that risk appetite will vary according to the pPriorities pursued and the linked activities undertaken. For example, the College would give consideration to options or activities which carry elevated levels of risk, where it can be shown that the anticipated outcomes are realistically achievable, and likely to deliver enhanced benefits. ∴ Acceptance of risk, irrespective of risk appetite, should always take account of the likely benefits an activity will deliver.

At strategic level, risk appetite is applied to the College's identified risk areas as follows:

| | Averse | Minimalist | Cautious | Open | Hungry |
|-------------------------|---------------|-------------------|-----------------|-------------|---------------|
| Finance | | | | | |
| Political | | | | | |
| Governance | | | | | |
| Competitive Environment | | | | | |
| Staffing and HR | | | | | |
| Student | | | | | |
| Reputational / External | | | | | |
| Infrastructure | | | | | |
| Learning and Teaching | | | | | |
| Digital | | | | | |

It should also be noted that risk appetite will likely vary according to context; for example, capital projects provide a different context and should be considered on individual merit, as projects are usually stand-alone, and fall out with the 'business as usual' activities of the College. Consequently,

the College may be prepared to accept higher levels of risk for a project that will feasibly deliver transformative change or bring significant rewards.

4.4 Risk Assessment

Risk Assessment will be undertaken in the first instance to prioritise risks (risk evaluation) using a standard 6 by 4 semi-quantitative scale (shown in Figure 3) for risk probability and impact.

This use of a standard scoring threshold promotes consistency in risk assessment.

Figure 3 - Risk Scoring Thresholds

| 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 | | |

When assessing impact, it is important that a holistic analysis of the categories of risk be considered, in terms of how the issue would impact on the College (a partnership, a service or a specific project). The agreed approach to the assessment of risk at the College is undertaken based on existing control measures.

When assessing probability, a consideration of historical information, external drivers, trends and statistics can be useful in determining an appropriate level.

Risks identified within the Strategic and Operational Risk Register will be plotted on a probability impact grid, as shown in figure 4 below, to provide a pictorial representation of risk exposure. Risks which fall into the upper boundary (Red RAG status) will be considered as critical for management attention and as greater than the acceptable risk appetite. Efforts will be made to reduce risk

Probability 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 |
| | | 1 | 2 | 3 | 4 |
| | | Negligible | Marginal | Critical | Catasrophic |

exposure below the upper boundary.

Figure 4 - Risk Probability Impact Grid

Risks with low probability but high impact scores will be elevated for attention of the Board. Risk response plans will be developed which seek to reduce the potential impact of the risk.

4.5 Risk Owner

A risk owner is a member of the Senior Management Team that has been given the responsibility and authority to manage a risk/set of risks and is accountable for doing so.

4.6 Risk Mitigation

Risk mitigation is concerned with taking action to reduce the likelihood and / or severity of the risk.

Each risk shall have several mitigations which where appropriate will be backed up by control plan.

Control strategies / plans may align with the categories below:

Figure 5 – Risk Mitigation Measures

| Risk Response | Commentary |
|------------------|---|
| Tolerate | The exposure may be tolerable without any further action being taken. It may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised |
| Transfer | Transfers the risk to a third party. Be aware that the entirety of a risk is practically impossible to transfer |
| Terminate | Some risks are only treatable by terminating an activity. Alternative plans and/or processes will require developing |
| Treat | Action is taken to constrain the risk to an acceptable level. This includes reducing the probability of occurrence and/or the impact of the risk |
| Take | Implement actions to exploit the identified opportunity |

Each action will have recorded against it a named owner for delivery of the risk response / mitigating action. Those with responsibility for the Risk Management Strategy, whether at partnership, strategic, directorate or project level must be satisfied that all controls are working effectively and can be evidenced for audit or scrutiny purposes.

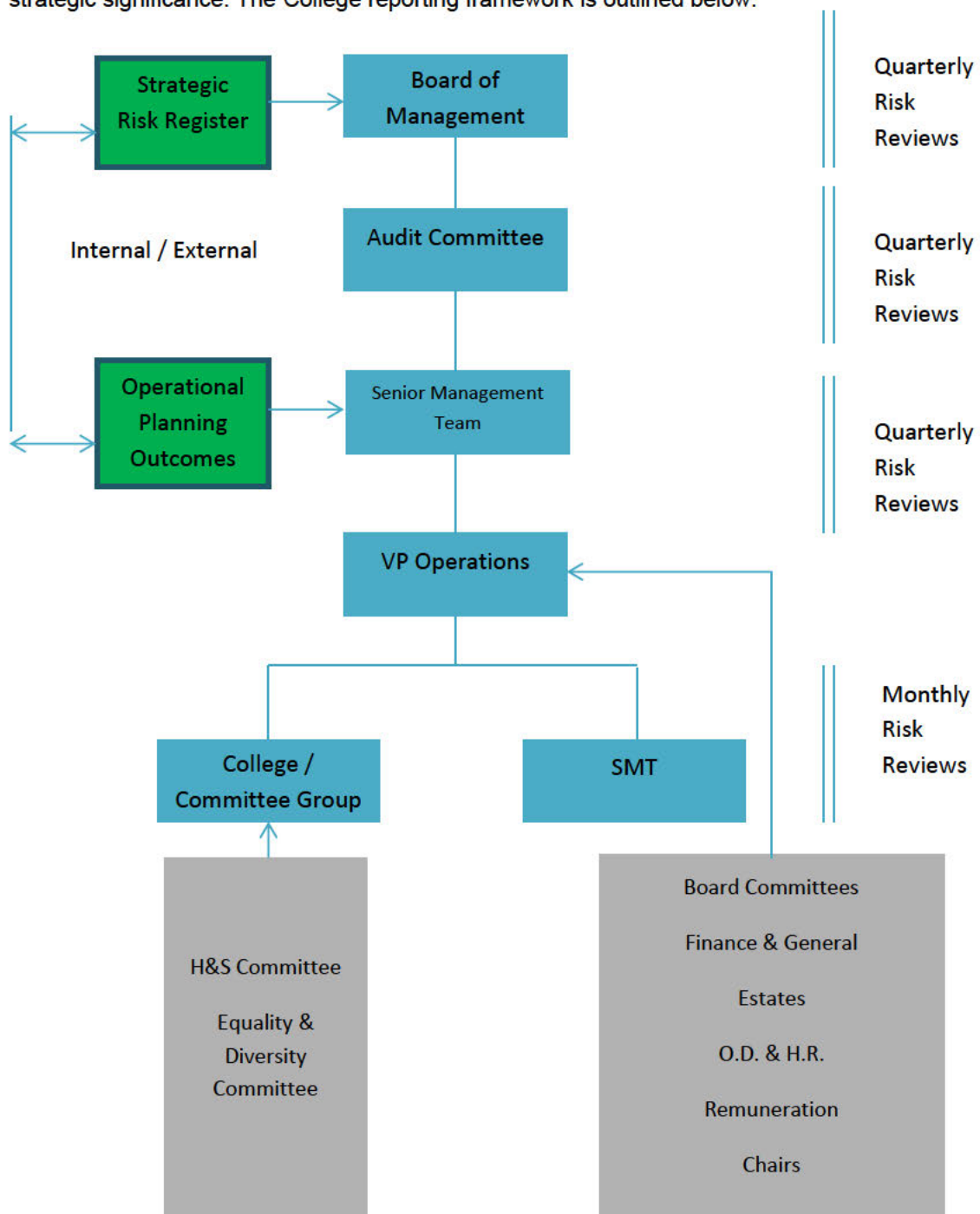
4.7 Risk Monitoring and Reporting

Successful implementation of the Risk Management Strategy rests upon the creation and development of an adequate monitoring framework and reporting structure.

It is important to assess the effectiveness of any control measures which have been implemented and these must be monitored and reviewed on a regular basis. It is also necessary to assess whether the nature of risk has changed over time.

At strategic and operational levels, the College approach is focussed on embedding a formal reporting structure for Risk Management which is outlined below.

It is the responsibility of the SMT to highlight risks within their Directorates that are considered to have strategic significance. The College reporting framework is outlined below:



Risk reporting is used to communicate risk across the College. Through Strategic Risk reviews, SMT members are likely to be requested to 'manage' those risks at Directorate or operational level that are not considered to be strategic in nature. This will ensure a steady flow of information and the management of risk at the correct level.

This approach will also ensure that Board members and appropriate levels of staff are made aware of the risks incurred through service provision and the achievement of objectives. Through this framework, ownership of risk will be retained at the appropriate level to best manage the risk successfully.

4.8 Risk Management Strategy Review

The effectiveness of the Risk Management Strategy and information within the College Strategic and Operational Risk Registers will be monitored and reported as outlined above.

5 Appendix

Appendix 1:- Categories of Risk

| Category | Description of Risk |
|--------------------------------|---|
| Political | Those affecting the College Strategic Priorities normally at a national political level. |
| Competitive Environment | Those affecting the competitiveness of the service (in terms of cost of quality) and / or its ability to deliver Best Value. |
| Finance | Those related to financial planning and control and the adequacy of insurance cover. |
| Staffing / HR | Those affecting the recruitment, retention and morale of staff. |
| Students / Customers | Those affecting the recruitment, retention and morale of students and attracting customers / partners to the College. |
| Reputational / External | Those affecting the reputation of the College and/or external partnerships / projects / community in which the College is involved. |
| ICT | Those affecting the College's ICT / communication systems which could have a negative effect on reputation / priorities. |
| Physical Assets | Those negatively affecting the assets of the College causing loss / damage. |
| Learning and Teaching | Those affecting the successful delivery of the College's curriculum. |
| Governance | Those that impose requirements on the College which could affect priorities / funding / reputation. |

| Category | Description of Risk |
|-----------------------------------|--|
| <u>1) Political</u> | <u>Those affecting the College Strategic Priorities normally at a national political level.</u> |
| <u>2) Competitive Environment</u> | <u>Those affecting the competitiveness of the College to deliver its services in terms of cost, quality, ability to deliver best value and to attract customers / partners to the College.</u> |
| <u>3) Finance</u> | <u>Those related to financial planning and control and the adequacy of insurance cover.</u> |
| <u>4) Staffing and HR</u> | <u>Those affecting the recruitment, retention and morale of staff.</u> |

| | |
|--|--|
| <u>5) Students</u> | <u>Those affecting the recruitment, retention, attainment and morale of students.</u> |
| <u>6) Reputational / External</u> | <u>Those affecting the reputation of the College and/or external partnerships / projects / community in which the College is involved.</u> |
| <u>7) Digital</u> | <u>Those affecting the ability of the College to deliver the objectives set out in its Digital Strategy.</u> |
| <u>8) Infrastructure</u> | <u>Those affecting the College's physical assets including buildings and IT systems.</u> |
| <u>9) Learning and Teaching</u> | <u>Those affecting the successful delivery of the College's curriculum including student experience, performance and associated ROA targets.</u> |
| <u>10) Governance</u> | <u>Those that impose requirements on the College which could affect priorities / funding / reputation.</u> |

Appendix 2 – College Risk Appetite Statement

The College’s approach is to minimise its exposure to Finance, Political and Governance risks, whilst accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. It recognises that its appetite for risk varies according to the activity undertaken, and that its acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

The College’s appetite for risk across its activities is provided in the following statements:

(3) Finance

The College aims to maintain its long-term financial viability and its overall financial strength. Whilst targets for financial achievement will be challenging the College has a minimalist appetite for risk that puts in peril the long-term sustainability of the College.

(1) Political

The College aims to make a significant, sustainable, and socially responsible contribution to the West of Scotland and to Scotland through education, knowledge exchange and operational activities. It recognises that this should involve a cautious approach to political risk and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

(10) Governance

The College places great importance on governance, and has no appetite for any breaches in statute, regulation, professional standards, bribery or fraud. It wishes to maintain accreditations related to courses or standards of operation and has cautious appetite for risk relating to actions that may put accreditations in jeopardy.

The above statements take priority over the statements of areas of risk appetite below.

(2) Competitive Environment

The College wishes to be amongst the leaders in transforming knowledge, ideas, skills and expertise into teaching, innovation and enterprise, thereby enriching our stakeholders and wider society. It recognises that developing this may involve an increased degree of risk and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

(4) Staffing and HR

The College aims to value, support, develop and utilise the full potential of our staff to make the College a stimulating and safe place to work. It places importance on a culture of equality and diversity, dignity and respect, collegiality, annual reviews, the development of staff, and the health and safety of staff, students and visitors. It recognises that in fulfilling the potential of the College staff, this may involve an increased degree of risk and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before any deviation from its standards in these areas are authorised and that sensible measures to mitigate risk are established.

(5) Student

The College aims to ensure that we recruit the correct student onto the correct course, retain those students and ensure that they have a productive time at College. It recognises that in order to compete with other institutions that it must accept an increased degree of risk in order to attract and retain those students. It is comfortable in accepting this risk subject to a) limitations imposed by ethical considerations, and b) ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

(6) Reputational / External

It is regarded as critical that the College preserves its high reputation whilst at the same time it is open to exploring new / innovative external partnerships. The College has an open appetite for risk in the conduct of any of its activities ~~which that puts its reputation in jeopardy~~, could lead to undue adverse publicity, or could lead to loss of confidence by the political establishment and funders of its activities.

(8) Infrastructure (including estate projects, IT and equipment)

Major change activities are required periodically to develop the College, and to adapt to changes in the regulatory and technological environment and in the nature and conduct of the College's activities. The College expects such changes to be managed according to best practice in project and change management but given the operating environment in which it operates has open appetite for investment in this area where the benefits can be shown to outweigh the costs.

(9) Learning and Teaching

The College wishes to stimulate students to develop a wish to engage in lifelong learning, encourage an independent attitude and an aspiration to achieve success. It recognises that this should involve an increased degree of risk in developing education and the student experience and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

(7) Digital

The College wishes to be at the leading edge in the digital arena and wishes to grow its digital ambitions. It recognises that that this will involve an increased degree of risk in developing digital solutions and is comfortable in accepting this risk subject to a) limitations imposed by financial considerations, and b) ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.



Strategic Risk Register

Strategic Risk Register Dashboard Report

Risk register review period:
Board / Committee review period:

May-20
May-20

| Top 5 Risks Post Mitigation | | | | | | |
|----------------------------------|--|----------------------------------|-------------|--------|--------------|--------------|
| Ref | Risk | Movement since previous register | Probability | Impact | Score May 20 | Score May 19 |
| WCS 7 Reputational / External | Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery primarily resulting from Coronavirus epidemic. | ↑ | 6 | 4 | 24 | 9 |
| WCS 1 Finance | Inability to clearly forecast the volatility and impact of SFC funding and funding methodology changes in relation to core-grant-in-aid, credit activity model; reduction in European funding; student support funding and estates maintenance. | ↔ | 6 | 4 | 24 | 24 |
| WCS 3 Infrastructure | Failure to deliver Estate Strategy objectives due to business cases for development of estate being delayed, with this having a resultant negative impact on the ability of the College to recruit students, retain staff and address legislative requirements | ↔ | 5 | 4 | 20 | 20 |
| WCS 2 Infrastructure | Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT and physical infrastructure. | ↔ | 4 | 4 | 16 | 16 |
| WCS 16 Governance | Failure to prepare for the anticipated impact upon the College of Brexit including loss of European funding, loss of students / staff and access to exchange programme funding. | ↔ | 5 | 3 | 15 | 15 |



The most significant risk faced by the College is now the business continuity challenges caused by the corona virus outbreak. The College has successfully closed down the physical campuses and transferred some activity to online learning. Guidance on ensuring the College students are correctly recognised for the work they have undertaken during the year is now in progress.

