

**NORTH EAST
SCOTLAND
COLLEGE**



AUDIT & RISK COMMITTEE

Meeting of 10 July 2019

AUDIT & RISK COMMITTEE

NOTICE

There will be a meeting of the Audit & Risk Committee on Wednesday 10 July 2019 at 1030 hours in the Boardroom, G10, at Aberdeen City Campus.

AGENDA

Agenda Item		Paper
14-19	Apologies for Absence	
15-19	Declaration of any Potential Conflicts of Interest in relation to any Agenda Items	
16-19	Minute of Previous Meeting – 17 April 2019	X
17-19	Matters Arising from the Previous Meeting	
	Matters for Decision	
18-19	Reports on Internal Audit Reviews <ul style="list-style-type: none"> • Enrolments, Attendance & Applications • Estates Management • Fixed Assets • NESCol @ Fraserburgh • Marketing • Payroll • Risk Management • Staff & Room Utilisation • Strategic & Business Planning • Student Records • NESCol @ Altens 	X
19-19	Internal Audit Annual Report 2018-19	X
20-19	External Audit Annual Plan, Year Ending 31 July 2019	X
21-19	Draft Internal Audit Plan 2019-20	X
	Matters for Discussion	
22-19	Strategic Risk Register	X
23-19	Code of Good Governance for Scotland's Colleges – Review of Compliance	X
	Matters for Information	
24-19	Scotland's Colleges 2019	X
25-19	Any Other Business	
26-19	Summation of Business and Date of Next Meeting	



Agenda Item 16-19

AUDIT & RISK COMMITTEE

Draft Minutes of the meeting of the Audit & Risk Committee held on 17 April 2019 at 1030 hours in G10, Aberdeen City Campus.

Agenda Item	
	<p>Present: David Anderson – Chair Ann Bell Andrew Russell – Vice Chair</p> <p>In attendance: Peter Smith, Vice Principal Finance & Resources Pauline May, Secretary to the Board Zoe Burn, Minute Secretary Sarah Croft, EY Stephen Pringle, Wylie & Bisset</p>
01-19	<p>Apologies: Apologies were presented for A Elghedafi, A Smith and A Simpson.</p>
02-19	<p>Declaration of any Potential Conflicts of Interest in relation to any Agenda Items No potential conflicts of interest were declared</p>
03-19	<p>Minutes of Previous Meeting – 21 November 2018 The minutes were approved as a true and accurate record.</p>
04-19	<p>Matters Arising from the Previous Meeting Members noted the matters arising report. It was confirmed that the required corrections to the Committee's Annual Report to the Regional Board had been made prior to its consideration at the Board Meeting held in December 2018.</p>
	<p><i>Prior to the consideration of matters for decision, it was noted that the meeting was not quorate and it was therefore agreed that these matters would be ratified with absent Members by email following the conclusion of the meeting.</i></p>
	<p>Matters for Decision</p>
05-19	<p>Reports on Internal Audit Reviews Members noted and considered each of the five internal audit review reports presented by Wylie and Bisset.</p> <p>In relation to the audit of IT Systems, Members commended the College's IT Team for the 'strong' outcome and no recommendations. In response to query from a Member regarding the use of USBs, P Smith confirmed that use by College staff was declining due to improvements to accessing College systems both internally and externally. P Smith reported that the College had recently achieved its Cyber Essentials Plus accreditation.</p>

	<p>In relation to the audit of Purchasing and Procurement, P Smith advised that the highlighted procedures had been updated as required, and that the College's Procurement Strategy would be reviewed as part of a recently initiated College-wide review of all policies which will be concluded prior to the beginning of AY2019-20. The Chair enquired if any tenders had been issued since March 2019, P Smith advised that not that he was aware of any. D Russell asked for further information relating to the management of contracts, specifically why some are managed by individual teams and some by the College's Purchasing Manager. P Smith advised that it the overall number of contracts was too large for an individual to manage but confirmed that the Purchasing Manager maintained an oversight of all College contracts as appropriate. In addition, it was noted that the majority of College contracts were now acquired through the APUC system.</p> <p>In relation to the audit of Aberdeen Skills and Enterprise Training Limited (ASET), the Committee expressed its thanks to company staff and the ASET Board in relation to the identification of 24 areas of good practice.</p> <p>In relation to the audit of Corporate Governance, S Pringle agreed to feed back to colleagues comments made in relation to the timescales for the governance questionnaire.</p> <p>In relation to the audit of Follow-up of Previous Recommendations, Members commented that it was pleasing to see the decline in the number of complaints received by the College. D Russell requested further information regarding an ongoing recommendation regarding complaints handling response timescales first identified in AY2014-15. P Smith advised that this issue had now been addressed and that significantly improvements had been made, but added that unfortunately the most recent follow-up had highlighted some deadlines had been missed due to a change in staffing. Members were reassured that additional ongoing checks would ensure that this issue would not reoccur. The Chair enquired about potential risk related to the four partially completed recommendations in relation to GDPR. A discussion followed with S Pringle advising that the College was in a good position in relation to the GDPR and in line with other institutions in the sector. It was noted that the GDPR Work Plan would be a live document which is likely to be added to on an ongoing basis, but Members were advised that actions set in the original version of the Plan were all expected to be completed by the end of December 2019.</p> <p>Members approved the management responses contained in the five internal audit review reports as presented.</p>
06-19	<p>Revision of Accounting Policies</p> <p>Members considered a paper providing information on the revised set of Accounting Policies for the College and Group. A typo in the covering paper was noted where the reference to the financial year should be 2019, and not 2018 as stated.</p> <p>P Smith advised that the substance of the document had not been significantly changed, it had been revised to improve clarity and include up-to-date references and practices. Members were advised that, once approved, the document would be published alongside the refreshed suite of College policies referred to in the previous Agenda Item.</p> <p>In response to a query from the Chair, P Smith agreed to clarify the length of time the College will be required to recognise the negative goodwill arising from the merger of Aberdeen College and Banff & Buchan College.</p>

	<p>P Smith advised Members of new software being implemented for the College's Finance Team which will improve the reporting and monitoring of budgets at individual team level, added that the software is expected to be in use for the start of AY201-9-20.</p> <p>In response to a query from the Chair, P Smith reflected on the seven months he has been in post, confirming that he had not identified gaps in the College's financial management and believed that it was robust. P smith added that there were however opportunities to review processes and practices to undertake some things differently.</p> <p>Members approved the updated Accounting Policies as presented.</p>
	<p>Matter for Discussion</p>
<p>07-19</p>	<p>Strategic Risk Register</p> <p>Members noted a paper providing information on a recent review of the College's Strategic Risk Register.</p> <p>P May summarised amendments to the document since it was last considered by the Committee, noting the process adopted for its review,</p> <p>D Russell queried how the College monitors its migration actions. It was agreed that it would be helpful for future updates to include progress against mitigating actions to provide the Committee with reassurance that these issues are being addressed.</p> <p>A discussion was held on the ownership and ongoing review and monitoring of the Register. It was confirmed that the Register was owned by the Regional Board but that the Audit & Risk Committee had responsibility for monitoring its review and implementation. P May confirmed that the Register was reviewed once a month by a Senior Executive Team meeting, adding that going forward significant changes to the Register would be shared with the Board or relevant Board Committee as appropriate. It was noted that the Strategic Risk Register would be considered by the Regional Board at least annually.</p> <p>It was agreed that the Committee should further consider the Register at its next meeting.</p> <p>Members confirmed that they were content that the main risks to the College achieving its corporate goals had been identified and included in the Strategic Risk Register.</p>

	Matters for Information
08-19	<p>Annual Procurement Report The Committee noted the College's Annual Procurement Report for the period 01 January 2017 to 31 July 2018. P Smith advised that the document had been published by the required deadline. It was noted that the Report would now be presented to the Committee on an annual basis prior to its publication.</p> <p>A Bell noted discussions held at the most recent meeting of the HR Committee regarding consideration of organisation's gender pay gap information when awarding College contracts. P Smith advised that this information was requested in the APUC template issued to interested parties as part of the tendering process.</p>
09-19	<p>National Fraud Initiative The Committee noted the paper providing information on the outputs from the College's participation in the National Fraud Initiative. P Smith advised two outstanding NFI matches were currently being investigated by the College's Finance Team. It was agreed that P Smith would share with the Committee the outcomes of the two investigations once known.</p>
10-19	<p>Summation of Business and Date of Next Meeting The Secretary gave a summation of the business conducted. The next meeting of the Audit & Risk Committee is expected to be scheduled for September 2019 and will be confirmed at the June Board Meeting when the Programme of Meetings for AY2019-20 is approved.</p>
	<i>S Pringle and S Croft left the meeting at this time.</i>
	Reserved Items of Business – Matter for Information
	<i>A Bell left the meeting during this Agenda Item.</i>
11-19	Internal Audit Contract Award

12-19	Summation of Reserved Items of Business The Secretary gave a summation of the reserved business conducted.
13-19	Any Other Business No other business was raised.
	Meeting ended 1130 hours

Agenda Item	Actions from Audit & Risk Committee 17/04/19	Responsibility	Deadline
05-19 & 06-19	Ratify 'Matters for Decision' with absent Committee Members.	P. May	As soon as possible
05-19	Share feedback received about timescales relating to the Board Member questionnaire with Wylie & Bisset colleagues.	S. Pringle	
06-19	Clarify the length of time the College will be required to recognise the negative goodwill arising from the merger of Aberdeen College and Banff & Buchan College.	P. Smith	As soon as possible
07-19	Ensure future updates of Strategic Risk Register to be considered by the Committee include information on progress against mitigating actions.	P. May with SET	03 July 2019
07-19	Include Strategic Risk Register for further discussion at next meeting of the Committee.	P. May	03 July 2019
09-19	Advise Committee of outcomes of two NFI investigations.	P. Smith	Following conclusion of the investigations.

Signed:.....

Date:



AUDIT & RISK COMMITTEE	
Meeting of 10 July April 2019	
Title: Reports on Internal Audit Reviews	
Author: Peter D Smith, Vice Principal Finance & Resources	Contributor(s): Wylie and Bisset
Type of Agenda Item:	
For Decision	<input checked="" type="checkbox"/>
For Discussion	<input type="checkbox"/>
For Information	<input type="checkbox"/>
Reserved Item of Business	<input type="checkbox"/>
Purpose: To enable the Committee to consider reports on internal audit assignments, together with recommendations and management responses.	
Linked to Strategic Goal:	
5. Optimise the use of our available resources to deliver financial and environmental sustainability.	
Linked to Annual Priority:	
Executive Summary:	
The College's Internal Audit Programme for AY2018-19 was scheduled to be undertaken in three stages. The reports from the last 11 internal audit reviews, undertaken in Stages 2 and 3 are attached, summarised as follows: -	
<u>Enrolments, Attendance and Applications (Appendix 1)</u>	
Overall Conclusion – Strong	
Number of Recommendations – none	
Number of Areas of Good Practice Identified – 8	
<u>Estates Management (Appendix 2)</u>	
Overall Conclusion – Strong	
Number of Recommendations – none	
Number of Areas of Good Practice Identified – 8	
<u>Fixed Assets (Appendix 3)</u>	
Overall Conclusion – Weak	
Number of Recommendations – 4	
Number of Areas of Good Practice Identified – 8	

NESCol@Fraserburgh (Appendix 4)

Overall Conclusion – Strong

Number of Recommendations – none

Number of Areas of Good Practice Identified – 8

Marketing (Appendix 5)

Overall Conclusion – Strong

Number of Recommendations – none

Number of Areas of Good Practice Identified – 8

Payroll (Appendix 6)

Overall Conclusion – Strong

Number of Recommendations – none

Number of Areas of Good Practice Identified – 11

Risk Management (Appendix 7)

Overall Conclusion – Strong

Number of Recommendations – 3

Number of Areas of Good Practice Identified – 8

Staff and Room Utilisation (Appendix 8)

Overall Conclusion – Strong

Number of Recommendations – none

Number of Areas of Good Practice Identified – 7

Strategic & Business Planning (Appendix 9)

Overall Conclusion – Strong

Number of Recommendations – none

Number of Areas of Good Practice Identified – 7

Student Records (Appendix 10)

Overall Conclusion – Strong

Number of Recommendations – none

Number of Areas of Good Practice Identified – 13

NESCol@Altens (Appendix 11)

Overall Conclusion – Substantial

Number of Recommendations – 4

Number of Areas of Good Practice Identified – 3

Recommendation:

It is recommended that the Committee consider the internal audit reports recommendations, and approve management responses, with any amendments, as necessary.

Previous Committee Recommendation/Approval (if applicable):

None

Equality Impact Assessment:

Positive Impact

Negative Impact

No Impact

Evidence:

North East Scotland College

Internal Audit 2018-19

Enrolment, Attendance & Applications
March 2019

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to review the College's arrangements for student enrolments, attendance and applications to ensure that the College have the appropriate controls and systems in place and to ensure that the process is as efficient as possible.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- Enrolments are processed in an efficient and effective manner, in line with Scottish Funding Council guidance and best practice.
- The applications process is robust and allows the efficient assessment of applications.
- An appropriate level of funding is claimed for those students with multiple enrolments.
- There are appropriate systems in place to ensure that attendance is recorded for all students, accurately and in a timely manner.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

Responsibility for student applications, enrolments and attendance is spread through 3 departments within the College:

- Applications are processed through the Student Admissions & Funding Team;
- Enrolments are processed through the Student Data & Records Team;
- Student attendance is monitored on a weekly basis by the College Administrations & Examinations Team.

Applications

Students can apply to attend the College through online or paper applications, we note that the vast majority of applications are received online. The College use Unit-e for the recording and processing of applications. The front-end system used for applications is called Student Applications Management (SAM) which is connected to Unit-e and once information is recorded on SAM or Unit-e they automatically update each system.

The College request the following information from the student when they complete the application form.

- Course applying for;
- Personal information;
- Contact details;
- Nationality;
- Qualifications received and being worked on;
- Personal statement;
- Additional learning needs;
- Care experience (if they have been in care at any point in their life);
- Are they a young carer?;
- Equal opportunities; and
- Disability.

Once the student has completed the application, they will receive an acknowledgement email. The structure of the email will be dependent on the information submitted within their application. There are 3 acknowledgement emails:

- Where an applicant has not lived in Scotland and is studying an ESOL (English as a Second or Other Language) course all their life. The College will request they complete a fee status questionnaire and provide a copy of their passport;
- Where an applicant has not lived in Scotland all their life and is not studying an ESOL course. The College will request the student to complete an English questionnaire and a fee status questionnaire.
- Where an applicant has stayed in Scotland their whole life, they will receive an acknowledgement email.

Where paper applications are received these are entered into the system by the Student Admissions & Funding Team.

Enrolments

Once an application is approved the student will be invited to an induction day to enrol and receive further information on their courses, bursary & SAAS etc. The induction day for full time students includes a 30-minute class within a computer room to complete their online enrolment. At the enrolment class there is a member of the Student Records Team present to help both students and staff with the enrolment.

The student must have applied and been accepted to a current College course for the enrolment to take place, this is a stipulation set within the SAM (Student Application Management) system and their enrolment cannot be processed if this is not the case.

During the online enrolment, the student is presented with Data Protection Rights and Privacy Notice. The student must then confirm if they wish to receive information from the College for marketing purposes. The student must also agree to the College terms and conditions. The student must then confirm:

- The course they are attending, they will only be presented with the course they have applied for.
- Their personal details, any change is emailed to the Student Records Team who process the change once evidence has been received.
- The student then confirms their contact details.
- Any employer details, if their employer or a sponsor is paying the course

- Additional information such as:
 - Late entry to course date;
 - Statutory funding details ie fee waiver category;
 - Qualifications; and
 - Disability & Equal opportunities monitoring.

Once this information is recorded on the online enrolment form it automatically updates the Unit-e system and the student status is changed to live. Following completion of the student's enrolment, the Student Records Team then create attendance registers for all students enrolled and the registers are made live to lecturing staff.

For part-time courses, pre-printed enrolment forms are provided to the lecturer for completion on their first class. These are then returned to the Student Records team who review the information and upload this onto Unit-e.

Attendance monitoring

Student attendance is recorded through the Columbus system which is linked back to Unit-e. Each lecturer has access to the registers for their classes. This provides information in 3 areas:

- Unmarked registers;
- Today's registers; and
- Other registers – future registers.

The College Administrations & Examinations Team collate a report each Monday on student attendance for the previous week. Each administrator is allocated a faculty for who they complete a report. These reports are issued on Wednesday morning each week. The reports detail the student weekly attendance percentage from the start of term to the week in question to allow the Heads of Faculty to monitor student's attendance and highlight any attendance concerns.

The College's Completing Online Attendance Registers Procedure states that Teaching staff should record student attendance whilst the class is underway and should not delay in this task. Where attendance is not recorded during the class then staff must ensure it is completed within 5 working days of the class. On a fortnightly basis the Student Records Team run an unmarked register report which highlights registers that have not been completed within the 5-day period. This report is completed weekly if the Student Records Team note a high volume in unmarked registers. Where an unmarked register is over the 5-day period, the Student Records Officer will email lecturers asking them to complete their unmarked registers. If the register is not complete within the week, a 2nd email is sent, and the Head of Faculty is included within this to prompt the lecturer to complete the register.

Work Undertaken

Our work for this review included the following:

- A review of the current arrangements in place at the College for enrolment, attendance and applications.
- A review of the College application process and sample testing of 20 applications to ensure that College procedures are being adhered to.
- A review of the College enrolment process and sample testing of 20 online enrolments and 10 paper enrolments to ensure that College procedures are being adhered to.
- A review of the enrolment information obtained by the College to ensure that it captures the information required by the Scottish Funding Council.
- A review of the system in place to ensure that students accept the College terms and conditions.
- A review of the process in place for ensuring that credits are claimed in line with Scottish Funding Council guidelines for students with multiple enrolments. We completed sample testing of 10 students who the College claimed credits and 10 who the College did not claim credits for with multiple enrolments to ensure the College took the correct course of action.

1 EXECUTIVE SUMMARY

- A review of the processes in place at the College for recording student attendance and the methods used by the College to monitor attendance.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide a strong level of assurance of the College's arrangements in place for student enrolments, applications and attendance. The College have robust controls and systems in place to ensure that the processes are as efficient as possible.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Enrolment, Attendance & Applications	0	0	0	0

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	<p>As part of the completion of the annual FES Return, the Student Data & Records Manager will complete a review of all students who have multiple enrolments and update the system on whether credits can be claimed. This is completed annually in July when all FES data has been verified.</p> <p>This is then audited as part of the annual Credits audit required by the SFC. The annual Credits report stated that it:</p> <p>“Confirmed that there were no claims for more than one full-time enrolment per student and ensured that credits had not been claimed in respect of courses that were related in subject area, unless progression could be clearly established”.</p> <p>We also completed sample testing of multiple enrolment claims and can confirm that credits were claimed in line with Scottish Funding Council guidelines for multiple enrolments.</p>
2.	<p>We reviewed the enrolment forms in place at the College and can confirm that they contain all information required by the Scottish Funding Council. Our sample testing also highlighted that the College fully adhere to their enrolment process.</p> <p>Our sample testing of paper enrolment forms found that these were completed in line with College procedures and signed by both the College and the student in line with SFC requirements.</p>
3.	<p>The College use online applications for all courses but do allow paper application forms when necessary for example if the student requires help & support. Online applications allow the students record to be created and information entered to the system to be automatically updated on the system. Our sample testing of application forms found that the College adhered to procedures for the processing and monitoring of applications.</p>

The following is a list of areas where the College is operating effectively and following good practice.

4.	The College use an internally developed software system called Student Applications Manager (SAM) for the processing of applications. SAM records all student applications and is automatically updated where any changes are made in the student records system Unit-e. SAM automatically generates letters or reminders for students once they have passed the relevant deadlines.
5.	During the online enrolment process, the student is presented with Data Protection Rights, Privacy Notice and acceptance of the College Terms & Conditions. The student cannot complete their enrolment if they do not agree and accept these.
6.	The roles and responsibilities for applications, enrolments and attendance within the College are clear and known by staff members. There are also detailed procedures that document the steps necessary to complete each task available to staff members through the staff intranet COLin.
7.	The College has robust processes in place to monitor student attendance. The College Administrations & Examinations Team prepare weekly reports for the Faculties detailing the percentage of each student attendance up to the week in question. This allows the Heads of Faculty's to monitor student attendance and if there are any causes for concerns. The Student Data & Records Manager completes verification reports on students who have not attended in a while but are still enrolled to ensure the College records are accurate.
8.	The College attendance procedure states that lecturers should complete attendance registers no later than 5 days after the lecture. At the time of our audit on the 13 th March 2019 there were 4 class registers not completed from the 5 th March 2019. We can also confirm that all 4 lecturers were notified of this by the Student Records Team.

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Enrolment, Attendance & Applications

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	3	4
Number of recommendations at North East Scotland College	0	0	0	0

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

The following is a list of observations from our review

1. The College Administrations & Examinations Team note that preparing the weekly attendance reports is a time-consuming process. The College are aware of this and a project is currently being undertaken to look at the available software that the College could purchase as part of a Student Support Information Project. The College hope to have a new system in place by August 2019. The Student Support Information Project is a project to:
 - allow staff to create, track, share and update student progress electronically;
 - Centrally record support intervention activity; and
 - Predict or highlight at risk learners quickly based on key data such as enrolment status, attendance, funding information, progression.

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	4 March 2019
Closing meeting	15 March 2019
Draft report issued	26 March 2019
Receipt of management responses	4 April 2019
Final report issued	9 April 2019
Audit & Risk Committee	10 July 2019
Number of audit days	4

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

5 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com
North East Scotland College			
Key Contacts:	Linda Taylor	Director of Student Access & Information	ltaylor@nescol.ac.uk
	Marion Cadger	Student Data and Records Manager	m.cadger@nescol.ac.uk
	Kim Rattray	Administration and Examinations Manager	k.rattray@nescol.ac.uk
	Katy Gilbert	Student Admissions & Funding Manager	k.gilbert@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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.

A GRADING STRUCTURE

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

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

Purpose of review

The purpose of this assignment is to review the College's arrangements for student enrolments and applications to ensure that the College have the appropriate controls and systems in place and to ensure that the process is as efficient as possible.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- Enrolments are processed in an efficient and effective manner, in line with Scottish Funding Council guidance and best practice.
- The applications process is robust and allows the efficient assessment of applications.
- An appropriate level of funding is claimed for those students with multiple enrolments.
- There are appropriate systems in place to ensure that attendance is recorded for all students, accurately and in a timely manner.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussion with key personnel to establish the current arrangements for enrolment, attendance and applications within the College.
- Evaluating these arrangements to confirm their adequacy.
- Review of documentation to confirm that robust policies and procedures are in place and that the arrangements in place comply with current guidance and good practice.
- Sample testing to confirm that procedures are being adhered to by relevant staff.

Potential key risks

The potential key risks associated with the area under review are:

- The enrolments process does not obtain the information required by the Scottish Funding Council for funding purposes.
- Applications are not assessed in line with the College's entry requirements and as a result students are offered places for courses for which they are not eligible.
- Funding is overclaimed for students with more than one enrolment at the College.
- Attendance systems do not provide accurate or timely information.

North East Scotland College

Internal Audit 2018-19

Estates Management
March 2019

Overall Conclusion

Strong

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We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to review the strategic and operational arrangements in place in respect of Estates Management at the College. We also reviewed whether the College are attaining the best value for money from the systems in place. We also reviewed the maintenance of the assets, the safety of the estate, and the processes to ensure compliance with safety legislation.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- Estates planning takes due consideration of the College's future plans for the curriculum.
- The College has appropriate arrangements in place to ensure that its estate is managed effectively.
- There are robust procedures in place for ongoing maintenance and repair within the College.
- The College is meeting its statutory safety obligations in relation to Estates Management.
- The College are receiving value for money from the systems in place.
- The College's Estates Strategy supports the College's strategic and operational objectives.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation in scope.

Background

The Facilities Management & Cleaning Services is subcontracted out to Mitie Technical Facilities Management Limited (Mitie). The contract was procured in 2015 and covers planned & reactive maintenance, minor works, cleaning and core services. The annual cost of the contract for 2017/18 was £1,591k while the total spend in the year was £3,569k, which includes cost for materials and additional costs.

The Facilities Client Services Manager is responsible for monitoring the contract and ensuring that the terms of the Service Level Agreement are met. This involves reviewing the work carried out by Mitie's Facilities Management Team, approving reactive maintenance and meetings with Mitie and the Vice Principal: Finance & Resources monthly. The Head of the Mitie Team at the College is also the Head of Facilities & Estates at the College. The Facilities Management Team have core staff on site at the Aberdeen City Campus, the Fraserburgh Campus and the Altens Campus. Where any issues arise at the Peterhead, Inverurie, Clinterty and Ellon Campuses then a member of the Facilities Management Team are deployed.

The Vice Principal: Finance & Resources meets with the Facilities Client Services Manager and the Head of Facilities & Estates on a monthly basis to discuss any issues, progress of the maintenance schedule and to ensure the contract is progressing efficiently. Reports are prepared for this meeting detailing the ongoing work by the Facilities Management Team. For the period 1st August 2018 to the time of our audit on the 7th March 2019, the Facilities Management had undertaken 2,508 reactive maintenance repairs while completing the planned maintenance of the College. The Vice Principal: Finance & Resources also meets fortnightly with the Facilities Client Services Manager and the Head of Facilities & Estates separately to catch up on progress.

The Facilities Management Team use systems called Maximo Asset Management System and Direct Audits to plan and monitor maintenance. All maintenance assets are recorded in the Estates & Facilities software, Maximo and are given a "MAC" code which reflects the service plan and statutory requirement assessments/services that need to be carried out. These service plans are created by Mitie and are tailored to meet the College's requirements if they request more regular servicing etc. However, it will always contain the statutory required checks. Mitie run a report (spool) every month which highlights what preventative maintenance, statutory assessments and services need to be carried out for the month. The department will then assign these jobs to the correct skill set engineers and then send this to the helpdesk where it will electronically allocate jobs to staff members.

Reactive maintenance is reported through the College's electronic Maintenance Request System (MRS) which all staff have access to through the College's staff intranet system, COLin. The MRS is used to request maintenance and monitor its progress. Staff members raise the request electronically through MRS. The process for reactive maintenance is fully automated as follows:

- Step 1 - A staff member completes the Maintenance Request Form (MRF) on the system.
- Step 2 – This is electronically sent to the Facilities Client Services Manager for approval, to assign correct skill set required and the timeframe for completion.
- Step 3 - Following approval by the Facilities Clients Services Manager, the MRF is electronically transferred to the Health & Safety Team for approval.
- Step 4- Once the MRF is fully approved, the MRF is sent to the Mitie helpdesk electronically who raise the job on Maximo and allocate this electronically to the engineer or subcontractor required to complete the work.

Once allocated by the Mitie helpdesk, an engineer is allocated the job. Once the job is completed the Facilities Client Services Manager receives the completed MRF. This is then verified as complete or not and Approved Complete or resubmitted to Mitie. The Originator of the call is emailed updates at all stages of the job, with the final completion notes when the MRF is Approved Complete.

Work Undertaken

Our work for this review included the following:

- Discussing with relevant staff the current arrangements in place for managing the College's Estate and documenting the process.
- Obtaining and reviewing the strategic documentation in place, such as the Facilities Management & Cleaning Services contract and ensuring the estates service is operated in line with the strategic objectives of the College. This included a review of the Colleges Strategic Plan.
- Obtaining the policies and procedures in place for estates management and evaluating for appropriateness.
- Obtaining and assessing evidence of estates planning being driven by the curriculum ensuring consideration is given to the curriculum.
- Obtaining and assessing evidence of reactive maintenance for the College Estate.
- Obtaining and evaluating evidence of how the College meets its statutory obligations with regards to health and safety, fire regulations, COSHH and asbestos.
- A review of the procurement of the Facilities Management & Cleaning Services contract and the costs associated with this to ensure the College receive value for money.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide a strong level of assurance over the strategic and operation arrangements in place at the College regarding Estates Management. We can also provide a strong level of assurance over the maintenance of the assets, the safety of the estate, the process in place to ensure compliance with safety legislation and that the College achieve value for money from the systems in place.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Estates Management	0	0	0	0

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	All statutory obligations such as electrical, COSHH regulations, control of asbestos and fire regulations are routinely carried out as part of the contract with Mitie in line with Scottish Government legislation.
2.	The College and the Facilities Management Team have a robust process for logging, monitoring and reporting of reactive maintenance. Reactive Maintenance is carried out using the College's Maintenance Request System (MRS) and Mitie's manned helpdesk. The MRS system is used by staff to raise a maintenance request which is then approved by the College's Health & Safety Team and the Facilities Client Services Manager. The staff member who raised the request is updated on the progress of the maintenance during each stage of approval and the completion of the works.
3.	The Facilities Management Team are responsible for the planned maintenance of the College Estate. The Facilities Management Team use Maximo Asset Management System which provides reports detailing the maintenance requirements of the College. The Facilities Management Team then use the reports to plan maintenance throughout the year. The Facilities Management Team will allocate the appropriate personnel to the maintenance or service required and a date for this to be carried out. The software also provides a job plan detailing the work that is required for the maintenance/service.
4.	The Estates Strategy is currently being redeveloped by the Vice Principal: Finance & Resources in line with the new Strategic Plan developed by the College. However, the College's maintenance and repair work is driven to ensure the College estate meets the needs of the curriculum. The Facilities Client Services Manager has met with the Directors of Learning & the Directors of Business Development to discuss the required works for the summer programme 2019 and this was focused on delivering curriculum benefits.
5.	The College's Facilities Client Services Manager monitors the Mitie contract and ensures that the terms of the Service Level Agreement are met. Any issues are then discussed with the Vice Principal: Finance & Estates at their fortnightly meetings and then at the monthly meetings held between the Vice Principal: Finance Estates, Facilities Client Services Manager and the Head of Facilities & Estates. This involves monitoring the planned maintenance programme and the reactive maintenance work carried out. The February 2019 meeting highlights that there was 383 reactive maintenance repair jobs for January 2019 and 86% were completed at the time of the meeting and all planned maintenance projects for January 2019 were completed.

The following is a list of areas where the College is operating effectively and following good practice.

- | | |
|----|--|
| 6. | There is strong levels of communication between the College and the contractor Mitie. There are monthly meetings held between the Vice Principal: Finance & Resources, Facilities Client Services Manager and the Head of Facilities & Estates (employed by Mitie). The Vice Principal: Finance & Resources also meets with Facilities Client Services Manager and the Head of Facilities & Estates individually on a fortnightly basis. |
| 7. | Management of the College Estate is outsourced to Mitie. The staff members employed by Mitie are suitably experienced having worked with the College for a number of years. The College employ a Facilities Client Services Manager whose duty it is to ensure that Mitie are adhering to the Service Level Agreement in place. |
| 8. | The College completed a formal procurement exercise in 2015 for Facilities Management & Cleaning Services. The College received 37 tender submissions and after a robust scoring process, Mitie Technical Facilities Management Limited were successful. The contract was extended for a further year until 31 st July 2019. The annual cost of the contract for 2017/18 was £1,591k while the total spend with Mitie for 2017/18 which includes materials and repairs was £3,569k. |

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Estates Management

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	2	5	1	8
Number of recommendations at North East Scotland College	0	0	0	0

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

The following is a list of observations from our review

- | | |
|----|--|
| 1. | The College are currently reviewing and developing a new Estates Strategy, the Vice Principal: Finance & Resources is undertaking this review. The Vice Principal: Finance & Resources states that this will be presented to the Regional Board in June 2019. The Estates Strategy is being developed to ensure that it meets the needs of the College and its objectives. |
|----|--|

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	4 March 2019
Closing meeting	15 March 2019
Draft report issued	26 March 2019
Receipt of management responses	17 April 2019
Final report issued	23 April 2019
Audit & Risk Committee	10 July 2019
Number of audit days	4

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

5 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com

North East Scotland College			
Key Contacts:	Pete Smith	Vice Principal - Finance & Resources	pe.smith@nescol.ac.uk
	Michael Wilde	Facilities Client Services Manager	m.wilde@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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.

A GRADING STRUCTURE

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

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

Purpose of review

The purpose of this assignment is to review the strategic and operational arrangements in place in respect of Estates Management at the College. We will also review whether the College are attaining the best value for money from the systems in place. We will also review the maintenance of the assets, the safety of the estate and the processes to ensure compliance with safety legislation.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- Estates planning takes due consideration of the College's future plans for the curriculum.
- The College has appropriate arrangements in place to ensure that its estate is managed effectively.
- There are robust procedures in place for ongoing maintenance and repair within the College.
- The College is meeting its statutory safety obligations in relation to Estates Management.
- The College are receiving value for money from the systems in place.
- The College's Estates Strategy supports the College's strategic and operational objectives.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation in scope.

Audit approach

Our approach to the review has been:

- Review of the Estates Strategy to ensure appropriate to the College, consistent with any strategic plans and in line with best practice.
- Discussion with key personnel to ascertain the current arrangements in place for the management of the College's estate.
- Assessment of the arrangements to consider whether these are fit for purpose and ensure effective management of the College's estate.
- A review of processes in place to ensure compliance with safety legislations.
- Discussions with appropriate personnel the cost of providing the estates services. We will consider how the College procures contracts/materials etc to ensure that it is receiving value for money from its estate services. We will obtain the costs of providing the services for the current year.

Potential key risks

The potential key risks associated with the area under review are:

- The College does not meet its statutory safety obligations in respect of estates management.
- The College are not receiving value for money for the systems in place.
- The curriculum is not considered when the College is planning its estates strategy
- Current arrangements are inadequate and do not allow effective management of the College's estate.

- Ongoing maintenance and repair is not planned (i.e. re-active rather than pro-active) leading to potential health and safety risks and/or the College's estate not being fit for purpose.
- The College's Estates Strategy is inadequate and is not consistent with the College's Strategic and Operational Plans.

North East Scotland College

Internal Audit 2018-19

Fixed Asset Management
March 2019

Overall Conclusion

Weak

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to review the systems and procedures in place for fixed assets, compliance with the systems and procedures in place and the overall controls in relation to the physical safeguarding of assets.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- The College's asset registers are accurate and up to date and provide sufficient information to assist with and enhance the security of assets.
- An inventory of "attractive" items (i.e. those vulnerable to theft) whose value falls below the capitalisation thresholds is maintained by the College.
- There are appropriate security arrangements in place to ensure safeguarding of the College's assets and equipment.
- Any new assets or attractive items of equipment are tagged and added to inventory lists as soon as practically possible on delivery.
- Appropriate authorisation is granted prior to any of the College's assets being disposed of.
- There are procedures in place to ensure that data is wiped prior to any IT equipment being disposed of.
- There is due consideration given to the environmental impact when disposing of electronic and electrical equipment.
- The College holds adequate insurance cover to protect against the loss, theft or damage of its assets.

- Where the fixed asset register is independent of the accounting system, there are processes in place to ensure that the information contained in the accounting system is accurate.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

In order to operate efficiently, the College uses both IT equipment and non-IT equipment throughout all campuses. The College has ensured that all equipment, both non-IT and IT, is maintained and monitored within equipment registers. The Facilities Management (FM) Team are responsible for managing the non-IT equipment and the College's IT Team are responsible for managing the IT equipment.

Facilities Management – non-IT equipment

The FM Team has been responsible for maintaining the non-IT equipment registers since taking it over from the Purchasing Manager in 2017. The FM Team record 5 equipment registers for the College for the following campuses:

- City Campus;
- Altens Campus;
- Fraserburgh & Peterhead Campuses;
- Clinterty Campus; and
- Ellon Campus.

There is a standardised format for each equipment register. The FAR includes the following information:

- College Asset Number;
- Mitie Asset Number;
- Description of the asset;
- Serial number;
- Value – Cost of asset;
- Location; and
- Department.

Upon receiving the responsibility of maintaining the equipment register, the FM Team completed a 100% audit of equipment on the register. The audit was completed by 31st July 2017 and the equipment register was updated to record the status of each item of equipment. The audit found the following:

- The total items of equipment within the City Campus was 4,036 while 324 items were not found.
- The total items of equipment within the Altens Campus was 917 while 226 items were not found.
- The total items of equipment within the Fraserburgh & Peterhead Campuses was 732 while 75 items were not found.
- All 35 items equipment at the Clinterty Capus were found.
- All 18 items of equipment at the Ellon Campus were found.

Following the audit, the FM Team then contacted members of faculties to locate the items. However, no further action had been taken since 2017 to locate the items as the equipment register highlights a total of 625 items not located within the College with a purchase cost of £316,568. The FM Team are planning a further 100% audit of equipment items during the College down time in 2019 (Easter holidays, Summer holidays and October holidays) and have made the 625 items priority during this audit. We have raised a high-grade recommendation regarding the missing equipment items, please see section 3 for further information.

The purchasing of non-IT equipment is the responsibility of the department making the purchase. When the purchase of equipment is over £200, the department should complete an Asset Entry Form and pass this to Facilities Management who will then tag and record the item on the equipment register. However, we were informed by the FM Team that they have not received any Asset Entry Forms since taking over responsibility of the equipment registers in 2017. We have raised a high-grade recommendation regarding the recording of equipment additions as a result, please see section 3 for further information.