The next most significant risk is the financial volatility faced by the College. This was previously the most significant risk faced by the College and continues to have the same post mitigation score as Business Continuity Planning. The impact of Corona virus only heightens this risk as the conditions of funding and amount of SFC / SDS funding for 2020-21 remain unclear. The future College financial position is further challenged due to the potential loss of commercial income as the economy recovers from the impact of the outbreak.

WEST COLLEGE SCOTLAND STRATEGIC RISK REGISTER

| Risk No. | Risk Reference / Category | Strategic Objective | Risk | Assessment pre mitigation | | | Mitigating Controls and Actions | Assessment post mitigation | | | | Movement since last review | Executive Responsible |
|----------|----------------------------------|--------------------------|---|---------------------------|-------------|------------|---|----------------------------|-------------|------------|----------------|----------------------------|---|
| | | | | Risk Probability | Risk Impact | Risk Score | | Risk Probability | Risk Impact | Risk Score | Previous Score | | |
| 1 | WCS 7 Reputational / External | 1.2 3.4 | Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery primarily resulting from Coronavirus epidemic. | 6 | 4 | 24 | 1) Business Continuity Plans available to relevant staff along with associated documents to assist during any incident. 2) Training and scenario planning sessions undertaken on a quarterly basis with involvement from both teaching and support staff. Externally facilitates and lessons learned shared with staff. 3) Closure of College campus undertaken successfully in March and planning has commenced to enable remobilisation. 4) Good interaction with staff, unions and Student Associations with information being supplied to all parties on a timely basis. 5) Continued engagement with Scottish Funding Council, Skills Development Scotland and other funding bodies to gain clarity on future funding which is resulting in an inability to take effective decisions. 6) Staff planning for return to the 'new normal' way of working include: - the development of online materials; - estate adaptations including mobilisation for home working; - increased reliance on technology which will require funding; - monitoring of supply chains; - governance updates regarding implications of deficit budgets; and - consideration given to starting the 2020-21 academic year later to assist with the planning process. Students for 2019-20 will continue to receive teaching through us of on-line delivery methods 7) Financial and staffing implications not fully understood at the moment due to lack of clarity of information from central government and in a number of cases receipt of conflicting information. | 6 | 4 | 24 | 9 | ↑ | Principal |
| 2 | WCS 1 Finance | 1.1 1.3 3.1 3.4 | Inability to clearly forecast the volatility and impact of SFC funding and funding methodology changes in relation to core-grant-in-aid, credit activity model; reduction in European funding; student support funding and estates maintenance. | 6 | 4 | 24 | 1) Detail of 2020-21 indicative SFC funding confirmed and shows a level of core funding which is not greater than in 2019-20; additional funding will be received for inflationary pressures, pension costs and estate maintenance. The College will continue to face a number of financial challenges arising from this settlement during 2020-21 and beyond. 2) 2020-21 budget currently being compiled for approval by College Board in conjunction with 5 year future financial scenario planning and detailed 3) Transformation Plan submitted to SFC in order to address future financial challenges. The College continues to engage with the SFC on the final agreement and implementation of the plan including review of curriculum delivery in Renfrewshire. 4) Robust financial forecasting including production and review of monthly management accounts. 5) Estates Strategy including objective to improve / rationalise the College estate utilising estate maintenance funding. 6) Financial modelling of next 5 years undertaken based upon SFC FFR assumptions. Allows the College to identify funding gap and to continue to take necessary steps to address the gap. 7) Commercial Development and Credits Group reporting to Corporate Development Committee with focus on maintaining and growing income including ESF activity. 8) Robust monitoring of current and future curriculum delivery plans (CMAP) including staffing requirements. 9) Active College representation and involvement in external SFC review groups - funding methodology, CDN Finance network; credit review; access and inclusion; rural and remoteness premium and student funding. | 6 | 4 | 24 | 24 | ↔ | VP Operations / VP Educational Leadership |

| Risk No. | Risk Reference / Category | Strategic Objective | Risk | Assessment pre mitigation | | | Mitigating Controls and Actions | Assessment post mitigation | | | | Movement since last review | Executive Responsible |
|----------|---------------------------|--------------------------|--|---------------------------|-------------|------------|--|----------------------------|-------------|------------|----------------|----------------------------|-----------------------|
| | | | | Risk Probability | Risk Impact | Risk Score | | Risk Probability | Risk Impact | Risk Score | Previous Score | | |
| 3 | WCS 3 Infrastructure | 1.2 3.1 3.3 3.4 | Failure to deliver Estate Strategy objectives due to business cases for development of estate being delayed, with this having a resultant negative impact on the ability of the College to recruit students, retain staff and address legislative requirements | 6 | 4 | 24 | 1) The College continues to engage with SFC, SFT, local councils and other key stakeholders re investment and in relation to implementation of national estate condition survey review and future direction of travel. 2) Approved Estate Strategy and annual implementation updates highlight required estate investment for consideration by SFC and Scottish Government. 3) Draft Outline Business Case for Paisley estate submitted to the SFC. Response received from SFC in regard to Paisley OBC and the College is currently engaging with partners in relation to the collaborative aspects of any proposals. 4) Outline Business Case for Greenock updated and submitted to the SFC in December 2018 following Board of Management approval. SFC have confirmed receipt and willingness to work with College to take forward OBC. 5) Inverclyde local development plan now finalised leading to potential restrictions on future College developments on preferred site. College continues to engage with partners to find suitable way forward. 6) 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. 7) 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. 8) Ongoing engagement with SFC | 5 | 4 | 20 | 20 | ↔ | VP Operations |
| 4 | WCS 2 Infrastructure | 1.1 1.2 2.3 4.1 | 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 subject to annual review on implementation and progress by Board of Management Estates Committee. 2) 2019-20 SFC funding for estates has seen a reduction in lifecycle maintenance and priority maintenance funding. The continued reduction in lifecycle maintenance does present an operational challenge. There is also a need to understand the basis of estates maintenance funding allocation beyond 2019-20. 3) WCS participation in SFC/sector Capital Working Group and wider consultation exercises where possible. 4) Outline Business Case for Greenock updated and submitted to the SFC in December 2018 following Board of Management approval. SFC have confirmed receipt and willingness to work with College to take forward OBC. College currently undertaking curriculum horizon scanning exercise in responding to SFC information request in relation to Greenock OBC. Implications of published Inverclyde local development plan being actioned and College is engaging with partners in relation to this. 5) Outline Business Case for Paisley submitted to the SFC in October 2017 and feedback received from the SFC. Discussion with partner organisations remains ongoing in relation to the collaborative aspects of the proposals, and an updated OBC for Paisley will require to be submitted to SFC once these have been concluded. 6) The College has updated the estate condition work undertaken in 2015. This provides robust data showing the level of investment required as at 2019 in order to get the College estate up to Condition B and maintain this.. | 4 | 4 | 16 | 16 | ↔ | VP Operations |
| 5 | WCS 16 Governance | 1.3 2.2 3.1 3.4 | Failure to prepare for the anticipated impact upon the College of Brexit including loss of European funding, loss of students / staff and access to exchange programme funding. | 5 | 3 | 15 | 1) College has considered possible impacts of Brexit on operations and continues to keep this under review. Output has been discussed at senior management level and with relevant Board Committees. It is anticipated there may be an impact on EU funded programmes (such as Modern and Foundation Apprentices). 2) The College is a member of a sector working group on Brexit allowing access to latest intelligence specific to the College sector. 3) Close liaison with SFC on future funding arrangements post 2021 when current ESF funding is due to end. | 5 | 3 | 15 | 15 | ↔ | Principal |

| Risk No. | Risk Reference / Category | Strategic Objective | Risk | Assessment pre mitigation | | | Mitigating Controls and Actions | Assessment post mitigation | | | | Movement since last review | Executive Responsible |
|----------|--------------------------------|--------------------------|--|---------------------------|-------------|------------|---|----------------------------|-------------|------------|----------------|----------------------------|-----------------------|
| | | | | Risk Probability | Risk Impact | Risk Score | | Risk Probability | Risk Impact | Risk Score | Previous Score | | |
| 6 | WCS 4 Learning and Teaching | 1.2 2.1 3.2 3.4 | Failure to deliver SFC Regional Outcome Agreement targets at a time of limited resource results in future credit and/or funding adjustments. | 5 | 4 | 20 | 1) Positive engagement with SFC in relation to ROA development and monitoring for current and future years. Internal audit of ROA process indicated robust planning arrangements in place regarding development of ROA. 2) Effective internal monitoring and reporting procedures in place, including operational planning process, and monitoring through the Board of Management and all Committees. 3) Good working relationships with local authorities and schools in order to access attainment funding in support of College activities in this area. 4) Detailed curriculum development planning and review process which has been subject to positive review by internal audit. 5) Blended approach to delivery of teaching and learning including 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. 7) The Board of Management to consider the College ROA during February 2020 meeting. The draft ROA will then be submitted to the SFC for initial consideration. | 4 | 3 | 12 | 12 | ↔ | Principal |
| 7 | WCS 5 Staffing and HR | 1.1 1.2 1.3 3.4 | 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 on the impacts of National Bargaining ongoing. National Bargaining funding distribution for 2019-20 agreed with Colleges Scotland and the Scottish Funding Council. 3) Business Continuity Planning considers impact of industrial action, with specific plans in place. 4) 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. 5) Robust college sector and WCS communications plan including liaison with Student Association on impact on students. 6) Local workforce planning arrangements subject to positive internal audit review (June 2018). Workforce planning being carried out at departmental level based on agreed template 7) Support and teaching staff pay award until September 2020 in place. | 6 | 2 | 12 | 12 | ↔ | Principal |
| 8 | WCS 6 Digital | 1.1 2.1 3.3 4.2 | 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 review progress achieved in delivering the IT Strategy on an annual basis 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 Colleges Scotland and the SFC is 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) College has renewed its Cyber Essentials Plus accreditation as required. Work commencing on updating the Scottish Government Cyber Resilience Framework. 5) College Digital Strategy which sets out digital ambitions for the College, presented and approved by the Board of Management. 6) Discussions remain ongoing with the SFC on IT condition survey and College offered to be model for future sector wide survey. 7) College HR department providing support to staff undertaking national support staff job evaluation. | 4 | 3 | 12 | 12 | ↔ | VP Operations |

| Risk No. | Risk Reference / Category | Strategic Objective | Risk | Assessment pre mitigation | | | Mitigating Controls and Actions | Assessment post mitigation | | | | Movement since last review | Executive Responsible |
|----------|-----------------------------------|--------------------------|--|---------------------------|-------------|------------|--|----------------------------|-------------|------------|----------------|----------------------------|---------------------------|
| | | | | Risk Probability | Risk Impact | Risk Score | | Risk Probability | Risk Impact | Risk Score | Previous Score | | |
| 9 | WCS 15 Governance | 1.1 2.1 3.4 4.3 | Failure to deliver the financial and/or non-financial objectives outlined in the College Transformation Plan "Future Proofing Our College". | 4 | 4 | 16 | 1) Transformation Plan has been developed by the College and discussed in detail with the SFC. 2) Board of Management have approved the Plan and financial objectives are monitored through the F&GP Committee. Board of Management monitor overall plan achievement. 3) Projects have been initiated in line with the plan and are directed by a specific member of SMT. 4) Detailed delivery plan has been created to allow milestones to be set and monitoring to take place. 5) College has a plan in place to meet financial objectives during 2019-20. However future years remain challenging and the plan will require to be further reviewed/updated. SFC indicative funding figures have been published and have crystallised the financial challenges faced by the College. No guidance on future years. | 3 | 4 | 12 | 12 | ↔ | Principal |
| 10 | WCS 9 Staffing and HR | 1.2 1.3 3.4 | Inability to maintain positive staff relations | 4 | 3 | 12 | 1) Approved Workforce Plan in place to address Audit Scotland recommendations and implementation reviewed by the Board CDC and HR Committee. 2) Internal audit on internal communications reported that that the College had effective internal communication channels to staff and students 3) Clear procedures for communication and engagement with Trade Unions and College staff. 4) Staff engagement sessions and staff surveys undertaken on regular basis allowing matters to be raised and issues to be addressed early. 5) Local trade union consultation and negotiation committees in place for teaching and support staff. 6) College is supportive of staff involvement in national job evaluation scheme and has open dialogue with Unions as to how staff can be supported. | 3 | 3 | 9 | 9 | ↔ | Principal |
| 11 | WCS 11 Competitive Environment | 1.1 2.3 3.1 3.2 | Ability to generate consistent levels of alternative income or to grow alternative income streams. | 4 | 3 | 12 | 1) Alternative Income Strategy currently under development in response to requirements of College Transformation Plan objectives. Strategy will be subject to review by Corporate Development Committee. 2) Annual financial budget agreed and monitored by the Corporate Development Committee. 3) Strong partnerships with local employers and stakeholders. 4) Operation planning process used to identify potential opportunities for income growth. 5) Adaption of course portfolio to meet student / employer needs. 6) Financial strategy and planning in place to address resource needs and redirect as required. 6) Review of resources required within Curriculum Development Planning procedure. 7) Commercial Development Group meets bi-monthly to review and address challenges of delivering alternative income. | 3 | 3 | 9 | 9 | ↔ | VP Educational Leadership |
| 12 | WCS 10 Staffing and HR | 1.3 2.3 | Failure to embed Workforce Plan resulting in lack of appropriate resources and skills being developed to achieve College strategic objectives and outcomes | 4 | 3 | 12 | 1) College Workforce Plan and associated reporting requirements approved by the Board of Management. 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 including an establishment report. 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 2018-19 audit plan. All recommendations made by internal auditors fulfilled and OD&HR Committee updated on progress. 8) Initial results from staff skills survey being used to allow the College to identify and address future skills gaps. | 3 | 2 | 6 | 6 | ↔ | Principal |

| Risk No. | Risk Reference / Category | Strategic Objective | Risk | Assessment pre mitigation | | | Mitigating Controls and Actions | Assessment post mitigation | | | | Movement since last review | Executive Responsible |
|----------|---------------------------------|---------------------|---|---------------------------|-------------|------------|--|----------------------------|-------------|------------|----------------|----------------------------|-----------------------|
| | | | | Risk Probability | Risk Impact | Risk Score | | Risk Probability | Risk Impact | Risk Score | Previous Score | | |
| 13 | WCS 13 Governance | 3.4 4.1 | Inability to ensure a holistic response to data and information governance, including compliance with the General Data Protection Regulations (GDPR). | 3 | 3 | 9 | 1) Data Protection Officer (DPO) appointed in compliance with legislative requirement. DPO is part of shared services agreement allowing the College to work collaboratively with other institutions. 2) DPO is undertaking review of departmental compliance with data legislation and addressing issues as required. Reports provided to working group on progress and issues identified / rectified. 3) College has a working group covering GDPR and data management issues with involvement from senior staff. The Group has oversight of the information risk assessment process. 4) Data Protection concepts and principles embedded within the operations of the College. | 3 | 2 | 6 | 6 | ↔ | Principal |
| 14 | WCS 14 Learning and Teaching | 1.2 3.4 | 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 stage to address any issues in advance of project start date. 2) Staff resource increased during 2018-19 to address the significant increase in level of expenditure and complexity of projects being undertaken. 3) Well embedded project / estate team with knowledge base that allows issues to be identified and addressed. 4) use of external professional advisors to provide oversight and critical review of proposed activities / plans. | 3 | 2 | 6 | 6 | ↔ | VP Operations |

Corporate Strategy 2019-2025

| Priorities | | Objectives | |
|------------------------|---|------------|---|
| (1) Personalisation | We will deliver the skills solutions that employers are looking for and the learning outcomes that students want, | 1.1 | Developing Bespoke solutions, Fast |
| | | 1.2 | Raising Aspirations and Enabling Students to achieve outcomes |
| | | 1.3 | Recruiting and Retaining Talented People |
| (2) Collaboration | We will build the immersive relationships and make the connections that enhance value for | 2.1 | Creating Learning Pathways |
| | | 2.2 | Immersive Partnerships |
| | | 2.3 | Delivering Inclusive Growth |
| (3) Agile and Adaptive | We will develop the capability to respond to shifts in demand and seize new opportunities quickly' putting in place specialist delivery capabilities. | 3.1 | Developing new income opportunities |
| | | 3.2 | Developing the Market |
| | | 3.3 | Utilising Specialist Capabilities |
| | | 3.4 | Managing for Resilience |
| (4) Digital | We will ensure that the College has the digital capacity and capabilities to deliver in a modern economy. | 4.1 | Using Data |
| | | 4.2 | Inspirational Learning |
| | | 4.3 | Developing the skills base |

Tolerance Matrix and Scoring Grid

| 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 |

Risk Score - Direction of Travel

- ↔ Post mitigation risk score after review has remained static compared to the last time the register was reviewed.
- ↑ Post mitigation risk score after review has increased compared to the last time the register was reviewed.
- ↓ Post mitigation risk score after review has reduced compared to the last time the register was reviewed.

TITLE: RISK MANAGEMENT STRATEGY AND STRATEGIC RISK REGISTER

Background: Under the Corporate Governance Code, the College Board of Management is tasked with ensuring a framework of risk management and control is in place. This paper provides:

- an update on the actions taken by the College to develop the College Risk Management Strategy;
- the next steps in the development of the College Risk Management Strategy; and
- presents the current College Strategic Risk Register for the consideration of the Audit Committee.

Action: The Audit Committee is requested to:

- note the update on the actions taken to embed risk across the College;
- approve the next steps in the development of the College Risk Management Strategy; and
- review and approve the College Strategic Risk Register and in doing so 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.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

1. Risk Management Strategy

1.1 The West College Scotland Risk Management Strategy is approved by the Board of Management. The College Strategic Risk Register is subject to ongoing review by the Board of Management and all Board of Management Committees, with oversight being provided by the Audit Committee. The current Risk Management Strategy is provided within the papers for this Audit Committee meeting and suggested amendments are proposed in order to reflect recent work undertaken in developing the College's risk management framework.

2. Development of the College Risk Management Strategy

2.1 The March 2020 Audit Committee received an update report on the progress that the College had made in developing the College Risk Management Strategy. These developments were the result of a significant piece of work with the Board of Management to review the overall risk categories and the risk appetite that the College was willing to tolerate.

2.2 Following the March 2020 Audit Committee meeting the following action have been undertaken:

- The Risk Management Strategy has been updated to:
 - reflect the revisions made to the ten risk categories; and
 - incorporate the approved risk appetite categories and risk appetite statement.
- Due to the requirement to focus resource on the challenges arising from the Covid-19 pandemic over the recent period - it has not been possible to progress the development of a revised format for the Strategic Risk Register– it is therefore intended to bring this to the September 2020 Audit Committee meeting for consideration.

2.3 A tracked change version of the College Risk Management Strategy is included within the meeting agenda (Appendix A) for Committee consideration – the proposed changes are intended to reflect the recent work undertaken with the Board of Management in developing the College's risk management framework. The intention would now be to share a revised format for the Risk Register report with Committee members in advance of the next meeting in September, in order that this may be considered and any further necessary changes to the Risk Management Strategy agreed at that time and presented to the Board of Management in October.

2.4 Once the revised documents have been approved, they will be disseminated to the wider College.

3. College Strategic Risk Register Update

3.1 The Board of Management approved the current version the risk register at its meeting in March 2020.

- 3.2 Since that meeting the Senior Management Team (SMT) has continued to carry out a review of the College Strategic Risk Register. The mitigating controls have been updated to take account of items such as the ongoing interactions with the SFC, the outcomes of internal/external audit reports and any Scottish Government/Scottish Funding Council (SFC) announcements.

Covid-19 Risk Management

- 3.3 The Covid-19 outbreak is the most significant challenge the College has faced to date, and this has resulted in a level of uncertainty the organisation has not experienced before. In addressing the challenges, the College implemented its Business Continuity Planning arrangements and has formed a Covid-19 Response Team comprising of members of the Executive, SMT and other operational staff as required. The work of the Response Team has been wide ranging and has included the following:

Reviewing areas of potential exposure:

Initially the College undertook an overall assessment which considered potential sources of exposure as a result of the coronavirus including:

- employee health and well being
- health and safety
- business impacts and interruption to the provision of learning and teaching
- supply chain disruption
- rapidly changing government advice or regulation
- financial and cashflow impacts
- impacts and demands on IT and estate infrastructure

This allowed the College to understand the main scenarios that could most impact the College and to put in place appropriate control and response measures that reflect the exposure.

Reviewing Insurance Policy Cover

- The College insurers, Zurich Municipal, joining most insurers in declaring that the matter of Covid-19 was not a business interruption insurable loss.

Activating the College Business Continuity Management Plans

- The College has made a significant investment in its business continuity plans and this led to the managed closure of all College campuses by 23 March 2020.
- Covid-19 presents a potentially different threat event impacting the College in numerous concurrent ways and potentially limiting options around recovery if other businesses are also affected, or there are logistical limitations.
- The College continues to review and update business continuity plans as a phased response and consider:

- what is required to limit the impact on the health and wellbeing of employees, students and the public;
- how best to work with a range of key stakeholders in supporting them and all local communities, and ensuring the College retains a visibility to provide support where possible; and
- business recovery and mobilisation, to enable the College to recover as quickly as possible based on appropriate Government, SFC and health and safety guidance

Considering Supply Chain Implications

- The College continues to gain an understanding of the potential impact on its supply chain from the coronavirus threat.
- Consideration has been given to not just in the availability of materials but in sourcing and logistics of supplies.
- The College continues to work with the sector procurement centre of excellence (APUC) in order to address these challenges.

Keeping Staff and Students Informed and Updated

- A critical part of any response plan is to keep all stakeholders informed of developments, especially during the extend period of home working.
- The use of the College website and social media has been key to ensuring that contact is maintained with staff and students. The College has created a staff newsletter "*Homeworking Times*" which has enabled staff participation and engagement, with a wide range of social media and the College intranet also used extensively. The College has continued to meet with the Students Association throughout the recent period in order to ensure contact on key issues – such as student funding – is maintained with students.

Creation of a Mobilisation Plan

- The next significant part of the College Business Continuity planning arrangements will be the return to work phase. At this time what that return to work will look like is largely unknown, as is the timing of the return.
- The College has established a Mobilisation Group which will look to advise the Executive of the steps which require to be taken in order to ensure a safe and orderly return to 'the new normal' way of working. This is likely to include:
 - Estate adaptations to buildings to accommodate social distancing;
 - Increased cleaning regimes;
 - Consideration of what learning and teaching will look like with the increased use of technology and distance learning to deliver course;
 - Potential for increased hours of operation, including weekends, to accommodate lower class sizes spread out over longer periods of time.
 - A review of social spaces and areas of congregation, such as canteen and refectory facilities.

- 3.3 The College Senior Management Team considers that the impacts of Covid-19 outbreak be recorded within the Strategic Risk Register as a significant part of the Business Continuity Risk which was already represented within the register. The risk probability and impact has been scored at the highest level of 6 and 4 resulting in a pre and post mitigation score of 24.
- 3.4 Despite there being several mitigating controls in place the Senior Management Team believes that the level of uncertainty remains high around the actions that the College can take to influence the impact of the risk.
- 3.5 The Board of Management will be kept update by the Principal as to the continued actions that the College intends taking over the course of the coming months as it looks to remobilise the College operations. The risk will continue to be reviewed as further information and clarity of direction become available.
- 3.6 It should also be noted that the financial and cashflow implications arising from Covid-19 are expected to be significant for both 2019-20 and 2020-21, and these matters will require to be considered by the Finance and General Purposes Committee and Board of Management. The College is currently awaiting clarification and guidance from the SFC in relation to several significant financial, cashflow and governance matters in order to enable an informed financial strategy to be developed and implemented.
- 3.7 The risk register has been aligned to the new Corporate Strategy and this alignment continues to be refined over the course of 2019-20. A copy of the current College Strategic Risk Register is enclosed with this report (Appendix B) – and the Audit Committee is requested to:
- review the risks included within 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.

4. Conclusion

- 4.1 The Audit Committee is requested to:
- note the update on the actions taken to embed risk across the College;
 - approve the next steps in the development of the College Risk Management Strategy; and
 - review and approve the College Strategic Risk Register and in doing so 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.



Scottish Funding Council

Promoting further and higher education

Financial Memorandum with Fundable Bodies in the College Sector

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FINANCIAL MEMORANDUM

Introduction

Purpose of this document

1. This Financial Memorandum (FM) sets out the formal relationship between the Scottish Further and Higher Education Funding Council (SFC) and fundable bodies¹ in the college sector, and the requirements with which fundable bodies must comply as a term and condition of grant from SFC.
2. The FM also makes it a term and condition of grant from SFC that Regional Colleges and Regional Boards comply with the requirements of the Scottish Public Finance Manual (SPFM) and sets out the special actions and derogations, which have been agreed with the Scottish Ministers.

Scope of this document

3. This FM applies to Regional Colleges and other colleges², Regional Boards and other Regional Strategic Bodies which receive payment of grant from SFC.

Definition

4. In this document the term 'institution' is used in place of 'fundable body in the college sector'. The term 'chief executive officer' refers to an institution's Principal or equivalent officer.

Compliance with the Financial Memorandum

5. The responsibility for ensuring that the institution complies with this FM rests with the governing body of the institution. Questions about the interpretation of the FM may be raised with officers of SFC at any time.
6. Where the institution's interpretation of the FM differs from that of SFC, the SFC will seek, wherever possible, to reach agreement in a spirit of partnership with the institution. However, the SFC's interpretation of this FM shall be final.

Effective date

7. This FM shall take effect from 1 December 2014.

Structure of this document

8. The FM is in four parts:

¹ As defined by the Further and Higher Education Act (Scotland) 2005, as amended by the Post-16 Education Act (Scotland) 2013.

² In this context, a college is a fundable post-16 education body that is not a higher education institution.

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| <p>Part 1: defines the relationship between SFC and the institution and the responsibilities of each for the proper stewardship of public funds</p> | <p><i>Parts 1 and 2 apply to Ayrshire College, Borders College, Dumfries and Galloway College, Dundee and Angus College, Edinburgh College, Fife College, Forth Valley College of Further and Higher Education, Newbattle Abbey College, New College Lanarkshire, North East Scotland College, Sabhal Mòr Ostaig, West College Scotland, West Lothian College, Regional Board for Glasgow Colleges, and the University of the Highlands and Islands</i></p> |
| <p>Part 2: contains the general requirements that apply to all institutions</p> | |
| <p>Part 3 (A): contains additional requirements for Regional Strategic Bodies</p> | <p><i>Part 3 (A) applies to Regional Board for Glasgow Colleges, New College Lanarkshire, and the University of the Highlands and Islands.</i></p> |
| <p>Part 3 (B): contains additional requirements for Regional Colleges and Regional Boards</p> | <p><i>Part 3 (B) applies to Ayrshire College, Borders College, Dumfries and Galloway College, Dundee and Angus College, Edinburgh College, Fife College, Forth Valley College of Further and Higher Education, New College Lanarkshire, North East Scotland College, West College Scotland, West Lothian College, and Regional Board for Glasgow Colleges.</i></p> |
| <p>Part 4: contains additional requirements non-assigned, non-incorporated colleges</p> | <p><i>Part 4 applies to Newbattle Abbey College and Sabhal Mòr Ostaig.</i></p> |

Part 1: The relationship between SFC and the institution

Responsibilities of the Scottish Funding Council

1. SFC is the national, strategic body with responsibility for funding further and higher education, research and other activities in Scotland's colleges, universities and other higher education institutions. Its funding decisions support the Scottish Government's national priorities.
2. SFC is a Non-Departmental Public Body (NDPB) of the Scottish Government and undertakes its functions under the terms of the Further and Higher Education (Scotland) Act 2005 (the 2005 Act), as amended, including by the Post-16 Education (Scotland) Act 2013. In particular, SFC may make grants, loans or other payments to the governing bodies of colleges and Regional Strategic Bodies for the provision of further education, higher education, research and related activities.
3. The legislation also confers certain duties and responsibilities on SFC, including securing coherent, high quality further and higher learning provision, and the undertaking of research.
4. Under the terms of the 2005 Act, 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 this FM.

Accountability

5. SFC is accountable to the Scottish Ministers for the use of public funds provided to it under the terms of the relevant legislation.
6. The Chief Executive of SFC has also been appointed Accountable Officer under the terms of the Public Finance and Accountability (Scotland) Act 2000 and is responsible and accountable to the Scottish Parliament for ensuring that funds provided to SFC are used for the purposes for which they have been given, and in ways that comply with the conditions attached to them. The Accountable Officer has a personal responsibility for the propriety and regularity of the public finances provided to SFC, and for ensuring that funding is used economically, efficiently and effectively.

Assurance

7. In order to meet his or her responsibilities, the Chief Executive of SFC must be satisfied that the governing body of the institution meets the requirements of this FM as a condition of receiving grant funding from SFC. SFC will therefore

seek financial management and other information from the institution but, as far as possible, will rely on data and information that the institution has produced to meet its own needs. If further information is required, SFC will make a specific request in the context of its commitment to efficient regulation.