IT Team – IT equipment

The College's IT Team are responsible for the management of IT equipment within the College. The IT Team use the ManageEngine software to monitor IT equipment which includes what software is currently being used, the age of the equipment and its end of life. The ManageEngine software shows all active IT equipment within the College and what equipment is connected to the network. As with non-IT equipment all items over £200 are recorded on the equipment register. However, due to the nature of IT equipment, there are items below this recorded such as tablets/notebooks/laptops that require maintenance and monitoring. The ManageEngine equipment register records the following:

- Machine name;
- Manufacturer;
- Model;
- Service Tag;
- Barcode;
- Asset state;
- User;
- Site;
- Location;
- Department;
- Device Category; and
- Warranty Expiry date.

The ManageEngine system is used by the IT Team to plan budgets and maintenance work for the year. All IT additions are made by the IT Team either as part of the planned maintenance or by requests from staff members. The IT Team receive all IT equipment deliveries and record the appropriate information on the device prior to deployment. The IT Team are also responsible for all IT equipment disposals. When assets are disposed of an electrical waste recycling company is used who offer fair value for any equipment or part of equipment that is still usable. The recycling company also provide a certificate of destruction to confirm that all data has been disposed of.

Work Undertaken

Our work for this review included the following:

- A review of the Colleges security arrangements with regards to fixed assets and equipment.
- A review of the processes in place at the College for recording equipment.
- Sample testing of 5 IT equipment additions to ensure the appropriate approval of purchases and that details have been accurately entered onto the equipment registers in a timely manner. We were unable to test non-IT equipment additions to the asset register, please see section 3 for further information.
- Testing of 5 IT equipment and 5 non-IT equipment disposals undertaken by the College to ensure appropriate approval of disposal and their details have been removed from the equipment registers in a timely manner.
- A review of the process in place for recording the location of movable assets.
- Physical verification testing of 6 (2 equipment each from 3 classrooms) IT equipment assets and 6 (2 equipment each from 3 classrooms) non-IT equipment assets listed on the College's equipment registers listings to ensure accuracy of details recorded.
- A review of the controls in place over the allocation of keys within the College and sample testing of 5 key allocation to ensure the College procedures were adhered to.

1 EXECUTIVE SUMMARY

- A review of the security arrangements in place throughout each College campus to determine the adequacy of the safeguarding of assets.
- A review of the insurance cover in place at the College to ensure it provides adequate cover for the replacement of fixed assets in the event of loss, damage or theft.

Conclusion

Overall conclusion

Overall Conclusion: Weak

From our review, we can only provide a weak level of assurance over the systems and procedures in place at the College for managing equipment. We have raised 4 recommendations for improvement including 2 high grade recommendations regarding the recording of non-IT equipment. Please see section 3 for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Fixed Asset Management	2	0	2	4

The following is a summary of the recommendations we have graded as high

- Equipment Additions
- Missing non IT items

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The College has appropriate and sufficient insurance cover for the replacement of fixed assets and equipment in the event of loss, damage or theft.
2.	The IT Team has a robust stock management process in place which ensures information for IT equipment such as make, model, software, useful life is captured and recorded. All IT equipment purchases, and disposal pass through the IT Team who appropriately record the details of the equipment before deployment or disposal.
3.	There are appropriate security arrangements in place at the College to ensure the physical security of equipment, including CCTV and security staff on site 24 hours a day. All IT equipment is tagged, and their location stored and recorded which allows for the asset to be monitored. The College procedure ensures that all non-IT equipment is tagged and recorded. However, for new non-IT equipment additions this has not been the case, see section 3 for further information.
4.	For a staff member to be provided a key to a room within the College, they must complete a Key Authorisation Form which must be signed by their line manager and submitted to the Health & Safety Team at the College. This is then approved by the Head of Health & Safety and Security prior to the key being issued. The Health & Safety Team maintain a register of keys issued by the College. We completed sample testing of the key register to ensure that all keys issued were done after the completion of the Key Authorisation Form and approval by the Health & Safety Team. We can confirm that all keys were issued in line with College procedures.
5.	The IT Team purchase all IT equipment while the Director of IT & Technical Services approves all purchases. When IT equipment is received, the IT & Technical Services Co-ordinator records the purchase and tags the equipment which allows for it to be monitored.

The following is a list of areas where the College is operating effectively and following good practice.

- | | |
|----|--|
| 6. | The College has an electronic disposal form for the disposal of equipment. This form ensures that the disposal receives the appropriate approval before being authorised and disposed of. We completed sample testing of disposals of non-IT & IT equipment and found that all were disposed of in line with College procedures. We also found that all disposals were completed in line with the College Waste Electrical and Electronic Equipment (WEEE) ensuring they were disposed of in an environmentally friendly manner. |
| 7. | The responsibility for recording, monitoring and maintaining equipment in the College is split with the Facilities Management Team who maintain the equipment register for each campus and the College's IT Team that maintains the IT equipment register. Both registers are detailed and include asset numbers, location, description of the asset, serial number, departments. |
| 8. | We completed sample testing of the equipment asset register and the IT asset register to ensure that they recorded the correct information such as asset number, location and description. No issues were highlighted in our sample testing and we can confirm that the College are recording the correct information. |

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Fixed Asset Management

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	2	3
Number of recommendations at North East Scotland College	2	0	2	4

From the table above it can be seen that the College has a higher number of recommendations compared to those colleges it has been benchmarked against.

3 DETAILED RECOMMENDATIONS

Equipment Additions			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>When making a purchase of equipment of over £200, staff members are required to complete an Asset Entry Form and submit this to the Facilities Management Team to inform them of the purchase. This would then allow the Facilities Management Team to record the item on the equipment register and tag the item.</p> <p>During our review, we were informed by the Facilities Management Team that there have been no additions to equipment register since January 2017 when the Facilities Management Team took over the maintenance of the equipment register and that they have not received an Asset Entry Form.</p> <p>As a result, we reviewed the College’s “Materials, Equipment, Maintenance, Rental” nominal code from 1 August 2018 to March 2019 from the finance system to test if this was accurate. Our testing consisted of a review of the 45 highest priced items and if they were equipment purchases and recorded on the equipment register. Our testing found that there were 11 items out of the 45 tested (25%) that should be recorded on the equipment register. We note that the “Materials, Equipment, Maintenance, Rental” nominal code had 334 items purchased over £200, therefore judging by our sample there could be a total of 84 equipment</p>	High	<p>We recommend that the College remind all staff members of the procedure to complete and return an Asset Entry Form for all equipment purchases over £200. We also recommend that the College complete a review of the relevant nominal codes from the finance system for 2017/18 & 2018/19 such as “Materials, Equipment, Maintenance, Rental” to find equipment purchased and update the equipment register as required. The College should also find the location of the equipment and tag the item in line with College procedures.</p> <p>We also recommend that the College consider implementing a further control through PECOS. When a purchase is made a notification should be sent to staff members such as the Facilities Client Services Manager or the Operations Manager, who will then make a decision, on a purchase, to chase the relevant staff members for the Asset Entry Form.</p>

3 DETAILED RECOMMENDATIONS

	<p>purchases to be added to the equipment register for 2018/19. We note that we did not review the code for 2017/18.</p> <p>There is the risk that equipment purchased could be stolen or misplaced as the College have not kept up to date records.</p>		
Management response			Responsibility and implementation date
<p>Agreed. (A) E mail sent to all key stakeholders responsible for assets to remind them of the procedure and review and advise of any new purchased to March 2019 for inclusion in asset register & tagged. (B) PECOS will changed to ensure the Facilities Client Manager is notified of all purchases and will scrutinise and forward appropriate assets for inclusion in the asset register and the item tagged.</p>			<p><i>Responsible Officer:</i> (A) Head of Estates and Facilities / (B) Facilities Client Manager</p> <p><i>Implementation Date:</i> (A) July 2019 / (B) April 2019</p>

3 DETAILED RECOMMENDATIONS

Missing non-IT items			
Ref.	Finding and Risk	Grade	Recommendation
2.	<p>The Facilities Management Team carried out a 100% audit of the College’s non-IT equipment in 2017 and were unable to find 625 of the 5,685 items listed on the equipment register. The Facilities Management Team then contacted the departments to source the items.</p> <p>During our review, we were informed that no further work had been undertaken to find the missing items. We note that the Facilities Management Team are planning to complete another 100% audit of the equipment register during the College down time (Easter, Summer & October week) and have made finding these items a priority. We were also informed that portable equipment is stored in classrooms and is moved regularly depending on where it is required.</p> <p>We do note that during our sample testing of an asset’s physical location, all assets were located in their recorded location.</p> <p>There is the risk that College equipment has been stolen or is lost.</p>	High	We recommend that the College ensure further checks are carried out on all items not found during the previous 100% audit by the Facilities Management. We also recommend that where items are not subsequently found, the College consider removing these from the equipment register.
Management response			Responsibility and implementation date
<p>Agreed. Stake holders with missing items all instructed to report with an end date of the 30/04/19 to ensure assets are correctly removed from asset list.</p>			<p><i>Responsible Officer:</i> Head of Estates and Facilities</p> <p><i>Implementation Date:</i> April 2019</p>

3 DETAILED RECOMMENDATIONS

Removal of Equipment Disposals			
Ref.	Finding and Risk	Grade	Recommendation
3.	<p>The equipment register is maintained by the Facilities Management Team and includes information such as asset numbers, cost, location, description of the asset, serial number, departments.</p> <p>During our review, we found that the equipment registers document 96 assets that have been disposed of without removing the item from the register. All equipment disposed of should be removed from the register ensuring it only records items held by the College.</p> <p>There is the risk that the College register does not provide a full current listing of the equipment held by the College.</p>	Low	We recommend that the College ensure all equipment disposed of is removed from the equipment register. The College could keep a list of items disposed of on a different excel sheet or tab within the asset register for completeness.
Management response			Responsibility and implementation date
<p>Agreed. Disposals list will be created within the master control document.</p>			<p><i>Responsible Officer:</i> Head of Estates and Facilities</p> <p><i>Implementation Date:</i> July 2019</p>

3 DETAILED RECOMMENDATIONS

Equipment register limit			
Ref.	Finding and Risk	Grade	Recommendation
4.	<p>All equipment purchased of £200 or above should be included within the College’s asset register.</p> <p>During our review, we discussed the £200 limit with Management at the College, and we believe that the limit of £200 is low and could be increased to £500 for example. However, we do recognise that IT equipment below this value such as laptops and iPads should continue to be included due to the nature of the equipment.</p> <p>There is the risk that nominal equipment items are included within the asset register.</p>	Low	We recommend that the College increase the value of equipment to be included within the asset register.
Management response			Responsibility and implementation date
<p>Agreed. De Minimis of £500 per item will be applied.</p>			<p><i>Responsible Officer:</i> Vice Principal Finance and Resources</p> <p><i>Implementation Date:</i> July 2019</p>

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	4 March 2019
Closing meeting	15 March 2019
Draft report issued	26 March 2019
Receipt of management responses	17 April 2019
Final report issued	23 April 2019
Audit & Risk Committee	10 July 2019
Number of audit days	4

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

5 KEY PERSONNEL

We detail below our staff who will undertake the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com

North East Scotland College			
Key Contacts:	Pete Smith	Vice Principal: Finance & Resources	pe.smith@nescol.ac.uk
	Michael Wilde	Facilities Client Services Manager	m.wilde@nescol.ac.uk
	Paul Smith	Director of IT & Technical Services	p.smith@nescol.ac.uk
	David Simpson	Head of Facilities & Estates	d.simpson@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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.

A GRADING STRUCTURE

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

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

Purpose of review

The purpose of this assignment is to review the systems and procedures in place for fixed assets, compliance with the systems and procedures in place and the overall controls in relation to the physical safeguarding of assets.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- The College's asset registers are accurate and up to date and provide sufficient information to assist with and enhance the security of assets.
- An inventory of "attractive" items (i.e. those vulnerable to theft) whose value falls below the capitalisation thresholds is maintained by the College.
- There are appropriate security arrangements in place to ensure safeguarding of the College's assets and equipment.
- Any new assets or attractive items of equipment are tagged and added to inventory lists as soon as practically possible on delivery.
- Appropriate authorisation is granted prior to any of the College's assets being disposed of.
- There are procedures in place to ensure that data is wiped prior to any IT equipment being disposed of.
- There is due consideration given to the environmental impact when disposing of electronic and electrical equipment.
- The College holds adequate insurance cover to protect against the loss, theft or damage of its assets.
- Where the fixed asset register is independent of the accounting system, there are processes in place to ensure that the information contained in the accounting system is accurate.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussion with key staff to obtain documentation of the Colleges guidelines regarding procedures and controls, relating to fixed asset management.
- Discussion with key staff to identify the College's procedures and controls in place. To verify they are in compliance with the College's guidelines;
- Sample Testing of controls in place regarding the physical safeguarding of assets;
- Testing to confirm fixed assets are correctly stated in the financial records;

Potential key risks

The potential key risks associated with the area under review are:

- Where asset registers are not accurate or up to date, there is no comprehensive list of the assets controlled by the College. There is therefore a risk that the College is unaware of what assets it holds and where these are held. and may therefore be unaware of any loss or theft.
- There is no record of "attractive" items which fall below the capitalisation threshold. The College may therefore be unaware of the theft of any of these items.

- The security arrangements in place are inadequate. As a result there is a lack of control maintained, increasing the risk of loss or theft to the College.
- New assets or attractive items of equipment are subject to loss or theft prior to being formally recorded on the College's systems.
- Assets are disposed of despite still being of use or value to the College.
- Where IT equipment is not wiped prior to being disposed of, confidential data may fall into the hands of unauthorised individuals. This could lead to a potential breach of the General Data Protection Regulations.
- Electrical and electronic equipment is not disposed of in an environmentally friendly manner.
- Where adequate insurance cover is not held, the College may not be fully recompensed in the event of loss, theft or damage to any of its assets.
- The fixed asset balances held within the accounting system are inaccurate.

North East Scotland College

Internal Audit 2018-19

NESCol@Fraserburgh
June 2019

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to review the structure and workload within the Fraserburgh Campus, compliance with the College's systems and procedures and the overall systems and controls in place to manage the campus. Our review also considered the delivery of support services in the Student Advice Centre.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- The Fraserburgh Futures Project is able to take into account the specific needs of the Fraserburgh Campus.
- Once highlighted the College and the Fraserburgh Futures Project take the appropriate steps to respond to the Campus needs.
- The Campus support team is suitably structured to enable it to perform in an efficient and effective manner.
- Adequate information is provided to the College's Senior Executive Team.
- The Student Advice Centre is delivering the required support within the campus.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

From 1st August 2018, a new management structure was implemented at the Fraserburgh Campus. The Campus Management Team consists of the:

- Vice Principal: Access & Partnerships;
- Director of Learning: Enhancement, Support and Fraserburgh Futures;
- Director of Student Access & Information; and
- Director of Business Development.

The Campus Management Team listed above are all now based at the Campus for at least 2 days per week. The Campus Management Team are supported by the Promoted Staff Team based at the Fraserburgh Campus of:

- 2 Heads of Faculty; and
- 7 Curriculum Managers.

Following the implementation of the new management structure at the Campus, the Fraserburgh Campus Management Group was formed in September 2018 to:

- Develop a 3-year action plan which operationalises the ambitions of the College's Strategic Plan 2018-2021;
- Develop a bespoke approach for the Fraserburgh Campus alongside a standardised delivery of quality and quality enhancement;
- Ensure the programme/offer design meets the needs of local and regional key stakeholders and promotes the distinct strengths of NESCOL@Fraserburgh;
- Build upon existing internal brands of the campus and teams; and
- Develop a communication strategy for NESCOL@Fraserburgh that communicates key activities to those working at Fraserburgh, the College and beyond it.

The Fraserburgh Campus Management Group meet every 4-6 weeks and consists of the following members:

- Vice Principal: Access & Partnerships;
- Director of Learning: Enhancement, Support and Fraserburgh Futures;
- Director of Student Access & Information;
- Director of Business Development;
- 2 Fraserburgh Heads of Faculty;
- Marketing & Communications Manager; and
- Financial Control: Business Management.

The Group held meetings in September 2018 to determine what they believed the areas for improvement within the Campus, how these could be resolved and how to ensure staff within the Campus bought into the plan. The Group then held a series of workshops with Managers within the Campus in October 2018 and following this the Fraserburgh Futures Enhancement Plan 2018-21 was developed. The Enhancement Plan was then shared with all staff at the Campus through the College intranet and the Director of Learning then held various workshops and briefings on the Enhancement Plan for all staff members.

The Enhancement Plan was presented to the College's Leadership Team in November 2018. The plan is specific to the campus and improving it covering areas such as:

- Campus environment;
- Employer/schools engagement;
- Rebuilding part time & evening class provision;
- Facilities for students; and
- Branding – how schools see the college.

Student Advice Centre

Each Campus now has its own Student Advice Centre covering learning support, employability, careers support and funding support. To ensure students are not being sent to different places and can receive the support at the Campus. The Fraserburgh Advice Centre also provides the support to the Ellon and Scottish Maritime Academy.

At the time of our audit, May 2019, the Student Advice Centre had integrated itself within the Campus. This was a view shared throughout the Promoted Staff Team at the Campus and is supported through the following:

- All full-time classes at the Fraserburgh Campus, Ellon Campus and the Scottish; Maritime Academy receiving inductions;
- The Student Advice Centre received 202 student referrals in Block 1 of academic year 2018/19;
- 73 student support sessions;
- Employability week held in March 2019;
- Enterprise week held in April 2019;
- UCAS week held in November 2018;
- Skills Development Scotland workshops for students twice weekly; and
- Financial Inclusion Programme.

Work Undertaken

Our work for this review included the following:

- A review and analysis of the Fraserburgh Futures Enhancement Plan.
- A review of the steps taken by the Fraserburgh Campus Management Group to address the needs of the Campus.
- A review of the reporting arrangements in place to inform College Management of the progress of the Fraserburgh Futures Enhancement Plan.

1 EXECUTIVE SUMMARY

- Discussions with members of the Campus Promoted Staff Team, the Student Advice and Support Manager and the Student Support Co-ordinator to assess staff members view on the change in management team structure at the Campus and the Student Advice Centre.
- A review of the Campus Support Team Structure.
- A review of the support delivered within the Campus from the Student Advice Team.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide strong assurance that the structure change at the Fraserburgh Campus on the 1st August 2018 has been a success. We can also provide strong assurance that the Fraserburgh Campus needs are been considered and actions put in place through the Fraserburgh Campus Management Group and the Fraserburgh Futures Enhancement Plan. We can also provide strong assurance that the Student Advice Centre is delivering the required support to students.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
NESCol@Fraserburgh	0	0	0	0

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

- | | |
|----|---|
| 1. | <p>The Fraserburgh Futures Enhancement Plan was presented to the College's Leadership Team on the 13 November 2018 while a progress report was presented in January 2019. At the end of the academic year 2018/19, the Fraserburgh Campus Management Group will develop a status update report on the Fraserburgh Futures Enhancement Plan that will be presented to the Leadership Team.</p> <p>Members of the Fraserburgh Campus Management Group are also members of the College's Leadership Team, Wider Executive Group and provide updates and feedback on campus activities at these meetings.</p> |
| 2. | <p>The Campus has a strong management and support team in place who are based at the campus either permanently or part of the week. The management team consists of:</p> <ul style="list-style-type: none">➤ Vice Principal Access and Partnerships;➤ Director of Learning: Enhancement Support & Fraserburgh Futures;➤ Director of Student Access & Information;➤ Director of Business Development;➤ 2 Heads of Faculty; and➤ 7 Curriculum Managers. <p>We held discussions with 4 members of the Management Team who stated that they all believe that the new support structure implemented has been very successful and that the Campus needs are being fully addressed.</p> |

The following is a list of areas where the College is operating effectively and following good practice.

- | | |
|----|--|
| 3. | <p>We met with the 4 members of the Campus Promoted Staff Team who stated the following:</p> <ul style="list-style-type: none">➤ The new management structure in place is working really well and the Promoted Staff within the Campus feel fully supported;➤ They believe that the Campus is rebuilding links with local schools and employers that staff felt was lost post-merger;➤ The Fraserburgh Futures Enhancement Plan ensures the needs of the Campus are considered and actions are put in place to address any concerns;➤ The Student Advice Centre has been proactive and are providing the additional support required by students. |
| 4. | <p>The Fraserburgh Campus Management Group meet every 4-6 weeks to discuss and monitor the progress of the Fraserburgh Futures Enhancement Plan. The Enhancement Plan is a live document and actions can be added throughout the year.</p> |
| 5. | <p>The Fraserburgh Futures Project (FFP) was set up to focus on developing and improving operations at the Fraserburgh Campus. The FFP developed a 3-year Enhancement Plan 2018-21 specific to the Fraserburgh Campus based on improving areas such as:</p> <ul style="list-style-type: none">➤ Campus environment;➤ Employer/schools engagement;➤ Rebuilding part-time & evening class provision;➤ Facilities for students; and➤ Branding – how schools see the College. <p>The Enhancement Plan is a live plan and constantly evolving as the FFP meet and identify areas of improvement. The Enhancement Plan while specific to the Fraserburgh Campus also meets the Strategic Goals of the College.</p> |

The following is a list of areas where the College is operating effectively and following good practice.

- | | |
|----|--|
| 6. | The Fraserburgh Futures Group developed the Fraserburgh Futures Enhancement Plan for the Campus with the support and involvement of all staff throughout the Campus. The Fraserburgh Futures Group met with the Curriculum Managers and student facing support managers in early October 2018. Following this a draft of the Fraserburgh Futures Enhancement Plan was created which was then shared with all staff through the intranet. The Director of Learning: Enhancement, Support and Fraserburgh Futures then held various workshops and briefings on the Enhancement Plan for all staff members. The Director of Learning: Enhancement, Support and Fraserburgh Futures notes that this process will be carried out annually to update staff on the progress of the plan and to ensure the action points are still relevant. |
| 7. | The Fraserburgh Campus Management Group was set up to progress the Fraserburgh Futures Project. The Group developed a specific remit to develop, implement and monitor activities that fulfil the ambitions of the College's Excellence Agenda and specifically the ambitions contained within the Strategic Plan 2018-21. |

The following is a list of areas where the College is operating effectively and following good practice.

8. The Student Advice Centre has delivered the required support within the Campus. This is evident through the high number of referrals received in Block 1 of 2018/19 from the Curriculum Team (202) and 73 support sessions being provided through 15 requests received by the Student Advice Centre.

The Student Advice Centre also held numerous events such as:

- All full-time classes at the Fraserburgh Campus, Ellon Campus and the Scottish; Maritime Academy receiving inductions;
- Employability week held in March 2019;
- Enterprise week held in April 2019;
- UCAS week held in November 2018;
- Skills Development Scotland workshops for students twice weekly; and
- Financial Inclusion Programme.

Our discussions with the Student Support Co-ordinator at the Campus and various members of the Campus Promoted Staff Team highlighted that the Student Advice Centre was an integral part of the Campus.

2 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	13 May 2019
Closing meeting	28 May 2019
Draft report issued	7 June 2019
Receipt of management responses	27 June 2019
Final report issued	28 June 2019
Audit & Risk Committee	10 July 2019
Number of audit days	5

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

3 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Supervisor	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com

North East Scotland College			
Key Contacts:	Neil Cowie	Vice Principal: Access and Partnerships	ncowie@nescol.ac.uk
	Robin McGregor	Director of Learning: Enhancement, Support and Fraserburgh Futures	r.mcgregor@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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.

A GRADING STRUCTURE

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

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

Purpose of review

The purpose of this assignment is to review the structure and workload within the Fraserburgh Campus, compliance with the College's systems and procedures and the overall systems and controls in place to manage the campus. Our review will also consider the delivery of support services in the Student Advice Centre.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- The Fraserburgh Futures Project is able to take into account the specific needs of the Fraserburgh Campus.
- Once highlighted the College and the Fraserburgh Futures Project take the appropriate steps to respond to the Campus needs.
- The Campus support team is suitably structured to enable it to perform in an efficient and effective manner.
- Adequate information is provided to the College's Senior Executive Team.
- The Student Advice Centre is delivering the required support within the campus.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussions with staff to establish the work undertaken by the Fraserburgh Futures Project.
- Review of the Campus Support Team structure.
- Review of actions taken to address the needs of the Campus.
- Consideration of possible improvements or efficiencies within the Campus.
- A review of the support delivered within the Student Advice Centre to ensure this meets the College's requirements.

Potential key risks

The potential key risks associated with the area under review are:

- The Fraserburgh Futures Project does not take into account the specific needs of the Fraserburgh Campus.
- Once highlighted the College and the Fraserburgh Futures Project do not take the appropriate steps to respond to the Campus needs.
- The Campus support team is not suitably structured to enable it to perform in an efficient and effective manner.
- Information provided to senior management is non-existent or is not adequate and as a result does not aid the overall decision making within the College.
- The Student Advice Centre is not delivering the required support within the campus.

North East Scotland College

Internal Audit 2018-19

Marketing
March 2019

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

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We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of our review was to consider whether or not the College is receiving value for money in respect of its marketing arrangements. The review focused on what marketing activity the College undertakes and will include benchmarking with other colleges to compare the arrangements. We also compared the structure of the marketing department and the overall costs to the College with our other College clients.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- The marketing strategy is adequately linked to the strategic and operational planning process.
- Marketing activities meet the needs of the key stakeholders and are based on adequate, reliable market research.
- The effectiveness of marketing activities is regularly reviewed and best value is obtained.
- There is an effective programme of advertising and promotion in place to meet the College's objectives.
- A comparison of the provision of the College's marketing arrangements with that of other college's.
- A comparison of the structure of the College's marketing department as well s the overall costs to the College with that of our other Scottish college clients.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

The College Marketing & Communication Department is managed by the Director of Marketing & Communications. The Department consists of 11 staff members, 2 of which are part time, they are the:

- Director of Marketing & Communications;
- Design, Publicity & Advertising Manager;
- Commercial Marketing Manager (based at Fraserburgh);
- Marketing & PR Officer;
- Marketing & Research Officer (part time);
- Marketing & Social Media Officer;
- Graphic Designer;
- Graphic Designer (part time);
- Web Design Specialist;
- Graphic Designer; and
- Graphic Design Assistant.

The Director of Marketing & Communications reports into the Vice Principal: Access, Outcomes & Partnerships.

The College created a new Strategic Plan for 2018-21 and a Marketing & Communication Strategy was created to support the College Strategic Plan. The Marketing & Communications Team create an Operational Plan which details their operations for the year to ensure they support and achieve the aims of the Marketing & Communications Strategy.

Choose College Choose NESCol

The Marketing & Communications Team developed a new campaign called Choose Life Choose NESCol. This campaign is based on the Colleges Scotland national campaign Choose College and the Marketing & Communications Team within the College believed that this could be expanded further to Choose NESCol. The campaign specifically focuses on school leavers; adult returners and influencers (School staff, family).

The Colleges Scotland campaign was launched in November 2018 and the College launched their campaign at the same time. The College's Design, Publicity & Advertising Manager is a member of the College Scotland Communities of Practice Marketing Group, therefore, the College were fully aware of the new national campaign.

The idea behind the national campaign was to highlight the work of Colleges and heighten awareness of College as a first choice. The College campaign was launched through a social media campaign in December 2018 to promote the different curriculum areas within the College such as science and engineering. The College are further developing the campaign through the use of media such as TV, Radio, outdoor advertising and events. The campaign has a geographical reach throughout Aberdeen City and Aberdeenshire.

The campaign is using real students and their view on life at the College and why they have chosen College such as:

- I chose college to turn my passion into a career;
- I chose college because I could achieve a qualification while bringing up my children;
- I chose college because of the support I need;
- I chose college because school wasn't for me anymore;
- I chose college and my placement led to a job;
- Choosing college helped my son reach his potential; and
- I chose college because I could work part time while I study.

Comparison of structure and Costs with our other Scottish College Clients

The College has 11 staff members (including 2 part time members of staff). We compared this with our other Scottish College clients, College 1 has 8 staff members and College 2 has 3 including 1 part time. The tables below provide a comparison of the marketing spend per enrolment of the College for 2017/18 and 2018/19 compared with that of our other Scottish College clients.

2017/18 spend per enrolment

	Enrolments 2017/18 (full time and part time)	Spend 2017/18 (£)	Spend per enrolment 2017/18 (£)
NESCol	20,443	696,915	33.60
College 1	14,523	1,200k (circa)	82.63
College 2	3,258	130,568	40.08

2018/19 (August 2018 to February 2019) spend per enrolment

	Enrolments 2018/19 (full time and part time)	Spend 2018/19 (£) (Spend to February 2019)	Spend per enrolment 2017/18 (£) (year to date)
NESCol	15,277	397,417	19.47
College 1	12,138	734k (circa)	60.47
College 2	2,703	55,290	20.46

As can be seen from the table on page 5 the College's marketing activities provide value for money when compared with our other Scottish College clients with an average spend per enrolment of £33.60 in 2017/18 and £19.47 in 2018/19.

Marketing arrangements

We spoke with the personnel responsible for marketing at two of our other Scottish College clients and found that the same techniques were being used at NESCol. Through our discussions we found that the main techniques used were the website, social media accounts, advertising through radio/tv/newspapers/magazines and through schools and employers. When the Marketing & Communications Team responsibilities were specifically compared with that of our second largest College client behind NESCol, we found that both Teams were responsible for all marketing, publication and design at their respective Colleges.

Work Undertaken

Our work for this review included the following:

- A review of the Colleges Marketing & Communications Strategy to ensure it is linked to the Colleges overall Strategic Plan 2018-21.
- A review of the Colleges marketing activities to ensure they meet the needs of the College and stakeholders including a review of the Choose College Choose NESCol campaign.
- A review of the methods used to assess the effectiveness of the Colleges marketing activities.
- A review of the Colleges marketing programme.
- Discussions with the Principal, Heads of Faculties and Head of the Business Development Unit on the effectiveness and role of the Marketing Team.
- A comparison of the College marketing activities with those of our other Scottish College clients.
- A comparison of the Colleges marketing structure and costs with that of our other Scottish College clients.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide a strong level of assurance that the College are receiving value for money in respect of its marketing arrangements. When benchmarked against our other Scottish College clients the College has the lowest spend per enrolment for 2017/18 and 2018/19. We can also provide a strong level of assurance over the College's marketing arrangements. However, we have raised one recommendation for improvement. Please see section 3 for further information.

Summary of recommendations

Grading of recommendations				
	High	Medium	Low	Total
Marketing	0	1	0	1

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The College has a detailed Marketing and Communications Strategy which supports the aims of the College's Strategic Plan 2018-21. The Marketing & Communications Team create an Operational Plan which details their operations for the year to ensure they support and achieve the aims of the Marketing & Communications Strategy.
2.	The Marketing & Communications Team also carry out research on specific areas to aid the curriculum. An example of this was when they researched what the local community in Banff would like to study within the Deveron Centre which was carried out in 2018. In January 2019, the Marketing Team also completed a review of full-time applications from areas of deprivation within Aberdeen City and Aberdeenshire. The Marketing & Communications Team are currently reviewing the findings of the research to develop an action plan to target the areas where enrolment can be improved.
3.	The Marketing & Communications Team has developed a new marketing campaign called Choose Life Choose NESCol. The campaign is based on College's Scotland national campaign Choose College. The College believed they could further expand the College Scotland campaign to Choose NESCol. The College campaign is to improve applications and includes advertising through various media such as TV, Radio, outdoor (bus stops, busses), events, press release and posters.
4.	The College has a high number of followers on LinkedIn and research by the Marketing & Communications Team found that potential applicants like hearing stories from previous students. As such during 2018, the College put a request out for ex-students to contact them and tell them their story. The College then created flyers based on the success of previous students within their career. The flyers were issued to schools, career events, parent's evenings and Skills Development Scotland. Examples of this are: The future's in your hands and Now we're cooking!

The following is a list of areas where the College is operating effectively and following good practice.

5.	<p>The Marketing & Communications Team are subject to the College's annual Self Evaluation Framework and Enhancement Plan. The 2018/19 report highlighted that the Team made good progress against its objectives (see Executive Summary).</p> <p>The Marketing & Communications Team evaluate its activities through several methods, these include:</p> <ul style="list-style-type: none">➤ Surveys on Full & Part Time Prospectuses;➤ An analysis of events such as graduation and open days; and➤ Google Analytics to review website activity.
6.	<p>The College's Marketing & Communications Team maintain a full programme of events detailing all marketing activity taking place throughout the year. This is a live document and updated/amended as required throughout the year.</p>
7.	<p>The College's Marketing & Communications Team are responsible for all marketing, publications and design throughout the College. This includes all literature, advertising and involvement in the Ambiance project within the College on how the signage within the College is shown. We can confirm through discussions with one of our other College clients closest in size to NESCol that responsibilities and operations for both departments are similar.</p>
8.	<p>When compared with our other Scottish College clients, the College maximised their marketing & communication activities more efficiently with a spend per enrolment of £33.60 for 2017/18 and £19.47 in 2018/19 year to date, please see tables in executive summary for comparison.</p>

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Marketing

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	2	0	2
Number of recommendations at North East Scotland College	0	1	0	1

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

Student survey numbers			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>Following the end of Block 1 of the College year, the Marketing Department seek feedback from full-time and part time students on quality of the full time & part time prospectuses.</p> <p>For the 2018/19 academic year, the College enrolled 6,704 full time students. During our review of the feedback received by the College only 85 students completed the feedback forms. While only 7 of the 13,739 part time students enrolled completed the questionnaire.</p> <p>The College seek feedback from full time students through promoting the questionnaire on the student intranet and asking lecturers to remind students to complete the questionnaire. We do note that the feedback received from the students was positive, however, the number of returns were low.</p> <p>The College seek feedback from part time students through a questionnaire on the paper prospectus. The part time prospectus offered an incentive of a £50 voucher towards a part time leisure course at NESCol. We note that this is not promoted in the student intranet.</p>	Medium	<p>We recommend that the College consider various options to improve student participation in completing the feedback forms. This could be done by:</p> <ul style="list-style-type: none"> ➤ Offering a prize draw for the completion of the full time prospectus questionnaire; ➤ Working with the Student College to have the Class Representatives push the questionnaire to students; ➤ Making the questionnaire for part time students available on the staff intranet; and ➤ Making the questionnaire more prominent on the student intranet.

3 DETAILED RECOMMENDATIONS

Communicating with part time students has always been difficult. The majority don't use their College email, and never use Blackboard or My NESCol the student portal. An online questionnaire using these routes is therefore inappropriate. Last year we included a questionnaire in the part time guide and received a reasonable response rate – this year we have had little response. As most part time students browse for courses via the website, as part of the new website design, our aim is to include a short satisfaction survey when they book onto their course. We will also look into creating a short survey which can be completed at enrolment to capture information from those who have seen and used a part time guide.

The following is a list of observations from our review

1. The Director of Marketing & Communications and the Vice Principal: Access, Outcomes & Partnerships presented to the Regional Board on the 20th January 2019. The purpose of this presentation was to provide an update on progress against the Strategic Plan 2018-21. The Director of Marketing & Communications and the Vice Principal: Access, Outcomes & Partnerships then highlighted to the Regional Board that they believe the website was not fit for purpose. The reasons for this are:

- They believe the College website to be dated as it is 5 years old;
- It does not provide engaging media and content;
- It is not as responsive as they wish it to be as it is not in a format suitable for mobile devices;
- The website is non-targeted and non-customisable. This means that all users of the website gain the same non differentiated experience, whereas, the College wish to create a website that is customisable for the user. For example, for a school leaver, for a parent, for an employer or an adult returner.

The College submitted a request to the Arm's Length Foundation, NES FE Foundations Liaison Committee, to request funding for this project in February 2019 and were informed on the 7th March 2019 that funding of £100,000 has been granted for the redevelopment of the website. The College will complete a formal procurement exercise for a website developer which was issued on the 15th March 2019 with the deadline of for receipt of tenders 5th April 2019 and a contract commencement date of the 3rd May 2019.

The College want to totally redevelop the website. The potential benefits are believed to be:

- Improved website experience and accessibility;
- A customisable and bespoke interface;
- A more mobile, agile and responsive website;
- Improved user experience through better data and analytics;
- An improved applicants experience;
- Enhanced access to digital information;
- Improved student satisfaction levels, retention and engagement; and
- Improved digital accessibility for, and engagement with, learners deemed 'vulnerable' or at 'risk'.

5 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	4 March 2019
Closing meeting	15 March 2019
Draft report issued	26 March 2019
Receipt of management responses	4 April 2019
Final report issued	9 April 2019
Audit & Risk Committee	10 July 2019
Number of audit days	3

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

6 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com

North East Scotland College			
Key Contact	Rhonda Fraser	Director of Marketing & Communications	r.fraser@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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 assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

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

Purpose of review

The purpose of our review is to consider whether or not the College is receiving value for money in respect of its marketing arrangements. The review will focus on what marketing activity the College undertakes and will include benchmarking with other colleges to compare the arrangements. We will also compare the structure of the marketing department and the overall costs to the College with our other College clients.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- The marketing strategy is adequately linked to the strategic and operational planning process.
- Marketing activities meet the needs of the key stakeholders and are based on adequate, reliable market research.
- The effectiveness of marketing activities is regularly reviewed and best value is obtained.
- There is an effective programme of advertising and promotion in place to meet the College's objectives.
- A comparison of the provision of the College's marketing arrangements with that of other college's.
- A comparison of the structure of the College's marketing department as well as the overall costs to the College with that of our other Scottish college clients.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussion with key College personnel to establish the current arrangement for marketing.
- Evaluating these arrangements to confirm their adequacy.
- Review of the strategic approach to marketing and the decision making process to determine which marketing models should be used.
- Review of the mechanisms in place to evaluate the return from marketing.
- Comparison of the marketing activities with that of our other college clients.
- Comparison of the Structure and costs of the marketing department with that of our other Scottish college clients.