8. Where SFC has concerns or insufficient information to provide the assurance required, it will, in the first instance, seek to resolve matters with the chief executive officer of the institution. Where this has not proved possible, or in the case of significant concerns, SFC's Accountable Officer will inform the chair of the governing body and the institution's chief executive officer in writing – and without delay – and will specify what action is required to address these concerns.
9. Where circumstances warrant it, SFC's Accountable Officer may suspend the payment of any or all grants to the institution. SFC may also use its powers to attend and address a meeting of the governing body.

What the institution can expect of SFC

10. SFC will conduct its affairs to high standards of corporate governance and public administration. It will maintain a complaints procedure and a separate appeals process for funding decisions.
11. SFC will act reasonably on the basis of the fullest available evidence and objective analysis. Subject to any legal requirement to observe confidentiality, it will be open and transparent with the institution, and with other stakeholders, and will give or be prepared to give a public justification of its decisions.
12. SFC recognises that the institution is an autonomous body. SFC will not substitute its judgements for those which are properly at the discretion of the institution. In particular, SFC will seek to maximise the discretion of the institution to use grants provided to it by SFC.
13. In discharging its responsibilities, SFC will seek to make regulation efficient and effective.
14. SFC will seek at all times to work in a spirit of partnership with the institution, including maintaining regular dialogue with the institution and, where appropriate, its representative bodies. The aim of that partnership will be to help the institution deliver its strategic priorities through the agreement of an Outcome Agreement with SFC, and ensure that SFC can deliver its priorities and undertake its statutory and other functions. SFC recognises that the institution may also undertake activities, and have to comply with legislation and regulation, which may fall outside the scope of this partnership.

15. SFC will allocate and pay grant to the institution in accordance with current published policies and procedures. The institution will be consulted in advance and given reasonable notice of any significant change to these policies and procedures and of significant changes in overall funding levels.

SFC's governance requirements of the institution

16. The SFC must be able to rely on the whole system of governance, management and conduct of the institution to safeguard all funds of the institution deriving from the Scottish Ministers and achieve the purposes for which those funds are provided.
17. 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. SFC also requires the governing body to ensure that:
 - Public funds are used in accordance with relevant legislation, the requirements of this 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 SFC
 - 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
 - The institution strives to achieve value-for-money and is economical, efficient and effective in its use of public funding
 - There is effective planning and delivery of the institution's activities in accordance with its mission and its Outcome Agreement agreed with SFC
 - 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
 - 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
 - The institution has an effective policy of risk management and risk management arrangements
 - 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 SFC on request, as necessary, for the exercise of its functions and to gain assurance

- The institution is engaged actively in continuously enhancing the quality of its activities and involves students and other stakeholders in these processes
18. As well as being accountable directly to the governing body for the proper conduct of the institution's affairs, the chief executive officer is also accountable directly to SFC's Accountable Officer for the institution's proper use of funds deriving from the Scottish Ministers and its compliance with the requirements of this Financial Memorandum.
 19. The chief executive officer of the institution must inform SFC's Accountable Officer without delay of any circumstance that is having, or is likely to have, a significant adverse effect on the ability of the institution to deliver its education programmes, research and other related activity, including delivery of its Outcome Agreement with SFC. He or she must also notify SFC's Accountable Officer of any serious weakness, such as a significant and immediate threat to the institution's financial position, significant fraud or major accounting breakdown or any material non-compliance with any requirement of this FM.

Revisions to the Financial Memorandum

20. SFC will make changes to the requirements in this FM only after consulting institutions or their representative bodies.

Part 2: General requirements

1. Unless otherwise stated, the following general requirements apply to the institution.

Financial Memorandum

2. It is a term and condition of grant payment from SFC that the governing body of the institution and its designated officers comply with the requirements set out in this FM.

Post-16 Education Body criteria

3. In undertaking its functions, the governing body of the institution must keep under review and have in place satisfactory provision in relation to the list of matters set out in section 7 (2) of the 2005 Act, as amended by the Post-16 Education (Scotland) Act 2013. This requirement does not apply to Regional Boards as these are not Post-16 Education Bodies.

Outcome Agreement

4. The institution must deliver its Outcome Agreement with SFC.

Payment of SFC Strategic, Capital or other Grants

5. Where the SFC makes a payment to the institution of a Strategic, Capital or other grant, the institution will be required to comply with any additional requirements attached to the grant, as well as with this FM.

Changes to grant payments

6. If the Scottish Ministers revise their payment of grant to SFC, then SFC reserves the right to make in-year adjustments to its payment of grant to the institution. In this case, SFC and the institution may renegotiate the institution's Outcome Agreement.

Repayment of grant

7. If the institution fails to comply with the requirements of this FM, and any other specific terms and conditions attached to the payment of grant from SFC, it may be required to repay SFC any sums received from it and may be required to pay interest in respect of any period during which a sum due to SFC in accordance with this or any other condition remains unpaid.
8. If, in the reasonable opinion of SFC, any provision set out in this FM is not observed by the institution, SFC will be entitled, in respect of the payment of grant from SFC:

- In the case of funding by way of grant: to require immediate repayment of any and all grants or any part or parts of any grants at any time after the SFC becomes aware of such failure to observe (without prejudice to further demands until the whole of all sums made available by way of grant shall have been paid in full)
- In the case of funding by way of loan (notwithstanding the terms of any agreement attached to the same): to require immediate repayment of the whole or part of each such loan at any time after SFC becomes aware of such failure to observe (without prejudice to further demands until the whole of all sums made available by way of loan shall have been repaid in full).

Public sector pay policy

9. The institution must have regard to public sector pay policy set by the Scottish Ministers.

Tuition fees

10. 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.³ However:
 - the tuition fee levels set by the Scottish Ministers under the Student Fees (Specification) (Scotland) Order 2006 do not apply to students who do not have a relevant connection with the United Kingdom and Islands or are not excepted students within the meaning of the Education (Fees and Awards) (Scotland) Regulations 2007; and
 - The tuition fee levels set by the Scottish Ministers under the Student Fees (Specification) (Scotland) Order 2011 do not apply to students who do not have a relevant connection with Scotland or are not excepted students within the meaning of the Education (Fees) (Scotland) Regulations 2011, but any tuition fees charged to students from the rest of the United Kingdom must not exceed £9,000 per year⁴.

³ The level of tuition fees in 2014-15 for full-time undergraduate first degree students is £1,820. The same fee applies for PGDE and PGDipCE courses. A higher medical fee £2,895 applies only to continuing students. For full-time higher education courses at sub-degree level, a fee of £1,285 should be charged.

⁴ At the moment, this £9,000 limit is not set by legislation but will be once an order is made under section 9D of the Further and Higher Education (Scotland) Act 2005 (as inserted by the Post-16 Education (Scotland) Act 2013.).

Disposal of exchequer funded assets

11. In disposing of exchequer funded assets, the institution must follow the guidance in the relevant procedure notes on the SFC website as amended from time-to-time.

Student activity

12. Where appropriate, the institution must provide data returns requested by the SFC by the deadlines and to the standards specified. Our Student Activity Data Guidance for Colleges can be found on the SFC website.

Student support guidance

13. Where appropriate, the institution must follow SFC's Student Support Guidance.

European Social Funds

14. Where the institution is in receipt of European Social Fund funding, it must follow SFC's ESF guidance.

Audit and accounting

15. 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.
16. The Audit Committee must produce an annual report to the governing body of the institution.

Accounts direction

17. The institution must follow the SFC's current Accounts Direction in the preparation of its annual financial statements.

Internal audit

18. 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.

19. 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.
20. 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.
21. 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. It must include review of controls – including investment procedures – that protect the institution in its dealings with organisations, such as subsidiaries or associated companies, Arms-Length Foundations, students’ associations, and collaborative ventures or joint ventures with third parties.
22. 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 management, internal control, and governance. The report must be presented to the institution’s audit committee and a copy sent to SFC.

Value for money

23. The institution must have a strategy for reviewing systematically management’s arrangements for securing value for money.
24. As part of its internal audit arrangements, the institution must obtain a comprehensive appraisal of management’s arrangements for achieving value for money.

External Audit

25. 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.
26. 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.
27. 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.

28. The external auditors, notwithstanding responsibilities to their clients, are expected to co-operate fully with any enquiries or routine monitoring that the SFC undertakes.
29. The institution must not in any way limit SFC's access to the institution's external auditors.

Part 3: Additional Requirements for Regional Strategic Bodies, Regional Colleges, and Regional Boards

Part 3 (A): Additional requirements for Regional Strategic Bodies

1. The following additional requirements apply to Regional Strategic Bodies only:
 - Regional Board for Glasgow Colleges (known as the Glasgow Colleges Regional Board)
 - New College Lanarkshire (known as the Lanarkshire Board)
 - University of the Highlands and Islands.

Financial Memoranda

2. The institution must put in place a financial memorandum with each of its assigned colleges, which sets out the formal relationship between the Regional Strategic Body and the assigned college, and which contains the terms and conditions for the use of grant to the assigned college. The financial memoranda should be agreed in advance with SFC's Accountable Officer.

Scottish Public Finance Manual

3. The institution must ensure that its assigned incorporated colleges follow the requirements of the SPFM except where any special actions or derogations have been agreed with the Scottish Ministers.

Part 3 (B): Additional requirements for Regional Colleges and Regional Boards

4. The following additional requirements apply to Regional Colleges and Regional Boards:
 - Ayrshire College
 - Borders College
 - Dumfries and Galloway College
 - Dundee and Angus College
 - Edinburgh College
 - Fife College
 - Forth Valley College of Further and Higher Education
 - North East Scotland College
 - West College Scotland
 - West Lothian College
 - New College Lanarkshire.
 - Regional Board for Glasgow Colleges

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.
6. The derogations and actions in the following paragraphs have been agreed with the Scottish Ministers and must be read in conjunction with the SPFM. Where reference is made to the SPFM, please refer to the relevant section for the detailed requirements.
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.

Borrowing

8. All borrowing by incorporated colleges will require the approval of the Scottish Ministers. Requests to borrow must be submitted to the SFC in the first instance.
9. Under the terms of Schedule 2B to the Further and Higher Education (Scotland) Act 2005, inserted by the Post-16 Education (Scotland) Act 2013, Regional Boards may not borrow money.

Cash management and banking

10. Grant payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of the institution and the level of funds required to meet any relevant liabilities at the year-end. Grant-in-aid not drawn down by the end of the financial year shall lapse. Grant-in-aid shall not be paid into any restricted reserve held by the institution. Transfers to arms-length-foundations are permitted.
11. Banking arrangements should ensure they offer best value and comply with the Banking section of the SPFM. The Scottish Ministers have approved a derogation which delays the move to the Government Banking Service (GBS) to 2016-17 at the earliest.
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.

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.

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.
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.
16. However, SFC's written consent is not required for such arrangements if the indemnity is of a standard type contained in contracts and agreements for 'day-to-day' procurement of goods and services in the normal course of business.

Delegated financial limits and annual reporting requirements

17. The institution's specific delegated financial limits are set out in **Appendix A**. The institution must obtain SFC's prior written approval before entering into any undertaking to incur any expenditure that falls outwith these delegations.
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.
19. What might be regarded as novel or contentious inevitably involves a degree of judgement. Novel would include proposed expenditure or financial arrangements of a sort not undertaken previously or which is not standard practice. Contentious would include proposed expenditure or financial arrangements where there was any doubt as to its regularity – for example, its compliance with relevant legislation or guidance – or its propriety – for example, compliance with the standards expected of publicly funded bodies or their officials. Proposed expenditure or financial arrangements that might be considered to be sensitive politically would also be regarded as contentious.
20. In addition, any frauds that are detected must be reported to SFC as and when they occur.
21. The institution must establish appropriate documented internal delegated authority arrangements consistent with the Delegated Authority section of the SPFM and this FM.

22. **Appendix A** also sets out the levels for certain categories of expenditure above which the institution should report annually to SFC. The report should describe the number of instances and total cost, by category of expenditure.

Donation of surplus funds to arms-length foundations

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.

Duties to provide information on certain expenditure as required by The Public Services Reform (Scotland) Act 2010

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.
- Public relations,
 - Overseas travel,
 - Hospitality and entertainment,
 - External consultancy.
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.

Early departures of staff

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: *Managing early departures from the Scottish public sector.*
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.
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. (See Appendix A)

External business and management consultancy contracts

29. Any external consultancy contracts with a value of more than £100,000 must be approved in advance by the SFC.

Impairments, provisions and write-offs

30. Assets must be recorded in the Balance Sheet at Depreciated Replacement Cost 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.
31. Write-off of bad debt and/or losses score against resource Departmental Expenditure Limits (DEL).

Income generation

32. The institution will be able to retain all commercial income, gifts, bequests or donations received. These funds will be in addition to any grant or funding the institution receives from the SFC.

Insurance

33. The Scottish Ministers have agreed a derogation whereby institutions can extend their current commercial insurance arrangements for three years to 31 July 2018.

Investments

34. The institution must not make any investments of a speculative nature without the prior written approval of SFC.

Procurement and payment

35. The institution's procurement processes must reflect the relevant guidance contained in the Advanced Procurement for Universities and Colleges, 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 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. (See Appendix A)

Delegated financial limits and annual reporting requirements for Regional Colleges and Regional Boards

Delegated financial limits

| | |
|--|----------|
| External Business and management consultancies | £100,000 |
| Special severance payments | £1,000 |
| Operating leases-non property | £250,000 |
| Procurement non-competitive action | £25,000 |

Annual reporting requirements

| | |
|-------------------------------------|--------|
| Extra contractual payments | £5,000 |
| Compensation payments | £5,000 |
| Ex-gratia payments | £1,000 |
| Claims waived or abandoned | £3,000 |
| Write-off of bad debt | £3,000 |
| Losses | £3,000 |
| Overseas student irrecoverable loss | £6,000 |
| Fraud loss | £5,000 |

Part 4: Additional requirements for non-assigned, non-incorporated colleges

1. The following additional requirements apply to non-assigned, non-incorporated colleges:
 - Newbattle Abbey College
 - Sabhal Mòr Ostaig.

Insurance

2. The institution is responsible for taking out and paying for adequate insurance in respect of its assets and activities.

Granting of security

3. As a result of a condition in SFC's Framework Document with the Scottish Government, the institution must seek SFC's prior written consent if it intends to offer as security for a loan any land or property which has been provided, improved, or maintained with the aid of grant.

Capital finance

4. As a condition of SFC's Framework Document with the Scottish Government, SFC is required to "make provision for the monitoring and control of borrowing by institutions to protect the public investment in institutions and to maintain accountability for the use of exchequer funds". In order that SFC can discharge this requirement, it has in place a threshold for capital finance above which the institution requires SFC's consent to undertake any new borrowing.
5. The governing body of the institution, in line with the Code of Good Governance for Scotland's Colleges, must, as a matter of course, satisfy itself that all of the following requirements on capital finance are met:
 - The institution can demonstrate its ability to repay the finance, and to pay interest thereon, without recourse to requesting additional grant from SFC
 - The institution can demonstrate that its ability to maintain financial and academic viability will not be impaired as a result
 - The institution can demonstrate the value to be generated by the transaction, whether it involves refinancing, or purchase of any new investment or assets, the acquisition of which is to be financed by the borrowing
 - The institution can demonstrate that any such new investment or asset acquisition is in accordance with the institution's strategic plan and, where appropriate, its estate strategy

6. For the purposes of this document, 'capital finance' includes borrowing, finance and operating leases, and other schemes, such as private finance initiative projects, non-profit distribution projects, loan support projects and revolving credit facilities where borrowing is the substance of the transaction, in line with relevant accounting standards.

When the Council's formal consent is required in respect of capital finance arrangements

7. The institution must obtain prior written consent from SFC before it undertakes a level of capital finance where the annualised costs of all capital finance (being the sum of the servicing and capital repayment costs of each loan or other arrangements spread evenly over the period of the relevant loan or arrangement) would exceed 4% of
 - Total income as reported in the latest audited financial statements; or
 - The estimated amount of total income for the current year, if that is lower.
8. In assessing total capital finance commitments, the institution must ignore low-value financial commitments, provided that the combined annualised servicing costs of such financial commitments do not exceed 0.5% of total income.
9. A revolving credit facility should be considered in the same way as an overdraft facility; for example, in terms of the institution's maximum exposure over the term of the facility. An even annual cost of capital finance is assumed, unless the institution can demonstrate otherwise. The institution is required to provide the annualised cost of the capital finance calculation with any request to SFC for borrowing consent.
10. The institution must also seek consent from SFC before raising capital finance on the security of assets in which the Scottish Ministers have an interest. For the purposes of this document, such an interest exists where the institution has used funds provided by the Scottish Ministers to acquire an interest in or to develop any land, building or other asset, and where those funds were provided subject to a condition which has the effect of requiring the institution to obtain Scottish Ministers' consent before raising capital finance on the security of those assets.
11. The Scottish Ministers have directed that SFC will exercise their functions in relation to any such interests.
12. In seeking SFC's approval, the institution must demonstrate to SFC, in writing, its compliance with the requirements set out above.

Contingent commitments

13. 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.
14. 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.
15. However, SFC's written consent is not required for such arrangements if:
 - An actual or effective value is less than 4% of total income as reported in the latest audited financial statements or of the estimated amount of total income for the current year if that is lower; or
 - the indemnity is of a standard type contained in contracts and agreements for 'day-to-day' procurement of goods and services in the normal course of business.

Severance payments

16. The institution must adhere to the following principles when taking decisions about severance payments, including settlement agreements:
 - The actions of those taking decisions about severance payments, and those potentially in receipt of such payments, must be governed by the standards of personal conduct set out by the Committee on Standards in Public Life (the Nolan Principles)
 - The governing body must take account of SFC's expectation of the institution in this FM regarding the use of public funds.
17. Based on the principles above, the following requirements must be met:
 - Institutions must have in place a clear policy on severance payments
 - Severance packages must be consistent with the institution's policy and take into account contractual entitlements, for example, salary and period of notice, and any applicable statutory employment entitlements. This means that, when entering into employment contracts, care must be taken not to expose the institution to excessive potential liabilities
 - The institution's policy must include a formal statement of the types of severance arrangements that should be approved by the Remuneration Committee or equivalent and approved formally by the governing body. These must include any severance package that is proposed for a member

of the senior management team, in recognition of the particular level of accountability that is attached to senior management positions, and also any severance package that would exceed a maximum threshold agreed by the governing body

- Where a severance package exceeds the maximum threshold agreed by the governing body, the institution must consult with SFC's Accountable Officer prior to approving the proposed severance package
 - The remuneration committee or equivalent, when overseeing and approving severance arrangements for staff, must ensure that all decisions are recorded
 - Negotiations about severance packages and payments must be informed, on both sides, by legal advice where appropriate
 - When a severance arises following poor performance on the part of an individual, any payment must be proportionate and there should be no perception that poor performance is being rewarded
 - Final year salaries must not be inflated simply to boost pension benefits
 - Notice of termination of appointments must not be delayed in order to generate entitlement to payments in lieu of notice
18. The institution must ensure its internal auditor includes a regular review of systems for the determination and payment of severance settlements in their strategic audit plan.
19. The institution must seek the view of its external auditor if it plans to make what it considers to be any novel or potentially contentious severance payments, including those that exceed the maximum threshold agreed by the governing body.
20. The institution's external auditor must review severance settlements. Such a review will normally take place after settlements have been agreed (normally as part of their financial statements audit) and should be carried out by senior audit staff because of the complexity and sensitivity of the issues. If final settlements do not materially conform to the terms of this FM, auditors must report the facts to the institution in their management letter, and inform members of the governing body. The auditors must also recommend that the institution informs the SFC immediately.
21. Where there are settlement agreements, and it is felt that a confidentiality clause is necessary, this must not prevent the public interest being served and must be consistent with the institution's whistleblowing policy.

TITLE: GOVERNANCE COMPLIANCE AND ROA OUTCOMES

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.

There is also a need for the Committee to demonstrate that it has met its requirements in relation to the relevant areas of the 2019-20 Regional Outcome Agreement and confirm this to the Board of Management.

Action: The Audit Committee is requested to consider the:

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

Lead: David Alexander, Vice Principal Operations

Status: Open

1. Financial Memorandum with the SFC

- 1.1 Under the terms of the Further and Higher Education (Scotland) Act 2005 the Scottish Funding Council (SFC) may attach terms and conditions to the payment of grant made to institutions. It is a term and condition of grant payments from the 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 (Appendix A). 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 |
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| <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 e.g. monthly cash flow, financial forecast returns and high priority maintenance funding. Any funding not used in accordance with grant conditions would be reported to the College Board of Management.</p> <p>Subject to review by the external auditors as part of their year end work there are no reported occurrences of non-compliance during the 2019-20 year.</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 and its Board of Management ensure that decisions in relation to public funds are documented in a transparent manner with meeting agendas, minutes and papers available through the College website.</p> |
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| Condition | College Response |
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| <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 to support the required value for money condition. The College Value for Money Policy was approved by the Audit Committee in September 2017. A report on Value for Money report was presented to the Audit Committee in September 2019 and an updated report will be presented to the September 2020 Audit Committee for consideration.</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 Committee and at Board level. The March 2020 Board of Management meeting reviewed and provided feedback on the 2020-21 to 2022-23 ROA document and approved it to be submitted to the SFC by the April 2020 deadline.</p> <p>The College ROA compilation process was the subject of an internal audit review during 2019-20 which concluded that <i>'West College Scotland's processes for developing its Regional Outcome Agreement (ROA) are robust and compliant with SFC guidelines. We confirmed the College's ROA process was fully complied with during development of the ROA, ensuing a quality ROA was drafted and submitted to SFC on a timely basis. The Board of Management was able to review and approve the ROA during the midst of COVID-19, ensuring the College continued to meet SFC submission deadlines.'</i></p> |
| <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 has a five-year Financial Plan to 2023-24 in place as approved by the Board of Management.</p> <p>The potential impact of Covid-19 on the financial position of the College has been reported to the SFC through the submission of an updated Mid Year Return in April 2020; and will be presented to the Finance and General Purposes Committee at its meeting scheduled for 2 June 2020. Subsequent to that meeting the matter will</p> |

| Condition | College Response |
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| | <p>be discussed at the Board of Management meeting scheduled for 15 June 2020. The impact of Covid-19 has resulted in a material reduction in the level of income generated by the College in the last quarter of 2019-20 and this is likely to have a continuing effect into 2020-21. The full impact of Covid-19 is yet unknown for 2020-21 and beyond and the College is currently modelling several financial scenarios.</p> <p>As previously reported the College was already faced with a challenging financial environment before Covid-19 and this situation has therefore only heightened these challenges. The ability for the College to <i>'... year on year generate sufficient income to cover its costs and allow for maintenance of and investment in its infrastructure...'</i> will not be possible without support from the SFC.</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 internal management and control areas. • Audit Committee annual review of the internal auditors, which has assessed the 2018-19 service provided as being effective. The next review is due to be undertaken as part of the May 2020 Audit Committee meeting. • One instance of fraud has been reported during 2019-20. The fraud has been reported to the SFC, internal and external auditors and to Police as required. This matter is the subject of ongoing internal investigation and external police enquiry. • Specific procedures approved by the Audit Committee are in place to assist in preventing fraud and bribery including training for staff in high risk |

| Condition | College Response |
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| | <p>areas such as finance. These will be reviewed again if/as required following conclusion of the current internal fraud investigation.</p> |
| <p>The institution has an effective policy of risk management and risk management arrangements</p> | <p>The College has an approved Risk Management Strategy and risk management is a standing item at Senior Management Team, Board of Management and Board of Management Committee meetings. Risk management is integral element of the College governance framework.</p> <p>The Board has during 2019-20 undertaken a review of the risk management process and risk appetite of the College. This review has resulted in the agreement of risk categories and associated risk appetites for these areas. The updated Risk Management Strategy will be presented to the September 2020 Audit Committee for agreement and recommendation that the Board of Management subsequently approve this. The Committee has also agreed to revise the format of the College Strategic Risk Register to allow for improved presentation of the content. This will be progressed at the September 2020 Committee meeting.</p> <p>During 2019-20 the College invested in an electronic system (Pentana Risk) which over the next two years will allow the Strategic Risk Register to be incorporated at a more detailed level with the annual operational planning process. Ultimately this will allow the College to monitor and update both operational and strategic risks on a real time basis.</p> |
| <p>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</p> | <p>Regular reports are provided to Board Committees and to the Board of Management in a timely manner in relation to performance and use of public funds. Information is also made available to SFC on an on-going basis and as required.</p> |

| Condition | College Response |
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| <p>The institution is engaged actively in continuously enhancing the quality of its activities and involves students and other stakeholders in these processes</p> | <p>Education Scotland has endorsed the College’s published Evaluation and Enhancement Report during 2019-20, verifying that it provides an accurate and appropriate account of the quality of provision and services being delivered by the College; takes appropriate account of the views of stakeholders, and is supported by appropriately robust sources of evidence.</p> <p>Education Scotland and SFC have endorsed the grade of ‘Very Good’ for the College Delivery of Learning and Services that Support Learning and for Leadership and approach to improvements.</p> <p>For ensuring the best possible outcomes for our students - the grade was “Good”.</p> <p>The College’s evaluation processes are considered by Education Scotland as being robust. Positive engagement with the Students Association and regular complaint reporting to Education Scotland, the SFC and more widely ensures quality issues are addressed.</p> |
| <p>Public sector pay policy</p> | |
| <p>The institution must have regard to public sector pay policy set by the Scottish Ministers.</p> | <p>The College has regard to Public Sector Pay Policy through representation on the College’s Scotland Employers’ Association and associated National Pay Bargaining mechanism. The College Board of Management Remuneration Committee also takes this into account in considering levels of pay for those members of staff who are out with the scope of national bargaining. Public sector pay policy is built into any financial modelling undertaken by the College.</p> |
| <p>Tuition fees</p> | |
| <p>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.</p> | <p>The College follows this guidance.</p> |

| Condition | College Response |
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| Student activity | |
| <p>Where appropriate, the institution must provide data returns requested by the SFC by the deadlines and to the standards specified.</p> | <p>The College continues to comply with requests for data from the SFC within the deadlines required. The College met the required Further Education Statistics return deadlines for 2018-19 and continues to meet the return dates for 2019-20.</p> <p>Unqualified audit opinions were received regarding the College 2018-19 SFC student activity audit and the 2018-19 financial statements and these provided to the SFC in accordance with required deadlines.</p> |
| Student support guidance | |
| <p>Where appropriate, the institution must follow SFC's Student Support Guidance.</p> | <p>The College complies with all SFC and Student Award Agency for Scotland (SAAS) student support guidance.</p> <p>Unqualified audit opinions received in 2018-19 regarding all student support funds with no audit recommendations arising.</p> |
| European Social Funds | |
| <p>Where the institution is in receipt of European Social Fund funding, it must follow SFC ESF guidance.</p> | <p>The College seeks to follow SFC ESF guidance as required. During 2019-20 the College was advised by the SFC of a possible clawback of 2015-16 ESF funding, and this has been reported to the College Finance and General Purposes Committee. The College has responded to the SFC seeking further clarification as to the basis and timing of the clawback.</p> |
| Audit and accounting | |
| <p>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.</p> | <ul style="list-style-type: none"> • The College has an Audit Committee in place. The Audit Committee remit was reviewed in September 2019 and the effectiveness of the Committee is reviewed annually. The next review of Committee effectiveness will take place at the May 2020 meeting. • The effectiveness of the internal audit function was reviewed at the May 2020 Committee meeting, and external auditor effectiveness was reviewed |

| Condition | College Response |
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| | <p>during the December 2019 Audit Committee meeting.</p> <ul style="list-style-type: none"> • The College's current external auditors, Mazars, were appointed by Audit Scotland for 5 years commencing with the 2016-17 audit and this tenure is due to conclude with completion of the 2020-21 audit. • The College internal auditors, Scott Moncrieff, will come to the end of their 5-year contract in July 2020. Following conclusion of a tender exercise in March 2020, the Audit Committee and Board of Management agreed to appoint Wylie & Bisset as internal auditors for an initial three-year period to 31 July 2023, with the option to extend this for a further two years to 31 July 2025 |
| <p>The Audit Committee must produce an annual report to the governing body of the institution.</p> | <p>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 2019 Board of Management.</p> |
| <p>Accounts direction</p> | |
| <p>The institution must follow the SFC's current Accounts Direction in the preparation of its annual financial statements.</p> | <p>The College follows the annual SFC Accounts Direction and this compliance is subject to review by the external auditors.</p> <p>The annual SFC accounts direction is also provided to the College Finance and General Purposes and Audit Committees for review on an annual basis.</p> |
| <p>Internal audit</p> | |
| <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 which enables the Audit Committee to annually review the effectiveness of the internal audit service. The 2019 review by the Audit Committee confirmed that the internal auditors were operating effectively. The next review of internal audit effectiveness is due to be undertaken as part of the May 2020 Audit Committee meeting.</p> |

| Condition | College Response |
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| <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 in April 2020 of appointment of Wylie & Bisset as the College internal auditors from 1 August 2020. The SFC were informed that this change in auditors was as a result of the current auditors coming to the end of their contract.</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 Internal Audit Report 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>The College internal audit plan is reviewed annually, considering 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 financial control systems and 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 management, internal control, and governance.</p> <p>The report must be presented to the institution's Audit Committee and a copy sent to SFC.</p> | <p>The Annual Internal Audit Report is produced each year with the next one due to be received by the May 2020 Audit Committee meeting as part of the scheduled Committee business. The Committee receives an update report at each meeting as to the status of the internal audit work.</p> <p>A copy of the Annual Internal Audit Report is provided to College Audit Committee and to the SFC as part of the financial year end reporting process.</p> |

| Condition | College Response |
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| Value for money | |
| <p>The institution must have a strategy for reviewing systematically management's arrangements for securing value for money.</p> | <p>In 2017-18 the Audit Committee approved a College Value for Money Policy and receive an annual update on the implementation of this Policy.</p> <p>The College Procurement Strategy also covers value for money and best practice regarding purchasing of goods and services and an annual report on outcomes is presented to the Finance and General Purposes Committee.</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 Policy which was approved by the Audit Committee.</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 receive such forms of communication and can 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 and present their Audit Report on the Financial Statement to the joint Audit / Finance and General Purposes Committee meeting at which the annual financial statements are approved.</p> |

| Condition | College Response |
|---|---|
| <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 / Finance and General Purposes Committees and attend the Audit Committee as required. The external auditors attend the annual joint Audit / Finance and General Purposes Committee meeting which approves the financial statements.</p> |