Potential key risks

The potential key risks associated with the area under review are:

- The marketing strategy does not comply with the College's operational and strategic plans.
- Marketing activities do not meet the needs of the key stakeholders.
- Best value is not received from the College's marketing activities.
- The College loses out to competitors due to poor advertising and/or promotion.

- The College's marketing arrangements does not compare favourably with those of other colleges.
- The College's marketing department structure and costs do not compare favourably with those of other colleges.

North East Scotland College

Internal Audit 2018-19

Payroll
June 2019

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to review the new payroll system that the College has implemented to ensure this is operating as expected and that there are appropriate controls in place. We also looked to ensure that the payments being calculated by the system are accurate and are based on bona fide hours worked and we also considered all deductions and additions to salaries to ensure these are correctly calculated and properly authorised.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- Amendments to the payroll are appropriately reviewed and authorised prior to being processed through the payroll system.
- Wages and salaries are accurately stated in the accounting system.
- The new payroll system is operating as expected and meeting the expectations of the College.
- Staff are only paid for the hours that they have worked.
- Expense claims are appropriately authorised by the employees line manager and where necessary include the relevant supporting documentation.
- Leavers are appropriately removed from the system and final payments are accurately pro-rated.
- New starts are accurately entered onto the payroll system and are paid appropriately.

- The payroll is subject to checking and approval by a senior member of staff prior to being finalised.
- Severance packages have been calculated in accordance with the terms of the scheme.
- Access to the payroll system is restricted. There are appropriate access rights in place for payroll staff.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

The running and management of the payroll within the College is the responsibility of the Payroll Team. There are 3 members of the Payroll Team, these being the Payroll Manager, Payroll Officer and Assistant HR & Payroll Officer that are overseen by the Director of Human Resources & Organisational Development. The College implemented a new payroll System called NGA ResourceLink that went live in July 2018. NGA ResourceLink has since rebranded its name to Zellis.

The new system had some teething problems with the Payroll Team having to manually add pension scheme information and update methods of part period calculations. However, these issues have all been resolved with improvements such as the pension scheme automatically being assigned and an in-house part period calculation. Overall, the new payroll system is a vast improvement to the old system and the Payroll Team are now happy the new system.

The Payroll Team are responsible for calculation and processing of the monthly payroll. This involves ensuring:

- Payroll is calculated correctly;
- New starts are processed correctly on the system;
- Leavers are processed correctly and subsequently removed from the system with no further payslips;
- Overtime and expenses have been correctly authorised by the staff members Line Manager and processed; and

- Amendments to details have been correctly authorised and processed correctly.

The monthly payroll process is:

- The Payroll Team will complete checks on the new starts/leavers/overtime and ensure all paperwork is signed, saved and the payroll is correct. The cut-off point for the submission of payroll information to be received by the Payroll Team is the 18th of each month.
- The Payroll Manager will then review this information for accuracy and run the monthly payroll on the 24/25th of each month and sign off the monthly payroll.
- The Payroll Manager will then pass the monthly payroll to the Financial Controller – External Affairs for review and to complete additional checks on the information for accuracy. Once the Financial Controller – External Affairs is confident the information is accurate then the payroll report will be signed off.

Work Undertaken

Our work for this review included the following:

- A review of the Colleges security arrangements with regards to the payroll system and records.
- Sample testing of 15 new starts to ensure their details had been accurately entered into the payroll system and reviewed their first month's pay ensuring that this was calculated correctly.
- Sample testing of 15 leavers to ensure their final salaries were adjusted to incorporate their leaving date and ensured they were not on the following months payroll.
- Sample testing of 15 amendments made to employee's payroll throughout the year to ensure they were appropriately authorised before being input into the system.
- Sample testing of 15 overtime payments to ensure that these were authorised appropriately prior to being authorised.
- Sample testing of 15 expense claims made ensuring that these included the relevant supporting documentation (where required) and were authorised appropriately.
- A review of the 3 months payroll reconciliations completed and payroll authorisation process for 2018/19 ensuring that there were no issues and that these were being carried out.
- A review of the monthly payroll for 2019 to ensure that this was properly authorised by a senior member of staff.

- Using our Data Analytics software, IDEA, to ensure there were no duplications or missing information within the payroll system. This involved ensuring there was no duplication of information, missing information and there were no unusual transactions. We also used our Data Analytics software to ensure the payroll information was only processed by members of the Payroll Team.
- A review of the new payroll system, to ensure it is operating as expected and meeting the expectations of the College.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide strong assurance that the new payroll system implemented by the College is operating as expected and that there are appropriate controls in place. We can also provide strong assurance that the payments being calculated by the system are accurate and are based on bona fide hours worked. We can also provide strong assurance that all deductions and additions to salaries are correctly calculated and properly authorised.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Payroll	0	0	0	0

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The College store payroll information such as reports, checks and documentation on the N Drive within the College intranet. The payroll folder is restricted to the staff members who require access. There are only 5 staff members who can access the folders, these being the Payroll Manager, Director of HR, Project Manager View and Amendments, Payroll Officer and Assistant HR & Payroll Officer.
2.	We used our Data Analytics software, IDEA, to confirm the following: <ul style="list-style-type: none">➤ All payroll transactions were processed by a member of the Payroll Team highlighting that only the Payroll Team have access to the payroll system;➤ There are no duplicate employees;➤ There are no duplicate bank accounts;➤ There are no duplicate employee numbers;➤ There are no duplicate National Insurance numbers;➤ All employee start dates are recorded;➤ All employees have an employee number, first name, surname, National Insurance number bank account details and start date recorded on the payroll system; and➤ There were no unusual transactions.
3.	The payroll reports and reconciliations are subject to rigorous checking and are approved prior to being submitted for final payment. There is adequate segregation of duties. From our sample testing of monthly payroll, we can confirm that the payroll was appropriately reviewed and authorised before being processed.

The following is a list of areas where the College is operating effectively and following good practice.

4.	From our sample testing of new starts, we found that their details had been accurately entered on to the system and their first wage was calculated correctly.
5.	From our sample testing of leavers, we found that their final wage had been calculated correctly and no further payments were received.
6.	Loans made to employees have been authorised by the Head of HR. Loans are for bona fide reasons and re-payment terms are appropriate.
7.	From our sample testing of expense claims, we can confirm that all were completed and authorised correctly before being processed.
8.	From our sample testing of overtime submitted by employees, we can confirm that the overtime was completed and appropriately authorised prior to being processed.
9.	We can confirm that no overtime has been claimed by a member of the Senior Management Team for 2018/19.
10.	From our sample testing, we can confirm that amendments made to salary rates are being appropriately authorised before being input into the system.
11.	The Payroll Team are pleased with the new payroll system as it is operating effectively and meeting the expectations of the College.

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Payroll

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	1	2
Number of recommendations at North East Scotland College	0	0	0	0

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	13 May 2019
Closing meeting	28 May 2019
Draft report issued	7 June 2019
Receipt of management responses	27 June 2019
Final report issued	28 June 2019
Audit & Risk Committee	10 July 2019
Number of audit days	4

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

4 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Supervisor	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com

North East Scotland College			
Key Contacts:	Kimra Donnelly	Director of Human Resources & Collegial Development	k.donnelly@nescol.ac.uk
	Linda Noble	Payroll Manager	l.noble@nescol.ac.uk

APPENDICES

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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 assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

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

Purpose of review

The purpose of this assignment is to review the new payroll system that the College has implemented to ensure this operating as expected and that there are appropriate controls in place. We will also look to ensure that the payments being calculated by the system are accurate and are based on bona fide hours worked and we will also consider all deductions and additions to salaries to ensure these are correctly calculated and properly authorised.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- Amendments to the payroll are appropriately reviewed and authorised prior to being processed through the payroll system.
- Wages and salaries are accurately stated in the accounting system.
- The new payroll system is operating as expected and meeting the expectations of the College.
- Staff are only paid for the hours that they have worked.
- Expense claims are appropriately authorised by the employees line manager and where necessary include the relevant supporting documentation.
- Leavers are appropriately removed from the system and final payments are accurately pro-rated.
- New starts are accurately entered onto the payroll system and are paid appropriately.
- The payroll is subject to checking and approval by a senior member of staff prior to being finalised.

- Severance packages have been calculated in accordance with the terms of the scheme.
- Access to the payroll system is restricted. There are appropriate access rights in place for payroll staff.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussion with key personnel to establish the current arrangements for payroll
- Evaluating these arrangements to confirm their adequacy
- Review of documentation to confirm that policies and procedures are in place, up to date and comply with relevant legislation and good practice.
- Testing to confirm that procedures are being adhered to by relevant staff
- Testing to confirm that payroll is being correctly calculated, authorised and recorded.
- Review of severance packages issued by the College.

- Discussions with relevant staff members to confirm that the new system is working as expected.
- Review of the expectations of the payroll system to ensure that they are being met and measured by the College.

It should be noted that any testing will be undertaken on a sample basis.

Potential key risks

The potential key risks associated with the area under review are:

- Unauthorised amendments may be processed, leading to unauthorised payments being made to employees or unauthorised deductions being made.
- The new payroll system is not operating as expected and is not meeting the expectations of the College.
- Staff are paid for hours that they have not worked.
- Expense claims are not genuine or are unauthorised expenses.
- Final salaries are not adjusted to reflect the employee's leaving date. Leavers continue to be paid after their last date of employment.
- Staff loans/equipment provided to employees are not recovered when the employee leaves the College.
- New starts salaries are not adjusted to reflect their start date.
- In the absence of approval at an appropriate level, the payroll may be manipulated with incorrect payments being made to certain employees.
- The College have not correctly applied the terms of their severance scheme resulting in incorrect payments being made to former employees.

- Unauthorised users gain access to payroll system and sensitive employee data.
- Payroll costs are not accurately recorded in the accounting system resulting in inaccurate management and year end statutory accounts.

North East Scotland College

Internal Audit 2018-19

Risk Management
June 2019

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this review was to ensure that the College has appropriate risk management arrangements in place and that these have been embedded throughout the whole College. This was a high-level review to provide assurance to the Board, via the Audit & Risk Committee, that the College's risk management arrangements are adequate.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- The College has set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives and communications).
- The College has adopted a systematic process in identifying, evaluating and measuring its strategic and operational risks.
- The College has adequate reporting in relation to risk management activities.
- The College is providing appropriate risk management training.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

The College's Risk Management framework is guided by a comprehensive Risk Management Policy that was last reviewed by the Regional Board in September 2018 and is next due for review in September 2020. The Policy outlines the College's underlying approach to risk management, documents the roles and responsibilities of the Regional Board, the Senior Management Team, and other key parties such as the Audit & Risk Committee. It also outlines key aspects of risk management processes and identifies the main reporting procedures.

Approach to Risk Management

The Risk Management Policy sets out the College's approach to risk and internal control stating that:

- The Regional Board has responsibility for overseeing risk management within the College as a whole;
- An open and receptive approach to solving risk problems is adopted by the Regional Board;
- The Principal and the Senior Management Team supports, advises and implements policies approved by the Regional Board;
- The College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- College managers are responsible for encouraging good risk management practice within their Sectors/Teams;
- Risk is considered and addressed as an integral part of the strategic and operational planning and review process; and,
- Key risk indicators will be identified and closely monitored on a regular basis.

Roles & Responsibilities

The role of the Regional Board includes:

- Setting the tone and to influence the culture of risk management within the College;
- Determining the risk appetite for the College;
- Monitoring the management of risk; and
- Annually reviewing the College's approach to risk management.

The role of the Colleges Senior Executive Team includes:

- Acting as the College's Risk Management Team;
- Implementing policies on risk management and internal control;

- Identifying and evaluating the significant risks faced by the College for consideration by the Regional Board;
- Provide adequate information to the Regional Board and committees on the status of risks and controls; and
- Providing confirmation of the operational effectiveness of the controls, processes and procedures in place within the College.

The Audit & Risk Committee has delegated authority for reviewing the Risk Management Policy and are responsible for satisfying itself that risks are being managed and will seek assurance on the adequacy of their management, including from internal and external auditors and the Senior Executive Team.

Risk Register

Strategic risks are identified by members of the Senior Executive Team (SET) and the College's Leadership Team and the Director of Strategy & Planning is informed and records the suggested risk. The Strategic Risk Register is discussed monthly at the SET meetings and the identification of risks is discussed. If the SET agree that a risk should be included in the Strategic Risk Register, the risk will be scored at the SET meeting without controls in place and with controls in place. The College's Strategic Risk Register is split into the 5 Strategic Goals and the risks are identified and recorded per their threat to the Strategic Goal. The Strategic Risk Register highlights if the risks are on target or above target, all risks above target are discussed at the Audit & Risk Committee.

Operational Risks are discussed throughout various management team meetings and are included within the Team & Faculty Enhancement Plans, however, there is no overall Operational Risk Register in place as noted within the Risk Management Policy, please see section 3 for further information.

Risk Appetite

The Risk Management Policy clearly outlines the College's risk appetite for each of the Colleges Strategic Themes. Where a risk is to be included within the risk register, the risk is scored against the risk appetite and tolerance thresholds stated within the Risk Management Policy. The risk is scored untreated and then with the controls in place. Once the risk has been scored following the consideration of controls, the risk is then assessed to judge if it is above or below the risk appetite of that area. If it is above the risk appetite of the College, then the risk will look to implement further controls to ensure the risk level is reduced. The 6 risk appetite levels are:

- Avoid - Not prepared to accept any risk.
- Adverse - College will accept smaller risks.
- Cautious - Low Degree of risk.
- Moderate - Modest Levels of risk.
- Open - Elevated levels of risk.
- Hungry - Greater levels of risk.

Work Undertaken

Our work for this review included the following:

- A review of the Risk Management Policy to ensure it adheres to best practice.
- A review of the structure of the roles and responsibilities of the Regional Board, Audit & Risk Committee and the College's Senior Executive Team.
- A review of the arrangements in place for the identification, evaluation, and monitoring of risk for the College.
- Reviewing whether the Strategic Risk Register has been monitored to ensure that risks are being correctly reported and aligned to the Strategic Plan.
- A review of the reporting arrangements for risk management via the Senior Executive Team, the Audit & Risk Committee and the Regional Board. This included a review to ensure they are robust and that there is sufficient challenge to risks.
- We reviewed what risk management training has taken place in the past and discussed the possibility of arranging future training for the Regional Board, Senior Executive Team and staff members.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide a strong level of assurance over the risk management arrangements in place at the College. However, we have raised 3 recommendations for improvement. Please see section 3 for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Risk Management	0	0	3	3

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The Principal provided a Risk Management Workshop at the November 2017 Board Strategy Event to Regional Board members, the College's then Senior Management Team (now Senior Executive Team) and the College's Directors.
2.	The Strategic Risk Register is reviewed and updated (if required) monthly at the Senior Executive Team meetings. The Strategic Risk Register is also reviewed annually by the Regional Board, the last review taking place in June 2018.
3.	The College has a clear and robust process in place for identifying, evaluating and measuring strategic risks. Strategic risks are identified, evaluated and measured by the Senior Executive Team. Members of the Senior Leadership Team and the Wider Executive Group can also highlight potential risks that are then discussed at the Senior Executive Team.
4.	The College has a detailed Strategic Risk Register in place. The Strategic Risk Register details the risk, risk score (likelihood, impact), controls to mitigate the risk, risk score after the controls, target risk score, further actions to take to improve controls and the risk owner.
5.	<p>The Risk Management Policy clearly outlines the College's risk appetite for each of the Colleges Strategic Themes. Where a risk is to be included within the risk register, the risk is scored against the risk appetite and tolerance thresholds stated within the Risk Management Policy. The risk is scored untreated and then with the controls in place.</p> <p>Once the risk has been scored following the consideration of controls, the risk is then assessed to judge if it is above or below the risk appetite of that area. If it is above the risk appetite of the College, then the College will look to implement further controls to ensure the risk level is reduced.</p>

The following is a list of areas where the College is operating effectively and following good practice.

6.	The College completed a Brexit impact analysis checklist that was received from the Scottish Funding Council in January 2019. The checklist found that the main risk to the College is the potential of increased competition for students from the two local universities should the number of their international students decrease. Following the completion of the checklist, Brexit was added to the Strategic Risk Register.
7.	The College has a comprehensive risk management policy in place. This is reviewed and approved by the Board of Management every three years. The policy was last updated in September 2018 and is due to be updated in September 2020.
8.	The Risk Management Policy clearly sets out the strategic direction of the College detailing roles, responsibilities and objectives.

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Risk Management

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	2	2	4
Number of recommendations at North East Scotland College	0	0	3	3

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 DETAILED RECOMMENDATIONS

Risk Management Training			
Ref.	Finding and Risk	Grade	Recommendation
2.	<p>The Principal provided a Risk Management Workshop at the Board Strategy Event in November 2017.</p> <p>Since November 2017, the College has revised its Risk Management Policy and Strategic Risk Register and that there was 4 new Board members appointed in August 2018 and another 2 will be appointed in August 2019.</p> <p>There is the risk that new Board members not fully aware of the new Risk Management Policy and their responsibilities regarding risk management.</p>	Low	We recommend that the College provide a further Risk Management Workshop to Board members.
Management response			Responsibility and implementation date
Further risk management training will be provided to Members as part of the Regional Board’s training and development programme for AY2019-20.			<p><i>Responsible Officer:</i> Regional Chair with Secretary to the Board</p> <p><i>Implementation Date:</i> July 2020</p>

3 DETAILED RECOMMENDATIONS

Risk Management Reporting			
Ref.	Finding and Risk	Grade	Recommendation
3.	<p>The College’s Strategic Risk Register is reviewed, discussed and updated (if required) monthly at the Senior Executive Team meetings. The Strategic Risk Register is also reviewed annually by the Regional Board.</p> <p>During our review, we found that the Strategic Risk Register is not a standing item for Audit & Risk Committee meetings. We note that it is common practice with our other College clients that the Strategic Risk Register is reported at each Audit & Risk Committee to consider and approve any amendments to the register. We do note that by the end of the academic year 2018/19, the Strategic Risk Register will have been reported to all the Audit & Risk Committee meetings held in 2019.</p> <p>There is the risk that the Strategic Risk Register is not reported in a timely manner to the relevant Committee which could result in the Committee/Board not challenging new risk identified by the College.</p>	Low	We recommend that the College include a review of the Strategic Risk Register as a standing item on the agenda for the Audit & Risk Committee.
Management response			Responsibility and implementation date
<p>The inclusion of the Strategic Risk Register as a standing item for meetings of the Audit & Risk Committee was reported at the Regional Board Meeting held in June 2019. The Strategic Risk Register will be considered at the next meeting of the Committee scheduled for July 2019, and will then continue to be reviewed by the Senior Executive Team on a monthly basis and included at all future meetings of the Audit & Risk Committee.</p>			<p><i>Responsible Officer:</i> Secretary to the Board</p> <p><i>Implementation Date:</i> July 2019</p>

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	13 May 2019
Closing meeting	28 May 2019
Draft report issued	7 June 2019
Receipt of management responses	27 June 2019
Final report issued	28 June 2019
Audit & Risk Committee	10 July 2019
Number of audit days	2

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

5 KEY PERSONNEL

We detail below our staff who will undertake the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Supervisor	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com

North East Scotland College			
Key Contact	Pauline May	Director of Strategy & Planning	p.may@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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.

A GRADING STRUCTURE

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

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

Purpose of review

The purpose of this review is to ensure that the College has appropriate risk management arrangements in place and that these have been embedded throughout the whole College. This will be a high-level review to provide assurance to the Board, via the Audit & Risk Committee, that the College's risk management arrangements are adequate.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- The College has set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives and communications).
- The College has adopted a systematic process in identifying, evaluating and measuring its strategic and operational risks.
- The College has adequate reporting in relation to risk management activities.
- The College is providing appropriate risk management training.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussion with key personnel to establish the current risk management arrangements
- Evaluating these arrangements to confirm their adequacy and whether they comply with current guidance and good practice
- Review of documentation to confirm that policies and procedures are in place and that current arrangements comply with good practice
- Review of training records for Committee members.

Potential key risks

The potential key risks associated with the area under review are:

- The College may not have set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives and communications).
- The College may not have adopted a systematic process for identifying, evaluating and measuring its key strategic and operational risks.
- The College may not have adequate reporting in relation to risk management activities.
- The College may not be providing appropriate risk management training.

North East Scotland College

Internal Audit 2018-19

Staff & Room Utilisation June 2019

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to evaluate the College's systems for staff & room utilisation and assess how this is managed within the College. We sought to provide assurance to the Board, via the Audit & Risk Committee, that the systems in place are efficient and effective. We also considered the integrity of the data being used for reporting with sample checks undertaken on the data.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- The College have a clear process in place to effectively monitor staff and room utilisation.
- There is a consistent approach in place for staff and room utilisation across the College.
- The timetabling process effectively addresses both staff and room utilisation appropriately.
- There is adequate reporting arrangements in place for staff and room utilisation.
- There is adequate software in place to manage staff and room utilisation.
- Staff and classroom information being generated from the system is in accurate.
- There are efficient processes in place for the management of staff utilisation.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

The Director of Student Access and Information is responsible for the management of the Central Timetabling Department. The Central Timetabling Department consists of an Acting Quality Services Manager for timetabling who reports to the Director of Student Access & Information. The Acting Quality Services Manager for timetabling is supported by a team of three, consisting of 2 full time Central Timetablers and 1 part time Support Officer.

The Central Timetabling Department use 2 software packages, Unit-E for maintaining student records and Celcat for timetabling. The Central Timetabling Department produce reports on staff and room utilisation for all lecturers, faculties and campuses within the College. The reports are prepared and emailed to the 3 Directors of Learning, all 9 Heads of Faculty and the Director of Student Access and Information.

The utilisation reports are created from Celcat and contains information relating to staff and room utilisation. The staff utilisation information covers the block targets for individual staff members and their actual hours which provides a percentage of hours completed against their target. Room utilisation can only be calculated by room frequency, the total hours divided by the available hours. Room utilisation does not have a set target, although Heads of Faculty aim to maximise all allocated rooms, especially general practice rooms as much as possible. If rooms are specialist rooms, only certain classes will be assigned to them.

The College has developed a comprehensive central timetabling framework document, reporting the timetabling process & responsibilities, the timetabling rules for class timetables and staffing. The process of timetabling at the College is as follows:

- The Heads of Faculty with the Directors of Learning in association with Senior Management Team will plan the Curriculum for the year.
- The Head of Faculty and Curriculum Managers creates the Programme of Study (POS) template which provides the curriculum for each block of the academic year.
- Heads of Faculty and Curriculum Managers identifies and allocates units/staffing and room and resource requirements on the POS.
- The Central Timetabling Team create a database with blank timetables for 2019/20.
- Heads of Faculty and Central Timetabling Team will meet to agree priorities to ensure group timetables templates can be prepared.

- The Central Timetabling Team prepare course timetables on Celcat to show free days and allocate access of the Celcat system to Heads of Faculty and Curriculum Managers for the timetabling process to be undertaken.
- The Central Timetabling Team extracts service information from the POS and distribute service requirements to the Heads of Faculty who will agree with the necessary changes before allocating the resources to the Central Timetabling Team that will input the service information onto Celcat.
- Access will be granted by the Central Timetabling Team to enable Heads of Faculty and Curriculum Managers to access Celcat.
- The Heads of Faculty and the Curriculum Managers will work together to create timetables for the year, including allocating specialist rooming. Meanwhile the Central Timetabling Team will monitor this process and raise issues where necessary.
- The Central Timetabling Team will close access to the Celcat system for Heads of Faculty and Curriculum managers and allocate rooms. Any amendment when allocating rooms will be discussed with the Head of Faculty.
- The Curriculum Managers will review the completed drafts for approval and final revisions.
- Various amendments are agreed by the Heads of Faculty in liaison with the Central Timetabling Team before and after the final versions are shared with teams and teaching staff.
- POS is entered into UnitE and highlighted to student records as well as the Central Timetabling Team. The Central Timetabling Team will review the timetables and make various checks in compliance with guidelines and report back issues to the Heads of Faculty.
- Curriculum Teams liaise with Central Timetabling Team to review block 2 timetables and agree amendments before the updated timetable is circulated to Curriculum Teams.

It is the curriculum staff who decide which room should be used for which class. They tend to allocate the rooms in line with the requirements of the course, i.e. a specialist room would not generally be used as a general-purpose classroom, unless that was the only room available. The specialist rooms are generally difficult to use for anything other than the purpose they were supposed to be used for, i.e. workshops etc. This is highlighted through the difference in the room utilisation at each campus. The current room usage figures for the 3 Campuses (City, Altens & Fraserburgh) are as follows for:

- Aberdeen City: 80%.
- Altens: 41%.
- Fraserburgh: 56%.

1 EXECUTIVE SUMMARY

The average room utilisation across the College is 54% which is a significant improvement from 41% highlighted within our Staff & Room Utilisation Report carried in March 2017. The current room usage figures across the 3 Campuses for the days of the week are as follows:

	Fraserburgh	Aberdeen City	Altens
Monday	54%	83%	43%
Tuesday	58%	86%	44%
Wednesday	59%	74%	45%
Thursday	60%	84%	42%
Friday	49%	73%	32%

As shown, the room usage across the College fluctuates throughout the week with a significant drop in usage on Friday as all campuses close early.

The Central Timetabling Team complete a room utilisation survey once per block to ensure that rooms are in use when booked. The Central Timetabling Team will notify Heads of Faculty where rooms are not being used, as they are responsible for filling their allocated rooms, thus enquiring as to why the room is empty at the time of the survey.

The Curriculum Team identifies programmes that will be delivered in the forthcoming year to meet targets for funding, provided to the College, for delivering these courses. The Curriculum Team will also measure the number of students for each programme by taking account of current applications, enquires and any follow-on students. The information that is provided to the Curriculum Team will assist them to build the plan on a programme by programme basis, evaluating the hours required to deliver the programme and the required staff to be allocated to the programmes. If for any reason the staffing hours is less than the required hours, agency staff will be used. The current staff utilisation figures across the 3 Campuses are as follows for:

- Aberdeen City - 92%.
- Altens - 93%.
- Fraserburgh - 94%.

Work Undertaken

Our work for this review included the following:

- Discussions with relevant staff regarding the processes in place for the monitoring of staff and room utilisation and the reporting in place to Senior Management regarding staff and room utilisation;
- A review of the College's framework relevant to the staff and room utilisation process;
- A review of reporting arrangements in relation to staff and room utilisation;
- A review of statistical information in relation to curriculum planning and staff contact time to ensure this was in line with relevant guidance;
- A review of the timetabling process to check for accuracy against staff and room utilisation;
- A review of the College's software for producing and monitoring staff and room utilisation with sample testing where appropriate for accuracy; and
- A review of the process in place for the utilisation and procurement of supply staff.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide a strong level of assurance over the College's systems for staff and room utilisation and how this is managed within the College. We can also provide a strong level of assurance over the integrity of the data being used for reporting.

Summary of recommendations

Grading of recommendations				
	High	Medium	Low	Total
Staff & Room Utilisation	0	0	0	0

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The management within the College fully explore other options before the use of supply staff is considered. The Directors of Learning and Head of Faculties review the staff utilisation reports to see if any staff member is available to fill in. Timetabling staff are also able to help find an alternative staff member to fill a shortfall if required.
2.	From our sample testing we found that the College accurately records staff utilisation and room frequency figures. We carried out accuracy tests to ensure that reports prepared on the Celcat. Staff utilisation was accurate as we tested using staff timesheets and comparing them to timetables and room frequency was tested by using room surveys, taken each block, and comparing them on the Celcat for booked rooms.
3.	The timetabling system used by the College, Celcat, is fit for purpose, easy to use and provides the College and its staff with the appropriate tools to be able to complete the timetabling process.
4.	There are adequate reporting arrangements in place for staff utilisation. The fortnightly reports received from the Timetabling Team allow the Heads of Faculties and Directors of Learning to monitor and discuss staff utilisation at Faculty and Curriculum meetings.
5.	The College has implemented a new timetabling process for 2019/20. The timetabling team were responsible for timetabling courses and staff. Currently, the Curriculum Team (Heads of Faculty and Curriculum Managers) are now responsible for timetabling and allocating of staff and courses under the supervision of the timetabling team. The Curriculum Team will draft a timetable of courses and submit this to the Timetabling Team for review and allocation of rooms. Several meetings are then held between the Curriculum Team and the Timetabling Team to ensure the timetable is suitable for all faculties.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

- | | |
|----|--|
| 6. | The College has developed a comprehensive central timetabling framework document, reporting the timetabling process & responsibilities, the timetabling rules for class timetables and staffing. |
| 7. | The Timetabling Team provide the Heads of Faculties, Directors of Learning, Director of Student Access & Support with a staff and room utilisation report on a fortnightly basis which shows a breakdown of all curriculum staff utilisation, staff utilisation by curriculum, staff utilisation by campus and individual room occupancy per campus. |

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Staff & Room Utilisation

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	0	3	3
Number of recommendations at North East Scotland College	0	0	0	0

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

The following is a list of observations from our review

1. Within our Staff & Room Utilisation Report carried out in March 2017, we raised a point that the reports provided by the Timetabling Team are unable to provide live room utilisation figures. We note that the Celcat software allows for a room utilisation figure to be calculated but this is only done using total class size data which is fed from Unit-E and not the live data from registers. As a result, any report produced by Celcat on room utilisation is not reflective of actual attendance. The College considered the use of Celcat Live to resolve this issue and signed up to a live trial of the system. Following the live trial, the College decided that this was not the best use of resources and to continue to use the room utilisation figure reported in the Celcat reports.

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	13 May 2019
Closing meeting	28 May 2019
Draft report issued	7 June 2019
Receipt of management responses	27 June 2019
Final report issued	28 June 2019
Audit & Risk Committee	10 July 2019
Number of audit days	5

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

5 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCreedy	Internal Audit Supervisor	scott.mccreedy@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com

North East Scotland College			
Key Contacts:	Linda Taylor	Director of Student Access & Information	ltaylor@nescol.ac.uk
	Lynn Burns	Acting Quality Services Manager	l.burns@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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.

A GRADING STRUCTURE

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

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

Purpose of review

The purpose of this assignment is to evaluate the College's systems for staff & room utilisation and assess how this is managed within the College. We will seek to provide assurance to the Board, via the Audit & Risk Committee, that the systems in place are efficient and effective. We will also consider the integrity of the data being used for reporting with sample checks undertaken on the data.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- The College have a clear process in place to effectively monitor staff and room utilisation.
- There is a consistent approach in place for staff and room utilisation across the College.
- The timetabling process effectively addresses both staff and room utilisation appropriately.
- There is adequate reporting arrangements in place for staff and room utilisation.
- There is adequate software in place to manage staff and room utilisation.
- Staff and classroom information being generated from the system is accurate.
- There are efficient processes in place for the management of staff utilisation.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review has been:

- Review of all relevant policies and strategies.
- Discussion with relevant staff to establish arrangements.
- Review of reporting arrangements.
- Review staff and room utilisation statistics.
- Review of timetabling process.
- Review of procedures and sample testing where appropriate.
- Review of information systems to ensure they are fit for purpose.

Potential key risks

The potential key risks associated with the area under review are:

- The College may not have a clear process in place to effectively monitor staff and room utilisation.
- There may be inconsistent approaches in place for staff and room utilisation across the College.

B ASSIGNMENT PLAN

- The timetabling process may not effectively address both staff and room utilisation appropriately.
- There may be inadequate reporting arrangements in place for staff and room utilisation.
- The software being used to manage staff and room utilisation may not effectively consider class sizes or particular course requirements.
- There may be incorrect information being generated from the system resulting in inaccurate reporting on staff and room utilisation.
- There may be inefficiencies in staff utilisation resulting in excessive levels of supply staff being used.

North East Scotland College

Internal Audit 2018-19

Strategic & Business Planning
March 2019

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

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We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to review the College's Strategic Plan and undertake detailed testing to ensure compliance with the College's systems and procedures. We also reviewed the overall controls in place to ensure planning is appropriately carried out.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- The College has robust planning processes in place to develop its Strategic Plan.
- The College regularly reviews and monitors its Strategic Plan.
- The Strategic Plan articulates the objectives of the College.
- The Strategic Plan is linked to the strategies of the College and the College's annual budget.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

During academic year 2017/18, the College developed a new Strategic Plan 2018-21. The Strategic Plan was formally approved at the meeting of the Regional Board in June 2018. There is a suite of supporting strategies that sit beneath the Strategic Plan, 7 of which were approved by the Regional Board & Committees between September 2018 and January 2019. The 8 supporting strategies are:

1. Access & Inclusion;
2. Business Development;
3. Finance;
4. Information Technology;
5. Learning & Teaching;
6. Marketing & Communications;
7. People; and
8. Estates (expected to be completed by June 2019).

The Strategic Plan 2018-21 focuses on 5 Strategic Themes with accompanying goals, these being:

- 1) Being Responsive - Deliver high quality, accessible and inclusive learning and training opportunities, which transform lives, and which support the economic and social development of our region.
- 2) Development People – Develop the skills, talents and potential of all the people who come to College either to learn or to work.
- 3) Working in Partnership – Work with our partners to deliver positive and sustainable change for individuals, communities and businesses in our region.
- 4) Delivering Quality – Deliver an excellent learning environment and experience leading to successful outcomes for all learners.
- 5) Building Sustainability – Optimise the use of our available resources to deliver financial and environmental sustainability.

For each Strategic Theme, the College has outlined numerous strategic objectives in order to achieve the desired outcome of the Strategic Plan. The College set annual priorities that are linked to the achievement of meeting the strategic objectives, there are 20 annual priorities for 2018/19. The annual priorities provide the College with areas of key focus for the academic year to ensure that the College is delivering the strategic themes contained within the Strategic Plan.

The College complete a mid-year progress update on the annual priorities along with an annual report. The mid-year progress was completed in February 2019 and is being presented to the Regional Board on the 13th March 2019. The Director of Strategy & Planning is currently refining a Key Strategic Indicator Table to evidence progress against the Strategic Plan. This will be reviewed, updated and reported to the Board annually.

The College holds 2 strategy events annually. One is held October/November and the other in April. The event held in October/November is to review the Colleges overall strategy and horizon scanning. The meetings in Academic Year 2017/18 were focused on the development of the new strategic plan.

Development of the Strategic Plan 2018-21

The Principal was the main author of the Strategic Plan supported by the Director of Strategy & Planning. The development of the Strategic Plan included input from a wide range of stakeholders including Regional Board members, staff, students and the wider community.

Regional Board

The development of the Strategic Plan 2018-21 began during the Regional Board Strategy Event held in November 2017. The Senior Management Team (now Senior Executive Team) and the Directors within the Leadership Team were also present. At the strategy event, the Principal held a session on the development of the College's Strategic Plan and 3 workshops with attendees covering:

- The key messages the strategic plan must contain;
- What the strategic goals could be; and
- What the College consider success to be.

A second strategy day for the Regional Board and the Senior Executive Team was held. A key part of the day was the Strategic Plan and a workshop was held where draft strategic themes and goals were presented for review and comment.

Staff

The College held a Staff Development Day in January 2018 which included a mandatory session to provide staff with the opportunity to feed into the College's strategic themes and goals. Following this, the College held some workshops with the Leadership Team in April 2018 to help to define the plans, strategic themes, goals and objectives.

Students

Two consultation workshops were held by the College with the Students' Association in February & March 2018 to ensure their input was included within the plan. This covered what the NESCol of the future would look like, how the College would respond to the needs of the Region and the needs of the student body.

Wider Community

The College held several stakeholder events in October & November 2018 involving key regional stakeholders such as local head teachers, MPs, MSPs, Chamber of Commerce.

The first draft of the Strategic Plan 2018-21 was submitted to the Regional Board in June 2018. The Regional Board approved the plan and congratulated the staff involved in the process.

Work Undertaken

Our work for this review included the following:

- Discussions with key personnel over the Strategic Planning processes in place at the College.
- A review of the Strategic Planning processes in place at the College.
- A review of the monitoring and reporting procedures in place in relation to strategic objectives.
- A review of the strategic plans to ensure they are realistic and are considered in the preparation of the College's budget.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide a strong level of assurance of the College's Strategic Plan and its compliance with the College's systems and procedures. We can also provide a strong level of assurance around the planning and development of the Strategic Plan.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Strategic & Business Planning	0	0	0	0

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

- | | |
|----|--|
| 1. | The College has a robust Strategic Plan which is supported by a suite of supporting strategies, which are then implemented throughout the College and individual departments operating plans. |
| 2. | The College set a number of Annual Priorities, 20 for 2018/19, designed to ensure the College meet the aims identified in the Strategic Plan. Progress against the Annual Priorities are closely monitored by the Senior Executive Team and the Leadership Team while performance is reported to the Regional Board throughout the year. The February 2019 progress report highlighted that the College is making good progress with the Annual Priorities for 2018/19. |
| 3. | <p>The College's Strategic Plan clearly outlines the 5 Strategic Themes of the College, these are:</p> <ol style="list-style-type: none">1. Being Responsive;2. Developing People;3. Working in Partnership;4. Delivering Quality; and5. Building Sustainability. <p>Each Strategic Theme has an accompanying Strategic Goal and a number of objectives to achieve during the duration of the Strategic Plan. The College's Strategic Themes, Goals & Objectives are realistic and achievable.</p> |

The following is a list of areas where the College is operating effectively and following good practice.