2 Scottish Public Finance Manual (SPFM)

- 2.1 A major element to ensure compliance with the Scottish Public Finance Manual (SPFM) is that the College maintains an up to date set of Financial Regulations.
- 2.2 The College Financial Regulations are reviewed annually to ensure they remain updated to in relation to legislation and any other changes in best practice. The 19 November 2019 Finance and General Purposes Committee meeting reviewed the most recent changes proposed to the Financial Regulations. The 9 December 2019 Board of Management meeting approved the revised College Financial Regulations and the updated Financial Regulations were uploaded to the College intranet.
- 2.3 The internal auditors last reviewed the Financial Regulations as part of the 2016-17 internal audit plan. The internal audit plan is based on a five-year cycle of reviews so the next review of Financial Regulations should be undertaken from 2020-21.
- 2.4 There has been a limited number of revisions to the Scottish Public Finance Manual during the past year - with the changes since August 2019 - along with the impact upon the College Financial Regulations - summarised below:
- August 2019:
 - Borrowing, lending and investment chapter - Other than where they are have been given a specific remit, constituent parts of the Scottish Administration must not deliberately invest resources outside the public sector and SG sponsored bodies should not make any investments of a speculative nature. Where Scottish Ministers decide to make investments directly through the core Scottish Government or associated bodies, Accountable Officers must ensure that appropriate diligence and consideration is carried out before any commitment is made to invest, detailed guidance on this has been added at Annex A: Investment in businesses by Scottish Ministers to the Borrowing, lending and investment chapter.
 - *Impact: None as the current College Financial Regulations do not allow speculative investments.*
 - September 2019:
 - Settlement agreements, severance, early retirement and redundancy terms - These chapters have been updated to reflect changes to the severance policy which applies to all devolved public bodies to which the Scottish Public Finance Manual (SPFM) is directly applicable. The chapter has been rearranged to present the information in a more user-friendly way. The policy measures will reduce the risk of excessive or inappropriate exit payments. The key policy features are to:

- introduce a £95,000 administrative severance payment cap and recovery arrangements to voluntary early severance, voluntary early retirement, voluntary redundancy and settlement agreements;
 - ensure that individual leaving on a voluntary resignation basis is precluded from returning to the same employer for a period of 12 months, including as a temporary agency worker or via a procurement route;
 - set a consistent maximum pay-back period of two years to voluntary early severance and retirement schemes (however, where organisations' own compensation schemes have a payback period of less than 24 months, the shorter period will apply)
 - set a maximum of six months' Pay in Lieu of Notice (PILON) Period for all new contracts (although it is recommended that a robust business case is made for any notice periods beyond statutory notice periods)
 - reduce the use of discretionary payments; and
 - introduce measures to improve governance, accountability and transparency of severance payments.
 - *Impact: The College complies with all guidance issued by the Scottish Government or the Scottish Funding Council in relation to voluntary severance schemes. The College Financial Regulations make direct reference to SFC guidance which has been updated to reflect the above changes.*
- January 2020:
- Certificates of assurance - The checklist still covers the same sections as previous versions, but some questions have been reviewed, amended and guidance notes have been further developed.
 - *Impact: No impact as the College will be required to sign the updated certificate which will come from the SFC*
- February 2020:
- Specific exceptions to the scope of the Property acquisition, disposal and management chapter. This section gives guidance on procedures for acquisition, disposal and management of assets (property, land and buildings).
 - *Impact – No impact as property matters are the subject of SFC Capital Guidance.*
- March 2020:
- Covid-19 Accountable Officer Guidance and Funding ask template: March 2020 - The purpose of this note is to announce recent additional guidance for Accountable Officers during the current Covid-19 situation.
 - *Impact: No impact as the College is dealing with the impact of Covid-19 through guidance issued by the SFC.*

- April 2020:
 - COVID-19 - short-term changes to approval process for operational property transactions - The purpose of this note is to confirm temporary guidance in place during the current Covid-19 crisis. This guidance provides advice on a short-term Property Controls relaxation now in place to allow expiring leases to be extended for up to one year in lieu of submitting formal business cases.
 - *Impact: Nom impact on College operations as all lease agreements are in place and do not require revision.*

- 2.5 Thus, the above changes which have been made to the SPFM during the year have been limited in nature, and the College is of the view that the recently updated Financial Regulations remain compliant with these. The College continues to monitor any revisions made to the SPFM and will annually update the Financial Regulations as required.
- 2.6 It is proposed within draft internal audit plan that the College Financial Regulations are reviewed during 2020-21.
- 2.7 The College is required to submit an assurance statement to the SFC annually in line with the requirements of the Scottish Public Finance Manual. This statement is received from all Colleges and allows the SFC Chief Executive to sign a similar assurance statement to the Scottish Government. The College is awaiting receipt of the April 2019 to March 2020 Assurance Statement for signature.
- 2.8 Noted below are the key areas of the SPFM as referenced in the Financial Memorandum between the College and the SFC and how the College is complying with these:

| Scottish Public Finance Manual | |
|--|---|
| Condition | College Response |
| 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"> • In 2016-17 the internal auditors reviewed the College Financial Regulations and confirmed that they comply with the requirements of the SPFM. • The College undertakes an annual review of the Financial Regulations and present these changes to the Board of Management for approval. The Board of Management approved the current Financial Regulations in December 2019. • The internal auditors have also carried out reviews of College financial procedures which have confirmed compliance with the SPFM. • No issues have been identified during 2019-20 which would indicate that that College is not complying with the requirements of 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 Government 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 an overdraft arrangement with its bank nor does it currently require such an arrangement. |

| Scottish Public Finance Manual | |
|--|---|
| Condition | College Response |
| <i>Contingent commitments</i> | |
| 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 College 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. | The College has had one instance of fraud during 2019-20 and this has been reported to the SFC as required. |
| 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. |
| | |

| Scottish Public Finance Manual | |
|--|---|
| Condition | College Response |
| <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 2020. 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 the current College Voluntary Severance scheme which was agreed by the College Board of Management and covers the period to 31 July 2021. Any matters arising in relation to such guidance are considered by the OD & Corporate Development 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>Please refer to note (26) above.</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 more than £1,000 prior approval will be sought from the SFC.</p> |

| Condition | Response |
|---|--|
| <i>External business and management consultancy contracts</i> | |
| 29. Any external consultancy contracts with a value of more than £100,000 must be approved in advance by the SFC. | 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. |
| <i>Impairments, provisions and write-offs</i> | |
| 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. | In line with the College Fixed Asset policy the fixed assets of the College were subject to a full valuation under the DRC methodology as at 31 July 2018. As part of year-end work all assets are reviewed for major impairments and SFC informed in timely manner as required. |
| <i>Insurance</i> | |
| 33. The Scottish Ministers have agreed a derogation whereby institutions can extend their current commercial insurance arrangements for three years to 31 July 2021. | The College currently holds a full insurance portfolio and has procured insurance services for the three-year period to 31 July 2021 under an APUC framework agreement. |
| <i>Investments</i> | |
| 34. The institution must not make any investments of a speculative nature without the prior written approval of SFC. | The College has not taken out any speculative investments. Prior SFC approval will be sought for any speculative investments if required. |
| <i>Procurement and payment</i> | |
| 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 | College procurement 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. |

| Condition | Response |
|---|---|
| and treated as a key component of achieving the institution's objectives consistent with the principles of Best Value, the 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.
- 3.2 An annual effectiveness review of the Board of Management was undertaken in May 2019 following the strategic review session held in April 2019. A report summarising the responses received and highlighting areas of good practice and areas where further consideration and improvement could be made, with specific recommendations being made was considered by the Board at its meeting held on 17 June 2019 where the Board approved the Report on its Annual Effectiveness Review 2019 for submission to the SFC and subsequently published the Report on the College website.
- 3.3 At the Board meeting on 7 October 2019, the Board noted that it had been three years since it last conducted an external effectiveness review. Under the terms of the current Code of Good Governance, Colleges should conduct an externally facilitated effectiveness review at least every 3 years. In order to meet this requirement, the Board tendered for and awarded a contract to an independent external reviewer to conduct the External Effectiveness Review during the period October to December 2019 with a final report to be provided to the Board in February 2020.
- 3.4 The Board of Management considered the External Effectiveness Review at the February 2020 Board meeting. The report concluded that:
- 'West College Scotland has an effective board which clearly puts the student experience and the provision of relevant and high-quality learning at the centre of their discussions.'*
- 3.5 A summary of the findings of the review can be found at Appendix B.

4 Regional Outcome Agreement (ROA)

- 4.1 The Board of Management has agreed that each Board 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 2020.
- 4.2 The Audit Committee meeting of 4 September 2019 considered those areas of the current Regional Outcome Agreement with the SFC for the period to July 2020 within its remit and agreed the monitoring processes to enable it to provide an update report on progress to the Board of Management in June 2020.
- 4.3 The remit of the Audit Committee includes a requirement to '*ensure compliance with corporate governance requirements.*' Under the outcomes associated with High Performing Institutions colleges are required to comply with the terms of the Financial Memorandum with SFC, and to meet the principles of good governance as set out in the Code of Good Governance. The Audit Committee therefore requires considering whether progress has been made and assurance provided in relation to this area of ROA outcomes during 2019-20.
- 4.4 During the year the Audit Committee has been provided with several 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;
 - Report on outcome of National Fraud Initiative;
 - 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 current ROA for which it has responsibility, to provide an update report to the Board of Management.

5 Progress Reporting Measures

5.1 The following progress reporting measures were adopted by the Audit Committee during 2016-17 and have been updated to include information for the current year:

a) Internal Audit Recommendations

| Grade | 1 (Low) | 2 | 3 | 4 (High) | Total |
|---------|------------|----|---|-------------|-------|
| 2016-17 | 2 | 16 | 8 | 0 | 26 |
| 2017-18 | 1 | 20 | 2 | 0 | 23 |
| 2018-19 | 5 | 15 | 0 | 0 | 20 |
| 2019-20 | 3 | 9 | 3 | 0 | 15 |

5.2 All internal audit report recommendations arising from 2019-20 have been included within the above table. It should be noted that the College has not had any high priority internal audit recommendations arising during 2019-20.

b) Audit Plan Progress 2019-20

| | 2019-20 | | |
|---------------------|--------------------------|---------------------------|---------------|
| | No. of Audits Planned | No. of Audits Complete | % Complete |
| Internal Audit Work | 7 | 7 | 100% |
| External Audit Work | 1 | 0 | 0% |
| Other Audit Work | 4 | 0 | 0% |

5.3 For 2018-19 all external and other audit work was completed as planned – and the College anticipates a similar position for 2019-20.

5.4 All internal audit reviews for 2019-20 have been completed as planned – and for 2020-21 the scope of annual internal audit plan is subject to review as part of the agenda at the May 2020 Audit Committee meeting.

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 College Regional Outcome Agreement with the SFC and confirm this to the Board in June 2020.

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 ROA areas for which the Audit Committee has responsibility to provide an update to the Board of Management.

Appendix A – Financial Memorandum between the SFC and the College

Appendix B – Conclusions from external review of Board of Management effectiveness review

West College Scotland has an effective board which clearly puts the student experience and the provision of relevant and high-quality learning at the centre of their discussions.

Leadership of the board is strong, and the chair has an inclusive approach which actively encourages effective contributions from all board members.

There is an appropriate balance of challenge and support from the board to the senior executive team.

The board makes good use of the committees and places great trust in the committee chairs. The committees also make effective use of co-opted members who make a positive contribution.

However, the number of committees does present a challenge in relation to the demands on both board member and staff time. This must be balanced with the significant contribution the committees make to the effective working of the board.

The board demonstrates innovation and creativity and is ambitious for the student experience and the economic wellbeing of the region. This is supported by an informed approach to risk management.

The areas identified for further development fall under the following headings,

- Standing Orders
- Board agendas and papers
- KPIs
- Student engagement
- Relationships and collaboration

TITLE: ANNUAL REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

Background: At the 12 March 2020 Audit Committee meeting it was agreed that the annual effectiveness review of the Committee and Internal Auditors be conducted, and the feedback provided to the Committee for consideration at its May 2020 meeting. The Committee agreed to use the questionnaires used in previous reviews and these were issued to Committee members, the Internal and External Auditors, the Principal and the Vice Principal Operations on Monday 16 March 2020 with a requested return date to the Secretary of Monday 6 April 2020.

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

Overall the feedback is very positive, confirmed that the Committee is sufficiently independent to perform its role, and received relevant information to enable it to meet its remit. The feedback also acknowledged the role and purpose of the annual joint Audit Committee and Finance and General Purposes Committee meeting in relation to the review of accounting policies and annual reports and accounts.

Action: The Committee is asked to consider the attached report and note the main points that have emerged. If satisfied, the Committee is asked to approve the report.

Lead: Shirley Gordon, Secretary to the Committee

Status: Open

1. Introduction

1.1 The annual review of the effectiveness of the Audit Committee for session 2019/20 has been conducted and the feedback obtained has been analysed.

1.2 Five forms were returned. The main findings are presented below under the headings used in the Audit Committee Self-Assessment Checklist:

1. Role and Remit

The feedback confirmed satisfaction with the role and remit (these were reviewed at least annually and evidenced by noting in the Audit Committee meeting minutes) of the Committee which, it was considered, had sufficient members, authority and resources to perform its role effectively and independently. One comment received was that the inclusion of independent co-opted members on the Committee was good practice and provided good challenge to management, auditors and the Committee. It was also acknowledged that, in relation to the review of accounting policies and annual reports and accounts, this was done at the annual joint meeting with the Finance and General Purposes Committee.

2. Membership, Induction and Training

The feedback confirmed satisfaction with the current membership with one return unsure about the induction new Audit Committee members were provided with and another saying that, as some members of the Audit Committee were on other key Board committees, this could potentially cause issues. It was also suggested that it would be good to confirm, from the Committee membership, who had a financial background and whether this was within accounting, audit or corporate finance.

3. Meetings

The feedback confirmed satisfaction with the frequency and operation of the meetings, as well as the regular attendance of the auditors and officers. One return acknowledged the change in Principal in 2018 and that the new Principal attended meetings, where possible, (as had her predecessor) and attended for the presentation of the financial statements.

4. Internal Control

The feedback confirmed satisfaction with the arrangements for internal control. The pivotal role of the annual joint Audit Committee and Finance and General Purposes Committee meeting was acknowledged as was the interval audit programme which ensured enough assurance on the operations in the key business areas such as Finance, HR and ICT.

5. Financial Reporting and Regulatory Matters

The feedback confirmed that there were satisfactory arrangements in place for this area of activity. Regarding any mechanism the Audit Committee had in place to keep it aware of topical legal and regulatory issues, it was acknowledged that the External and Internal Audits provided briefings on topical issues. The role of the annual joint Audit Committee and Finance and General Purposes Committee meeting was acknowledged as part of the review of annual accounts.

6. Internal Audit

The feedback confirmed that there were satisfactory arrangements in place for the role of Internal Audit. It also considered that there was appropriate co-operation between the internal and external auditors and the relationship was effective. If considered necessary, the Audit Committee Chair was able to hold private discussions with the Head of Internal Audit and regular private meetings were held between the Audit Committee and the Internal Auditors.

7. External Audit

The feedback confirmed that there were satisfactory arrangements in place for the role of External Audit. The External Auditor attended all meetings where there were documents to be presented (normally 2 per annum) and attended other Committees meetings as required. The Audit Committee Chair had regular private discussions with the external auditor and the Audit Committee met with the External Auditors, in closed session, once per annum. It was noted that the external audit fee was set by Audit Scotland but considered by the Audit Committee as part of the Audit Strategy Memorandum each year.

8. Administration

The feedback confirmed satisfaction with the current administration arrangements. In relation to a standard reporting format, this was set by the Board and one return commented that the papers were of a high quality.

9. Overall

The feedback was clear that the Audit Committee effectively contributed to the overall control environment of the College. There were no suggestions of any areas where the Audit Committee could improve upon its current level of effectiveness. One return observed the Audit Committee to be well run and effective with the Committee seeking feedback on its performance from the Board and Accountable Officer via officers being asked to participate in this self-assessment process.

2. Annual Review of Effectiveness of the External Auditors

- 2.1 In December 2019, the Audit Committee undertook a review of the External Auditor immediately following the completion of the external audit work. This was to ensure that the outcome from the audit was fresh in Committee members' minds when undertaking the review. At the December 2019 Audit Committee meeting, members considered the outcome from that review of the external auditors and the minutes noted that:

"AM463 - EXTERNAL AUDIT ANNUAL EFFECTIVENESS REVIEW

The Interim Secretary to the Committee tabled a paper summarising the findings of the external audit annual effectiveness review recently completed by members and attending officers. He confirmed that the submissions indicated that the external auditors enjoyed a high level of satisfaction amongst the members and attending officers, citing examples offered in individual questionnaires. The Interim Secretary advised, having reviewed all written feedback, that there were no areas of concern. The Committee agreed with the conclusions made in the paper"

- 2.2 Given that the Committee had already undertaken a review of the External Audit Service, members were not, therefore, required to complete a further assessment this time around.

3. Conclusion

- 3.1 The Committee is asked to consider the report and note the main points that have emerged. If satisfied, the Committee is asked to approve the report.

2020/21 SFC Funding Update

| SFC FUNDING FOR CORE OPERATIONS | 2019/20 | 2020/21 | Final Movement | % Final |
|---|--------------------|--------------------|-------------------|---------------|
| | Final Allocation | Final Allocation | 2019/20 V 2020/21 | Movement |
| | £ | £ | £ | £ |
| SFC Core Grant-in-Aid Allocation: | | | | |
| Core including national bargaining | £39,451,453 | £39,373,554 | -£77,899 | -0.20% |
| Job Evaluation Funding | £856,890 | £934,789 | £77,899 | 9.09% |
| Cost of Living Increase | £0 | £859,643 | £859,643 | 100.00% |
| Teachers pension cost increase | £0 | £1,133,143 | £1,133,143 | 100.00% |
| Total Core SFC Grant-In-Aid | £40,308,343 | £42,301,129 | £1,992,786 | 4.94% |
| ESF Funding - Additional Activity | £1,632,461 | £1,632,461 | £0 | 0.00% |
| Total Funding to Support Core Operations | £41,940,804 | £43,933,590 | £1,992,786 | 4.75% |
| Total Funds Arising from Net Depreciation | £1,639,000 | £1,639,000 | £0 | 0.00% |
| | £43,579,804 | £45,572,590 | £1,992,786 | 4.57% |
| Estates Lifecycle Maintenance | £821,000 | £1,193,000 | £372,000 | 45.31% |
| Total SFC Funding to Support Operations | £44,400,804 | £46,765,590 | £2,364,786 | 5.33% |
| Funding for Specific Purposes: | | | | |
| High priority maintenance | £1,710,000 | £2,574,000 | £864,000 | 50.53% |
| Period poverty | £92,119 | £92,119 | £0 | 0.00% |
| Counselling support | £122,000 | £122,000 | £0 | 0.00% |
| Total Funding for Specific Purposes | £1,924,119 | £2,788,119 | £864,000 | 44.90% |
| Overall Total SFC Income (Including Funding for Specific Purposes) | £46,324,923 | £49,553,709 | £3,228,786 | 6.97% |

| SFC STUDENT SUPPORT FUNDING | 2019/20 | 2020/21 | Final Movement | % Final |
|---|--------------------|--------------------|-------------------|---------------|
| | Final Allocation | Final Allocation | 2019/20 V 2020/21 | Movement |
| | £ | £ | £ | £ |
| SFC Core Student Support Funding | £11,905,637 | £13,822,121 | £1,916,484 | 16.10% |
| SFC Core Student Support Funding | £11,905,637 | £13,822,121 | £1,916,484 | 16.10% |
| SFC In-Year Redistribution | £1,409,000 | £0 | -£1,409,000 | -100.00% |
| Total Student Support Funding | £13,314,637 | £13,822,121 | £507,484 | 3.81% |

| SFC Activity Target | 2019/20 | 2020/21 | % Final |
|----------------------------|----------------|----------------|---------------|
| | Final Credits | Final Credits | Movement |
| Core Activity Target | 157,855 | 152,855 | -3.17% |
| ESF Funded Activity | 6,264 | 6,264 | 0.00% |
| Total Credit Target | 164,119 | 159,119 | -3.05% |

TITLE: SFC FUNDING ANNOUNCEMENT 2020-21

Background: The SFC issued Circular SFC/AN/06/2020 - *College outcome agreement funding allocations for Academic Year 2020-21* - on 7 April 2020. This paper provides a summary of the funding decisions set out in the announcement.

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

Lead: David Alexander, Vice Principal Operations

Status: Open

SFC Funding Announcement 2020-21

1.0 Introduction

- 1.1 The SFC issued Circular SFC/AN/06/2020 - *College outcome agreement funding allocations for Academic Year 2020-21* - on 7 April 2020. The funding decisions set out in this announcement are based on the Scottish Government's Scottish Budget 2020-21, approved by the Scottish Parliament on 5 March 2020. In providing this Circular SFC also advised that there would be no updated Ministerial guidance issued at this point – and that any such guidance would be issued to the sector when received. To date this Ministerial guidance has not been issued to the sector.
- 1.2 It should be noted that the Circular issued on 7 April 2020 did not confirm all elements of 2020-21 SFC funding. These require to be advised over the coming period to enable the College to approve a budget and financial strategy prior to August 2020.
- 1.3 The paper provides a summary of the SFC funding decisions for 2020-21 set out so far by the 7 April 2020 Circular.

2.0 Background

- 2.1 The 7 April 2020 Circular confirmed that SFC's revenue budget for 2020-21 has increased by 6.9% (£42 million) from 2019-20. The key points for the college sector within this 2020-21 academic year funding announcement can be summarised as follows:

Credit Activity Levels

Student activity (credit) volume for the sector is broadly unchanged at 1.7m credits - however there are some changes to individual college/regional targets – with West College Scotland being one of these.

Core Teaching Funding

Core teaching funding has been increased by 5% (£23 million) this includes an inflationary uplift of £9.7 million and funding for additional employer's pension costs amounting to £12.9 million. This funding also incorporates an element of funding which has been set aside for the costs associated with support staff and middle management job evaluation. This remains an estimated cost (£12.3 million) as the process of job evaluation for support staff is not yet complete. This funding will continue to be held back until the job evaluation process is complete.

Estates Maintenance Funding

The capital funding budget has decreased by £11.9 million, however due to the recent completion of Forth Valley College's new Falkirk campus funds have been freed-up to allow an increase of £10.2 million for sector-wide capital maintenance. £31.2m will therefore be made available for backlog and lifecycle maintenance across the college sector.

£1.5m has also been allocated to provide support for business cases for the highest priority campuses.

In making this allocation SFC have recognised that the sector's backlog and lifecycle maintenance needs continue to far exceed the level of funding available. SFC's allocation methodology remains similar to last year, and is based on a 58/42% split of high priority backlog/lifecycle maintenance costs for the £31m - resulting in a total of £18.2 million for high priority backlog maintenance and £13.0 million for lifecycle maintenance based on share of the sector's volume of activity (credit) target.

Student Support Funding

Student Support funding for 2020-21 has been set at £138 million, an increase of £15.2 million (12.4%) on what was announced last year – however an additional £10m was also distributed to the sector during 2019-20, so the increase is around £5 million. This budget has been increased to enable colleges to continue to meet Ministerial commitments arising from the implementation of the Independent Review of Student Support recommendations. The main change for 2020-21 is the removal of the age cap for the Care-Experienced bursary, previously only available to 16-25 year olds. In addition, an inflationary increase has been provided to the maintenance bursary.

2.2 It should however also be noted that the 7 April 2020 Circular did not confirm the SFC funding allocation for 2020-21 in relation to several areas, including:

- Levels of European Social Fund (ESF) credit activity and associated funding;
- The provision of free sanitary products in colleges; and
- Funding for counsellors to support to mental health and well-being. Counsellor funding for 2020-21 for both colleges and universities will total £3.65 million, however individual institutional allocations remain to be confirmed.

During 2019-20 funding for these areas totalled £1.847m for West College Scotland, a significant amount. These funding allocations will therefore require to be advised over the coming period by the SFC to enable the College to approve a 2020-21 budget and five-year financial strategy prior to August 2020.

The analysis of the SFC 2020-21 funding announcement for West College Scotland as provided at Appendix 1 shows what the final funding position would be should these amounts be confirmed as in line with 2019-20 allocations.

3.0 2020-21 SFC Funding Allocation – West College Scotland

- 3.1 An analysis of the SFC 2020-21 funding for West College Scotland as advised by the 7 April 2020 Circular is provided at Appendix 1. It should be noted that the SFC has previously required colleges to submit a Financial Forecast Return (FFR) covering projections over the next 5 years, and it is anticipated that this will remain the case following final confirmation of 2020-21 funding levels. However, at this time the College has not received any assumptions from the SFC to be applied in undertaking five-year financial modelling - it is anticipated that these will follow, with the FFR. The key considerations ultimately arising for West College Scotland from the 2020-21 SFC funding allocation outlined on 7 April 2020 are as follows:

Credit Activity Levels

There is to be a reduction in credit activity of 5,000 for West College Scotland in 2020-21 – from 157,855 to 152,855 - when compared with 2019-20. This is in line with the expectations of the Business Transformation Plan that West College Scotland has previously agreed with the SFC. However, SFC has not consequently reduced associated teaching funding, with this movement meaning an increase in gross £ per credit for West College Scotland which equates to 8.6%, from £255 in 2019-20 to £277 in 2020-21. This reflects discussions SFC has had with the College to recognise our movement towards higher cost activity over the course of previous years. As a condition of this change, the College must reduce its third-party distance learning activity.

During 2019-20 the College also required to deliver 6,264 credits in addition to the core activity target, with this being funded by ESF. The level of credit activity and associated funding for 2020-21 was not confirmed by the 7 April 2020 Circular, and this information is awaited in the coming weeks.

Core Teaching Funding

Core teaching funding has increased by £1.993m – an increase of 4.9%. However, it should be noted that £1.133m of this allocation has been provided in order to meet the cost of a required increase in employer contributions to the teaching superannuation fund – thus there is an underlying increase of £0.86m (2.1%) when compared to 2019-20.

This funding also incorporates an element of funding which has been set aside for the costs associated with support staff and middle management job evaluation. This remains an estimated as the process of job evaluation for support staff is not yet complete. This funding will continue to be held back until the job evaluation process is complete.

Estates Maintenance Funding

As outlined above, an allocation has been made by the SFC towards two elements of estates need – and for 2020-21 West College Scotland has received the following:

- A total estates allocation of £3.767m (2019: £2.531m), an increase of £1.236m (48.4%) when compared to 2019-20. This comprises of:
 - £2.574m (2019: £1.710m) to meet high priority backlog maintenance needs – an allocation based on the condition of the College estate - with this being an increase of £0.864m (50.5%) when compared to 2019-20; and
 - £1.193m (2019: £0.821m) to meet lifecycle maintenance requirements – an allocation based on the volume of credits delivered by the College – with this being an increase of £0.372m (45.3%) when compared to 2019-20.

West College Scotland received the highest SFC 2020-21 funding allocation for estates maintenance in the sector.

Student Support Funding

The level of student support funding allocation to WCS for 2020-21 is £13.822m (2019: £13.315m) an increase of £0.507m (3.8%) when compared to 2019-20. This uplift is to meet costs associated with the removal of the age cap for the Care-Experienced bursary, previously only available to 16-25 year olds. In addition, an inflationary increase has been provided to the maintenance bursary.

Net Depreciation Funding

This remains set at £1,639,000 as in 2019-20 – and can be utilised by the College in order to meet agreed key priorities. This will continue to be applied in order to meet core operational costs including bank loans, ICT and annual pay uplifts.

- 3.2 As noted above several areas of SFC funding remain to be confirmed for 2020-21 – with these having totalled £1.847m for West College Scotland in 2019-20. The analysis of this SFC 2020-21 funding announcement for West College Scotland as provided at Appendix 1 shows what the final funding position would be should these amounts be confirmed as in line with 2019-20 allocations. The full and final SFC decisions on these elements of 2020-21 funding for colleges is awaited in the coming weeks.
- 3.3 It should also be recognised that the wider financial, cash and governance impacts on the College operating environment as arising from COVID19 mean that wider financial sustainability will be extremely challenging in 2019-20 and 2020-21.

4.0 Conclusion

- 4.1 As outlined above, the 7 April 2020 SFC Circular outlined a number of funding allocations for 2020-21 - with some further areas of funding remaining to be confirmed. The College has also submitted a number of financial, cashflow and governance queries to the SFC which relate to matters arising from the impact of COVID19 on College operations. This further information from SFC will be essential in the coming weeks to enable the College to approve a 2020-21 budget and five-year financial strategy prior to August 2020.
- 4.2 The College will continue to engage with the SFC regarding financial sustainability and the actions required to achieve a balanced budget on an ongoing basis.
- 4.3 The Audit Committee is asked to consider and note the report.