4.	<p>The College has a robust strategic planning process in place which encourages stakeholders at all levels to participate in the delivery of the aims of the Strategic Plan. This is led by the Director of Strategy & Planning and the Senior Executive Team. This included the following:</p> <ul style="list-style-type: none">➤ Strategy Events for the Regional Board;➤ Stakeholder events involving key regional stakeholders such as local head teachers, MPs, MSPs and the Chamber of Commerce;➤ Staff sessions on the Strategic Plan at the Staff Development day; and➤ Workshops with the Students' Association.
5.	<p>The College has a Power BI Data Dashboard which shows live information on the College's performance in the current year and trend data for the previous academic year covering applications, enrolments, results, credit performance and attendance.</p>
6.	<p>The College has a Strategic Planning Cycle in place. This cycle links into the Strategic Planning, Curriculum Planning, Quality Planning & Business Planning. The cycle also shows how the planning links into the Regional Board and its committees. The cycle is reviewed annually, however, the Director of Strategy & Planning is currently reviewing with the Senior Executive Team and the relevant Leadership Team members to determine if any adjustments are required. Any adjustments will then feed into the schedule and programmes of business for upcoming Board/Committee/Action Team meetings.</p>
7.	<p>The College's Annual Budget is developed to allow the College to meet the strategic themes set within the Regional Outcome Agreement & the Strategic Plan. We note that the College are currently budgeting for a deficit of £500k to ensure they meet the aims of the Strategic Plan and the Regional Outcome Agreement. Although the College are budgeting a deficit, they are still complying with the Scottish Funding Council instruction to fully utilise resource and cash available.</p>

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Strategic & Business Planning

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	2	3
Number of recommendations at North East Scotland College	0	0	0	0

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	4 March 2019
Closing meeting	15 March 2019
Draft report issued	26 March 2019
Receipt of management responses	4 April 2019
Final report issued	9 April 2019
Audit & Risk Committee	10 July 2019
Number of audit days	4

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

4 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com

North East Scotland College			
Key Contacts:	Pete Smith	Vice Principal - Finance & Resources	pe.smith@nescol.ac.uk
	Pauline May	Director of Strategy & Planning	p.may@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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.

A GRADING STRUCTURE

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

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

Purpose of review

The purpose of this assignment is to review the College's Strategic plan and undertake detailed testing to ensure compliance with the College's systems and procedures. We will also review the overall controls in place to ensure planning is appropriately carried out.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- The College has robust planning processes in place to develop its Strategic Plan.
- The College regularly reviews and monitors its Strategic Plan.
- The Strategic Plan articulates the objectives of the College.
- The Strategic Plan is linked to the strategies of the College and the College's annual budget.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review has will be:

- A detailed review of the strategic development plan and the business plan.
- Discussions with key personnel to identify the processes involved in developing the plans.
- A review of the processes involved in developing the plans.

Potential key risks

The potential key risks associated with the area under review are:

- Planning processes with respect to the development of the College's strategic plan are not robust.
- There is no regular review or monitoring of the Strategic Plan by the College.
- The Strategic Plan does not articulate the objectives of the College.
- The Strategic Plan is not linked to the strategies of the College or its annual budget.

North East Scotland College

Internal Audit 2018-19

Student Records
March 2019

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to review the student records system and in particular the reporting arrangements in place. We looked at whether there is evidence for why students are leaving courses, the actions being taken to address this, success rates, and how this compared to other colleges. We also reviewed the level of in year reporting and the alerts for any shortfalls in targets.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- Student records are run in an effective and efficient manner.
- Withdrawals are processed in a timely manner and in line with guidance from the Scottish Funding Council and evidence of the students reasons for leaving is sought and received.
- The College have an action plan in place to address the number of students leaving courses.
- The College review the success rates of courses and take appropriate action to address this.
- The College's withdrawal and success rates compare favourably with that of our other Scottish college clients.
- There is adequate reporting to Senior Management and Board within the year to highlight any shortfalls in targets and the steps the College have taken to address them.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

Student Records

The Director of Student Access & Information is responsible for the Student Records Team within the College and reports to the Vice Principal: Access, Outcomes & Partnerships. The Student Records Team is based within the Aberdeen City Campus and the Fraserburgh Campus. The Student Data & Records Manager manages the department on a day to day basis and visits the Fraserburgh Campus once per week. Within the Aberdeen City Campus there are the following staff:

- Student Data & Records Manager;
- Student Records Officer (Curriculum & Finance); and
- 3 Student Records Assistants.

Within the Fraserburgh Campus there is:

- A Student Records Officer; and
- 2 Student Records Assistants.

The Student Records Team has a suite of Policies & Procedures in place on COLin, the College's staff intranet, to provide guidance on the operations of the Team. The Teams at Aberdeen City Campus and Fraserburgh are responsible for certain areas of work while some work is split between the two campuses although both Campuses help the other when required.

Aberdeen City Campus responsibility:

- The processing of all student records and courses at the Aberdeen City Campus and the Altens campus. This includes the preparation of:
 - Timetable for the creating of the attendance register;
 - Student enrolment;
 - Student withdrawal;
 - Student transfers;
 - Student details update;
- Student results for all campuses;
- Course cancellations where students or clients have paid for courses and this has been cancelled;
- SAAS reports on enrolment, attendance and withdrawal;
- Scottish Loan Company updates;
- SQA registrations; and
- EAL registrations.

Fraserburgh Campus responsibility:

- All student records and courses at the Fraserburgh Campus. This includes the preparation of:
 - Timetable for the creating of the attendance register;
 - Student enrolment;
 - Student withdrawal;
 - Student transfers; and
 - Student details update.
- Business Community Development enrolment, withdrawals, timetable, transfers and students details update.

The Student Records Team use the following systems:

- Unit-e for the processing of student records;

- Resulting Online System (RON) which allows the College to verify Scottish Qualifications Authority subjects prior to registration, resulting of courses and processing student outcomes;
- Online CS2 system for processing student withdrawals; and
- Columbus is used for recording attendance.

Withdrawals

The College use the Online CS2 system to monitor withdrawals. The student's withdrawal is processed by either the Curriculum Manager or the Head of Faculty (rarely) and ultimately must be approved by the Head of Faculty when it hasn't been processed by them. Once approval is received by the Head of Faculty Student Records are electronically informed that the student's withdrawal can be processed. The Student Records Team will then review the withdrawal prior to processing, this includes ensuring the students last date of attendance is the withdrawal date in line with the Scottish Funding Council requirements.

Self-Evaluation & Enhancement Plans

Annual Programme Review

Annually each course is subject to an Annual Programme Review (APR) that looks at recruitment, retention and success and where there are areas the courses are not meeting targets. From this an action plan is drafted for the following year. The APR is finalised in August annually looking at recruitment, learning & teaching and overall KPIs of the course. When the final document is produced in August the actions are reviewed to ensure they are appropriate by the Heads of Faculty and Curriculum Managers. The APR covers the following areas:

- Report on the progress of the previous year Enhancement Plan;
- Course Performance including a review of course recruitment, learner experience and outcomes (based on withdrawals, support and attendance), learner feedback from the first impressions survey;
- Learner Experience including a review of the learner satisfaction survey;
- Learner Retention & Attainment which includes a review of withdrawal (Early & Further) and Success (Partial & Further); and
- Enhancement Plan for following year.

Faculty Review

The APR for each course then feeds into the overall Faculty Review (FR). Similar to the APR, the FR creates a Faculty Self Evaluation & Enhancement Plan. This covers numerous areas such as:

- Report on the progress of the previous year Enhancement Plan;
- Review of commercial activity (if applicable);
- Composition and functions team/s. This is a review of the faculty structure, staffing, commercial activity, working with external stakeholders (schools, universities etc);
- Portfolio amendments. This is a review of why (if any) courses have been discontinued or new courses implemented;
- Faculty Key Performance Indicators. This is a review of the Faculties performance against the College's Key performance Indicators;
- Faculty satisfaction data. This is a review of the satisfaction surveys completed by students within the Faculty;
- Mainstreaming Equality. This is a review of the equality statistics within the Faculty.
- Faculty Self-evaluation and review. This is a review of the what the Faculty does well and what can be improved upon; and
- Enhancement plan for following year.

College wide Self Evaluation & Enhancement Plan

The College prepare an Evaluative Report & Enhancement Plan that is delivered to the Scottish Funding Council & Education Scotland. This report evaluates the provision and services offered by the College.

The College wide Enhancement Plan is aimed at improving student experience and results. This should be a reflection of where the College are and how they are going about improving attainment and plans.

The Enhancement plan has highlighted underperforming areas such as Care, Business & Engineering. The College subsequently asked Education Scotland to complete a review of how best to improve outcomes for Care Services. The College received feedback on this on the 3rd March 2019 and are currently reviewing this at the time of our audit.

Support Framework

The College implemented a new Framework for Supporting Students. This was to further the College's Commitment to continuous improvement in the provision of quality services. This included a "review and restructure of the student information, advice, support and guidance services to enable a refined and sustainable whole-College approach to student support to be introduced". The College introduced a Student Advice Centre at each Campus to ensure parity of experience & support and to ensure a local support team and local management of key areas.

The new College wide approach required all staff to be aware of their obligations and responsibilities to providing student advice and support. To support the new Framework for Supporting Students, the College developed guidance on how the following should be managed:

- Student attendance;
- Student discipline;
- Student information, advice and guidance;
- Additional Learning Support; and
- Mental Health First Aid and Safeguarding.

Academic Tutoring

The College acknowledge the importance of academic tutoring and the crucial role it plays in delivering a positive student experience which encourages attendance, retention and success. As such all students are allocated an Academic Tutor to support them throughout their College experience. The Academic Tutor is expected to provide the following activities to students throughout the year:

- Induction – get to know the student through the induction programme.
- Initial Support – be the first point of contact for academic, personal and social support for the student.
- Attendance – monitor attendance and refer concerns to the College Administrators or the Curriculum Managers when appropriate.
- Academic Development – to meet with student once per term to discuss and encourage the student.
- Additional Support Needs – to ensure that any student who declares an additional learning or support need is referred to the appropriate team for assessment.
- Student Engagement – to encourage the student to participate in College activities.

- Care Experienced Students – to work with the Student Advice and Support Team to monitor and support students with a Care Experienced background.
- Transitions – to work collaboratively with the Student Advice & Support Team and the Students Association to plan activities that provide students with relevant careers, employability, enterprise and articulation guidance and advice.
- Evaluation and Review – to attend all relevant committee meetings where possible and be actively involved in the Annual Programme Review.

Comparison of Withdrawal and Success with our other Scottish College Clients for 2017/18

We completed a comparison of the College’s performance against that of our other Scottish College clients for early withdrawal, further withdrawal, Partial Success and further success for both full time and part time courses. The table below highlights that the College produced the best results in 5 areas. Where the College did not have the best result, they were within 1% of the other 3 areas. Please see comparison table below (top performer is highlighted in bold):

	NESCol	College 1	College 2	% difference if NESCol not the top performer
Full time early withdrawal	6.49%	9.70%	6.36%	0.13%
Part time Early withdrawal	3.48%	7.22%	3.91%	
Full Time Further withdrawal	13.73%	12.77%	15.88%	0.96%
Part Time Further Withdrawal	4.72%	10.05%	7.42%	
Partial Success	10.13%	8.52%	8.88%	
Partial Success Part Time	13.02%	9.62%	6.2%	
Further Success	69.66%	63.26%	70.60%	0.94%
Further Success Part Time	80.27%	73.06%	79.95%	

Monitoring & Reporting

The College closely monitor enrolments and withdrawals throughout the year. This included a report to the Regional Board in October 2018 to inform the Regional Board of the current position in relation to planned credit activity. The report also contained a risk matrix table highlighting the potential impact of the College not achieving the credit target of 135,530. Following the early withdrawal period, the College were aware that they would not meet their credits target and officially notified the Scottish Funding Council in December 2018. The College then held meetings with the Scottish Funding Council who formally agreed to a reduction in the credit target to 132,530.

Work Undertaken

Our work for this review included the following:

- Discussions with the relevant staff members in the Student Records Team and a review of the current arrangements in place.
- A review of the College's policies and procedures in relation to student records to evaluate whether they contained sufficient detail to ensure the efficient running of the Student Records Team.
- A review of the withdrawals process in place and that this is adhered to including sample testing of 15 students to ensure the withdrawal was processed in line with procedures.
- A review of all students who withdrew in 2018/19 at the time of our audit in March 2019 to ensure that the students last date of attendance was recorded as their withdrawal date.
- A review of the methods used by the College to monitor and report student withdrawal and success throughout the year.
- A comparison of the College's performance for student withdrawal and success with that of our 2 other Scottish College clients.
- A review of the reporting arrangements in place regarding student withdrawal and success to the Senior Executive Team, Wider Executive Group and the Curriculum & Quality Committee.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide a strong level of assurance over the student records system used by the College and the reporting arrangements in place. We can also provide a strong level of assurance that the College seek and retain evidence for students leaving courses and success rates of students and have taken action to address this. We can confirm that the College compares favourably when compared with our other Scottish College clients for withdrawals and success.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Student Records	0	0	0	0

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	<p>Our sample testing confirmed that withdrawals were processed in a timely manner and in line with guidance from the Scottish Funding Council. Our sample testing of 15 students showed the College procedure for withdrawals was adhered to.</p> <p>There were 868 withdrawals at the time of our audit on 08/03/19. We can confirm that all withdrawal dates matched the last date of attendance in line with Scottish Funding Council requirements. We note that one student's withdrawal date is being queried by the Student Records Team due to their attendance pattern.</p>
2.	<p>The Student Data & Records Manager completes verification reports on students who have not attended in a while but are still enrolled to ensure the College records are accurate. The reports are provided to the Directors of Curriculum who will investigate the reasons for the students non-attendance and consider if they should be withdrawn.</p>
3.	<p>We carried out a comparison between NESCol and our 2 other Scottish College clients for student withdrawals and student success and can confirm that NESCol compares favourably when benchmarked against our other College clients. NESCol was the top performer in 5 of the 8 areas. Where NESCol was not the top performer they were within 1% of the other college. Please see the Executive Summary for our comparison.</p>

The following is a list of areas where the College is operating effectively and following good practice.

4.	<p>The College has a thorough review process in place which includes a review of student attainment and success. The review is split into 3 levels:</p> <ul style="list-style-type: none">➤ Course review;➤ Faculty review; and➤ College wide review. <p>Each review includes an Enhancement Plan for improvement in the following year and a report on the progress of the previous years Enhancement Plan.</p> <p>Where underperforming areas are found such as Care, Business & Engineering, the College take steps to improve the areas where possible or complete a further review on the area. An example of this was when the College worked with Education Scotland to review and improve outcomes for Care Services. The College received feedback from Education Scotland on the 3rd March 2019 and are currently reviewing the report at the time of our audit.</p>
5.	<p>The College highlighted that early intervention is key to improving student retention and success. Students have a weekly hour-long class with their Academic Tutor. During this class, the Academic Tutor can discuss areas of concern with students such as attendance and performance. If the student requires further help, the Academic Tutor can then speak to other departments who can further help the student such as the Student Advice Centre.</p>
6.	<p>There is a clear structure in place in the Student Records Team and there are detailed procedures that document the steps necessary to complete tasks within the department.</p>
7.	<p>The Student Data & Records Manager manages the Student Records Team on a day to day basis and is based at the Aberdeen City Campus. However, the Student Data & Records Manager visits the Fraserburgh Campus once per week or more as required to ensure the efficient running of the Team from the Fraserburgh Campus.</p>

The following is a list of areas where the College is operating effectively and following good practice.

8.	The Student Records Team is based at both the Aberdeen City Campus and the Fraserburgh Campus. There is a schedule of team meetings held to share information and updates. The team meetings are held via Video Conferencing to ensure both Campuses attend each meeting.
9.	The College implemented a new Framework for Supporting Students. This was to further the College's Commitment to continuous improvement in the provision of quality services. This included a Student Advice Centre being installed at each Campus. To support the new Framework for Supporting Students, the College developed guidance on how the following should be managed: <ul style="list-style-type: none">➤ Student attendance;➤ Student discipline;➤ Student information, advice and guidance;➤ Additional Learning Support; and➤ Mental Health First Aid and Safeguarding.
10.	The College acknowledge the importance of Academic Tutoring and the crucial role it plays in delivering a positive student experience which encourages attendance, retention and success. As such all students are allocated an Academic Tutor to support them throughout their College experience.
11.	Senior Management and the Regional Board are provided with detailed reports on withdrawals and success throughout the year and areas of concern. The Director of Strategy & Planning noted that the College are reviewing the reporting timescales with the Curriculum & Quality Committee and the Regional Board to further strengthen the information provided.
12.	The College has a Power BI data dashboard that shows live information on the College's performance in the current year and trend data for previous academic year covering withdrawals and success rates. Power BI is used during Wider Executive Group meetings to review live information on student withdrawals and success.

The following is a list of areas where the College is operating effectively and following good practice.

- | | |
|-----|--|
| 13. | The College set up a Curriculum & Quality Action Team who meet regularly to review the learning outcomes and attainment and to review areas for improvement. |
|-----|--|

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Student Records

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	3	4
Number of recommendations at North East Scotland College	0	0	0	0

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

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Number of audit days	4

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

4 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
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North East Scotland College			
Key Contacts:	Neil Cowie	Vice Principal: Access, Outcomes & Partnerships	ncowie@nescol.ac.uk
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	Susan Betty	Director of Learning: City Campus	s.betty@nescol.ac.uk
	Robin McGregor	Director of Learning: Enhancement, Support and Fraserburgh Futures	r.mcgregor@nescol.ac.uk
	Susan Grant	Director of Learning: Equalities, Analytics and Altens Futures	s.grant@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

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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 assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

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

Purpose of review

The purpose of this assignment is to review the student records system and in particular the reporting arrangements in place. We will look at whether there is evidence for why students are leaving courses, the actions being taken to address this, success rates, and how this compares to other colleges. We will also review the level of in year reporting and the alerts for any shortfalls in targets.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- Student records are run in an effective and efficient manner.
- Withdrawals are processed in a timely manner and in line with guidance from the Scottish Funding Council and evidence of the students reasons for leaving is sought and received.
- The College have an action plan in place to address the number of students leaving courses.
- The College review the success rates of courses and take appropriate action to address this.
- The College's withdrawal and success rates compare favourably with that of our other Scottish college clients.
- There is adequate reporting to Senior Management and Board within the year to highlight any shortfalls in targets and the steps the College have taken to address them.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussion with key personnel to establish the current arrangements for student records.
- Evaluating these arrangements to confirm their adequacy.
- Review of the evidence received by the College when students withdraw from a course. Sample testing of student withdrawals to ensure the College hold the relevant information.
- Review the actions taken by the College to address areas where there is a high level of student withdrawal.
- Review of student success rates to ensure the College take appropriate action where success rates are low.
- A comparison of withdrawal and success rates with our other Scottish college clients and the actions they take to improve poor performing areas.
- Review of the reporting arrangements in place to Senior Management and the Board.

Potential key risks

The potential key risks associated with the area under review are:

- The processes within the Student Records department are inefficient and ineffective.
- Withdrawals are not processed in a timely manner and in line with guidance from the Scottish Funding Council and evidence of the students reasons for leaving is not sought and or received.
- The College do not have an action plan in place to address the number of students leaving courses.
- The College do not review the success rates of courses and do not take appropriate action to address this.
- The College's withdrawal and success rates do not compare favourably with that of our other Scottish college clients.
- There is inadequate reporting to Senior Management and Board within the year and does not highlight any shortfalls in targets and the steps the College have taken to address them.

North East Scotland College

Internal Audit 2018-19

NESCol@Altens
June 2019

Overall Conclusion

Substantial

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to review the structure and workload within the Altens Campus, compliance with the College's systems and procedures and the overall systems and controls in place to manage the Campus. Our review also considered the delivery of support services in the Student Advice Centre.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- The Altens Futures Project is able to take into account the specific needs of the Altens Campus.
- Once highlighted the College and the Altens Futures Project take the appropriate steps to respond to the Campus needs.
- The Campus support team is suitably structured to enable it to perform in an efficient and effective manner.
- Adequate information is provided to the College's Senior Executive Team.
- The Student Advice Centre is delivering the required support within the campus.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

From 1st August 2018, a new management structure was implemented at the Altens Campus. The Campus Management Team consisted of:

- Vice Principal: Learning & Quality; and
- Director of Learning: Equalities, Analytics and Altens Futures.

The Campus Management Team listed above are based at the Campus for at least 2 days per week. However, we note that the Vice Principal: Learning & Quality left the College in January 2019 and has not been replaced. The Director of Learning: Equalities, Analytics and Altens Futures is supported by a Promoted Staff Team who are solely based at the Campus. This consists of:

- The Head of Faculty; and
- 5 Curriculum Managers.

The Vice Principal: Learning & Quality with assistance from the Director of Learning: Equalities, Analytics and Altens Futures developed an Altens Campus Master Action Plan in August 2017. The plan is a live document and is monitored and updated as required. The purpose of the Plan was to address the needs of the Campus and put actions in place to address these. The plan is specific to the Campus and improving it covering areas such as:

- Culture;
- Communication;
- Student Engagement;
- External Liaison;
- Curriculum Development;
- Staffing; and
- Facilities.

The Altens Promoted Staff Team are responsible for the monitoring of the plan and putting the actions in place. The Altens Promoted Staff Team meet every 2 weeks. During these meetings all operational issues at the Altens Campus are discussed. The Altens Campus Master Action Plan is discussed on an adhoc basis at the meetings. We have raised a recommendation regarding this, please see section 3 for further information. Since the Vice Principal: Learning & Quality left the College in January 2019. The College's Senior Executive Team prepared a rota of who would attend the Campus Promoted Staff Team meetings. The College implemented this rota to ensure that the Campus received some support from the Senior Executive Team.

Student Advice Centre

Each Campus now has its own Student Advice Centre with dedicated staff covering learning support, employability, careers support and funding support. The Student Advice Centre at the Altens Campus was opened on the 1st August 2018 to ensure students are not being sent to different campuses and can receive the support within the Altens Campus. However, due to the level of student activity requested at the Campus, staff from the Student Advice Centre asked to be relocated to a different Campus to increase their workload. As a result, a different member of the Student Support Team is based at the Altens Campus each day from 8.30am to 12.30pm.

During academic bock 1 2018/19 the Student Advice Centre has delivered the following:

- Inductions to all classes within the Campus;
- In class support for a Construction Class Group; and
- 2 UCAS application events.

The Student Association has also sought to put on other events such as a general UCAS drop in session that was not attended by any students, and a Skills Development Scotland Employability Programme that was dropped after the Christmas break as no students requested to meet with SDS. The low level of student activity within the Student Advice Centre compared with other College campuses is further highlighted by the table on the following page:

Campus	Student Numbers Block 1 (FT & PT)	Student Advice Centre Appointments
Altens	851	74
Fraserburgh	1,744	2,161
City	6,268	2,385

Our discussions with the Promoted Staff Team within the College and the Student Support Team found that both teams believe that the Student Advice Centre is an important facility for students and that efforts should be increased to develop and improve the support to students. However, our discussions found that there was a disconnect between both teams over the role of the Student Advice Centre and what support was on offer from the centre. We have raised a recommendation that the Campus look to put solutions in place to resolve this such as regular meetings between the teams. Please see section 3 for further information.

Work Undertaken

Our work for this review included the following:

- A review and analysis of the Altens Campus Master Action Plan.
- A review of the steps taken by the Altens Promoted Staff Team to address the needs of the Campus.
- A review of the reporting arrangements in place to inform College Management of the progress of the Altens Campus Master Action Plan.
- Discussions with members of the Campus Promoted Staff Team and the Student Advice and Support Manager to assess staff members view on the change in management team structure at the Campus and the Student Advice Centre.
- A review of the Campus Support Team Structure.

1 EXECUTIVE SUMMARY

- A review of the support delivered within the Campus from the Student Advice Team.

Conclusion

Overall conclusion

Overall Conclusion: Substantial

We can provide substantial assurance that the Altens Campus needs are being considered and actions put on place through the Altens Promoted Staff Team and the Altens Campus Master Action Plan. We can also provide substantial assurance that the Student Advice Centre is delivering the required support to students. However, we have raised 4 recommendations for improvement, please see section 3 for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
NESCol@Altens	0	3	1	4

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The Director of Learning: Equalities, Analytics and Altens presented a progress report in January 2019 to the College's Leadership Team. The Director of Learning: Equalities, Analytics and Altens Futures is also a member of the College's Leadership Team, Wider Executive Group and provides updates and feedback on campus activities.
2.	We met with 3 members of the Campus Promoted Staff Team who stated the following: <ul style="list-style-type: none">➤ The Altens Campus Master Action Plan ensures the needs of the Campus are considered and actions are put in place to address any concerns;➤ They receive valuable support from both the Director of Learning: Equalities, Analytics and Altens Futures and the Head of Faculty; and➤ The new Student Advice Centre at the Campus will prove to be a valuable asset once it has bedded in at the Campus.
3.	The Altens Campus Promoted Staff Team meet every 2 weeks to monitor and discuss operational issues within the Campus.

The following is a list of areas where the College is operating effectively and following good practice.

4. The Altens Campus Master Action Plan was set up to focus on developing and improving operations at the Altens Campus and is based on improving areas such as:

- Culture;
- Communication;
- Student Engagement;
- External Liaison;
- Curriculum Development;
- Staffing; and
- Facilities.

The Altens Campus Master Action Plan is a live plan and constantly evolving to identify areas of improvement. The Altens Campus Master Action Plan while specific to the Altens Campus also meets the Strategic Goals and Themes of the College.

2 DETAILED RECOMMENDATIONS

Student Advice Support			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>The Student Advice Centre at the Altens Campus had a total of 74 student appointments (851 students registered in Block 1) in Block 1 of academic year 2018/19 compared to 2,161 (1,744 students registered in Block 1) at the Fraserburgh Campus and 2,385 (2,385 students registered in Block 1) at the City Campus.</p> <p>Our discussions with both members of the Altens Promoted Staff Team and the Student Support Team found that there was a disconnect between the Teams. We note that both Teams felt that the service was valuable to the Campus and as it is a new student facility at the Campus implemented in August 2018 that it will take time to bed in. It would be beneficial for further meetings between the Altens Promoted Staff Team and the Student Support Team to set what support is needed within the Campus and what support can be offered. This could be addressed by the following:</p> <ul style="list-style-type: none"> ➤ The Director of Learning: Director of Learning: Enhancement, Support and Fraserburgh Futures or the Director of Learning: Student Access and Information being involved in the progress of the Altens Campus Master Action Plan; ➤ The Student Advice and Support Manager regularly being invited to and attending the Altens Campus Promoted Staff Team; and ➤ Members of the Student Advice Centre regularly attending 	Medium	We recommend that the Altens Campus Promoted Staff Team and the Student Advice Centre look to further integrate and hold regular meetings to further develop the student support offered at the Altens Campus.

2 DETAILED RECOMMENDATIONS

	<p>Curriculum Team meetings or Academic Tutor Sessions with Students.</p> <p>We do note that members of the Student Advice Centre and Student Advice and Support Manager have attended meetings.</p> <p>There is the risk that students are not receiving the required level of support at the Altens Campus.</p>		
Management response			Responsibility and implementation date
<p>Agreed. For AY 2019-20 Senior Managers have agreed the creation of an Altens Campus Management Team. It is anticipated that this Team will convene, at least, monthly and will allow relevant support staff and Altens Promoted Staff to meet to ensure that the SAC services are meeting the needs of learners.</p>			<p><i>Responsible Officer: Director of Learning</i></p> <p><i>Implementation Date: August 2019</i></p>

2 DETAILED RECOMMENDATIONS

Altens Futures Group			
Ref.	Finding and Risk	Grade	Recommendation
2.	<p>The Altens Promoted Staff Team are responsible for creating and delivering the Altens Campus Master Action Plan. The Altens Promoted Staff Team meet every 2 weeks to discuss operational matters at the Campus.</p> <p>During our review, we were informed that the monitoring of the Altens Campus Master Action Plan is not standard item on the Altens Promoted Staff Team meetings. The plan is discussed at the meetings on an adhoc basis. It would be more beneficial to the delivery of the plan if it was a set item on the agenda either at every second or third meeting.</p> <p>We note that the Director of Learning: Qualities, Analytics and Altens Futures is the only member of the Colleges Senior Management in the Group. However, during our NESCOL@Fraserburgh review carried out alongside this audit, we found that the delivery of the Fraserburgh Futures Enhancement Plan is the responsibility of the Fraserburgh Campus Management Group that consists of additional</p>	Medium	<p>We recommend that the Campus consider setting a specific agenda point or meeting for the development and monitoring of the Altens Campus Master Action Plan.</p> <p>We also recommend that the Campus consider expanding the group discussing the plan to include wider senior management within the College similar to the Fraserburgh Campus Management Group.</p>

2 DETAILED RECOMMENDATIONS

	<p>members of the Colleges Senior Management such as the Vice Principal: Access & Partnerships, 3 Directors, Financial Controller and a Marketing Manager. This ensures that there is a wide range of expertise on the Fraserburgh Campus Management Group that the Altens Campus should consider.</p> <p>There is the risk that the Altens Campus Master Action Plan is not monitored on a regular basis. There is also the risk that the Colleges Senior Management do not provide sufficient input and guidance into the plan.</p>		
Management response		Responsibility and implementation date	
<p>Agreed. College managers will, in establishing a new programme of Altens Campus Management Team meetings, ensure that the existing Altens Campus Action Plan becomes a standing item on future agendas and is routinely reviewed and monitored during each of the Campus Management meetings. Discussions are currently underway to ensure that the Campus Management Team meetings incorporate the views of managers across the College who can support the improvement ambitions of the Campus Management Team.</p>		<p><i>Responsible Officer: Director of Learning</i></p> <p><i>Implementation Date: August 2019</i></p>	

2 DETAILED RECOMMENDATIONS

Altens Timetable			
Ref.	Finding and Risk	Grade	Recommendation
3.	<p>The staff timetable at Altens runs from 8.30am to 4.30pm with 30 minutes for lunch and this matches the course timetable for contracted classes and day release classes. This differs from the other campuses whose staff timetable begins at 8.30am to 5.00pm with 1 hour for lunch Monday to Thursday but who finish at 3.45pm on a Friday.</p> <p>During our review, it was noted by the Director of Learning: Equalities, Analytics & Altens Futures, Head of Faculty and the Curriculum Managers at the Altens Campus that the timetabling can cause some issues. The issues highlighted were:</p> <ul style="list-style-type: none"> ➤ There is very little scope of staff meetings that all staff members can attend as there is a teaching commitment at all times; and ➤ As students are always in class there is very little time for them to use student facilities such as the Student Advice Centre or the library. <p>There is the risk that the timetable at the Altens Campus is restrictive to both members of staff and students.</p>	Medium	We recommend that the College consider changing the Altens timetable in line with that of the other College campuses. This should include a review and evaluation if this would be possible and the effects it may have.
Management response			Responsibility and implementation date
<p>Agreed. The College has already instigated a review of timetabling arrangements across all campuses in order to accommodate changes to staff terms and conditions brought about by NJNC-related changes. These changes will be in place by 1st August, 2019. It is further anticipated that a more comprehensive review of timetabling at Altens will be conducted, and fully impact-assessed, throughout AY 2019-20 to support improvements to student experiences.</p>			<p><i>Responsible Officer: Director of Learning</i></p> <p><i>Implementation Date: August 2020</i></p>

2 DETAILED RECOMMENDATIONS

Campus Strategy Day			
Ref.	Finding and Risk	Grade	Recommendation
4.	<p>Upon developing the Fraserburgh Futures Enhancement Plan, the Fraserburgh Campus Management Group held various events with staff within the Campus to ensure that they were fully involved in the development of the plan. The Fraserburgh Campus Management Group are planning on carrying out similar events annually to update staff on the progress of the plan and to ensure the action points within it are still relevant.</p> <p>During our review, we found that there have been no such events held at the Altens Campus. We believe that the events held at Fraserburgh have ensured staff throughout the Campus are involved in the plan and to ensure all staff are able to feed into the plan.</p> <p>There is the risk that Campus staff are not fully aware of the Altens Enhancement Plan.</p>	Low	We recommend that the Altens Promoted Staff Team hold events annually with staff to provide updates on the progress of the plan and to review it to ensure the actions are still relevant.
Management response			Responsibility and implementation date
<p>Agreed. Whilst meetings have taken place between managers and staff at the Altens Campus, it is acknowledged that the frequency and content of them could be improved. Accordingly, it is planned that such meetings are convened annually from AY 2019-20 onwards.</p>			<p><i>Responsible Officer: Director of Learning</i></p> <p><i>Implementation Date: August 2019</i></p>

The following is a list of observations from our review

- | | |
|----|---|
| 1. | <p>Following the College management restructure in August 2019, the Vice Principal: Learning & Quality was based at the Altens Campus for part of the week. However, the Vice Principal: Learning & Quality left the College in January 2019 and his role in the Campus has not been replaced. During our discussions with staff at the Altens Campus, it was felt amongst staff that there was a lack of Senior Management presence and that this has contributed to the Campus feeling isolated.</p> <p>This was recognised by the College and a rota was created for members of the Colleges Senior Executive Group to attend the Altens Campus Promoted Staff Team meetings. We have also raised a recommendation that the management of the Altens Campus Master Action Plan is expanded to include members of not only the Altens Promoted Staff Team but members of College Senior Management, this will help to improve the feeling of isolation within the Campus.</p> |
| 2. | <p>We met with 3 members of the Campus Promoted Staff Team who spoke positively about the progress the Campus as making, However, one negative point that was raised through our discussions with the Campus Promoted Staff Team was that following the management restructure at the College, the Altens Campus Promoted Staff Team reduced in numbers and the staff noted the extra workload they have had to take on.</p> |

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	13 May 2019
Closing meeting	28 May 2019
Draft report issued	14 June 2019
Receipt of management responses	2 July 2019
Final report issued	3 July 2019
Audit & Risk Committee	10 July 2019
Number of audit days	5

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

5 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Supervisor	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com

North East Scotland College			
Key Contacts:	Neil Cowie	Vice Principal: Access and Partnerships	ncowie@nescol.ac.uk
	Susan Grant	Director of Learning: Equalities, Analytics and Altens Futures	s.grant@nescol.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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 assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

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

Purpose of review

The purpose of this assignment is to review the structure and workload within the Altens Campus, compliance with the College's systems and procedures and the overall systems and controls in place to manage the campus. Our review will also consider the delivery of support services in the Student Advice Centre.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- The Altens Futures Project is able to take into account the specific needs of the Altens Campus.
- Once highlighted the College and the Altens Futures Project take the appropriate steps to respond to the Campus needs.
- The Campus support team is suitably structured to enable it to perform in an efficient and effective manner.
- Adequate information is provided to the College's Senior Executive Team.
- The Student Advice Centre is delivering the required support within the campus.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussions with staff to establish the work undertaken by the Altens Futures Project.
- Review of the Campus Support Team structure.
- Review of actions taken to address the needs of the Campus.
- Consideration of possible improvements or efficiencies within the Campus.
- A review of the support delivered within the Student Advice Centre to ensure this meets the College's requirements.

It should be noted that any testing will be on a sample basis.

Potential key risks

The potential key risks associated with the area under review are:

- The Altens Futures Project does not take into account the specific needs of the Altens Campus.
- Once highlighted the College and the Altens Futures Project do not take the appropriate steps to respond to the Campus needs.
- The Campus support team is not suitably structured to enable it to perform in an efficient and effective manner.
- Information provided to senior management is non-existent or is not adequate and as a result does not aid the overall decision making within the College.

- The Student Advice Centre is not delivering the required support within the campus.



AUDIT & RISK COMMITTEE Meeting of 10 July 2019	
Title: Internal Audit Annual Report 2018-19	
Author: Peter D Smith. Vice Principal – Finance & Resources	Contributor(s): Wylie and Bisset
Type of Agenda Item: For Decision <input checked="" type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input type="checkbox"/> Reserved Item of Business <input type="checkbox"/>	
Purpose: To enable the Committee to consider the Annual Report presented by Wylie and Bisset on the programme of internal audit work undertaken in Academic Year 2018-19.	
Linked to Strategic Goal: 5. Optimise the use of our available resources to deliver financial and environmental sustainability.	
Linked to Annual Priority:	
Executive Summary: The Regional Board's Internal Audit Programme for 2018-19 was set in September 2018. The internal auditor's Annual Report on the reviews undertaken is attached as Appendix 1. The Report will be incorporated into the Audit & Risk Committee's next Annual Report to the Regional Board.	
Recommendation: It is recommended that the Committee consider the report and approve its incorporation into the Committee's Annual Report to the Regional Board.	
Previous Committee Recommendation/Approval (if applicable): None	
Equality Impact Assessment: Positive Impact <input type="checkbox"/> Negative Impact <input type="checkbox"/> No Impact <input checked="" type="checkbox"/> Evidence:	



North East Scotland College

Internal Audit 2018/19
Annual Report
July 2019

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1. Introduction

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 complies with the Public Sector Internal Audit Standards and is carried out in accordance with the standards and guidelines set down by the Chartered Institute of Internal Auditors.

The provision of Internal Audit Services is covered by the Financial Memorandum issued by the Scottish Funding Council ("SFC").

The Financial Memorandum sets out that the internal auditors are required to produce an Annual Report on the internal audit activities addressed to the Regional Board and the Principal.

The Financial Memorandum also sets out that the Annual Report should be considered by the Audit Committee prior to the Audit Committee producing its annual report to the Regional Board.

This Annual Report has been drawn up in accordance with the Financial Memorandum.

A copy of this report requires to be submitted to SFC not later than 31 December following the financial year end to which it relates.

2. Executive Summary

Overall Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.

In our opinion North East Scotland College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. We have however raised a weak level of assurance around the Fixed Asset Management arrangements in place which should be followed up during the follow up review for 2019/20.

Our fieldwork was carried out between February 2019 and May 2019.

The overall findings and conclusion of each report are highlighted in Section 3. As can be seen from the summary in Section 3 all areas included in the Operational Plan for 2018/19 are complete.

In forming our opinion above, we have carried out the following work:

- a review and appraisal of financial and other controls operated by the College;
- a review of the established policies and procedures adopted by the College;
- an assessment of whether or not the internal controls are reliable as a basis for producing the financial accounts;
- a review of accounting and other information provided to management for decision making;
- compliance and substantive audit testing where appropriate;
- a review of the College's procedures in place to promote and secure value for money.

The analysis of performance indicators for the internal audit work carried out in the year is included at section 5.

2. Executive Summary

Basis of Opinion

As the Head of Internal Audit at North East Scotland College we are required to provide the Regional Board and the Principal with an opinion on the adequacy and effectiveness of the College's risk management, control and governance processes. In giving our opinion it should be noted that assurance can never be absolute.

The most that we can provide to the Regional Board is reasonable assurance that there are no major weaknesses in the College's risk management, control and governance processes. In assessing the level of assurance given, we have taken into account:

- All audits undertaken during the period ended 31 July 2019;
- Any follow-up action taken in respect of audits from previous periods;
- Any significant recommendations not accepted by management and the consequent risks;
- The effects of any significant changes in the College's objectives or systems;
- Matters arising from previous reports to the Board of Management;
- Any limitations which may have been placed on the scope of internal audit;
- The extent to which resource constraints may impinge on the head of Internal Audit's ability to meet the full audit needs of the College;
- What proportion of the College's audit need has been covered to date;
- The outcomes of our quality assurance processes.

3. Audit Findings

Summary of Work Undertaken

The following table summarises the audit work undertaken in 2018/19. The grading structure used in our reports can be found in Appendix A.

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
Follow Up	3	3	Complete	Substantial	-	4	3
Purchasing & Procurement	4	4	Complete	Strong	-	-	2
Corporate Governance	3	3	Complete	Strong	-	-	-
IT Systems	5	5	Complete	Strong	-	-	-
Aberdeen Skills and Enterprise Training Ltd	5	5	Complete	Strong	-	-	-
Fixed Asset Management	4	4	Complete	Weak	2	-	2
Student Records	4	4	Complete	Strong	-	-	-
Marketing	3	3	Complete	Strong	-	1	-
Total Carried forward	31	31			2	5	7

3. Audit Findings

Summary of Work Undertaken

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
Total Brought Forward	31	31			2	5	7
Estates Management	4	4	Complete	Strong	-	-	-
Enrolment, Attendance & Applications	4	4	Complete	Strong	-	-	-
Strategic & Business Planning	4	4	Complete	Strong	-	-	-
Staff & Room Utilisation	5	5	Complete	Strong	-	-	-
Payroll	4	4	Complete	Strong	-	-	-
Risk Management	2	2	Complete	Strong	-	0	3
NESCOL@Fraserburgh	5	5	Complete	Strong	-	-	-
NESCOL@Altens	5	5	Complete	Substantial	-	3	1
Audit Management	6	6	N/A	N/A	N/A	N/A	N/A
Total	70	70			2	8	11

3. Audit Findings

HIGH PRIORITY RECOMMENDATION 1: FIXED ASSET MANAGEMENT

Area	Finding	Recommendation	Management Response
<p>Fixed Asset Management, March 2019</p> <p>Equipment Additions</p>	<p>When making a purchase of equipment of over £200, staff members are required to complete an Asset Entry Form and submit this to the Facilities Management Team to inform them of the purchase. This would then allow the Facilities Management Team to record the item on the equipment register and tag the item.</p> <p>During our review, we were informed by the Facilities Management Team that there have been no additions to equipment register since January 2017 when the Facilities Management Team took over the maintenance of the equipment register and that they have not received an Asset Entry Form.</p> <p>As a result, we reviewed the College's "Materials, Equipment, Maintenance, Rental" nominal code from 1 August 2018 to March 2019 from the finance system to test if this was accurate. Our testing consisted of a review of the 45 highest priced items and if they were equipment purchases and recorded on the equipment register. Our testing found that there were 11 items out of the 45 tested (25%) that should be recorded on the equipment register. We note that the "Materials, Equipment, Maintenance, Rental" nominal code had 334 items purchased over £200, therefore judging by our sample there could be a total of 84 equipment purchases to be added to the equipment register for 2018/19. We note that we did not review the code for 2017/18.</p> <p>There is the risk that equipment purchased could be stolen or misplaced as the College have not kept up to date records.</p>	<p>We recommend that the College remind all staff members of the procedure to complete and return an Asset Entry Form for all equipment purchases over £200. We also recommend that the College complete a review of the relevant nominal codes from the finance system for 2017/18 & 2018/19 such as "Materials, Equipment, Maintenance, Rental" to find equipment purchased and update the equipment register as required. The College should also find the location of the equipment and tag the item in line with College procedures.</p> <p>We also recommend that the College consider implementing a further control through PECOS. When a purchase is made a notification should be sent to staff members such as the Facilities Client Services Manager or the Operations Manager, who will then make a decision, on a purchase, to chase the relevant staff members for the Asset Entry Form.</p>	<p>Agreed. (A) E mail sent to all key stakeholders responsible for assets to remind them of the procedure and review and advise of any new purchased to March 2019 for inclusion in asset register & tagged. (B) PECOS will be changed to ensure the Facilities Client Manager is notified of all purchases and will scrutinise and forward appropriate assets for inclusion in the asset register and the item tagged.</p> <p>Responsible Officer: (A) Head of Estates and Facilities / (B) Facilities Client</p> <p>Implementation Date: (A) July 2019 / (B) April 2019</p>

3. Audit Findings

HIGH PRIORITY RECOMMENDATION 2: FIXED ASSET MANAGEMENT

Area	Finding	Recommendation	Management Response
<p>Fixed Asset Management, March 2019</p> <p>Missing Non-IT Items</p>	<p>The Facilities Management Team carried out a 100% audit of the College's non-IT equipment in 2017 and were unable to find 625 of the 5,685 items listed on the equipment register. The Facilities Management Team then contacted the departments to source the items.</p> <p>During our review, we were informed that no further work had been undertaken to find the missing items. We note that the Facilities Management Team are planning to complete another 100% audit of the equipment register during the College down time (Easter, Summer & October week) and have made finding these items a priority. We were also informed that portable equipment is stored in classrooms and is moved regularly depending on where it is required.</p> <p>We do note that during our sample testing of an asset's physical location, all assets were located in their recorded location.</p> <p>There is the risk that College equipment has been stolen or is lost.</p>	<p>We recommend that the College ensure further checks are carried out on all items not found during the previous 100% audit by the Facilities Management. We also recommend that where items are not subsequently found, the College consider removing these from the equipment register.</p>	<p>Agreed. Stake holders with missing items all instructed to report with an end date of the 30/04/19 to ensure assets are correctly removed from asset list.</p> <p>Responsible Officer: Head of Estates and Facilities</p> <p>Implementation Date: April 2019</p>

4. Benchmarking

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the previous financial year.

Area	High	Medium	Low	Total
Payroll				
Average number of recommendations in similar audits	-	1	1	2
Recommendations at North East Scotland College	-	-	-	-
Purchasing & Procurement				
Average number of recommendations in similar audits	-	1	2	3
Recommendations at North East Scotland College	-	-	2	2
Corporate Governance				
Average number of recommendations in similar audits	-	2	3	5
Recommendations at North East Scotland College	-	-	-	-
IT Systems				
Average number of recommendations in similar audits	1	3	2	6
Recommendations at North East Scotland College	-	-	-	-
Summary c/f				
Average number of recommendations in similar audits c/f	1	7	8	16
Recommendations at North East Scotland College c/f	-	-	2	2

4. Benchmarking

Area	High	Medium	Low	Total
Summary b/f				
Average number of recommendations in similar audits b/f	1	7	8	16
Recommendations at North East Scotland College b/f	-	-	2	2
Fixed Asset Management				
Average number of recommendations in similar audits	-	1	2	3
Recommendations at North East Scotland College	2	-	2	4
Student Records				
Average number of recommendations in similar audits	-	1	3	4
Recommendations at North East Scotland College	-	-	-	-
Marketing				
Average number of recommendations in similar audits	-	2	-	2
Recommendations at North East Scotland College	-	1	-	1
Summary c/f				
Average number of recommendations in similar audits c/f	1	11	13	25
Recommendations at North East Scotland College c/f	2	1	4	7

4. Benchmarking

Area	High	Medium	Low	Total
Summary b/f				
Average number of recommendations in similar audits b/f	1	11	13	25
Recommendations at North East Scotland College b/f	2	1	4	7
Estates Management				
Average number of recommendations in similar audits	2	5	1	8
Recommendations at North East Scotland College	-	-	-	-
Enrolment, Attendance & Applications				
Average number of recommendations in similar audits	-	1	3	4
Recommendations at North East Scotland College	-	-	-	-
Strategic & Business Planning				
Average number of recommendations in similar audits	-	1	2	3
Recommendations at North East Scotland College	-	-	-	-
Summary c/f				
Average number of recommendations in similar audits c/f	3	18	19	40
Recommendations at North East Scotland College c/f	2	1	4	7

4. Benchmarking

Area	High	Medium	Low	Total
Summary b/f				
Average number of recommendations in similar audits b/f	3	18	19	40
Recommendations at North East Scotland College b/f	2	1	4	7
Staff & Room Utilisation				
Average number of recommendations in similar audits	-	-	3	3
Recommendations at North East Scotland College	-	-	-	-
Risk Management				
Average number of recommendations in similar audits	-	2	2	4
Recommendations at North East Scotland College	-	-	3	3
Summary				
Average number of recommendations in similar audits	3	20	24	47
Recommendations at North East Scotland College	2	1	7	10

As highlighted above, North East Scotland College has an overall lower number of recommendations in comparison with the colleges it has been benchmarked against.

5. Key Performance Indicators

Analysis of Performance Indicators

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

Appendix A - 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



AUDIT & RISK COMMITTEE	
Meeting of 10 July 2019	
Title: External Audit Annual Plan, Year Ending 31 July 2019	
Author: Peter D Smith, Vice Principal – Finance & Resources	Contributor(s): Sarah Croft, Audit Manager (EY), Muir Wilson, Financial Controller – External Affairs
Type of Agenda Item:	
For Decision	<input checked="" type="checkbox"/>
For Discussion	<input type="checkbox"/>
For Information	<input type="checkbox"/>
Reserved Item of Business	<input type="checkbox"/>
Purpose: To enable the Committee to approve the plan for the external audit of the College's financial statements for the year to 31 July 2019.	
Linked to Strategic Goal:	
5. Optimise the use of our available resources to deliver financial and environmental sustainability.	
Linked to Annual Priority:	
16. Operate an academic year budget which utilises all available budget resources in line with fiscal year cash allocations.	
Executive Summary:	
The Plan, attached as Appendix 1, has been prepared by the College's external auditors, Ernst and Young LLP (EY), and agreed by the Financial Controller – External Affairs and myself. We are confident that the Plan will enable EY to deliver their report on the College's financial statements for the year ended 31 July 2019 to the joint meeting of the Audit & Risk Committee and Finance & Resources Committee scheduled for 28 November 2019.	
Recommendation:	
It is recommended that the Committee approve the External Audit Plan Year Ending 31 July 2019.	
Previous Committee Recommendation/Approval (if applicable):	
None	
Equality Impact Assessment:	
Positive Impact	<input type="checkbox"/>

Negative Impact

No Impact

Evidence:

North East Scotland College

Annual Audit Plan
Year ending 31 July 2019

Audit Committee – 10 July 2019

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About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Auditor General for Scotland has appointed us as external auditor of North East Scotland College (“the College”) for financial years 2016/17 to 2020/21.

This report is for the benefit of the College and is made available to the Auditor General for Scotland and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient’s Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Purpose of this report

The Auditor General for Scotland has appointed us as auditor of the College under the Public Finance and Accountability (Scotland) Act 2000 (“the Act”). The period of appointment is 2016-17 to 2020-21 inclusive.

This Annual Audit Plan, prepared for the benefit of North East Scotland College management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 July 2019, the third year of our appointment. In preparing this plan, we have updated our understanding of the College through planning discussions with management, review of relevant documentation and Board and committee reports, and our general understanding of the environment in which the College is currently operating.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the College employs best practice and where processes can be improved. We use these insights to form our audit recommendations to support the College in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. After consideration by the College, the plan is provided to Audit Scotland and published on their website.

Scope and responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; relevant Auditing Standards and applicable Practice Notes issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

Financial statement audit

We are responsible for conducting an audit of the financial statements of the College. We will provide an opinion on the financial statements as to whether:

- They give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the College and its group’s affairs as at 31 July 2019 and its surplus or deficit for the year then ended.
- They have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Ireland.
- They have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

We also review and report on the consistency of the other information prepared and published by the College along with its financial statements.

Wider scope audit

The wider scope audit, as set out in the Code, plays a key role in the public sector audit framework in Scotland. We undertake certain audit procedures which impact on the wider scope audit dimensions as a consequence of our financial statements audit. We will report our findings on completion of our audit.

Materiality

Planning materiality £1,000,000	Materiality has been set at £1,000,000 (2017/18: £900,000), which represents approximately 2% of the estimated gross expenditure for the year.
Tolerable Error £750,000	Tolerable error has been set at £750,000, which represents 75% of materiality.
Summary of uncorrected differences £50,000	We will report all uncorrected misstatements relating to the primary financial statements greater than £50,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report, providing an overview of our initial risk assessment and any change in risk profile in the year.

Financial statements audit

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk / Significant risk	No change	In accordance with ISA (UK) 240, we consider the presumed fraud risk in respect of improper income recognition. Due to the nature of SFC funding to the College, we have rebutted the risk of fraud around this specific income stream. We extend our work to consider the recognition of expenditure, in accordance with Practice Note 10, issued by the Financial Reporting Council, as applicable to public sector audit.
Misstatement due to fraud or error	Fraud risk	No change	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Property, Plant and Equipment	Inherent risk	No change	Given the value of the College's estate and the number of assumptions which are made in the valuation process, we assign a higher inherent risk to property, plant and equipment.
Pension liabilities	Inherent risk	No change	We have identified an inherent risk in relation to the valuation of the pension liabilities.

Independence

We confirm that we have undertaken client and engagement continuance procedures, included in which is our continuing assessment of our independence to act as your external auditor.

Key contacts

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Sarah Croft, Manager
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1. Financial statements and accounting

1. Financial statements and accounting



The annual financial statements enable the College to demonstrate accountability for, and its performance in the use of its resources,. They are prepared in accordance with proper accounting practice and applicable law.

Audit opinion

We provide an opinion on the financial statements as to whether they give a true and fair view of the financial position of the College, and whether they have been properly prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended). We also review and report on the consistency of the other information prepared and published by the College along with its financial statements.

We undertake our financial statements audit work in accordance with the four phases of EY's Global Audit Methodology: Planning; Identification and assessment of risk; Design and execution of our response to those risks; and Conclude and communicate.

Audit approach

We determine which accounts, disclosures and relevant assertions could contain risks of material misstatement. Our audit involves:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the College to express an opinion on the consolidated financial statements.
- Confirming the completeness of all entities consolidated by the College into the financial statements to ensure any entities meeting the definition of control under FRS 102 are incorporated. In particular we will consider the arrangements in place around the College's interactions with arms' length foundations in the sector during the year.
- Reading other information contained in the consolidated financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.
- Substantive tests of detail of transactions and amounts. For 2018/19 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the consolidated financial statements are not materially misstated. Our audit approach includes the use of our bespoke data analysers to allow us to analyse 100% of the College's transactions around key income and expenditure accounts rather than rely on random sampling.

Materiality

For the purposes of determining whether the financial statements are free from material error, in accordance with ISA (UK) 320 we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Gross expenditure = £51 million

Planning materiality £1,000,000	Planning materiality (PM) – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For planning purposes, materiality for 2018/19 has been set at £1,000,000 (2017/18 £900,000). This represents approximately 2% of the College’s report gross expenditure for the prior year (2017/18: 2%).
Tolerable Error £750,000	Tolerable error (TE) – materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set it at £750,000 (2017/18 £675,000) which represents 75% of planning materiality.
Summary of Audit Differences £50,000	Summary of Audit Differences (SAD) Nominal amount – the amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. The Code requires that auditors report at no more than £250,000. We have set it at £50,000, which represents 5% of planning materiality.

The amount we consider material at the end of the audit may differ from our initial determination. At the end of the audit we will form, and report to you, our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider both the quantitative and qualitative factors that could drive materiality for the users of the financial statements. Accordingly we determine it is appropriate to use lower levels of materiality for some areas of the financial statements, including:

- Remuneration report - given the sensitivity around the disclosure of senior staff remuneration we apply a materiality of £1,000 to our audit consideration around the remuneration report and related disclosures.
- Related party transactions – related party transactions are considered material when they are material either party in the transaction. As such, we do not apply a specific materiality to related party audit work but consider each transaction individually.

1. Financial statements and accounting



We have set out the significant risks (including fraud risks) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Significant risk – risk of fraud in income and expenditure recognition

What is the risk?	Our identified response to the risk
<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Given the nature of Scottish Funding Council (SFC) funding to the College, we rebut the presumed revenue recognition risk for this income stream. However we recognise a revenue recognition risk for tuition income and other material income in respect of possible manipulation of cut-off around the financial year end.</p> <p>We also recognise the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10.</p>	<p>Our response will include:</p> <ul style="list-style-type: none"> ➤ review and test all relevant income and expenditure policies against the relevant accounting standards and SORP ➤ review, test and challenge management around any accounting estimates on income and expenditure recognition for evidence of bias ➤ develop a testing strategy to test material income and expenditure streams ➤ review and perform focused testing on income and expenditure around the year end to ensure correct recognition around cut-off between financial periods.

Fraud risk – misstatement due to fraud or error

What is the risk?	Our identified response to the risk
<p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.</p> <p>The risk of management override is pervasive to the audit and impacts the testing of all areas. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk. This takes account of the fact that management are in a unique position to override controls which otherwise appear to be operating effectively.</p> <p>Beyond the noted risk around recognition of income and expenditure, we have not identified a specific account where the risk of management override is higher.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ➤ identifying fraud risks during the planning stages ➤ inquiry of management about risks of fraud and the controls put in place to address those risks ➤ consideration of the effectiveness of management's controls designed to address the risk of fraud ➤ determining an appropriate strategy to address those identified risks of fraud ➤ performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements ➤ specific focus on the accounting for any identified key areas of judgement and estimates in the financial statements and significant and unusual transactions. This will include consideration of any provisions requiring to be made as at the balance sheet date for any restructuring arrangements entered into by the College.

- Significant and fraud risks identified in the audit relate to the risk of fraud in income and expenditure recognition. We also perform procedures to respond to the risk of misstatement due to fraud or error caused by management override of controls.
- We will report our findings in these areas to you within our 2018/19 Annual Audit Report.

1. Financial statements and accounting



We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Inherent risk – Valuation of Property, Plant and Equipment

What is the risk?	Our identified response to the risk
<p>The College's property portfolio totals £97 million as at 31 July 2018, with the major elements of this being in respect of land and buildings. Land and buildings are revalued to fair value with a full revaluation taking place at least every five years.</p> <p>An interim valuation of existing land and buildings was undertaken as at 31 July 2018. The College is required to consider annually the valuation of the College estate remains appropriate outside of formal revaluation cycles.</p> <p>Given the size of this balance and the fact that a number of assumptions are made in the valuation, we assign a higher inherent risk to property, plant and equipment.</p> <p>In addition, the College is currently revising its Capital strategy as a result of funding not being granted for new campus development. We will look to ensure this includes consideration of backlog maintenance given the scale at the College.</p> <p>We do not, however, at the planning stage have any specific concerns over management's approach to property valuations.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ➤ analysis of the source data and inquiries as to the procedures used by management's specialist to establish whether the source data is complete ➤ assessment of the reasonableness of the assumptions and methods used, including their compliance with the SORP ➤ consideration of the appropriateness of the timing of when the specialist carried out the work ➤ assessment of whether the substance of the specialist's findings are properly reflected in the financial statements. ➤ assessment of the potential for impairment across the College estate that has not been reflected in the financial statements or most recent formal valuation.

➤ The valuation of property, plant and equipment is assessed as an inherent risk. Management involves specialists in the preparation of this accounting valuation and estimate. We utilise our own specialists, as appropriate, to support the core audit team in the performance of audit procedures on this balance.

1. Financial statements and accounting



We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Inherent risk – Valuation of Pension Liabilities

What is the risk?	Our identified response to the risk
<p>The College participates in two pension schemes; the North East Scotland Pension Fund (NESPF), and the Scottish Teachers Superannuation Scheme (STSS). While both are defined benefit pension schemes, the College is unable to identify its share of the underlying assets and liabilities of the STSS scheme on a consistent and reasonable basis and therefore, the scheme is accounted for as if it were a defined contribution scheme.</p> <p>NESPF is accounted for as a defined benefit scheme. The net pension liabilities on the balance sheet arising from participation in the scheme at 31 July 2018 were £8.2 million.</p> <p>In late 2018, a High Court ruling was made in relation to the equalisation of certain pension benefits payable to men and women, which could impact the measurement of the College's obligation in the North East Scotland Pension Fund scheme going forward. The quantum of impact on the College's share of the scheme liabilities was unclear and deemed unquantifiable at the date of approval of last year's financial statements, with actuaries and pension schemes continuing to work through the impact of the ruling on individual member benefits.</p> <p>In addition the College recognises a provision for future early retirement liabilities - £7.2 million as of 31 July 2018.</p>	<p>Our approach will include:</p> <ul style="list-style-type: none"> ➤ obtaining an actuarial report at the year end date for the scheme and considering the reasonableness and consistency of assumptions underpinning such reports, in light of guidance available ➤ ensuring compliance with funding agreements ➤ performing substantive testing on the verification of the pension assets, by engaging with the auditors of the FPF in line with the protocols laid out by Audit Scotland for IAS 19 assurance. ➤ assessing the work of the actuaries, including the assumptions they have used by engaging internal actuarial specialists to provide input on the consistency and appropriateness of assumptions underpinning the valuation of the pension schemes, and how the impact of the GMP ruling has been considered in the pension liability valuation. ➤ we will also review the calculation of the College's valuation of future early retirement liabilities at 31 July 2019.

➤ Accounting for the net pension deficit is assessed as inherent risks. Management involves specialists in the preparation of this accounting estimate. We utilise our own specialists, as appropriate, to support the core audit team in the performance of audit procedures on this balance.

We also plan and perform certain general audit procedures on every audit which may not be directly related to financial statement account assertions. Examples of such procedures compliance with applicable laws and regulations, litigation and claims and related parties.

Other audit considerations

Data analytics

We will use our bespoke computer-based data analysers to enable us to capture whole populations of the College's financial data, in particular covering journal entries and payroll transactions. These analysers:

- Help identify specific exceptions and anomalies to direct substantive audit tests.
- Give greater likelihood of identifying errors than random sampling techniques.

Use of specialists

When auditing key judgements, such as pensions, the valuation of property, plant and equipment, or certain assets and liabilities, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the College's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable.
- Assess the reasonableness of the assumptions and methods used.
- Consider the appropriateness of the timing of when the specialist carried out the work.
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Management may use their own specialists in the preparation of the financial statements.

Internal audit

We will review internal audit plans and the results of their work, including the discussion of audit findings at the Audit Committee and management's response to findings.

We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements or our wider responsibilities.

Financial statements presentation and compliance with accounts direction

We will review the College's consolidated financial statements to ensure that financial information agrees to supporting schedules, and that non-financial information is consistent the financial performance and position of the College and its group. We will also review the financial statements against the disclosure requirements outlined under FRS 102, the further education SORP, and the SFC accounts direction.

Group audit

The College has a subsidiary company, ASET, which provides oil and gas training. While ASET is audited by another firm, we will audit the consolidation and report any findings as part of our year-end audit reporting.

Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 came into force on 26 June 2017 and replace The Money Laundering Regulations 2007. The regulations impose an obligation on the Auditor General to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. As appointed auditor we will consider the College's arrangements to identify and report on any instances of money laundering in line with Audit Scotland reporting arrangements.

2. Wider scope audit risks

2. Wider Scope Audit Risks



Together the Accounts Commission and the Auditor General for Scotland agreed the four dimensions set out in the Code which comprise the wider scope audit for public sector in Scotland. These are: financial sustainability, financial management, governance and transparency, and value for money.

Basis for risk assessment

The Code sets out an expectation that 'significant' risks identified through our planning process that relate to the wider scope dimensions will be communicated with you.

In undertaking our risk assessment in respect of the wider scope audit areas, we distinguish between the definition of 'significant risks' which apply to the audit of the financial statements, by referring in our report to 'Wider Scope Audit Focus Areas', where these have been identified.

Outcome of risk assessment

We have identified financial sustainability at the College as a wider scope audit focus area for the year. The rationale for this focus is outlined in our audit consideration below. While we have not identified audit focus areas around the other wider scope dimensions, we do, however, undertake routine work in respect of each of these, by considering the evidence available to us through various aspects of our work.

Given the identification of wider scope focus areas around financial sustainability, we will continue to consider whether the smaller body application remains appropriate for the College going forward. At this stage in our audit planning we consider that it does, as the risk areas identified are considered to be contained to specific matters impacting these wider scope dimensions, rather than indicating a wider issue that could impact the other dimensions that would be considered in a larger body (value for money or financial management). In addition, the College continues to meet the definitions of a smaller body based on its volume and complexity of transactions, and the public interest has not materially altered relative to the rest of the public sector against which the wider scope arrangements are intended to be applied.

We will report accordingly our findings in respect of the following:

Audit dimension	Risk assessment	Rationale and response
<p>Financial management considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>No specific additional audit focus</p>	<p>In our 2017/18 Annual Audit Report, we concluded that the College's financial management arrangements overall were satisfactory. Financial regulations were comprehensive and subject to regular update and there was engagement between senior management and those charged with governance around the College's financial performance. We noted there was scope for greater focus and consideration on the specific risks in respect of EU Withdrawal on people, financial and rules and regulations and the College's plans for responding to these risks.</p> <p>In 2018/19, we will consider whether across the College:</p> <ul style="list-style-type: none"> • The financial control environment and internal controls are operating effectively? • Whether standing financial regulations are comprehensive, current and promoted across the College? • Whether there suitably are qualified and experienced staff leading the College's finance team? • Whether arrangements for monitoring and scrutinising the College's financial position are appropriate?

2 Wider Scope Audit Risks (continued)



Audit dimension	Risk assessment	Rationale and response
<p>Financial sustainability considers the medium and longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.</p>	<p>Wider scope audit focus area</p>	<p>In 2017/18 the College reported a consolidated deficit of £3.9million and an adjusted operating surplus after removal of non-cash accounting adjustments of £3.4 million. The College has prepared its five-year financial forecasts 2018 to 2023 in the form of the SFC's template financial forecast return. The forecasts have been prepared on the basis of the Board's strategic plans and supporting aims and objectives. Medium term forecasts to 2023 show an accounting and underlying deficit. The College has recently developed a medium term financial plan to address the forecast shortfalls, this was approved by the board in June 2019. We have identified this area as a wider scope area of audit focus.</p> <p>Our work for the year will consider:</p> <ul style="list-style-type: none"> • Does the College have robust financial plans in place over the medium term? Are assumptions included in financial plans robust and appropriate and do they align to strategic and operational plans? • Where gaps in financial plans are identified is the College taking corrective action through savings plans and is the pace and scale of these actions sufficient to ensure financial sustainability?
<p>Value for money considers whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement.</p>	<p>No specific additional audit focus</p>	<p>In our 2017/18 Annual Audit Report we concluded that the College's arrangements for ensuring value for money were overall appropriate. A revised strategic plan was introduced from the start of the 2018/19 academic year and performance indicators developed to measure delivery and form part of the Colleges operational planning and staff performance reviews on an annual basis.</p> <p>Our work for the year will consider whether:</p> <ul style="list-style-type: none"> • The College has a strategic plan that supports the delivery of services and achievement of key performance indicators. • The College has visible performance reporting against measurable and relevant indicators, and that performance reporting is transparent, including publication on the College's website. • The College has arrangements to ensure value for money through the use of public funds, including a robust procurement framework that is used by all employees and is subject to regular scrutiny, and a robust governance process for the approval of exit arrangements.

2 Wider Scope Audit Risks (continued)



Audit dimension	Risk assessment	Rationale and response
<p>Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>No specific additional audit focus</p>	<p>In our 2017/18 Annual Audit Report we concluded that the College had in place the key requirements for good governance. We concluded that the Governance Statement materially complied with the SFC's 2017/18 Accounts Direction. We were satisfied overall with the College's established risk management process and arrangements for ensuring transparency around governance and decision making. We did note that arrangements should be made for ensuring management and those charged with governance are sighted to key messages and recommendations from national reports impacting the sector, and taking appropriate action where necessary.</p> <p>Our work for the year will consider:</p> <ul style="list-style-type: none"> • Is the Governance Statement within the financial statements complete and does it reflect key findings from audit, scrutiny and inspection? Where non-compliance with the code of good governance is identified, are appropriate mitigating actions in place and disclosed? • Progress against prior year audit recommendations from both internal and external audit, including the College's arrangements for ensuring these are monitored and reported on a routine basis. • Internal audit arrangements during 2018/19, including significant findings identified and the work done to address issues identified. • The quality of arrangements in place to support good governance at the College, including ensuring the College has processes in place to consider national reports and take action where appropriate. • Arrangements to ensure there is sufficient transparency around governance and decision making arrangements at the College. <p>In line with auditing standards, as part of our consideration of the College's governance arrangements this year, we will be writing to the College Audit and Risk Committee to confirm how those charged with governance ensure oversight of management and appropriate governance arrangements are in place. This is not reflective of specific risks identified at the College but rather in line with our process to annually make formal inquiries beyond standard management meetings and representations.</p> <p>In 2018/19 the College is required to participate in Scotland's National Fraud Initiative ("NFI") exercise, whereby public bodies share financial information to identify possible fraudulent activity where monies may be recoverable. We will consider the College's own self-assessment of how well NFI practices and culture is embedded and report back to Audit Scotland. We will report any significant findings to the Committee in our Annual Audit Report.</p> <p>Similar to 2017/18, Audit Scotland requires us to consider the adequacy of the College's preparations for EU withdrawal. This will include forming an overall judgement on the College's preparedness at 31 March 2019 and any subsequent updates.</p>

3. Timing and deliverables; fees

3. Timing and deliverables



We deliver our audit in accordance with the timeline set by the College, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

	Audit Activity	Deliverable	Expected Timing
MAR	<ul style="list-style-type: none"> ➤ Review of current issues impacting the College throughout the audit process 	Periodic current issues return submission	22 March 2019 8 November 2019
APR			
MAY	<ul style="list-style-type: none"> ➤ Audit planning and setting scope and strategy for the 2018/19 audit 	Annual Audit Plan	23 May 2019
JUNE	<ul style="list-style-type: none"> ➤ Walkthrough visit 	Completion of internal documentation	1 July 2019
AUG	<ul style="list-style-type: none"> ➤ Review progress of the NFI exercise 	Submit NFI questionnaire	30 July 2019
SEPT	<ul style="list-style-type: none"> ➤ Year-end substantive audit fieldwork on unaudited financial statements 	Audited financial statements	October 2019
OCT			
NOV	<ul style="list-style-type: none"> ➤ Conclude on results of audit procedures and finalise Annual Audit Report ➤ Issue opinion on the College's financial statements 	Issue Annual Audit Report Submit Audit Scotland minimum dataset request	31 December 2019
DEC			

3. Fees



The audit fee is determined in line with Audit Scotland's fee setting arrangements, set out in recent communications to all audited bodies in line with their publication on 'Our Approach to setting audit fees' (http://www.audit-scotland.gov.uk/uploads/docs/um/audit_fee_approach.pdf).

Audit fees		
Component of fee:	2018/19	2017/18
Auditor remuneration	£32,030	£31,300
Fee variation in respect of wider scope focus areas	-	-
Pooled costs	£1,840	£2,010
Contribution to Audit Scotland costs	£1,940	£1,740
Total fee	£35,810	£35,050

We have agreed with management to set the auditor remuneration at £32,030 (2017/18: £31,300). This reflects the expected fee element. The total fee for the year is £35,810. All fees noted are inclusive of VAT.

The Audit Scotland expected fee is based on the assumption of no additional risks or issues to the core financial statements beyond the presumed risks required by the financial statements, and no additional wider scope risks.

The audit fee is based not only on there being no additional risks to the financial statement audit but also on the timely delivery of all required information, including high quality draft financial statements and supporting schedules, in line with agreed delivery dates. Should these deliverables not be met, or there be a need to modify our opinion on the financial statements, we will seek additional fees to reflect the additional audit time required.

Appendices

- A – Code of Audit Practice: responsibilities**
- B – Required communications with the audit committee**
- C – Auditor independence**

The Code of Audit Practice (the Code) summarises the responsibilities on all audited bodies falling within the public sector audit framework. We summarise these on this page.

Responsibilities of audited bodies

Corporate governance	<p>Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.</p>
Financial statements and related reports	<p>Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation. • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures. • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority. • maintaining proper accounting records. • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body. <p>Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.</p> <p>Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
Standards of conduct / prevention and detection of fraud and error	<p>Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
Financial position	<p>Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • such financial monitoring and reporting arrangements as may be specified • compliance with any statutory financial requirements and achievement of financial targets • balances and reserves, including strategies about levels and their future use • how they plan to deal with uncertainty in the medium and longer term • the impact of planned future policies and foreseeable developments on their financial position.
Best Value	<p>The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.</p>

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

Relationships, services and related threats and safeguards

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We are not aware of any relationships between Ernst & Young LLP and the College that may reasonably be thought to bear on our independence as of the date of this letter.

As part of our considerations for any non-audit engagement, we review potential threats in respect of self-interest, self-review, acting as management and advocacy. There are no non-audit services provided to the College at this time in 2018/19 (2017/18: nil).

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate any potential threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, your audit engagement partner and the audit engagement team have not been compromised.

C - Required communications



Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the consolidated financial statements The adequacy of related disclosures in the consolidated financial statements 	<p>Annual Audit Report</p>
<p>Misstatements</p> <ul style="list-style-type: none"> Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	<p>Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	<p>Annual Audit Report</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the consolidated financial statements and that the Audit Committee may be aware of 	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>

Required communication	Reference
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	<p>No such matters have been identified.</p> <p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>
<p>Representations</p> <p>Written representations we are requesting from management and/or those charged with governance</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring, if material.</p>

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EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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AUDIT & RISK COMMITTEE	
Meeting of 10 July 2019	
Title: Draft Internal Audit Plan 2019-20	
Author: Peter D Smith, Vice Principal – Finance & Resources	Contributor(s): MHA Henderson Loggie
Type of Agenda Item:	
For Decision	<input type="checkbox"/>
For Discussion	<input checked="" type="checkbox"/>
For Information	<input type="checkbox"/>
Reserved Item of Business	<input type="checkbox"/>
Purpose: To enable the Committee to consider the plan for the College's internal audit assignments for the year 01 August 2019 to 31 July 2020.	
Linked to Strategic Goal:	
5. Optimise the use of our available resources to deliver financial and environmental sustainability.	
Linked to Annual Priority:	
16. Operate an academic year budget which utilises all available budget resources in line with fiscal year cash allocations.	
Executive Summary:	
The Plan attached as Appendix 1, incorporating Audit Needs Assessment and Strategic Plan, has been prepared by the College's internal auditors, MHA Henderson Loggie, following discussions with the Chair of the Audit & Risk Committee, the Senior Executive Team and other key managers, and taking a proportionate, risk-based approach based on the College's Risk Register, Strategic Plan and other documents. It is presented at this meeting for the Committee to consider the proposed schedule, prior to agreeing the final Plan at its meeting of 25 September 2019.	
Recommendation:	
It is recommended that the Committee to consider the draft Plan and advise of any changes to be approved in the finalised Plan in September 2019.	
Previous Committee Recommendation/Approval (if applicable):	
None	

Equality Impact Assessment:

Positive Impact

Negative Impact

No Impact

Evidence:

North East Scotland College

Audit Needs Assessment and Strategic Plan 2019 to 2022

Internal Audit Report No: 2020/01

Draft issued: 27 June 2019

2nd Draft issued: 2 July 2019

Final issued:

Now, for tomorrow



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Introduction

Introduction

We have been appointed as Internal Auditors of North East Scotland College ('the College') for the period from 1 August 2019 to 31 July 2022, with an option available to the College to extend for a further two one-year periods.