TITLE: SCHEDULE OF BUSINESS 2019-20

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.

The schedule has been expended to include an indication of the potential business to be undertaken in 2020-21 for consideration by the Committee. Where the deliverable has been annotated with a 'Y' it is intended that the Committee will receive a report at each meeting. If a report is to be brought to a specific meeting an indicative date has been included.

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 | | | | | |
|--|--------------|-----------------------------|----------|---------|---------|---------------------------------|
| | 5/9/19 | 19/11/19 (Joint Meeting) | 12/12/19 | 12/3/20 | 21/5/20 | 2020-21 |
| 1) General | | | | | | |
| To provide advice to the Board on the strategic processes for risk, control and governance | | | | | | |
| <ul style="list-style-type: none"> • Strategic Risk Register Update and Review • Corporate Governance Statement - Financial Statements • Internal audit reports (see section 2) • External audit report (see section 3) • Remit of Committee reviewed against best practice and governance requirements • Review of College Articles of Governance / Scheme of Delegation and Standing Orders (Scheduled for November 2020) • Audit and Assurance Committee Handbook Update | Y | Y | Y | Y | Y | Y Sept 20 |
| | Y | | | | | Sept 20 |
| | Y | | | | | Nov 20 |
| | Y | | Y | 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 Audit Annual Report 2018-19 • Review of Fraud / Whistleblowing Policies • External Audit Management Letter as at 31 July 2019 • Internal and external audit reports as received • Update / Report on National Fraud Initiative • Report on Value for Money • Procurement and Commercial Improvement Programme • Anti-Bribery and Corruption Policy | Y | Y | | | | Nov 20 Dec 20 Nov 20 Y |
| | Y | Y | Y | Y | Y | Mar 21 Sept 20 |
| | Y | | | | | |
| | Y | | | Y | Y | |
| | Y | | | | | |
| To advise the Board on the adequacy of the whistle blowing process and to receive an annual report on any matters raised through this process | | | | | | |
| <ul style="list-style-type: none"> • Annual Report on Whistleblowing | Y | | | | | Sept 20 |

| REMIT | DELIVERABLES | | | | | |
|---|--------------|-----------------------------|----------|---------|---------|---|
| | 5/9/19 | 19/11/19 (Joint Meeting) | 12/12/19 | 12/3/20 | 21/5/20 | 2020-21 |
| <ul style="list-style-type: none"> Committee to be made aware of any issues arising during the year (ongoing as required) | | | | | | |
| 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 (ongoing as required) Fraud investigation report | | | | | Y | Sept 20 |
| 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 2018-19 External Audit management letter as at 31 July 2019 Report on compliance with SFC FM and SPFM Monitoring of Regional Outcome Agreement Register of Interest for Board and Committee members Assurance Framework Update | Y Y Y | Y Y | Y | Y Y | Y Y | May 21 Nov 20 Nov 20 May 21 Sept & May 21 Sept 20 Sept & Mar 21 |
| 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>2018-19</u> | | | | | | |
| <ul style="list-style-type: none"> External Audit Management Letter / Letter of representation Audit report on student activity Audit report on student funding activity Audit report on Educational Maintenance Allowances Governance Statement Financial Statements July 2019 | Y | Y Y Y Y Y | | | | Nov 20 Nov 20 Nov 20 Nov 20 Nov 20 Nov 20 |

| REMIT | DELIVERABLES | | | | | |
|--|--------------|-----------------------------|----------|---------|---------|-----------------------------|
| | 5/9/19 | 19/11/19 (Joint Meeting) | 12/12/19 | 12/3/20 | 21/5/20 | 2020-21 |
| <u>2019-20</u> <ul style="list-style-type: none"> External audit fee proposal 2019-20 External Audit Engagement Strategy 2019-20 Contract for internal audit and other audit services | | | Y | Y | Y Y | May 21 May 21 |
| 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"> 2018-19 Annual report to Board of Management from the Audit Committee | Y | Y | | | | Nov 20 |
| To report to the Board after each meeting | | | | | | |
| <ul style="list-style-type: none"> Minutes and verbal update to each Board Meeting Draft Committee Dates 2020-21 | Y | Y | Y | Y | Y Y | Y May 21 |
| 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 Committee remit Annual report to Board of Management from the Audit Committee Annual review of effectiveness of the Committee | Y Y | Y | | Y | Y | Sept 20 Nov 20 May 21 |
| 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 Audit Committee | | | | | | |
| <ul style="list-style-type: none"> Review of effectiveness of internal audit function Appointment of internal audit and other audit services | | | Y | Y Y | Y | May 21 |
| To advise the Board on the terms of reference for the Internal Auditors | | | | | | |
| <ul style="list-style-type: none"> Internal Audit Plan Update 2019-20 | | | Y | Y | Y | Y |

| REMIT | DELIVERABLES | | | | | |
|--|--------------|-----------------------------|----------|---------|-------------|------------------|
| | 5/9/19 | 19/11/19 (Joint Meeting) | 12/12/19 | 12/3/20 | 21/5/20 | 2020-21 |
| <ul style="list-style-type: none"> Annual Internal Audit Plan 2020-21 | | | | | Y | May 21 |
| 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"> Annual Report to Board of Management from the Audit Committee Review of effectiveness of internal audit function | Y | Y | | | Y | Nov 20 May 21 |
| To agree the Internal Audit Plan and review the Internal Audit Annual Report | | | | | | |
| <ul style="list-style-type: none"> Internal Audit Annual Report 2018-19 Internal Audit Update Report 2019-20 Internal Audit Plan 2020-21 | Y Y | Y | Y | Y | Y Y | Nov 20 May 21 |
| To review the Internal Audit reports, the management response to them and to review implementation of the actions required | | | | | | |
| <u>2019-20</u> <ul style="list-style-type: none"> ROA (stage 1) Equality and Diversity Financial Systems Health Check Digital Strategy ROA (stage 2) Continuing Professional Development Online Resources | | | Y Y | Y Y | Y Y Y | |
| To review the Rolling Audit Action Plan at each meeting | | | | | | |
| <ul style="list-style-type: none"> Report on Rolling Audit Action Plan | Y | | Y | Y | Y | 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 | Y |

| REMIT | DELIVERABLES | | | | | |
|--|--------------|-----------------------------|----------|---------|---------|----------------------------|
| | 5/9/19 | 19/11/19 (Joint Meeting) | 12/12/19 | 12/3/20 | 21/5/20 | 2020-21 |
| 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 Annual meeting with internal auditor excluding College staff | | | | Y | Y Y | May 21 May 21 |
| 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"> Annual year end audit update by external auditors Annual external audit appointment terms and conditions Approval of External Auditors Audit Planning Memorandum | Y | Y | | | Y Y | Nov 20 May 21 May 21 |
| 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 2018-19 | | Y | | | | Nov 20 |
| To review the Statement of Corporate Governance | | | | | | |
| <ul style="list-style-type: none"> Review the statement of Corporate Governance | Y | Y | | | | Sept 20 |
| To review the External Audit strategy and plan | | | | | | |
| <ul style="list-style-type: none"> SFC Accounts Direction for Scotland's colleges and universities External Audit 2019-20 Engagement Strategy Process of appointment and approval of auditor to undertake internal and other audit work | Y | | | | Y | Sept 20 May 21 |
| 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 / Wylie & Bisset | | Y Y | Y | | | Nov 20 Nov 20 |

| REMIT | DELIVERABLES | | | | | |
|--|--------------|-----------------------------|----------|---------|---------|---------|
| | 5/9/19 | 19/11/19 (Joint Meeting) | 12/12/19 | 12/3/20 | 21/5/20 | 2020-21 |
| 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. | | | | | | |
| • As required | | | | | | |
| 4) Risk | | | | | | |
| To review the Risk Management Strategy and recommend to the Board for approval | | | | | | |
| • Review of College Risk Management Strategy | | | | Y | | Sept 20 |
| To consider the Strategic Risk Register and to advise the Board accordingly | | | | | | |
| • Report on College Strategic Risk Register | Y | Y | 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 | 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 | | | | | Sept 20 |
| b. Register of Interests | Y | | | | | Sept 20 |
| c. Hospitality / Gift Registers | Y | | | | | Sept 20 |
| 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 | | | | | | |

| REMIT | DELIVERABLES | | | | | |
|---|--------------|-----------------------------|----------|---------|---------|---------|
| | 5/9/19 | 19/11/19 (Joint Meeting) | 12/12/19 | 12/3/20 | 21/5/20 | 2020-21 |
| 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 | | | | | | |
| <ul style="list-style-type: none"> As required | | | | | | |

- Title:** **Committee Remit, Membership and Dates of Meetings in 2020/21**
- Background:** The Committee is asked to consider and approve the following attachments:
- Audit Committee Remit (appendix A)
 - Current membership list (appendix B)
 - 2020/21 Proposed meeting dates (appendix C)
- Action:** The Committee is asked to:
- Consider and approve:
 - Audit Committee Remit (appendix A)
 - Current membership list (appendix B)
 - 2020/21 Proposed meeting dates (appendix C)
 - Note that the tenure of co-opted member, Graeme Bold, expires on 30 June 2020. As such, the Chair of the Committee will request that Graeme Bold be reappointed for a further one year (1 July 2020 to 30 June 2021) and the Chair will ask the Chair of the Board to present this for approval to the Board meeting scheduled for Monday 15 June 2020.
- Lead:** Shirley Gordon, Secretary to the Committee
- Status:** Open

Appendix A

West College Scotland

Board of Management

Audit Committee

Statement of Purpose

The Board provides the principal governance mechanism through which activities are managed in accordance with legislation and regulations, as well as ensuring that systems are in place to provide efficiency, effectiveness and economy. However, the Board has delegated some of its responsibilities to certain committees.

The role of the Audit Committee is to support the Board in its responsibilities of risk, control and governance by reviewing the comprehensiveness of assurances in meeting the assurance needs of the Board, and by reviewing the reliability and integrity of these assurances through a process of constructive challenge.

1. Remit

.1 General

- To provide advice to the Board on the strategic processes for risk, control and governance;
- To develop and review the assurance framework and receive reports relating to it in order to provide the necessary assurances to the Board or determine any further action or assurances required;
- 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);
- To advise the Board on the adequacy of the anti-fraud policy and processes, and on the whistle blowing process, and to receive an annual report on any matters raised through these processes;
- To consider and advise the Board accordingly on any arrangements for special investigations and the outcomes of such investigations;
- 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;
- 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;
- 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;
- To report to the Board after each meeting;
- To review its own effectiveness at least annually and to report the results of that review to the Board.

.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;

- To advise the Board on the terms of reference for the Internal Auditors;
- To review the scope, efficiency and effectiveness of the work of the Internal Auditors and to advise the Board on these matters;
- To agree the Internal Audit Plan and review the Internal Audit Annual Report;
- To review the Internal Audit reports, the management response to them and to review implementation of the actions required;
- To review the Rolling Audit Action Plan at each meeting;
- To encourage appropriate liaison and co-ordination between internal and external audit;
- To establish appropriate performance measures and indicators to monitor the effectiveness of the Internal Auditors

.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;
- 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;
- To review the Statement of Corporate Governance prior to finalisation and incorporation into the Financial Statements;
- To review the External Audit strategy and plan;
- To establish appropriate performance measures and indicators to monitor the effectiveness of the External Auditors;
- 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.

.4 Risk

- To review the Risk Management Strategy and recommend to the Board for approval;
- To consider the Strategic Risk Register and to advise the Board accordingly;
- 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.

.5 Other

- To receive annual reports on Freedom of Information and Data Protection Acts requests; Register of Interests; and Hospitality/Gifts Registers;
- 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;
- 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.

2. Membership

Four Members, at least two of whom shall be members of the Board of Management, one of whom will Chair. The Chair of the Committee shall be a member of the Board of Management.

At least one member should have a background in finance, accounting or auditing but membership should not be drawn exclusively from people with such a background.

The Committee will **not** include any of the following as members:

- The Principal or other senior post holders
- The Chair of the Board of Management

- Members of the Finance and General Purposes Committee
- Connected parties such as the employee, partner, spouse or family member of the College's solicitors, bankers, auditors, insurers or other professional advisers.

Attending:

The Principal.
Vice Principal Operations
The Director of Finance and Estates
The College's Internal Auditor.
The College's External Auditor.

The Committee is empowered to invite other members of the Senior Management/Executive team to attend meetings of the Committee.

The Committee is empowered to co-opt additional members, subject to approval by the Nominations Committee. Such members will normally be appointed for one year, will be subject to annual review, and may be re-appointed annually up to a maximum of 8 years.

Chairs of other Committees, other than the Chair of the Board of Management, can attend the meetings, with the approval of the Chair of the Audit Committee.

Committee members will be appointed to serve a four- year term, or for the period of their term of office.

Committee members may sit privately without any non-members present for all or part of a meeting if appropriate.

Committee members will meet with the Internal and External Auditors without the Executive Team present at least annually.

External and Internal Auditors will have the right to unrestricted and confidential access to Chair of the Audit Committee.

3. Frequency of Meetings

The committee will meet at least four times per year and will also hold an annual joint meeting with the Finance and General Purposes Committee to consider the Financial Statements. Additional meetings will be convened as necessary.

4 Quorum

A quorum will be two Members of the Committee, one of whom must be a member of the Board.

5 Secretariat

Secretary to the Board of Management

Papers for meetings will be sent out 7 days in advance of the meeting

The Committee will report to the Board of Management and the minutes of its meetings will be circulated to the Board for information.

6 Review

The Remit will be subject to review annually.

Appendix B

Audit Composition (Para 2 of the Remit)

| Category | Name |
|---|--|
| Four Members, at least two of whom shall be members of the Board of Management, one of whom will Chair. The Chair of the Committee shall be a member of the Board of Management. | John McMillan (Chair) Andrew Hetherington |
| The Committee is empowered to co-opt additional members, subject to approval by the Nominations Committee. Such members will normally be appointed for one year, will be subject to annual review, and may be re-appointed annually up to a maximum of 8 years. | Graeme Bold Wai Wong |

| In Attendance | Name |
|---------------------------------|--|
| Principal | Liz Connolly |
| Vice Principal Operations | David Alexander |
| Director of Finance and Estates | Alan Ritchie |
| Secretary | Shirley Gordon |
| Internal Auditor | Graham Gillespie Stephen Pringle (Wylie and Bisset) |
| External Auditor | Lucy Nutley Joanne Buchanan (Mazars) |

| | |
|---------------|--|
| Quorum | Two Members of the Committee, one of whom must be a member of the Board |
|---------------|--|

Appendix C

2020/21 Audit Meeting Dates:

- Thursday 3 September 2020
- Joint Audit and FGPC – Tuesday 24 November 2020
- Thursday 3 December 2020
- Thursday 11 March 2021
- Thursday 20 May 2021