Internal audit primarily provides an independent and objective opinion to the Regional Board and to the Principal on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the College's agreed objectives. In addition, internal audit's findings and recommendations are beneficial to line management in the audited areas. Risk management, control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the College.

Internal audit also provides an independent and objective consultancy service specifically to help line management improve the College's risk management, control and governance.

Audit Needs Assessment

The Audit Needs Assessment (ANA) has been prepared following discussion with a number of College managers and the Chair of the Audit and Risk Committee, and review of College documents together with previous internal and external audit reports.

The assessment covers the main areas where the College is exposed to risk that can be managed through internal control, and which therefore should be considered for examination by internal audit. The assessment has taken no account of the resources available to carry out the work.

The ANA is based on the College's Strategic Risk Register and also on the risk prompt list for higher education institutions issued as a guide by the Higher Education Funding Council for England (HEFCE). The prompt list was compiled by HEFCE from information provided by several institutions that had carried out a full risk identification process. Risks were split into eight categories: reputation; student experience; staffing issues; estates and facilities; financial issues; commercial issues; organisational issues; and information and IT. These categories have been used in this ANA. The above is then supplemented by our own assessment of the risks faced by the College.

Following identification of the key controls and associated risks we have assessed the different areas of risk using the following criteria:

- Risk Impact
- Risk Likelihood
- Present Controls

Where an area of risk is covered by the College's own Strategic Risk Register, we have used the assessment of impact and likelihood set out in that document.

Audit Needs Assessment (Cont'd)

From the combination of results of these three criteria, the work required, and the resource recommended to test whether the controls are in place and operating effectively has been assessed, together with a recommendation of the frequency of audit testing. Previous audit coverage has also been taken into consideration.

Strategic Plan

Following on from the ANA the Strategic Plan has been formulated to cover the 2019/20 to 2021/22 financial years. The Strategic Plan places the risk based planned coverage under three main strands: Governance, Financial and Performance. The planned coverage should be reviewed annually prior to finalisation of the Annual Plan and detailed audit planning of individual assignments.

There is an expectation by external auditors that some element of review is included in the internal audit programme each year in relation to core financial systems; budgetary processes and controls. This has been taken into consideration in formulating the Strategic Plan.

Value for Money

Value for Money (VFM) is an integral part of all audits and has been mentioned at key points within this ANA. Specific VFM reviews will be carried out in areas agreed with management and the Audit and Risk Committee although VFM is considered as an integral part of any audit work that we are undertaking.

Business Improvement

We will draw on the experience within our team to provide input on the use of a wide range of business improvement tools, including the use of lean systems and methodologies, where this is appropriate and relevant to the specific audit assignment.



Executive Summary

There are a number of regulatory, operational and financial risks faced by any organisation. There are also risks that are specific to individual institutions, and which vary over time. All of these risks need to be managed effectively since they cannot be eliminated entirely.

The purpose of this ANA is to identify these risks and assess the audit coverage required to provide the Regional Board and the Principal with assurances that the control environments operated centrally (and in Faculties and Support Services) are effective in reducing the identified risks to an acceptable level.

Information from ANA interviewees and various documents that have been subject to detailed review identified the following issues as being the main strategic, operational and financial issues facing the College at this time.

- ensuring the continuing financial security and sustainability of the College. This is impacted by factors such as: the significant reduction in central government funding over recent years; challenges in meeting the College's credits target; and national pay bargaining and other increases in recurring costs;
- diversification and improvement of alternative College income streams to reduce reliance on SFC Grant-in-aid;
- the drive to continually improve the quality of the learning and teaching experience for the students and to improve levels of learner retention and attainment;
- removing barriers to ensure that courses are accessible to the widest spectrum of learners;
- within the context of the Outcome Agreement, delivering a relevant and valued curriculum that is aligned with national priorities and meets the needs of the region, employers and students;
- promoting excellence through research and innovation;
- investment in the development of the workforce;
- investing in a high quality, efficient, and sustainable Estates and ICT infrastructure which is capable of adapting to changing curriculum and business needs. Availability of funds for capital projects;
- providing the highest standards of governance for the College through the high-quality operation of a skilled and diverse Regional Board;
- further opportunities for partnership working with public and private sector partners to deliver positive and sustainable change for individuals, communities and businesses in the region; and
- contribution by the College to the social, economic and cultural life of its local community.

Executive summary (Cont'd)

Where risks arising from these issues can be impacted by internal control and subjected to internal audit these have been identified in the ANA and prioritised in the Strategic Plan with reference to the combined risk factors identified in the ANA and the resources allocated by the College to internal audit. Prioritisation affects frequency of visits, the number of days allocated, and the position in the audit cycle.

Risks associated with these, and other issues, do not exist in isolation but are inter-dependent. We will therefore ensure that audit projects are linked where necessary, and results from relevant previous projects will be taken into consideration at the detailed planning stage of each project.



Audit Needs Assessment

This assessment covers all the main areas of risk where internal audit can provide assurances regarding control environments. Numbers in brackets below represent cross-referencing to the College's Strategic Risk Register.

Our assessment of risk impact and risk likelihood, and prioritisation in the Strategic Plan, has been arrived at after taking into consideration our own knowledge and experience of the College, discussion with College managers and the Chair of the Audit and Risk Committee as part of the ANA process and review of College documents, including the Strategic Risk Register.

Present Controls are defined as follows:

Good – the key controls in place in this area, if operated as designed, should mitigate against the risk arising.

Satisfactory – the key controls in place in this area, if operated as designed, should substantially mitigate against the risk arising although further improvements could be made.

The assessment covers the following areas where risk arises (pages 7 to 13 provide a summary of risk assessment for each risk category, with pages 14 to 52 providing further detail on each category, including key controls and associated risk):

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>Reputation</p> <ul style="list-style-type: none"> <input type="checkbox"/> Loss of Reputation Resulting in Negative Perceptions – Loss of Business <input type="checkbox"/> IF an individual is harmed or property is damaged THEN the College may face litigation or criminal prosecution and reputational damage (4.8) <input type="checkbox"/> IF key statutory obligations and legislative requirements, including the Equality Act 2010, Freedom of Information (Scotland) Act 2002, General Data Protection Regulation (GDPR), are not adhered to THEN the College may face significant financial penalties and/or reputational damage may occur (6.1) 	<p>Significant Critical</p> <p>Significant</p>	<p>Unlikely Unlikely</p> <p>Very unlikely</p>	<p>Good Good</p> <p>Good</p>	<p>Medium Medium</p> <p>Medium</p>

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Student Experience				
<input type="checkbox"/> IF national priorities conflict with local needs, THEN the College may not be able to effectively meet regional needs (1.1)	Moderate	Unlikely	Good	Medium
<input type="checkbox"/> IF the College is not effectively aligned with regional need, THEN this will lead to decreases in demand, successful outcomes and positive feedback (1.3)	Moderate	Unlikely	Good	Medium
<input type="checkbox"/> IF students are not enrolled on the most appropriate programme, THEN they may be less likely to succeed (1.4)	Significant	Unlikely	Good	Medium
<input type="checkbox"/> IF the impact of Brexit decreases the number of international students in the region THEN the College may face increased competition with the two local Universities (3.4)	Significant	Unlikely	Good	Medium
<input type="checkbox"/> IF the College does not have sufficient capacity to address the wide-ranging needs of the student body, THEN the learner experience and learner outcomes will be diminished (4.1)	Moderate	Likely	Satisfactory	Medium
<input type="checkbox"/> IF students are not engaged in driving the learner experience, THEN the College may not develop an appropriate learner experience (4.2)	Moderate	Unlikely	Good	Medium
<input type="checkbox"/> IF robust self-evaluation processes are not implemented and adhered to, THEN the College will not benefit from an effective improvement planning process (4.4)	Moderate	Very unlikely	Good	Low
<input type="checkbox"/> IF the Students' Association (SA) does not continue to be pro-active in engaging with the College, THEN the learner experience will likely be diminished (2.4)	Moderate	Likely	Satisfactory	Medium
<input type="checkbox"/> Management of Disciplinary / Appeals Procedures	Minor	Very unlikely	Good	Low
<input type="checkbox"/> Risks Associated with Examination Marking	Minor	Very unlikely	Good	Low

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Staffing Issues				
<input type="checkbox"/> Failure to Comply with Employment Legislation	Moderate	Very unlikely	Good	Low
<input type="checkbox"/> Negative Impact on Employee Relations (e.g. National Bargaining, Industrial Action, Local Consultation)	Significant	Unlikely	Good	Medium
<input type="checkbox"/> IF the College is not able to recruit and develop appropriately qualified staff, THEN this will adversely impact on the student experience (2.1)	Moderate	Unlikely	Good	Medium
<input type="checkbox"/> IF staff are not fully motivated and engaged in delivering the best learner experience, THEN students may not achieve desired outcomes (2.2)	Minor	Unlikely	Good	Low
<input type="checkbox"/> IF staff do not deliver teaching methods that are engaging and effective, THEN students are less likely to achieve a successful outcome (2.3)	Moderate	Unlikely	Good	Medium
<input type="checkbox"/> Failure to Develop and Implement Succession Planning	Significant	Unlikely	Good	Medium
<input type="checkbox"/> Controls Over Payroll	Moderate	Likely	Satisfactory	Medium

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>Estates and Facilities</p> <ul style="list-style-type: none"> <input type="checkbox"/> IF the SFC does not provide sufficient capital maintenance funding to maintain modern fit-for-purpose buildings, THEN the quality of the student experience will be reduced (4.6) <input type="checkbox"/> Physical Security <input type="checkbox"/> Disruption to Operations Following Loss or Breakdown of Key Equipment <input type="checkbox"/> Fleet / Asset Management <input type="checkbox"/> Failure to Meet All Regulatory Requirements <input type="checkbox"/> Selection and Management of Third-Party Contractors <input type="checkbox"/> Projects Over Time <input type="checkbox"/> Capital Authorisation / Control Procedures <input type="checkbox"/> Projects Over Budget <input type="checkbox"/> Use of Space Within Estate and Lack of Suitable Accommodation for Development of Academic and Support Activities 	<p>Moderate</p> <p>Moderate</p> <p>Moderate</p> <p>Moderate</p> <p>Significant</p> <p>Significant</p> <p>Significant</p> <p>Significant</p> <p>Significant</p> <p>Significant</p>	<p>Very likely</p> <p>Unlikely</p> <p>Likely</p> <p>Unlikely</p> <p>Unlikely</p> <p>Unlikely</p> <p>Likely</p> <p>Very unlikely</p> <p>Unlikely</p> <p>Likely</p>	<p>Satisfactory</p> <p>Good</p> <p>Satisfactory</p> <p>Good</p> <p>Good</p> <p>Good</p> <p>Good</p> <p>Good</p> <p>Good</p> <p>Good</p> <p>Satisfactory</p>	<p>High</p> <p>Medium</p> <p>Medium</p> <p>Medium</p> <p>Medium</p> <p>Medium</p> <p>Medium</p> <p>Medium</p> <p>Medium</p> <p>High</p>

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Financial Issues				
<input type="checkbox"/> Failure to Achieve Financial Sustainability	Critical	Unlikely	Good	High
<input type="checkbox"/> Adverse Funding Changes	Critical	Very likely	Good	High
<input type="checkbox"/> Changing Economic Environment	Significant	Likely	Good	High
<input type="checkbox"/> IF student outcomes do not improve as planned THEN the College's ability to achieve its SFC activity target will be reduced (4.3)	Moderate	Likely	Good	Medium
<input type="checkbox"/> IF insufficient students enrol at the College, THEN the College's ability to achieve a balanced budget will be adversely affected and future credits targets may be reduced (5.2)	Significant	Likely	Satisfactory	High
<input type="checkbox"/> IF regional demand reduces, THEN the credit target may not be achieved resulting in clawback and reduced funding in future years (5.7)	Significant	Likely	Satisfactory	High
<input type="checkbox"/> IF candidate numbers are insufficient to meet SDS targets in relation to foundation apprenticeships (FAs), THEN the allocation of future places may be reduced (5.8)	Significant	Likely	Satisfactory	High
<input type="checkbox"/> Potential Impacts of National Bargaining Process	Significant	Likely	Good	High
<input type="checkbox"/> Budgetary Control of the College's Financial Resources	Critical	Unlikely	Good	High
<input type="checkbox"/> Cashflow Issues	Significant	Unlikely	Good	Medium
<input type="checkbox"/> Student Fee Income is Not Raised or Recorded	Moderate	Unlikely	Good	Medium
<input type="checkbox"/> Financial Fraud, Abuse	Moderate	Unlikely	Good	Medium
<input type="checkbox"/> Main Financial Systems				
• General Ledger	Moderate	Unlikely	Good	Medium
• Procurement and creditors / purchasing	Moderate	Unlikely	Good	Medium
• Debtors / Income	Moderate	Unlikely	Good	Medium
• Cash and Bank / Treasury Management	Moderate	Unlikely	Good	Medium

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Commercial Issues				
<input type="checkbox"/> Prevention and Response to External Claims Against the College for Breach of Contract	Moderate	Unlikely	Good	Medium
<input type="checkbox"/> Identification and Response (Positively and Creatively) to Opportunities as they Arise	Significant	Likely	Satisfactory	High
<input type="checkbox"/> Financial Control Over Other Income Generating Activities	Moderate	Unlikely	Good	Medium
<input type="checkbox"/> IF sufficient income levels are not achieved THEN the College will not be able to financially invest in innovation, staff and facilities (5.5)	Significant	Likely	Satisfactory	High
Organisational Issues				
<input type="checkbox"/> IF an emergency/disaster/significant systems failure occurs THEN the learner experience will be negatively impacted upon should an emergency or disaster occur (4.7)	Critical	Unlikely	Good	Medium
<input type="checkbox"/> IF the Regional Board fails to maintain the highest standards for governance and comply with the 'Code of Good Governance for Scotland's Colleges', THEN the terms and conditions of grant will not be met (2.5)	Moderate	Unlikely	Good	Medium
<input type="checkbox"/> Effective Corporate Planning	Critical	Unlikely	Good	Medium
<input type="checkbox"/> Risk Management	Significant	Unlikely	Good	Medium
<input type="checkbox"/> IF employers do not successfully engage with NESCol, THEN the College will not be able to identify and meet their needs (3.1)	Moderate	Likely	Satisfactory	Medium
<input type="checkbox"/> IF local schools do not work closely with NESCol, THEN effective learner pathways will not be delivered throughout the region (3.2)	Moderate	Likely	Satisfactory	Medium
<input type="checkbox"/> IF university partners do not work closely with NESCol, THEN improvements to widening access, improving articulation and increasing the efficiency and effectiveness of the learner journey In the region will not be achieved (3.3)	Moderate	Unlikely	Good	Medium

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Information and IT <input type="checkbox"/> Catastrophic Failure of ICT Systems or Infrastructure <input type="checkbox"/> IF IT security arrangements are inadequate, THEN the College may experience data security breaches, cyber-attacks and/or major IT outages (6.2) <input type="checkbox"/> Breach of Data Protection Legislation <input type="checkbox"/> Non-Compliance with Freedom of Information Legislation <input type="checkbox"/> Non-Compliance with User Licence Requirements <input type="checkbox"/> Management of Systems Implementation <input type="checkbox"/> Failure to Achieve Ambitions of IT Strategy	Critical Critical Significant Moderate Moderate Significant Significant	Unlikely Unlikely Likely Very unlikely Unlikely Unlikely Unlikely	Good Good Satisfactory Good Good Good Good	Medium Medium High Low Low Medium Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>REPUTATION</p> <p>LOSS OF REPUTATION RESULTING IN NEGATIVE PERCEPTIONS – LOSS OF BUSINESS</p>	<p>Marketing & Communication Strategy.</p> <p>Positive marketing approaches.</p> <p>Dedicated public relations staff.</p> <p>Policy for responding to press comment.</p> <p>Regular review of press.</p>	<p>Failure to actively manage positive and negative publicity.</p> <p>Lost opportunities / students due to tarnished reputation.</p> <p>Fail to maximise benefits from positive publicity.</p>	Significant	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
IF AN INDIVIDUAL IS HARMED OR PROPERTY IS DAMAGED THEN THE COLLEGE MAY FACE LITIGATION OR CRIMINAL PROSECUTION AND REPUTATIONAL DAMAGE (4.8)	Robust health and safety management system. Regular review of arrangements. Strict adherence to processes, policies and procedures. Effective monitoring systems. Staff training. Health & Safety Committee. Compliance with BSI Standards. Head of Health, Safety & Security and Team.	Failure to effectively manage health and safety, with consequent risk or damage to staff and students. Damage to the College's good standing. Financial penalties and / or loss of income.	Critical	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>REPUTATION (CONT'D)</p> <p>IF KEY STATUTORY OBLIGATIONS AND LEGISLATIVE REQUIREMENTS, INCLUDING THE EQUALITY ACT 2010, FREEDOM OF INFORMATION (SCOTLAND) ACT 2002, GENERAL DATA PROTECTION REGULATION (GDPR), ARE NOT ADHERED TO THEN THE COLLEGE MAY FACE SIGNIFICANT FINANCIAL PENALTIES AND/OR REPUTATIONAL DAMAGE MAY OCCUR (6.1)</p>	<p>Legal advice.</p> <p>Comprehensive policies and procedures.</p> <p>Internal audits.</p> <p>Staff training.</p> <p>Data Protection Officer.</p> <p>Engagement with key external stakeholders (Advance HE, SPSO & Scottish Information Commissioner).</p>	<p>Damage to the College's good standing.</p> <p>Financial penalties and / or loss of income.</p>	Significant	Very unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>STUDENT EXPERIENCE</p> <p>IF NATIONAL PRIORITIES CONFLICT WITH LOCAL NEEDS, THEN THE COLLEGE MAY NOT BE ABLE TO EFFECTIVELY MEET REGIONAL NEEDS (1.1)</p>	<p>Outcome Agreement process and engagement with SFC.</p> <p>Curriculum planning process.</p> <p>Engagement with CPPs and industry.</p>	<p>Failure to provide the range and structure of courses that meet the expectations of students and employers / poor product offering.</p> <p>Poor student achievement and learning experience.</p> <p>Lower student recruitment and retention.</p> <p>Reduction in income, and so need to find funding from other sources.</p>	Moderate	Unlikely	Good	Medium
<p>IF THE COLLEGE IS NOT EFFECTIVELY ALIGNED WITH REGIONAL NEED, THEN THIS WILL LEAD TO DECREASES IN DEMAND, SUCCESSFUL OUTCOMES AND POSITIVE FEEDBACK (1.3)</p>	<p>Curriculum Area Development Planning process.</p> <p>Curriculum Approval process.</p> <p>Partnership working with local schools, universities and employers.</p> <p>Student and stakeholder feedback.</p>	<p>Failure to provide the range and structure of courses that meet the expectations of students and employers / poor product offering.</p> <p>Poor student achievement and learning experience.</p> <p>Lower student recruitment and retention.</p> <p>Reduction in income, and so need to find funding from other sources.</p>	Moderate	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>STUDENT EXPERIENCE (CONT'D)</p> <p>IF STUDENTS ARE NOT ENROLLED ON THE MOST APPROPRIATE PROGRAMME, THEN THEY MAY BE LESS LIKELY TO SUCCEED (1.4)</p>	<p>Admissions procedures and interviews.</p> <p>Programme review.</p> <p>Student and academic support.</p> <p>Student Advice Centres.</p> <p>KPI analysis.</p> <p>Recruitment Strategies.</p>	<p>Poor student achievement and learning experience.</p> <p>Lower student recruitment and retention.</p> <p>Reduction in income, and so need to find funding from other sources.</p>	Significant	Unlikely	Good	Medium
<p>IF THE IMPACT OF BREXIT DECREASES THE NUMBER OF INTERNATIONAL STUDENTS IN THE REGION THEN THE COLLEGE MAY FACE INCREASED COMPETITION WITH THE TWO LOCAL UNIVERSITIES (3.4)</p>	<p>Monitoring of Brexit developments.</p> <p>College's Brexit Action Log.</p> <p>Guidance from SFC Brexit Team.</p> <p>Partnership working.</p>	<p>Lower student recruitment and retention.</p> <p>Reduction in income, and so need to find funding from other sources.</p>	Significant	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>STUDENT EXPERIENCE (CONT'D)</p> <p>IF THE COLLEGE DOES NOT HAVE SUFFICIENT CAPACITY TO ADDRESS THE WIDE-RANGING NEEDS OF THE STUDENT BODY, THEN THE LEARNER EXPERIENCE AND LEARNER OUTCOMES WILL BE DIMINISHED (4.1)</p>	<p>Access & Inclusion Strategy.</p> <p>Whole-College Student Support Model.</p> <p>Student feedback.</p> <p>Staff training.</p> <p>Regular review of policies and procedures.</p>	<p>Poor student achievement and learning experience.</p> <p>Lower student recruitment and retention.</p> <p>Reduction in income, and so need to find funding from other sources.</p>	Moderate	Likely	Satisfactory	Medium
<p>IF STUDENTS ARE NOT ENGAGED IN DRIVING THE LEARNER EXPERIENCE, THEN THE COLLEGE MAY NOT DEVELOP AN APPROPRIATE LEARNER EXPERIENCE (4.2)</p>	<p>Student feedback.</p> <p>Partnership Agreement.</p>	<p>Poor student achievement and learning experience.</p> <p>Lower student recruitment and retention.</p> <p>Reduction in income, and so need to find funding from other sources.</p>	Moderate	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>STUDENT EXPERIENCE (CONT'D)</p> <p>IF ROBUST SELF-EVALUATION PROCESSES ARE NOT IMPLEMENTED AND ADHERED TO, THEN THE COLLEGE WILL NOT BENEFIT FROM AN EFFECTIVE IMPROVEMENT PLANNING PROCESS (4.4)</p>	<p>Staff briefings.</p> <p>Clear templates with accompanying guidance for completion.</p> <p>Annual Quality Review Timeline.</p> <p>Enhancement Plans.</p> <p>Annual Priorities.</p> <p>Monitor teaching KPIs across all subject areas. Action taken to address areas of concern.</p> <p>Curriculum and Quality Committee.</p> <p>Quality Team.</p> <p>Staff recruitment and staff appraisal and development policies.</p>	<p>Failure to meet teaching quality expectations of the students.</p> <p>Fail to attract sufficient high-quality students.</p> <p>Poor Education Scotland inspection / external assessments damaging reputation or failing to improve reputation.</p>	<p>Moderate</p>	<p>Very unlikely</p>	<p>Good</p>	<p>Low</p>

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STUDENT EXPERIENCE (CONT'D)						
MANAGEMENT OF DISCIPLINARY / APPEALS PROCEDURES	<p>Policies and procedures manual.</p> <p>Appeals committee.</p>	Inaccurate assessment of student academic performance and / or unfair appeals and disciplinary process.	Minor	Very unlikely	Good	Low
RISKS ASSOCIATED WITH EXAMINATION MARKING	<p>Training for staff involved in assessment process.</p> <p>Use of markers with a proven track record and if using markers for the first time check made on qualifications and thorough vetting carried out.</p> <p>Exam scripts are held securely and properly handled to ensure robust marking and result recording.</p> <p>Review procedures, including external examiners reports.</p> <p>Student support processes. Open complaints and appeals process.</p>	Potential litigation, resulting in poor publicity.	Minor	Very unlikely	Good	Low

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STAFFING ISSUES						
FAILURE TO COMPLY WITH EMPLOYMENT LEGISLATION	<p>Staff committees.</p> <p>HR policies and procedures are regularly reviewed.</p> <p>Individual Training and Development Plan system.</p> <p>Equality and Diversity policies and procedures.</p> <p>Board HR Committee.</p>	<p>Failure to adhere to employment legislation and standards of good practice.</p> <p>Industrial action / employment tribunals / damage to reputation.</p> <p>Potential litigation including punitive damages.</p>	Moderate	Very unlikely	Good	Low

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>STAFFING ISSUES (CONT'D)</p> <p>NEGATIVE IMPACT ON EMPLOYEE RELATIONS (E.G. NATIONAL BARGAINING, INDUSTRIAL ACTION, LOCAL CONSULTATION)</p>	<p>Focussed work with Trade Unions, specific and regular meetings with senior management, ensuring good flow of information and ongoing communications.</p> <p>Regular direct communication with staff e.g. staff briefings, focus groups.</p> <p>Representation made through Employers Association Group, Colleges Scotland, Principals Forum and with national bargaining process.</p> <p>Emphasis being made nationally on imperative of financial sustainability and affordability issues.</p> <p>Discussion with Unions on impact on College financial sustainability and organisational impacts.</p> <p>Business continuity planning used to ensure all stakeholders appropriately communicated with in any potential industrial action</p>	<p>Impact on reputation and finances of continual industrial action.</p>	<p>Significant</p>	<p>Unlikely</p>	<p>Good</p>	<p>Medium</p>

RISK CATEGORY	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STAFFING ISSUES (CONT'D) IF THE COLLEGE IS NOT ABLE TO RECRUIT AND DEVELOP APPROPRIATELY QUALIFIED STAFF, THEN THIS WILL ADVERSELY IMPACT ON THE STUDENT EXPERIENCE (2.1) IF STAFF ARE NOT FULLY MOTIVATED AND ENGAGED IN DELIVERING THE BEST LEARNER EXPERIENCE, THEN STUDENTS MAY NOT ACHIEVE DESIRED OUTCOMES (2.2)	People Strategy. Recruitment & Selection Policy, Strategy & Procedure. Induction arrangements. Organisational development activities.	Failure to attract, develop and retain academic staff of sufficient calibre and standing. Inability to attract and retain specialist non-academic staff. Loss of capacity, key skills and experience.	Moderate	Unlikely	Good	Medium
	CPD. Staff consultation events. College meetings and briefings. All Staff Development Days.	Disruption to operations / services. Fail to attract sufficient high-quality students.	Minor	Unlikely	Good	Low

RISK CATEGORY	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STAFFING ISSUES (CONT'D) IF STAFF DO NOT DELIVER TEACHING METHODS THAT ARE ENGAGING AND EFFECTIVE, THEN STUDENTS ARE LESS LIKELY TO ACHIEVE A SUCCESSFUL OUTCOME (2.3)	Learning & Teaching Strategy. Lesson observations. CPD and organisational development. Internal audits. Programme review. Student feedback. Digital Futures Project.	Poor student outcomes. Fail to attract sufficient high-quality students. Reduction in income, and so need to find funding from other sources.	Moderate	Unlikely	Good	Medium

RISK CATEGORY	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STAFFING ISSUES (CONT'D) FAILURE TO DEVELOP AND IMPLEMENT SUCCESSION PLANNING	Individual Training and Development Plan system. Annual training programme undertaken. Cover arranged as required for absence of key staff members. Appropriate CPD provided for staff to meet identified skills gaps. Good terms and conditions. Develop succession planning strategy.	Failure to attract, develop and retain academic staff of sufficient calibre and standing. Inability to attract and retain specialist non-academic staff. Loss of capacity, key skills and experience. Disruption to operations / services. Fail to attract sufficient high-quality students.	Significant	Unlikely	Good	Medium

RISK CATEGORY	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STAFFING ISSUES (CONT'D) CONTROLS OVER PAYROLL	<p>Appropriate segregation between HR and payroll staff. HR notify Payroll timeously of all matters affecting the payment of emoluments.</p> <p>Approval required for new posts or removal of existing posts. Staff appointed to the salary scales approved by the Regional Board.</p> <p>Salaries and other benefits for senior management determined by the Remuneration Committee.</p> <p>All payroll variances (sick leave, timesheets etc.) authorised by line manager.</p> <p>Senior staff sign-off payroll.</p> <p>The College’s external auditors review severance settlements for senior staff.</p> <p>Any severance scheme, and any special severance payment over £1,000, must be approved by the SFC.</p>	<p>Employees are paid incorrect amounts.</p> <p>Payments are made for non-existent employees or for work not actually performed.</p>	Moderate	Likely	Satisfactory	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>ESTATES AND FACILITIES</p> <p>IF THE SFC DOES NOT PROVIDE SUFFICIENT CAPITAL MAINTENANCE FUNDING TO MAINTAIN MODERN FIT-FOR-PURPOSE BUILDINGS, THEN THE QUALITY OF THE STUDENT EXPERIENCE WILL BE REDUCED (4.6)</p>	<p>Outcome agreement process and engagement with SFC.</p> <p>Business cases for capital projects.</p> <p>Resource planning.</p> <p>Regular condition and structural surveys.</p> <p>Estates Strategy.</p> <p>Finance and Resources Committee.</p>	<p>Failure to identify, prioritise and fund maintenance needs.</p> <p>Deterioration of property.</p> <p>Significant costs incurred not included in financial plans.</p> <p>Disruption to teaching.</p>	Moderate	Very likely	Satisfactory	High
<p>PHYSICAL SECURITY</p>	<p>Regular review of security arrangements, including consulting with police.</p> <p>Regular property condition surveys.</p> <p>Finance and Resources, and HR committees.</p> <p>Health and Safety Team, and Health and Safety Committee.</p>	<p>Poor physical security of buildings, leading to theft or damage to equipment / IT hardware and compromising safety of staff and students.</p>	Moderate	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES (CONT'D)						
DISRUPTION TO OPERATIONS FOLLOWING LOSS OR BREAKDOWN OF KEY EQUIPMENT	Appropriate security system / staff. Regular review of security arrangements, including consulting with police.	Loss of movable assets. Inability of the College to function properly.	Moderate	Likely	Satisfactory	Medium
FLEET / ASSET MANAGEMENT	Insurance arrangements.	Fail to provide services to students.	Moderate	Unlikely	Good	Medium
Items > £10,000 in value are capitalised in the accounts.	Maintenance of inventory of assets and regular physical inspection. Adequate control over the use of assets for College business, especially portable, desirable items (e.g. computer equipment). Proper authorisation for asset acquisition. Proper processing and recording of expenditure on acquisitions and income from disposals. Proper maintenance of assets and testing of electrical items. Business Continuity Plans.	Inappropriate use may be made of College assets. Unauthorised expenditure may be made on assets. Old / valuable assets may not be maintained adequately resulting in financial loss. Non-compliance with Health and Safety regulations.				

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES (CONT'D)						
FAILURE TO MEET ALL REGULATORY REQUIREMENTS	<p>Regular review of legislation requirements, such as the Fire Precautions (Workplace) Regulations 1997 and the Equal Opportunities and Disability Discrimination Legislation.</p> <p>Individual Training and Development Plan system.</p> <p>Health and Safety Team, and Health and Safety Committee.</p> <p>Regular inspection by authorities.</p> <p>Realistic Estates Strategy.</p>	<p>Failure to comply with statutory requirements leads to prosecution or close down of some buildings.</p> <p>Disruption to teaching.</p> <p>Damage to reputation.</p>	Significant	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES (CONT'D)						
SELECTION AND MANAGEMENT OF THIRD-PARTY CONTRACTORS	Policies and procedures.	Contractor under performance.	Significant	Unlikely	Good	Medium
PROJECTS OVER TIME	Responsibility for planning and implementation of projects assigned to Project Manager. Regular reporting to management and review by Finance and Resources Committee. Checks on contractor insurance cover.	Fail to complete new projects / maintenance on schedule. Disruption to teaching. Deterioration of property stock.	Significant	Likely	Good	Medium
CAPITAL AUTHORISATION / CONTROL PROCEDURES	Policies and procedures.	Poor investment decisions leading to overspend on capital projects and stretching financial resources on an ongoing basis.	Significant	Very unlikely	Good	Medium
PROJECTS OVER BUDGET	Approval of major capital projects by the Senior Executive Team; Regional Board and relevant committees. Good quality information presented to Regional Board and committees. Regular monitoring of expenditure on capital projects against budget and reporting to management. Review by Finance and Resources Committee. Advice from external consultants.	Failure to identify and take action against overspends on capital projects.	Significant	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES (CONT'D) USE OF SPACE WITHIN ESTATE AND LACK OF SUITABLE ACCOMMODATION FOR DEVELOPMENT OF ACADEMIC AND SUPPORT ACTIVITIES	Space utilisation surveys. Estates Strategy. Outcome Agreement and Curriculum and Estates Proposals.	Efficient estates' planning is an integral part of the Outcome Agreement. Poor use of existing space restricts the ability to develop teaching activities and leads to higher than necessary costs. Fail to expand and offer suitable courses. Fail to attract sufficient students.	Significant	Likely	Satisfactory	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES						
FAILURE TO ACHIEVE FINANCIAL SUSTAINABILITY	Financial plans developed by College senior management and monitored within framework of available activity funding through teaching, student support funds and capital. Regular reporting to the Regional Board and its committees.	Adverse effect on the College's funding settlement and autonomy to generate non-core income.	Critical	Unlikely	Good	High
ADVERSE FUNDING CHANGES	Regular reporting to the Regional Board and its committees.	Fail to meet financial liabilities.	Critical	Very likely	Good	High
CHANGING ECONOMIC ENVIRONMENT	Continue to aim to inform and influence funding allocations through Principals' Forum, MSPs and other appropriate bodies. Projects progressed to address priority items as per College Estates Strategy based on affordability.	Adverse effect on the College's future viability. Recovery plan.	Significant	Likely	Good	High
IF STUDENT OUTCOMES DO NOT IMPROVE AS PLANNED THEN THE COLLEGE'S ABILITY TO ACHIEVE ITS SFC ACTIVITY TARGET WILL BE REDUCED (4.3)	Effective student information. Advice, guidance and support. Course design. Engaged and motivated staff. Appropriate staffing levels, Reporting and monitoring of KPIs.	Loss of income. Fail to meet financial liabilities. Recovery plan.	Moderate	Likely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>FINANCIAL ISSUES (CONT'D)</p> <p>IF INSUFFICIENT STUDENTS ENROL AT THE COLLEGE, THEN THE COLLEGE'S ABILITY TO ACHIEVE A BALANCED BUDGET WILL BE ADVERSELY AFFECTED AND FUTURE CREDITS TARGETS MAY BE REDUCED (5.2)</p>	<p>Outcome Agreement process and engagement with SFC.</p> <p>Activity planning and reporting processes.</p> <p>Recruitment Strategy and supporting Marketing Campaign.</p> <p>Applications monitoring.</p> <p>Early Withdrawal target.</p> <p>Forecasting model incl. risk matrix.</p>	<p>Loss of income.</p> <p>Fail to meet financial liabilities.</p> <p>Recovery plan.</p>	Significant	Likely	Satisfactory	High
<p>IF REGIONAL DEMAND REDUCES, THEN THE CREDIT TARGET MAY NOT BE ACHIEVED RESULTING IN CLAWBACK AND REDUCED FUNDING IN FUTURE YEARS (5.7)</p>	<p>Marketing & Communications Strategy.</p> <p>Engagement with CPPs.</p> <p>Schools and employers.</p> <p>Data analysis.</p> <p>Effective marketing.</p>	<p>Loss of income.</p> <p>Fail to meet financial liabilities.</p> <p>Recovery plan.</p>	Significant	Likely	Satisfactory	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>FINANCIAL ISSUES (CONT'D)</p> <p>IF CANDIDATE NUMBERS ARE INSUFFICIENT TO MEET SDS TARGETS IN RELATION TO FOUNDATION APPRENTICESHIPS (FAS), THEN THE ALLOCATION OF FUTURE PLACES MAY BE REDUCED (5.8)</p>	<p>Effective marketing.</p> <p>Good relationships with key stakeholders e.g. local authorities schools, universities and employers.</p> <p>Effective forward planning.</p>	<p>Loss of income.</p> <p>Fail to meet financial liabilities.</p> <p>Recovery plan.</p>	Significant	Likely	Satisfactory	High
<p>POTENTIAL IMPACTS OF NATIONAL BARGAINING PROCESS</p>	<p>Make representations to Colleges Scotland, Principals' Forum and national negotiating group.</p> <p>Emphasis on financial sustainability imperative and affordability issues, particularly given increased pension and NI costs and reduced SFC funding.</p> <p>Discussion with unions on impact on College financial sustainability and organisational impacts.</p>	<p>Staff costs rise ahead of funding inflation.</p> <p>Fail to meet other liabilities.</p> <p>Staff cuts result in inadequate teaching and other resource.</p>	Significant	Likely	Good	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D)						
BUDGETARY CONTROL OF THE COLLEGE'S FINANCIAL RESOURCES	Annual revenue budget and capital programme considered by the Finance and Resources Committee (FRC) before submission to the Regional Board. Detailed budgets are prepared and communicated to budget holders.	Failure of Faculties and Support Services to exercise budgetary control, leading to overstretching expenditure commitments.	Critical	Unlikely	Good	High
CASHFLOW ISSUES	<p>Budget reports issued to budget holders by Finance, who meet with budget holders regularly.</p> <p>During the year, the College is responsible for submitting any significant revisions to budgets to the FRC for consideration before submission to the Regional Board for approval.</p> <p>Regular reporting of budget v actual spend to senior management and the FRC with explanation for variances.</p> <p>Cashflow forecasts submitted monthly to SFC as required. Cash planning undertaken on a detailed basis with SFC funding transfers dependent on forecasts.</p>	<p>Steps are not taken to manage unexpected increases in costs or decreases in income to minimise the impact on the final out-turn, and achievement of strategic aims.</p> <p>Loss making College.</p> <p>Inability to meet liabilities as they fall due.</p> <p>Adverse impact on College operations and growth.</p> <p>Inability to fund future capital expenditure.</p> <p>Damage to reputation.</p>	Significant	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D)						
STUDENT FEE INCOME IS NOT RAISED OR RECORDED	<p>Systems should ensure that:</p> <ul style="list-style-type: none"> • Enrolment procedures are sufficient to ensure accuracy of student records information. • All fees are fully and correctly invoiced and processed. • All fee income is received. • Receipts are properly processed and recorded. • Adequate debt management and recovery procedures are in place. 	The risk here is that all fee income will not be raised, or that receipts will not be properly recorded and banked.	Moderate	Unlikely	Good	Medium
FINANCIAL FRAUD, ABUSE	<p>Financial Regulations and clearly defined fraud policies.</p> <p>Anti-Bribery and Corruption Policy and Whistle-blowing Policy.</p> <p>Segregation of duties.</p> <p>Internal audit visits throughout College.</p>	<p>Fraud and theft.</p> <p>Loss of assets, financial loss to the College.</p> <p>Adverse publicity.</p>	Moderate	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D) MAIN FINANCIAL SYSTEMS: General Ledger	Ledger structure such that it allows data to be extracted per cost centre and give meaningful figures to the budget holders. Control account reconciliations, clearance of suspense accounts and review of journal entries. Controls over, and reconciliation of, the main feeder systems to the General Ledger. Annual accounts prepared in accordance with statutory requirements.	Financial management information is not available to inform management decisions. Annual accounts preparation is un-necessarily time consuming, or proper accounts cannot be produced. Financial returns are time consuming to produce or deadlines are missed.	Moderate	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D)						
MAIN FINANCIAL SYSTEMS (CONT'D): Procurement and creditors / purchasing	<p>Process for procurement, ordering, receipt of goods / services and authorisation of invoice for payment set out in Financial Regulations and detailed financial procedures.</p> <p>Nominated authorised signatory approves Purchase Order and ensures adequate budgetary resources available.</p> <p>Quotes / tenders obtained above set thresholds.</p> <p>Approval required from the SFC for certain expenditure above thresholds set out in the Financial Memorandum.</p> <p>Procurement Policy in place.</p> <p>Online purchase order requisitioning and goods receipting system in place.</p> <p>Purchasing Manager in post. APUC and other consortium contracts used where these provide 'best value'.</p> <p>Monthly reconciliation of accounts balances and supplier statements.</p>	<p>Costs of goods and services may be higher than necessary.</p> <p>Payment may be made for goods and services not received or authorised by the College.</p>	Moderate	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D)						
<p>MAIN FINANCIAL SYSTEMS (CONT'D):</p> <p>Debtors / Income</p>	<p>Process for raising sales invoices and income handling set out in Financial Regulations.</p> <p>Particulars of all work done, or services provided notified to Finance and invoices raised promptly.</p> <p>Any credits granted must be properly authorised.</p> <p>All monies received by Faculties and Departments must be recorded on a daily basis and passed to Finance promptly for banking.</p> <p>Aged debt listing reviewed on a monthly basis and standard reminder letters produced.</p> <p>Vice Principal – Finance & Resources authorises bad debt write-offs < £3,000, with Finance and Resources Committee approval required for amounts above that figure. Write-offs above thresholds set out in the Financial Memorandum to be reported to SFC.</p>	<p>All income due may not be received.</p> <p>Receipts may not be properly processed and banked.</p>	Moderate	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D) MAIN FINANCIAL SYSTEMS (CONT'D): Cash and Bank / Treasury Management	<p>Treasury Management Policy and process for receipt of cash set out in Financial Regulations.</p> <p>Process for authorising, controlling and recording cheque and BACS payments; credit card and petty cash expenditure set out in Financial Regulations.</p> <p>Bank accounts can only be opened or closed by the Vice Principal – Finance & Resources, with the prior formal approval of the Finance and Resources Committee.</p> <p>All monies received are paid into the College's bank accounts promptly in accordance with the timetable laid out by the Vice Principal – Finance & Resources.</p> <p>All bank accounts are subject to monthly reconciliation and these are reviewed and signed by senior Finance staff.</p> <p>Claims for funding made to the SFC monthly based on forecast cash requirements.</p>	<p>All receipts and payments may not be properly recorded.</p> <p>All income may not be banked or properly accounted for.</p> <p>Treasury management may not be as efficient as possible.</p>	Moderate	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
COMMERCIAL ISSUES						
PREVENTION AND RESPONSE TO EXTERNAL CLAIMS AGAINST THE COLLEGE FOR BREACH OF CONTRACT	<p>Goods / services provided to external bodies are the subject of a binding and clearly worded legally contractual agreement.</p> <p>Review by legal advisers prior to signing.</p> <p>Expertise of Business Development staff.</p> <p>Regular monitoring of progress.</p> <p>Regular liaison with funders.</p>	<p>Breach of commercial contracts.</p> <p>Potential litigation, possible punitive damages.</p> <p>Damage to reputation, jeopardising future income.</p>	Moderate	Unlikely	Good	Medium
IDENTIFICATION AND RESPONSE (POSITIVELY AND CREATIVELY) TO OPPORTUNITIES AS THEY ARISE	<p>Advice from Business Development and Finance staff.</p> <p>Procedure for identifying income generating opportunities.</p> <p>Engagement with external organisations.</p> <p>Staff training.</p> <p>High priority in Strategic Plan.</p> <p>Regular review of activities by the Regional Board and relevant committees.</p>	<p>Failure to realise full commercial value of strengths.</p> <p>Fail to maximise all potential sources of income for College.</p> <p>Poor management could lead to financial or reputational loss.</p> <p>Expenditure may be incurred in ventures that represent poor value for money.</p>	Significant	Likely	Satisfactory	High

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>COMMERCIAL ISSUES (CONT'D)</p> <p>FINANCIAL CONTROL OVER OTHER INCOME GENERATING ACTIVITIES</p>	<p>Financial Regulations require other income-generating activities to be self-financing or surplus-generating unless it is intended that a new course be launched as a loss leader.</p> <p>Other income-generating activities must be costed and agreed with Vice Principal – Finance & Resources before any commitments are made.</p> <p>Provision must be made for charging both direct and indirect costs in accordance with the College's costing and pricing policy, in particular for the recovery of overheads.</p> <p>Regular monitoring of non-SFC commercial activity against agreed budget.</p> <p>Increased engagement and marketing effort to maintain current business but also to open and grow new income streams.</p> <p>Spread of activity across a range of areas to reduce risk of one large contract failure to overall surplus. Financial Regulations cover raising invoices and debt management.</p>	<p>Research and other contracts may over-spend irrecoverably.</p> <p>Cash flow may be adversely affected through slow collection of income after expenditure has been incurred.</p> <p>All income of the College is not recorded and banked.</p> <p>Income raising activities may not cover their costs.</p> <p>Balances are incorrectly carried forward resulting in either overspend or recognition of profits in the wrong period.</p> <p>Staff cuts.</p>	<p>Moderate</p>	<p>Unlikely</p>	<p>Good</p>	<p>Medium</p>

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>COMMERCIAL ISSUES (CONT'D)</p> <p>IF SUFFICIENT INCOME LEVELS ARE NOT ACHIEVED THEN THE COLLEGE WILL NOT BE ABLE TO FINANCIALLY INVEST IN INNOVATION, STAFF AND FACILITIES (5.5)</p>	<p>Business Development Strategy.</p> <p>Employer / client engagement.</p> <p>Save Well-Spend Well initiative.</p>	<p>The College will not be able to financially invest in innovation, staff and facilities.</p>	<p>Significant</p>	<p>Likely</p>	<p>Satisfactory</p>	<p>High</p>
<p>ORGANISATIONAL ISSUES</p> <p>IF AN EMERGENCY / DISASTER / SIGNIFICANT SYSTEMS FAILURE OCCURS THEN THE LEARNER EXPERIENCE WILL BE NEGATIVELY IMPACTED UPON SHOULD AN EMERGENCY OR DISASTER OCCUR (4.7)</p>	<p>Regular review of Business Continuity Plan.</p> <p>Scenario and desktop training exercises.</p> <p>Insurance on buildings and equipment.</p> <p>IT disaster recovery arrangements.</p>	<p>Major disaster.</p> <p>Unable to operate.</p> <p>Disruption to teaching and / or support services.</p>	<p>Critical</p>	<p>Unlikely</p>	<p>Good</p>	<p>Medium</p>

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>ORGANISATIONAL ISSUES (CONT'D)</p> <p>IF THE REGIONAL BOARD FAILS TO MAINTAIN THE HIGHEST STANDARDS FOR GOVERNANCE AND COMPLY WITH THE 'CODE OF GOOD GOVERNANCE FOR SCOTLAND'S COLLEGES', THEN THE TERMS AND CONDITIONS OF GRANT WILL NOT BE MET (2.5)</p>	<p>Governance Manual and Code of Conduct.</p> <p>Financial Regulations</p> <p>College Fraud Policy and Whistle-blowing Policy.</p> <p>Compliance with Financial Memorandum, SPFM and FE Code of Good Governance.</p> <p>Board recruitment and induction processes.</p> <p>Internal audit.</p> <p>External Effectiveness Review.</p> <p>NESCol Governance Steering Group.</p> <p>Regional Chair's national/sector roles.</p> <p>Board Member training and development. Annual self-assessment process.</p> <p>Audit & Risk Committee's Annual Review of operation of Board against Code.</p>	<p>Inadequate corporate governance, resulting in poor management and possible financial loss.</p> <p>Press criticism arising from perceived corporate governance weakness or non-compliance.</p> <p>Fall in public perception of the College.</p>	<p>Moderate</p>	<p>Unlikely</p>	<p>Good</p>	<p>Medium</p>

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ORGANISATIONAL ISSUES (CONT'D)						
EFFECTIVE CORPORATE PLANNING	<p>Corporate planning process involving Leadership Team and the Regional Board.</p> <p>Supporting strategies, Self-evaluation & Enhancement plans and Annual Priorities have been produced to support and inform the achievement of Outcome Agreement and Strategic Plan aims and objectives.</p> <p>Strategic Risk Register cross-referenced to the strategic goals.</p> <p>Monitoring of the Strategic Plan by senior management and the Board.</p>	<p>Fail to determine and communicate an appropriate and focused strategy.</p> <p>Unable to react positively and timeously to sector changes or influences.</p> <p>Fail to attract sufficiently high-quality student intake.</p> <p>Fail to attract and retain high quality staff.</p> <p>Fail to secure investment.</p>	Critical	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ORGANISATIONAL ISSUES (CONT'D) RISK MANAGEMENT	Risk Management Policy. Financial Regulations outlining high-level procedures for Risk Management. Strategic Risk Register. Monitoring and review by the Leadership Team, Audit and Risk Committee and the Regional Board.	If risk has not been adequately assessed, unexpected and unplanned situations could develop, for which no adequate insurance or contingency plan is in place.	Significant	Unlikely	Good	Medium
IF EMPLOYERS DO NOT SUCCESSFULLY ENGAGE WITH NESCOL, THEN THE COLLEGE WILL NOT BE ABLE TO IDENTIFY AND MEET THEIR NEEDS (3.1)	Business Development Strategy. Engagement with industry groups and employers. Employer engagement events. Stakeholder consultations.	Poor partnership working and relationships. Failure to provide the range and structure of courses that meet the expectations of students and employers / poor product offering. Lower student recruitment and retention. Reduction in income, and so need to find funding from other sources.	Moderate	Likely	Satisfactory	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
<p>ORGANISATIONAL ISSUES (CONT'D)</p> <p>IF LOCAL SCHOOLS DO NOT WORK CLOSELY WITH NESCOL, THEN EFFECTIVE LEARNER PATHWAYS WILL NOT BE DELIVERED THROUGHOUT THE REGION (3.2)</p>	<p>Schools Liaison Team.</p> <p>Partnership Agreements.</p> <p>Regional Learning & Skills Partnership.</p> <p>Mapping of learner pathways.</p>	<p>Poor partnership working and relationships.</p> <p>Effective learner pathways will not be delivered throughout the region.</p>	Moderate	Likely	Satisfactory	Medium
<p>IF UNIVERSITY PARTNERS DO NOT WORK CLOSELY WITH NESCOL, THEN IMPROVEMENTS TO WIDENING ACCESS, IMPROVING ARTICULATION AND INCREASING THE EFFICIENCY AND EFFECTIVENESS OF THE LEARNER JOURNEY IN THE REGION WILL NOT BE ACHIEVED (3.3)</p>	<p>Articulation Agreements.</p> <p>Engagement activities.</p> <p>TWO PLUS Alliance with RGU.</p> <p>LOIP and Locality Plans.</p>	<p>Poor partnership working and relationships.</p> <p>Improvements to widening access, improving articulation and increasing the efficiency and effectiveness of the learner journey in the region will not be achieved.</p>	Moderate	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
INFORMATION AND IT CATASTROPHIC FAILURE OF ICT SYSTEMS OR INFRASTRUCTURE	Infrastructure designed not to have single points of failure. ICT backup procedures and Disaster Recovery planning. Uninterruptible power supply in comms. rooms. Fire extinguishers in comms. rooms. Hardware support and maintenance agreements in place.	Major IT disaster – loss of information or use of central hardware. Disruption to teaching and / or support services.	Critical	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
INFORMATION AND IT (CONT'D) IF IT SECURITY ARRANGEMENTS ARE INADEQUATE, THEN THE COLLEGE MAY EXPERIENCE DATA SECURITY BREACHES, CYBER ATTACKS AND/OR MAJOR IT OUTAGES (6.2)	IT Strategy. Information Systems Security Policy. Internal audits. Robust systems testing. Appropriate physical security and use of preventative technologies. Resilient architecture of links between sites. Monitoring of threat levels through partners. Use of cloud-based repository. Staff training.	Network security breached with consequent damage to mission-critical operations and theft of IPR. Disruption to access to network.	Critical	Unlikely	Good	Medium

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
INFORMATION AND IT (CONT'D)						
BREACH OF DATA PROTECTION LEGISLATION	Effective management of ICT arrangements.	Non-compliance with Data Protection Act and FoI (Scotland) Act.	Significant	Likely	Satisfactory	High
NON-COMPLIANCE WITH FREEDOM OF INFORMATION LEGISLATION	Staff training. Awareness sessions held. Policies and procedures in place. Data Protection and Freedom of Information (FoI) Officers appointed. Publication Scheme.	Shadow information held at department level. Damage to reputation. Potential litigation.	Moderate	Very unlikely	Good	Low
NON-COMPLIANCE WITH USER LICENCE REQUIREMENTS	All software purchases must be agreed by the appropriate line manager and authorised by the IT Resources Group. No software loaded onto any College systems without the prior approval of the Change Advisory Board. No copies of software made, other than for authorised purposes. Any unsolicited software received by users must be checked and verified by IT Support prior to installation and use. College Acceptable Use Policy.	Non-compliance with user licence requirements, leading to possible financial penalties.	Moderate	Unlikely	Good	Low

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
INFORMATION AND IT (CONT'D)						
MANAGEMENT OF SYSTEMS IMPLEMENTATION	<p>Proper procedures for development and implementation of new systems.</p> <p>Regular review of current and future requirements.</p> <p>Currently creating a PRINCE 2 based project management framework.</p> <p>Use of external consultants and expertise to manage major projects and to ensure services are fit for purpose and future proofed.</p>	<p>Failure to properly address all steps in the systems development life cycle can have serious consequences on the effectiveness of the system performance and can be costly in financial and time allocation terms.</p> <p>Failure to provide accurate and complete operational / student management information.</p> <p>Loss of efficiency and effectiveness.</p>	Significant	Unlikely	Good	Medium
FAILURE TO ACHIEVE AMBITIONS OF IT STRATEGY	<p>IT Strategy.</p> <p>Steer by Senior Executive Team.</p>	<p>Ineffective development and utilisation of information, learning and communication technology.</p> <p>Hinders the aim of increasing participation and promoting social inclusion.</p> <p>Hinders improvement in the learning process.</p>	Significant	Unlikely	Good	Medium



Strategic Plan

The Strategic Plan covers the financial years 2019/20 to 2021/22. Audit days have been allocated to the categories identified in the ANA to produce a rolling programme of work. Where relevant, these have been further split into sub-categories. Frequency of visits, the number of days allocated, and the position in the audit cycle has been determined with reference to the combined risk factors identified in the ANA, and previous internal and external audit coverage.

To clarify the linkage between the ANA and Strategic Plan we have included at pages 54 to 61 a listing of all risk categories, grouped by 'Priority'. On these schedules we have indicated the timing of our audit work, if any, across the three-year period of the Strategic Plan, the number of days allocated and the project title as it appears on the Strategic Plan at pages 62 and 63.

Audit Methodology

Prior to commencement of the work each year the Strategic Plan will be reviewed in advance of the production of the Annual Plan. The Annual Plan will provide additional detail on the risks to be covered and the work to be carried out in each area. The process will include discussion with management, the College's external auditors and the Audit and Risk Committee as appropriate.

Once the Annual Plan has been agreed an audit timetable will be drawn up and detailed planning will be carried out for each area.

The mainstream audit work falls into three categories:

- Governance;
- Financial; and
- Performance.

In all cases the audit work involves:

- Identification of the expected controls.
- Review of systems to identify actual controls.
- Consideration of established Best Practice in the area.
- Testing of controls to ensure they are operating effectively.
- Consideration of VFM issues where appropriate on all audit assignments and conducting specific VFM reviews as agreed with College management and the Audit and Risk Committee.
- Consideration of the relevance of business improvement tools, including lean systems and methodologies, to individual audit assignments.
- Discussion of findings and our likely recommendations with the relevant managers and staff involved with the systems. Recommendations will be graded to help management prioritise their importance.
- Issue of a draft report to confirm factual accuracy and obtain official management responses for inclusion in the final report.
- Issue of a final report that summarises audit objectives, work carried out, the implications of the findings for internal control, and an action plan with areas for improvement. The action plan will allocate responsibility for the implementation and give a timeframe for completion.
- Follow-up of action plans in future years.

North East Scotland Collage

Draft Audit Needs Assessment and Strategic Plan 2019 to 2022

North East Scotland College – linkage between Strategic Plan and Audit Needs Assessment

High Priority

Risk Category	Coverage	Comment
Estates and Facilities		
IF the SFC does not provide sufficient capital maintenance funding to maintain modern fit-for-purpose buildings, THEN the quality of the student experience will be reduced (4.6)		Aspects covered by previous review of Estates Management in 2018/19.
Use of Space Within Estate and Lack of Suitable Accommodation for Development of Academic and Support Activities		Staff and Room Utilisation previously reviewed in 2018/19.
Financial Issues		
Failure to Achieve Financial Sustainability	2019/20, 2020/21	Previously covered by review of Budgetary & Financial Controls in 2017/18.
Adverse Funding Changes	2019/20, 2020/21	As above
Changing Economic Environment	2019/20, 2020/21	As above.
IF insufficient students enrol at the College, THEN the College's ability to achieve a balanced budget will be adversely affected and future credits targets may be reduced (5.2)		Aspects covered by previous review of Student Records and Enrolment, Attendance & Applications in 2018/19 and Course Viability in 2016/17.
IF regional demand reduces, THEN the credit target may not be achieved resulting in clawback and reduced funding in future years (5.7)		As above.
IF candidate numbers are insufficient to meet SDS targets in relation to foundation apprenticeships (FAs), THEN the allocation of future places may be reduced (5.8)		
Potential Impacts of National Bargaining Process		

North East Scotland Collage

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High Priority

Risk Category	Coverage	Comment
Budgetary Control of the College's Financial Resources	2019/20, 2020/21	Previously reviewed in 2017/18.
Commercial Issues		
Identification and Response (Positively and Creatively) to Opportunities as they Arise	2019/20, 2021/22	ASET previously reviewed in 2018/19.
IF sufficient income levels are not achieved THEN the College will not be able to financially invest in innovation, staff and facilities (5.5)	2019/20, 2021/22	As above.
Information and IT		
Breach of Data Protection Legislation	2020/21	Previously covered by Data Protection review in 2017/18 and IT Systems review in 2018/19.

Medium Priority

Risk Category	Coverage	Comment
Reputation		
Loss of Reputation Resulting in Negative Perceptions – Loss of Business		Marketing previously reviewed in 2018/19.
IF an individual is harmed or property is damaged THEN the College may face litigation or criminal prosecution and reputational damage (4.8)		Aspects covered by previous review of Estates Management in 2018/19.
IF key statutory obligations and legislative requirements, including the Equality Act 2010, Freedom of Information (Scotland) Act 2002, General Data Protection Regulation (GDPR), are not adhered to THEN the College may face significant financial penalties and/or reputational damage may occur (6.1)	2020/21	Considered where applicable during all audits. GDPR previously reviewed in 2017/18 and 2018/19.
Student Experience		
IF national priorities conflict with local needs, THEN the College may not be able to effectively meet regional needs (1.1)	2020/21	Aspects covered by previous review of Student Records and Enrolment, Attendance & Applications in 2018/19.
IF the College is not effectively aligned with regional need, THEN this will lead to decreases in demand, successful outcomes and positive feedback (1.3)	2020/21	As above.
IF students are not enrolled on the most appropriate programme, THEN they may be less likely to succeed (1.4)	2020/21	As above.
IF the impact of Brexit decreases the number of international students in the region THEN the College may face increased competition with the two local Universities (3.4)		
IF the College does not have sufficient capacity to address the wide-ranging needs of the student body, THEN the learner experience and learner outcomes will be diminished (4.1)	2020/21	Aspects covered by previous review of Student Records and Enrolment, Attendance & Applications in 2018/19.

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Draft Audit Needs Assessment and Strategic Plan 2019 to 2022

Medium Priority

Risk Category	Coverage	Comment
IF students are not engaged in driving the learner experience, THEN the College may not develop an appropriate learner experience (4.2)	2020/21	As above.
IF the Students' Association (SA) does not continue to be pro-active in engaging with the College, THEN the learner experience will likely be diminished (2.4)		
Staffing Issues		
Negative Impact on Employee Relations (e.g. National Bargaining, Industrial Action, Local Consultation)		
IF the College is not able to recruit and develop appropriately qualified staff, THEN this will adversely impact on the student experience (2.1)	2020/21	Human Resources previously reviewed in 2017/18.
IF staff do not deliver teaching methods that are engaging and effective, THEN students are less likely to achieve a successful outcome (2.3)		Virtual Learning Environment previously reviewed in 2017/18.
Failure to Develop and Implement Succession Planning	2020/21	
Controls Over Payroll	2021/22	Previously reviewed in 2018/19.
Estates and Facilities		
Physical Security		Aspects covered by previous reviews of Fixed Asset Management and Estates Management in 2018/19.
Disruption to Operations Following Loss or Breakdown of Key Equipment	2021/22	As above.
Fleet / Asset Management		Fixed Asset Management previously reviewed in 2018/19 and Value for Money – Transport reviewed in 2017/18.

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Draft Audit Needs Assessment and Strategic Plan 2019 to 2022

Medium Priority

Risk Category	Coverage	Comment
Failure to Meet All Regulatory Requirements		
Selection and Management of Third-Party Contractors	2021/22	Purchasing & Procurement previously reviewed in 2018/19 and Review of Fraserburgh Estates project carried out in 2016/17.
Projects Over Time		Review of Fraserburgh Estates project carried out in 2016/17.
Capital Authorisation / Control Procedures	2021/22	Purchasing & Procurement previously reviewed in 2018/19 and Review of Fraserburgh Estates project carried out in 2016/17.
Projects Over Budget	2021/22	Review of Fraserburgh Estates project carried out in 2016/17.
Financial Issues		
IF student outcomes do not improve as planned THEN the College's ability to achieve its SFC activity target will be reduced (4.3)		
Cashflow Issues	2020/21	
Student Fee Income is Not Raised or Recorded		Income Collection & Credit Control previously covered in 2017/18.
Financial Fraud, Abuse		Considered where applicable during all audits.
General Ledger		Previously reviewed in 2017/18.
Procurement and creditors / purchasing	2021/22	Purchasing & Procurement previously reviewed in 2018/19. Management of Contract Managed Services previously reviewed in 2017/18.
Debtors / Income		Income Collection & Credit Control previously covered in 2017/18.
Cash and Bank / Treasury Management		As above.

North East Scotland Collage

Draft Audit Needs Assessment and Strategic Plan 2019 to 2022

Medium Priority

Risk Category	Coverage	Comment
Commercial Issues		
Prevention and Response to External Claims Against the College for Breach of Contract	2019/20, 2021/22	ASET previously reviewed in 2018/19.
Financial Control Over Other Income Generating Activities	2019/20, 2021/22	As above.
Organisational Issues		
IF an emergency/disaster/significant systems failure occurs THEN the learner experience will be negatively impacted upon should an emergency or disaster occur (4.7)	2021/22	
IF the Regional Board fails to maintain the highest standards for governance and comply with the 'Code of Good Governance for Scotland's Colleges', THEN the terms and conditions of grant will not be met (2.5)		Previously covered by Board external effectiveness review and internal audit review in 2018/19.
IF employers do not successfully engage with NESCoI, THEN the College will not be able to identify and meet their needs (3.1)		
Effective Corporate Planning	2019/20	Previously reviewed in 2018/19.
Risk Management	2021/22	Previously reviewed in 2018/19.
IF local schools do not work closely with NESCoI, THEN effective learner pathways will not be delivered throughout the region (3.2)		
IF university partners do not work closely with NESCoI, THEN improvements to widening access, improving articulation and increasing the efficiency and effectiveness of the learner journey In the region will not be achieved (3.3)		

North East Scotland Collage

Draft Audit Needs Assessment and Strategic Plan 2019 to 2022

Medium Priority

Risk Category	Coverage	Comment
Information and IT		
Catastrophic Failure of ICT Systems or Infrastructure	2020/21	Aspects covered by IT Systems review in 2018/19.
IF IT security arrangements are inadequate, THEN the Collage may experience data security breaches, cyber-attacks and/or major IT outages (6.2)	2020/21	Previously covered by IT Systems review in 2018/19.
Management of Systems Implementation	2020/21	
Failure to Achieve Ambitions of IT Strategy		

Low Priority

Risk Category	Coverage	Comment
Student Experience		
IF robust self-evaluation processes are not implemented and adhered to, THEN the College will not benefit from an effective improvement planning process (4.4)		
Management of Disciplinary / Appeals Procedures		
Risks Associated with Examination Marking		
Staffing Issues		
Failure to Comply with Employment Legislation		Human Resources previously reviewed in 2017/18.
IF staff are not fully motivated and engaged in delivering the best learner experience, THEN students may not achieve desired outcomes (2.2)	2020/21	As above.
Information and IT		
Non-Compliance with Freedom of Information Legislation		Previously reviewed in 2017/18.
Non-Compliance with User Licence Requirements	2020/21	

Proposed Allocation of Audit Days

			Planned	Planned	Planned
	Category	Priority	19/20	20/21	21/22
			Days	Days	Days
Reputation					
<i>Publicity and Communications</i>	Gov	M			
<i>Health and Safety</i>	Gov	M			
Student Experience					
<i>Curriculum planning</i>	Perf	M		5	
<i>Quality</i>	Perf	L			
<i>Student support</i>	Perf	M		5	
<i>Student recruitment and retention</i>	Fin/Perf	H			
<i>Students Association</i>	Gov	M			
Staffing Issues					
<i>Staff recruitment and retention</i>	Perf	M/L			
<i>Staff development</i>	Perf	M			
<i>Workforce planning</i>	Perf	M		4	
<i>Payroll</i>	Fin	M			4
Estates and Facilities					
<i>Building maintenance</i>	Fin/Perf	H/M			
<i>Estates and facilities contract VFM</i>	Fin/Perf	M			5
<i>Estates strategy / capital projects</i>	Fin/Perf	H/M			
<i>Space management</i>	Perf	H			
<i>Asset / fleet management</i>	Perf	M			
Financial Issues					
<i>Budgetary control</i>	Fin	H		4	
<i>Financial planning</i>	Fin	H	4		
<i>Student fees and contracts / registry</i>	Fin	M			
<i>General ledger</i>	Fin	M			
<i>Procurement and creditors / purchasing</i>	Fin	M			4
<i>Debtors/ Income</i>	Fin	M			
<i>Cash & Bank / Treasury management</i>	Fin	M			
Commercial Issues					
<i>Business Development</i>	Fin/Perf	H/M	5		
<i>International Activities</i>	Gov/Fin/Perf	M			
<i>ASET</i>	Gov/Fin/Perf	H/M			5
Organisational Issues					
<i>Risk Management*</i>	Perf	M			5
<i>Business Continuity*</i>	Perf	M			
<i>Corporate Governance</i>	Gov	M			
<i>Corporate Planning</i>	Perf	M			
<i>Performance reporting / KPIs</i>	Perf	M	5		
<i>Partnership Working</i>	Gov/Perf	M			
<i>Equalities</i>	Gov	M			

North East Scotland Collage

Draft Audit Needs Assessment and Strategic Plan 2019 to 2022

Proposed Allocation of Audit Days (Cont'd)

	Category	Priority	Planned 19/20 Days	Planned 20/21 Days	Planned 21/22 Days
Information and IT					
IT network arrangements**	Perf	M		5	
BYOD VFM	Perf/Fin	M	5		
Data protection**	Gov	H			
FOI	Gov	L			
Systems development / implementation	Perf	M		5	
IT strategy	Perf	M			
IT operations	Perf	M	5		
Other Audit Activities					
Credits audit		Required	7	7	7
Bursary, Childcare and Hardship Funds		Required	8	8	8
Management and Planning)			5	5	5
External audit / SFC)					
Attendance at Audit & Risk Committee)					
Follow-up reviews		Various	3	2	2
Audit Needs Assessment			3		
Business Process Review (TBC)					5
Total			50	50	50
			=====	=====	=====

Key

Category: Gov – Governance; Perf – Performance; Fin – Financial

Priority: H – High; M – Medium; L – Low

*, ** these assignments will be linked



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AUDIT & RISK COMMITTEE Meeting of 10 July 2019	
Title: Strategic Risk Register	
Author: Pauline May, Director of Strategy & Planning	Contributor(s): Senior Executive Team
Type of Agenda Item: For Decision <input type="checkbox"/> For Discussion <input checked="" type="checkbox"/> For Information <input type="checkbox"/> Reserved Item of Business <input type="checkbox"/>	
Purpose: To provide the Committee with an opportunity to consider the latest version of the College's Strategic Risk Register.	
Linked to Strategic Goal: This Agenda Item relates to the achievement of all five Strategic Goals.	
Linked to Annual Priority:	
Executive Summary: Attached as Appendix 1 to this paper is the latest version of the College's Strategic Risk Register. The document was reviewed and refreshed by the Senior Executive Team (SET) and the Director of Strategy & Planning in April 2019, changes made as part of this review remain highlighted in the Appendix. The review of the document led to a number of updates, including: <ul style="list-style-type: none"> • The reallocation of risks that were previously owned by the Vice Principal Curriculum & Quality • The widening of the allocation of risk and action owners from the SET to now include appropriate members of the Leadership Team • The amendment of a number of scorings and current controls to reflect changed circumstances • The amendment of further actions to reflect current and planned developments which will improve the College's approach to mitigating risk • The rewording, removal and combination of risks to refocus the Register on those which are out with the College's control • The closure of a risk • The addition of a risk. The Risk Register has continued to be reviewed on a monthly basis by the SET since April and no further changes have been made.	

It was reported at the Regional Board Meeting held on 19 June 2019 that the Strategic Risk Register will now be a standing agenda item at meeting of the Audit & Risk Committee.

Recommendation:

It is recommended that the Committee consider the Strategic Risk Register.

Previous Committee Recommendation/Approval (if applicable):

None

Equality Impact Assessment:

Positive Impact

Negative Impact

No Impact

Evidence:

NORTH EAST SCOTLAND COLLEGE STRATEGIC RISK REGISTER

Approved by: Regional Board 20/06/18
 Last considered by Audit & Risk Committee: 17/04/19
 Last reviewed by SET: 03/06/19

Strategic Risk Appetite - **Cautious**

Ref	Movement since last review	Objectives and Risks	Risk Owner	Original Likelihood (1 - 5)	Original Impact (1 - 5)	Original Rating (max=25)	Current Controls	Current Likelihood (1 - 5)	Current Impact (1 - 5)	Current Rating (max=25)	Target Likelihood (1 - 5)	Target Impact (1 - 5)	Target Total (max=25)	Above/ On Target	Further Actions	Action Owner	Planned Action Completion Date	Reported to
<p>1 Strategic Goal 1: Deliver high quality, accessible and inclusive learning and training opportunities, which transform lives and which support the economic and social development of our region. Risk Appetite - Cautious</p>																		
1.1	↔	IF national priorities conflict with local needs, THEN the College may not be able to effectively meet regional needs.	Principal	3	3	9	Outcome Agreement process and engagement with SFC, Curriculum planning process, Engagement with CPPs and industry	2	3	6	2	3	6	On Target	TOLERATE - Build on good reputation of the College to foster genuine partnerships and solutions to regional challenges. Continue to promote positive PR and success stories.	SET	Continuous	Regional Board
1.2	DELETE	IF the College fails to build on the unique and distinctive strengths of its Campus locations, THEN the College will not strengthen its reputation, optimise the use of its facilities, and widen access to its programmes.	Principal	3	3	9	Staff, student and stakeholder consultation, Campus Futures strategies and action plans	2	3	6	2	2	4	Above Target	TREAT - Maximise use of College estate to increase awareness of standard of facilities and to generate income.	VP F&R/VP A, O&P	Continuous	Regional Board
1.3	↔	IF the College fails to provide the right learning in the right places and effectively align the curriculum across the region, IF the College is not effectively aligned with regional need, THEN this will lead to decreases in demand, successful outcomes and positive feedback.	Directors of Learning/Director of Business Development	2	3	6	Curriculum Area Development Planning process, Curriculum Approval process, Partnership working with local schools, universities and employers, Student and stakeholder feedback	2	3	6	2	3	6	On Target	TREAT - Implement strengthened curriculum planning process with refreshed timeline and improved monitoring & reporting.	Directors of Learning/Director of Business Development/Director of Strategy & Planning	Continuous	Curriculum & Quality Committee
1.4	↔	IF students are not enrolled on the most appropriate programme, THEN they may be less likely to succeed.	VP A, O&P/Directors of Learning/Director of Business Development/Director of Student Access & Information	2	4	8	Admissions procedures and interviews, Programme review, Student and academic support, Student Advice Centres, KPI analysis, Recruitment Strategies	2	4	8	1	3	3	Above Target	TREAT - Continue to have clear entry requirements understood by those interviewing and suggest alternative provision when applicant doesn't match original course.	VP A, O&P/Directors of Learning/Director of Business Development/Director of Student Access & Information	Continuous	Curriculum & Quality Committee
<p>2 Strategic Goal 2: Develop the skills, talents and potential of all of the people who come to college either to learn or to work. Risk Appetite - Moderate</p>																		
2.1	↔	IF the College is not able to recruit and develop appropriately qualified staff, THEN this will adversely impact on the student experience.	Principal	3	4	12	People Strategy, Recruitment & Selection Policy, Strategy & Procedure, Induction arrangements, Organisational development activities	2	3	6	2	2	4	Above Target	TREAT - Implement refreshed approach to organisational development. Continue to promote College successes through proactive marketing and PR campaigns to increase attractiveness to employers.	Principal with Director OD & HR	Continuous	Human Resources Committee
2.2	↔	IF staff are not fully motivated and engaged in delivering the best learner experience, THEN students may not achieve desired outcomes.	Principal	3	3	9	CPD and organisational development, Staff consultation events, College meetings and briefings, All Staff Development Days	2	2	4	2	2	4	On Target	TOLERATE - Continue to influence external policy on National Bargaining and Workforce for the Future. Communicate regularly with staff, and students, where appropriate, regarding National Collective Bargaining, Approach to Employee Engagement.	Principal	Continuous	Curriculum & Quality Committee, Human Resources Committee
2.3	↔	IF staff do not deliver teaching methods that are engaging and effective, THEN students are less likely to achieve a successful outcome.	Directors of Learning	2	3	6	Learning & Teaching Strategy, Lesson observations, CPD and organisational development, Internal audits, Programme review, Student feedback, Digital Futures Project	2	3	6	2	2	4	Above Target	TREAT - Implement refreshed approach to organisational development. Continue Digital Futures Project, Refreshed approach for learning and teaching organisational development.	Directors of Learning	Continuous	Curriculum & Quality Committee
2.4	↔	IF the Students' Association (SA) does not continue to be pro-active in engaging with the College, THEN the learner experience will likely be diminished.	Director of Learning (Enterprise, Innovation and Aberdeen Futures)	4	3	12	Financial and SET support to SA, Partnership Agreement, Clear SA Constitution and Strategic Plan, Student feedback, SA contributions at Board and Committee meetings and Board Strategy Events	3	3	9	2	2	4	Above Target	TOLERATE - Ensure SA is effectively supported, and continues to be engaged through the Regional Board and the appropriate College Action Teams, Student Engagement Framework.	Director of Learning (Enterprise, Innovation and Aberdeen Futures)	Continuous	Curriculum & Quality Committee
2.5	↓	IF the Regional Board fails to maintain the highest standards for governance and comply with the 'Code of Good Governance for Scotland's Colleges', THEN the terms and conditions of grant will not be met.	Regional Chair	3	3	9	Board recruitment and induction processes, Internal audit, External Effectiveness Review, NESCol Governance Steering Group, Regional Chair's national/sector roles, Board Member training and development, Audit & Risk Committee's Annual Review of operation of Board against Code	2	3	6	1	3	3	Above Target	TREAT - Strengthen Board's evaluation processes	Regional Chair with Secretary to the Board	Continuous	Regional Board
<p>3 Strategic Goal 3: Work with our partners to deliver positive and sustainable change for the individuals, communities and businesses in our region. Risk Appetite - Open</p>																		
3.1	↓	IF employers do not successfully engage with NESCol, THEN the College will not be able to identify and meet their needs.	VP A, O&P/Director of Business Development/Directors of Learning	3	4	12	Business Development Strategy, Engagement with industry groups and employers, Employer engagement events, Stakeholder consultations	3	3	9	2	2	4	Above Target	TREAT - Strengthen partnership working to address regional skills shortages and to deliver the Regional Economic and Skills Strategies. Promote successes to employers.	VP A, O&P/Director of Business Development/Directors of Learning	Continuous	Curriculum & Quality Committee
3.2	↑	IF local schools do not work closely with NESCol, THEN effective learner pathways will not be delivered throughout the region.	VP A, O&P/Directors of Learning/Director of Business Development	4	3	12	Schools Liaison Team, Partnership Agreements, Regional Learning & Skills Partnership, Mapping of learner pathways	3	3	9	1	3	3	Above Target	TREAT - Strengthen curriculum planning process for schools provision. Develop model with schools for co-creation of pathways. Lobbying senior local authority partners re: need for closer alignment of FA provision.	VP A, O&P/Directors of Learning/Director of Business Development	Continuous	Curriculum & Quality Committee
3.3	↑	IF university partners do not work closely with NESCol, THEN improvements to widening access, improving articulation and increasing the efficiency and effectiveness of the learner journey in the region will not be achieved.	VP A, O&P/Directors of Learning/Director of Business Development	3	3	9	Articulation Agreements, Engagement activities, TWO PLUS Alliance with RGU, LOIP and Locality Plans,	2	3	6	1	2	2	Above Target	TOLERATE - Ensure external relationships are maintained during transition to new Principal.	VP A, O&P/Directors of Learning/Director of Business Development	Continuous	Curriculum & Quality Committee
3.4	NEW	IF the impact of Brexit decreases the number of international students in the region THEN the College may face increased competition with the two local Universities	Principal	2	5	10	Monitoring of Brexit developments, College's Brexit Action Log, Guidance from SFC Brexit Team, Partnership working			0			0	On Target	TOLERATE - Continue to monitor Brexit developments.	Principal		

4														Strategic Goal 4: Deliver an excellent learning environment and experience leading to successful outcome for all learners. Risk Appetite - Cautious													
4.1	↓	IF the College does not have sufficient capacity to address the widening needs of the student body, THEN the learner experience and learner outcomes will be diminished.	VP A, O&P/Directors of Learning/Director of Student Access & Information	4	4	16	Access & Inclusion Strategy, Whole-College Student Support Model, Student feedback, Staff training, Regular review of policies and procedures	3	3	9	2	3	6	Above Target	TREAT - Review operation of the Whole-College Support Model, Mentally Healthy College initiative.	VP A, O&P/Directors of Learning/Director of Student Access & Information	Continuous	Curriculum & Quality Committee									
4.2	↔	IF students are not engaged in driving the learner experience, THEN the College may not develop an appropriate learner experience.	Director of Learning (Enterprise, Innovation and Aberdeen Futures)	2	3	6	Student feedback, Partnership Agreement	2	3	6	2	2	4	Above Target	TREAT - New Student Engagement Framework.	Directors of Learning/Director of Business Development	Continuous	Curriculum & Quality Committee									
4.3	↑	IF the College fails to achieve planned increases in student outcomes, IF student outcomes do not improve as planned THEN the College's ability to achieve its SFC activity target will be reduced.	WEG/Director of Student Access & Information/Director of Quality	4	3	12	Effective student information, advice, guidance and support, Course design, Engaged and motivated staff, Appropriate staffing levels, Reporting and monitoring of KPIs	3	3	9	2	3	6	Above Target	TREAT - Strengthen KPI monitoring and reporting process, Develop approaches to reducing early withdrawal.	WEG/Director of Student Access & Information/Director of Quality	Continuous	Curriculum & Quality Committee									
4.4	↔	IF robust self-evaluation processes are not implemented and adhered to, THEN the College will not benefit from an effective improvement planning process.	VP A, O&P	2	3	6	Staff briefings, Clear templates with accompanying guidance for completion, Annual Quality Review Timeline, Enhancement Plans, Annual Priorities	1	3	3	1	3	3	On Target	TREAT - Review self-evaluation templates for AY2019-20.	VP A, O&P	31/07/2019	Curriculum & Quality Committee									
4.5	CLOSED	IF funding is not received from central authorities to progress the Estates Development Strategy, THEN the College's estate may not remain fit for purpose and in line with learners' expectations.	VP F&R	4	5	20	Outcome agreement process and engagement with SFC	4	3	12	2	3	6	Above Target	TREAT - Develop new College Estates Strategy to implement a phased approach to improving the College estate.	VP F&R		Finance & Resources Committee									
4.6	↓	IF the SFC does not provide sufficient capital maintenance funding to maintain modern fit-for-purpose buildings, THEN the quality of the student experience will be reduced.	VP F&R/Director of Quality	4	4	16	Outcome agreement process and engagement with SFC, Business cases for capital projects, Resource planning, Regular condition and structural surveys	4	3	12	2	3	6	Above Target	TREAT - Develop new College Estates Strategy to implement a phased approach to improving the College estate.	VP F&R	31/07/2019	Finance & Resources Committee									
4.7	↔	IF the College does not have effective business continuity arrangements in place, IF an emergency/disaster/significant systems failure occurs THEN the learner experience will be negatively impacted upon should an emergency or disaster occur.	Principal	3	5	15	Regular review of Business Continuity Plan, Scenario and desktop exercises, Desktop training exercises, Insurance on buildings and equipment, IT disaster recovery arrangements	2	5	10	1	5	5	Above Target	TREAT - Improve staff awareness of College Business Continuity Plan and emergency responses.	Principal	31/07/2019	Regional Board									
4.8	↔	IF the College fails to manage health and safety effectively, THEN the College may face litigation or criminal prosecution and reputational damage. CHANGE TO: IF an individual is harmed or property is damaged THEN the College may face litigation or criminal prosecution and reputational damage.	Principal/VP F&R	3	5	15	Robust health and safety management system, Regular review of arrangements, Strict adherence to processes, policies and procedures, Effective monitoring systems, Staff training, Health & Safety Committee, Compliance with BSI Standards, Staff training	2	5	10	1	5	5	Above Target	TREAT - Continue staff training and awareness raising.	VP F&R	Continuous	Regional Board									
5														Strategic Goal 5: Optimise the use of our available resources to deliver financial and environmental sustainability. Risk Appetite - Averse													
5.1	DELETE	IF the College implements inadequate financial strategy and management, THEN the College's ability to achieve a balanced budget will be adversely affected. Our Financial Strategy is entirely within our gift this is therefore not a risk as such. It is the external factors below that impact on our ability to achieve our desired outcomes	Principal/VP F&R	3	5	15	Finance Strategy, Robust budgeting and financial monitoring and reporting processes, Adherence to professional financial advice, Exercising prudent assumptions, Training of staff in budgetary control	2	5	10	1	5	5	Above Target	TREAT - Contingency planning for the College failing to meet its credits target.	Principal/VP F&R	Continuous	Finance & Resources Committee, Regional Board									
5.2	↑	IF the College fails to achieve its SFC credits target, THEN the College's ability to achieve a balanced budget will be adversely affected and future credits targets may be reduced. CHANGE TO: IF insufficient students enrol at the College, THEN the College's ability to achieve a balanced budget will be adversely affected and future credits targets may be reduced.	WEG	4	4	16	Outcome Agreement process and engagement with SFC, Activity planning and reporting processes, Recruitment Strategy and supporting Marketing Campaign, Applications monitoring, Early Withdrawal target, Forecasting model incl. risk matrix	3	4	12	1	3	3	Above Target	TREAT - Contingency planning for the College failing to meet its credits target, Develop approaches to reduce early withdrawal.	VP F&R	Continuous	Finance & Resources Committee, Curriculum & Quality Committee, Regional Board									
5.3	MERGED WITH 5.5	IF the College fails to deliver efficiencies year on year, THEN the College will not achieve financial investment in innovation, staff and facilities.	Principal/VP F&R	3	4	12	Robust budgeting, financial monitoring and reporting processes, Save Well-Spend Well Initiative	2	4	8	2	3	6	Above Target	TREAT - Use of moratoriums, Setting of target cost reductions	VP F&R	Continuous	Finance & Resources Committee									
5.4	DELETE	IF SFC funding is reduced, THEN the College may be unable to invest in a sustainable IT infrastructure to offer up-to-date learning and improve business processes.	VP F&R	2	3	6	IT Strategy, Engagement with SFC, Outcome Agreement Process, curriculum and business planning	1	3	3	1	3	3	On Target	TOLERATE - monitor feedback on IT systems and equipment.	VP F&R	Continuous	Finance & Resources Committee									
5.5	↔	IF alternative sources of income are not found, THEN the ability to develop new delivery and trial new products is restricted. IF sufficient income levels are not achieved THEN the College will not be able to financially invest in innovation, staff and facilities.	VP F&R/VP A, O & P/Director of Business Development	3	4	12	Business Development Strategy, Employer/client engagement, Save Well-Spend Well initiative	3	4	12	1	4	4	Above Target	TREAT - Work with BCD and Faculties to increase commercial engagements and wider funding opportunities, Continue to explore alternative funding streams.	VP F&R/VP A, O & P/Director of Business Development	Continuous	Finance & Resources Committee									
5.6	DELETE	IF the College fails to allocate its Flexible Workforce Development Funding (FWDF) allocation, THEN there may be possible clawback and future allocations will be reduced.	VP A, O&P/Director of Business Development/Directors of Learning	5	4	20	Targeted marketing, Ongoing employer engagement	5	3	15	2	3	6	Above Target	TREAT - Consider staffing resource for managing College's FWDF allocation and related training.	VP A, O&P/Director of Business Development/Directors of Learning	Continuous	Finance & Resources Committee, Curriculum & Quality Committee									
5.7	↑	IF regional demand reduces, THEN the credit target may not be achieved resulting in clawback and reduced funding in future years.	WEG	4	4	16	Marketing & Communications Strategy, Engagement with CPPs, schools and employers, Data analysis, Effective marketing	3	4	12	2	3	6	Above Target	TREAT - Contingency planning for the College failing to meet its credits target.	VP F&R	Continuous	Curriculum & Quality Committee									
5.8	↔	IF the College fails to meet the targets agreed with Skills Development Scotland (SDS) in relation to Foundation Apprenticeships (FAs), THEN the allocation of future places may be reduced. CHANGE TO: IF candidate numbers are insufficient to meet SDS targets in relation to Foundation Apprenticeships (FAs), THEN the allocation of future places may be reduced.	VP F&R/VP A, O&P/Director of Business Development	4	4	16	Effective marketing, Good relationships with key stakeholders e.g. local authorities, schools, universities and employers, Effective forward planning	3	4	12	2	3	6	Above Target	TREAT - Continue promotion of benefits of undertaking an FA to school pupils and their parents, and employers, Develop model with schools for co-creation of pathways, Lobbying senior local authority partners re: need for closer alignment of FA provision.	VP F&R/VP A, O&P/Director of Business Development	Continuous	Curriculum & Quality Committee									
5.9	DELETE	IF the College fails to maintain strict environmental practices, THEN it will lose its accreditation to BSI Standards 14001 and 50001. REMOVE: Not actually a risk to the College.	VP F&R	3	4	12	Robust monitoring and reporting processes, Staff training	1	3	3	1	3	3	On Target	TOLERATE - Continue staff training and awareness raising.	VP F&R	Continuous	Finance & Resources Committee									
6														Other. Risk Appetite - Avoid													
6.1	↔	IF key statutory obligations and legislative requirements, including the Equality Act 2010, Freedom of Information (Scotland) Act 2002, General Data Protection Regulation (GDPR), are not adhered to THEN the College may face significant financial penalties and/or reputational damage may occur.	Principal	3	4	12	Legal advice, Comprehensive policies and procedures, Internal audits, Staff training, Data Protection Officer, Engagement with key external stakeholders (Advance HE, SPSO & Scottish Information Commissioner)	1	4	4	1	4	4	On Target	TOLERATE - Provide up-to-date staff training on legislative requirements and related College policies.	Principal with SET	Continuous	Regional Board									

6.2	←	IF IT security arrangements are inadequate, THEN the College may experience data security breaches, cyber attacks and/or major IT outages.	VP F&R	3	5	15	IT Strategy, Internal audits, Robust systems testing, Appropriate physical security and use of preventative technologies, Resilient architecture of links between sites, Monitoring of threat levels through partners, Use of cloud-based repository, Staff training	2	5	10	1	5	5	Above Target	TREAT - Complete work to improve IT business continuity and disaster recovery arrangements. Completion of actions to Achieve Cyber Essentials Plus Accreditation.	VP F&R	Continuous	Regional Board
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Appetite						
	5					
	4					
	3					
	2					
Likelihood	1					
		1	2	3	4	5
		Impact				

Likelihood	Impact	Risk Control
Almost certain 5 80% +	5 Critical	Substantial effect upon the objective, thus making it extremely difficult/costly to achieve
4 Very likely 4 60% - 80%	4 Significant	Considerable effect on the objective, making it more difficult /costly to achieve
3 Likely 3 40% - 60%	3 Moderate	Evident and material effect on the objective, making it fully achievable only with some moderate additional difficulty or cost
2 Unlikely 2 20% - 40%	2 Minor	Small but noticeable effect on the objective, making it fully achievable but with some minor difficulty/cost
1 Very unlikely 1 Less than 20%	1 Marginal	Peripheral effect upon the objective, impacting only in minor way upon achievement
		<p>TERMINATE - Eliminates the risk completely</p> <p>TRANSFER - Passes the Risk to a third party, who bears or shares the impact</p> <p>TREAT - Containment. Reduces the likelihood and/or the impact. Contingent. Establishes a contingency to be enacted should the Risk happen</p> <p>TOLERATE- Accept the Risk, subject to monitoring</p>



AUDIT & RISK COMMITTEE	
Meeting of 10 July 2019	
Title: Code of Good Governance for Scotland's Colleges – Compliance Check	
Author: Pauline May	Contributor(s):
Type of Agenda Item:	
For Decision	<input type="checkbox"/>
For Discussion	<input checked="" type="checkbox"/>
For Information	<input type="checkbox"/>
Reserved Item of Business	<input type="checkbox"/>
Purpose: To enable the Committee to consider the Board's performance and compliance with the Code of Good Governance for Scotland's Colleges over the last 12 months.	
Linked to Strategic Goal:	
Linked to Annual Priority:	
Executive Summary:	
<p>It is a condition of the Financial Memorandum with the SFC that governing bodies comply with the principles of good governance set out in the Code of Good Governance for Scotland's Colleges. Colleges are required to include a statement in their annual Financial Statements confirming compliance, providing an explanation in the event that its practices are not consistent with particular principles.</p> <p>In setting the Programme of Business for the Audit & Risk Committee for AY2018-19, it was agreed that an annual compliance check of the Board's performance against the Code should again be undertaken as was done for AY2017-18.</p> <p>Attached as Appendix 1 is a summary table, prepared by the Secretary to the Board, providing information on Board activities and behaviours demonstrating compliance against each of the Code's individual criteria.</p>	
Recommendation:	
It is recommended that the Committee consider the information provided.	
Previous Committee Recommendation/Approval (if applicable):	
None	

Equality Impact Assessment:

Positive Impact

Negative Impact

No Impact

Evidence:

Code of Good Governance Criteria	Our performance in the last 12 months
LEADERSHIP AND STRATEGY	
<p>1. Board decisions and behaviour reflects the boards Code of Conduct and Nine Principles of Public Life.</p>	<ul style="list-style-type: none"> • Evidenced in Board and Committee minutes
<p>2. We determine the vision, direction, educational character, values and ethos of the College.</p>	<ul style="list-style-type: none"> • Board Strategy Events are key to this – Events held in November 2018 and April 2019 • Board's Strategic Plan for the period 2018-2021 captures this and informs key College approaches, processes and practices • Board approves and is involved in development of the Outcome Agreement
<p>3. Our performance management system is adequate, identifying KPIs and we monitor progress.</p>	<ul style="list-style-type: none"> • Data Dashboard using Microsoft Power Bi established providing 'live' data which can be filtered as required and is accessible by Regional Board and all staff members • Credits planning, forecasting and monitoring processes improved throughout AY2019-20 • College's annual KPI publication enhanced to include sector benchmarking information and new internal version produced to include sector benchmarking information at team and unit level to feed into quality improvement processes
<p>4. Relevant stakeholders are engaged in compiling the outcome agreement.</p>	<ul style="list-style-type: none"> • Series of stakeholder events held in November 2018 • Outcome Agreement shared and discussed with CPPs • Ongoing external engagement activities fed into outcome agreement process as appropriate
<p>5. We provide leadership on ethics, equalities, diversity and staff welfare.</p>	<ul style="list-style-type: none"> • Board appointed its first Equality & Diversity Champion in June 2016 • Board reviews and approves the College's Equality and Diversity Policy, Equality Outcomes, and Mainstreaming Report, and Equal Pay Policy & Statement • In October 2017, Board signed the Scottish Government 'Partnership for Change' pledge – 50/50 by 2020 • Morning sessions of Strategy Event held in April 2019 focused on equality, diversity and inclusion – Respect Campaign, A Mentally Healthy College, Mainstreaming Equality

Code of Good Governance Criteria	Our performance in the last 12 months
<p>6. We have regard to the social and economic needs of our area.</p>	<ul style="list-style-type: none"> • Key discussions held at Board Strategy Events • College works closely with the two local Community Planning Partnerships • College plays key role in delivery of Regional Economic Strategy • Members' experience and non-Board roles add additional social and economic contextual information to Board and Committee discussions
QUALITY OF THE STUDENT EXPERIENCE	
<p>1. The voice of students and the quality of their experience is central to our decisions including monitoring student surveys and any resulting action plans.</p>	<ul style="list-style-type: none"> • Students' Association has a standing item at meetings of the Curriculum & Quality Committee and at November Strategy Events • Curriculum & Quality Committee review the results of the First Impressions and Student Satisfaction and Engagement Surveys
<p>2. We have open ongoing engagement with students, working in partnership and encouraging a strong independent student association having regard to the Student Association Framework.</p>	<ul style="list-style-type: none"> • Board Members interact with students as part of Board visits and through attendance at College events • Board awareness of Framework • Partnership Agreement between College and Association signed June 2018
<p>3. Our Students' Association is adequately resourced, operates fairly and in a democratic manner, fulfilling its duties; it has a written constitution that the board has reviewed in the last five years.</p>	<ul style="list-style-type: none"> • Board approved Constitution in place • Curriculum & Quality Committee considers Associations budget proposal prior to its inclusion in the College budget • Association Activity Report is a standing item at meeting of the Curriculum & Quality Committee
<p>4. We are aware of and foster good relationships with partner organisations that help us provide coherent learning, including employability</p>	<ul style="list-style-type: none"> • Good relationships are maintained with the two local universities, two local authorities and regional schools • Joint Board events are held with the two Universities • Events are held with the local authorities and regional schools e.g. Developing the Young Workforce, Apprenticeships • TWO PLUS Alliance with RGU launched in June 2018 to strengthen the strategic and operational relationship between NESCol and the University • NESCol joined Fujitsu Educational Ambassador Programme and launched a Fujitsu Innovation Hub at the Fraserburgh Campus in May 2019

Code of Good Governance Criteria	Our performance in the last 12 months
<p>5. Mechanisms ensure effective oversight of quality and inclusiveness of learning.</p>	<ul style="list-style-type: none"> • Regional Board approve the College's Evaluative Report & Enhancement Plan prior to its submission to Education Scotland and SFC • Curriculum & Quality Committee monitor progress against the College Level Enhancement Plan and maintain oversight of the College's Internal Review Process, including the review of action plans and recommendations • New Learning & Teaching Strategy approved by Curriculum & Quality Committee in October 2018 • Board approved the College's Access & Inclusion Strategy
ACCOUNTABILITY	
<p>1. We fulfil our primary accountability to our funding body by:</p> <p>a. delivering our outcome agreement.</p> <p>b. fulfilling our statutory duty and terms of our grant.</p>	<ul style="list-style-type: none"> • College's credits target for AY2017-18 achieved its core credits target of 135,126, but only delivered 1,140 credits against a ESF activity target of 3,035, a shortfall of 1,895 credits • For AY2018-19 the College is currently forecasting that it will again achieve its core credits target but may not fully achieve its ESF activity target • Annual returns to SFC completed by required deadlines and reported to Audit & Risk Committee • College's Financial Statements for the year to 31 July 2019 include statement that the College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2018.
<p>2. We fulfil our accountability to students, public, employers and our community for provision of education that enhances social and economic wellbeing.</p>	<ul style="list-style-type: none"> • Board and Committee meeting agendas, papers and minutes publicity available on College website • Key strategy and evaluation documents – Strategic Plan, Outcome Agreement, Evaluative Report & Enhancement Plan – also available on College website • Partnership working between the Board and key regional stakeholders to address social and economic wellbeing issues
<p>3. We manage conflicts of interest and disclose our register of interests.</p>	<ul style="list-style-type: none"> • Declaration of potential conflicts of interest is a standing item on Board and Committee agendas • Register of Interests maintained and reviewed twice a year, and made available on College website

Code of Good Governance Criteria	Our performance in the last 12 months
<p>4. Our decision making is transparent, informed, rigorous and timely and associated documentation is adequate.</p>	<ul style="list-style-type: none"> • Board and Standing Committee agendas, minutes and papers published on College website • Programme of Meetings and Programmes of Business have been reviewed and revisited to improve alignment with the College's planning and business cycles ensuring that decision making is timely and that "the Board is serving the College rather than the College serving the Board"
<p>5. Our scheme of delegation to staff and committees is clear and fit for purpose with appropriate two way communication with the board. We ensure:</p> <p>a. we have audit, remuneration, finance and nominations/appointments committees.</p> <p>b. the staff charged with advising each committee are clear.</p> <p>c. committee minutes go to the next meeting of the board.</p>	<ul style="list-style-type: none"> • The Governance Manual contains Schemes of Delegation, and Terms of Reference for the Board and its Committees • The Board operates the following Committees: Audit & Risk, Curriculum & Quality, Finance & Resources, Remuneration and Selection & Appointments • Committee Terms of Reference include details of the senior staff member(s) who provide objective, specialist advice to support the Committee to discharge its remit • Committee minutes go to the next meeting of the Board as part of the 'Report by Committee Chairs'
<p>6. We set the risk appetite, balancing risk and opportunity and this is known to senior staff.</p>	<ul style="list-style-type: none"> • The Board approved a refreshed approach to risk management at Strategy Event in November 2017 • New Strategic Risk Register, including an overall risk appetite and a risk appetite for each Strategic Goal, developed and approved by Regional Board in June 2018 • College's Risk Management Policy now includes a Risk Appetite Statement
<p>7. We ensure sound risk management and supporting review systems.</p>	<ul style="list-style-type: none"> • Internal Audit of Risk Management undertaken in June 2019 with outcome of 'Strong' and 3 low recommendations • Strategic Risk Register reviewed monthly by Senior Executive Team • Strategic Risk Register now a standing item for meetings of the Audit & Risk Committee
<p>8. The Audit Committee:</p> <p>a. Reviews the comprehensiveness, reliability and integrity of all our assurances on the governance, risk and control frameworks,</p>	<ul style="list-style-type: none"> • Audit & Risk Committee approves the annual Internal Audit Programme and the scope for each internal audit, and receives the reports from each internal audit to enable recommendations to be considered and approved • Audit & Risk Committee approves the annual External Audit Plan

Code of Good Governance Criteria	Our performance in the last 12 months
<p>engaging with internal and external auditors and monitoring any actions recommended.</p> <p>b. Members are all non-executive, objective and independent with at least one having recent relevant financial or audit experience.</p> <p>c. Can hold all or some of its meetings in private, meeting internal and external auditors privately at least once a year.</p>	<ul style="list-style-type: none"> Audit & Risk Committee Members meet privately with both the internal and external auditors at the November Committee meeting
<p>9. The Remuneration Committee:</p> <p>a. Members understand their role and are trained in it: the chair is not also board chair.</p> <p>b. Implements a procedure agreed by the board for setting the principal's salary, including consulting staff and students.</p>	<ul style="list-style-type: none"> Chair of Remuneration Committee is not Board Chair, office bearer is Chair of HR Committee Senior Staff Pay Policy established and reviewed on an annual basis
<p>10. We ensure our body's sustainability, including compliance with the Financial Memorandum and the Scottish Public Finance Manual, ensuring adequate reporting and monitoring and economic, efficient and effective use of our funds.</p>	<ul style="list-style-type: none"> Board set a Strategic Goal in relation to 'Building Sustainability' New Finance Strategy approved by Finance & Resources Committee in January 2019 Financial Regulations reviewed annually by the Finance & Resources Committee Accounting Policies updated and reapproved by Audit & Risk Committee in April 2019
<p>11. We ensure compliance with charities provisions.</p>	<ul style="list-style-type: none"> OSCR returns submitted by required deadlines OSCR publications and communications circulated to Board as appropriate
<p>12. As an employer we:</p> <p>a. promote positive employee relations.</p> <p>b. ensure effective management: union partnerships.</p>	<ul style="list-style-type: none"> Regular updates provided to both Board and HR Committee on national collective bargaining developments Once published, new sector Staff Governance Standard will be discussed with Board and HR Committee

Code of Good Governance Criteria	Our performance in the last 12 months
<p>c. comply with the Staff Governance Standard.</p> <p>d. comply with any national collective agreements placed on us.</p> <p>e. ensure fair and effective staff management.</p>	<ul style="list-style-type: none"> • Board and HR Committee ensure NESCol staff are well informed, appropriately trained, involved in decisions which affect them, treated fairly and consistently, and are provided with a safe working environment • Results from staff surveys are shared with the HR Committee • New People Strategy approved by HR Committee in October 2018 • College achieved Investors in People Gold Standard following an accreditation visit in April 2019 • New Employee Code of Conduct published in AY2018-19
EFFECTIVENESS	
<p>1. The board chair provides leadership and ensures board effectiveness, working well with the principal and board secretary.</p>	<ul style="list-style-type: none"> • Demonstrated by the Annual Appraisal of the Regional Chair undertaken by Vice Chair & Senior Independent Member with input from all Board Members, and appraisals undertaken by Scottish Ministers
<p>2. Our board and committees have the right balance of skills, experience, independence and knowledge of the college to fulfil their role effectively.</p>	<ul style="list-style-type: none"> • All Board Members , with the exception of one who joined the Board in August 2018, have completed the national induction workshop delivered by CDN • Training and development is discussed at Members' Annual Development Meetings with Regional Chair and at the recently established Annual Chairs Meeting • Board Member Skills Matrix kept under review by Governance Steering Group and reflected upon ahead of the commencement of Board Member recruitment processes
<p>3. We abide by collective responsibility, taking decisions in the interests of the body and managing conflicts of interest appropriately.</p>	<ul style="list-style-type: none"> • Evidenced in Board and Committee minutes
<p>4. Staff and student members are treated as full board members.</p>	<ul style="list-style-type: none"> • Staff and student Members are treated as full Board Members. Staff and student Members are only asked to withdraw from any part of any meeting of the Board at which the appointment, promotion, conduct, suspension, dismissal, retirement or terms and conditions of employment of any employee of the College is to be considered

Code of Good Governance Criteria	Our performance in the last 12 months
<p>5. We have an open and transparent process for recruiting and setting the performance measures for our principal; staff and students can contribute to it.</p>	<ul style="list-style-type: none"> • Progress against performance management objectives for Principal for the period May 2018-May 2019 reported to Board Meetings in December 2018 and June 2019 • New performance management objectives for the Principal for the period May 2019-December 2019 reported to Board Meeting in June 2019
<p>6. There is a clear understanding of the responsibilities delegated to the principal and the respective roles of the chair, board members and executive staff.</p>	<ul style="list-style-type: none"> • Defined in the Governance Manual • Board is aware of its strategic rather than operational role
<p>7. The board secretary is: a. appointed by the board with the appropriate skills and experience and is not a member of the senior management team in any other capacity. b. available to advise all board members and committees and has adequate time to fulfil the role.</p>	<ul style="list-style-type: none"> • Board Secretary is not a member of the Senior Executive Team • Board Secretary is a member of the Board Secretary Steering Group to ensure the Board operates in line with any new sector requirements or good practice and is aware of sector developments relating to governance • Board Secretary undertook during AY2018-19 a CDN course "Reflective Practice for Board Secretaries: Designing and Using a Professional Journal"
<p>8. We have a formal and open board member recruitment process that reflects Ministerial guidance.</p>	<ul style="list-style-type: none"> • Board has established a Selection & Appointments Policy in line with Ministerial Guidance • In October 2017, Board signed the Scottish Government 'Partnership for Change' pledge – 50/50 by 2020 • Succession Planning Policy for Board Members approved October 2017
<p>9. We have appropriate arrangements for student and staff member recruitment.</p>	<ul style="list-style-type: none"> • Student Members are selected by the Students' Association • Board Secretary is responsible for the election process for staff Members
<p>10. All members undertake training tailored to their needs (including committee training), new members receive formal induction tailored to their needs and there are records of training.</p>	<ul style="list-style-type: none"> • Induction Policy for Board Members in place and reviewed annually • Training discussed at Members' Annual Development Meetings with Regional Chair • Training offered and undertaken at Board, Committee and individual levels-internal & external courses, conferences, internal briefing sessions • Board Secretary maintains a CPD Log for each Member

Code of Good Governance Criteria	Our performance in the last 12 months
	<ul style="list-style-type: none"> • Training needs discussed at Annual Chairs Meeting held in June 2019 – suite of technical sessions (credits, financial reporting, KPIs, NCB) to be developed and offered to all Members in AY2019-20
<p>11. We review the board's effectiveness annually using a robust self-evaluation process, externally facilitated at least every three years.</p>	<ul style="list-style-type: none"> • Proposals to strengthen the Board's evaluation process considered and approved at Strategy Event held in April 2019 • Evidence to be collated during Summer and summary documents prepared for discussion at first Board and Committee meetings of AY2019-20
RELATIONSHIPS AND COLLABORATION	
<p>1. We work in partnership at a local, regional and national level to:</p> <ul style="list-style-type: none"> a. secure coherent education provision in our locality. b. achieve commonly agreed outcomes. c. develop agreed priorities. d. address local needs as well as national priorities and specialisms. 	<ul style="list-style-type: none"> • Local and regional – local universities and schools, local authorities, Community Planning Partnerships, AGCC, ONE, SCDI, third sector organisations • College is lead partner of the Regional Learning and Skills Partnership • College plays a key role in the delivery of the Regional Skills Strategy, the Regional Economic Strategy, and the region's approach to Developing the Young Workforce • National – Board Chair is Chair of the College's Scotland Board and of the sector's Good Governance Steering Group, and a Member of the Employers' Association. Principal is Member of the College's Scotland Board and the sector's Good Governance Steering Group, the Employers' Association, and the National Articulation Forum • UK & International – Four Nations



AUDIT & RISK COMMITTEE	
Meeting of 10 July 2019	
Title: Scotland's Colleges 2019	
Author: Pauline May	Contributor(s):
Type of Agenda Item:	
For Decision	<input type="checkbox"/>
For Discussion	<input type="checkbox"/>
For Information	<input checked="" type="checkbox"/>
Reserved Item of Business	<input type="checkbox"/>
Purpose: To provide the Committee with an opportunity to consider the recently published Audit Scotland Report – Scotland's Colleges 2019.	
Linked to Strategic Goal:	
Linked to Annual Priority:	
<p>Executive Summary:</p> <p>The annual report prepared by Audit Scotland provides an update on the various changes taking place in the college sector and, where possible, assesses their impact. It also comments on the financial standing of the sector and looks at student participation and outcomes.</p> <p>The report:</p> <ul style="list-style-type: none"> • highlights the challenging financial position facing the sector and outlines that 12 colleges are forecasting financial deficits by 2022-23. • confirms that the Scottish Government is increasing revenue investment in colleges but that it is being used to cover additional costs from harmonising pay, terms and conditions across the sector and highlights that there is currently insufficient capital funding in the sector. • underlines the essential role colleges are undertaking by widening access to disabled, ethnic minority and care-experienced students. <p>A copy of the report is attached as Appendix 1 to this paper. Key recommendations for colleges and college boards can be found on page 5 of the report. Specific references to NESCol can be found on papers 12 and 29 in relation to sector benchmarking information, page 19 on delivery against the credits target, and page 24 on delivery against overall attainment targets.</p>	
Recommendation:	
It is recommended that the Committee consider the information provided.	

Previous Committee Recommendation/Approval (if applicable):

None

Equality Impact Assessment:

Positive Impact

Negative Impact

No Impact

Evidence:

Scotland's colleges 2019



AUDITOR GENERAL 

Prepared by Audit Scotland
June 2019



Auditor General for Scotland

The Auditor General's role is to:

- appoint auditors to Scotland's central government and NHS bodies
- examine how public bodies spend public money
- help them to manage their finances to the highest standards
- check whether they achieve value for money.

The Auditor General is independent and reports to the Scottish Parliament on the performance of:

- directorates of the Scottish Government
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- NHS bodies
- further education colleges
- Scottish Water
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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Audit team

The core audit team consisted of: Mark MacPherson, Mark McCabe, Yoshiko Gibo, Angus Brown and Sanya Ahmed, with support from other colleagues and under the direction of Angela Canning.

Links

-  PDF download
-  Web link

Key messages



- 1** The college sector reported a small, but improved, underlying financial surplus in 2017-18. Colleges are operating within an increasingly tight financial environment and the sector-wide position masks particular financial challenges for some colleges. The gap between colleges' income and expenditure is widening and this is forecast to continue, with 12 incorporated colleges forecasting recurring financial deficits by 2022-23.
 - 2** Colleges face increasing cost pressures. The increase in Scottish Government revenue funding for 2019/20 covers only the additional costs of harmonising pay and conditions across the sector (excluding cost of living increases and increases in employers' pension contributions). Current Scottish Government capital funding falls short of the estimated costs of maintaining the college estate. The proportion of non-government income that colleges generate has reduced over time, and cash balances and money held by arm's-length foundations fell.
 - 3** Student numbers increased, and the sector exceeded its learning activity targets. Over the past three years, colleges have been providing less learning to students aged 16-24 and more to students aged 25 and over. Colleges are widening access to disabled, ethnic minority and care-experienced students. After several years of increasing learning delivered to students from deprived areas, the proportion of learning delivered to this group fell slightly in 2017-18.
 - 4** There is considerable variation across colleges in terms of student attainment and retention and those going on to positive destinations. Average attainment rates for students in full-time education have remained relatively static in recent years. The attainment rate for full-time further education, at 66 per cent, is some distance from the Scottish Funding Council's (SFC) target of 75 per cent by 2020-21. Attainment gaps still exist for students from the most deprived areas, students with disabilities and for care-experienced students.
 - 5** There is scope for the SFC to work with individual colleges and their boards to improve financial planning and to achieve greater transparency in the sector's financial position. The SFC can also be more transparent in how it reports colleges' performance against outcome agreements and student satisfaction data. The SFC has agreed aspirational and stretching targets with colleges in their latest outcome agreements. Based on recent performance trends, achieving some of these targets will be very challenging for colleges.
-

Recommendations

Colleges should:

- agree their underlying financial position with the SFC prior to finalising their accounts ([paragraph 5](#))
- improve data collection and response rates for student satisfaction and publish results ([paragraphs 52–53](#))
- use *How good is our college?* effectively to drive improved performance and enhance the quality of service provision ([paragraphs 55–57](#)).

College boards and regional bodies should:

- agree medium-term financial plans that set out the mitigating actions to ensure their college's financial sustainability ([paragraphs 17–19](#))
- submit agreed medium-term financial plans to the SFC along with financial forecast returns (FFRs) ([paragraphs 17–19](#)).

The SFC should:

- work with colleges to agree their underlying financial position prior to finalising their accounts ([paragraph 5](#))
- require colleges to submit medium-term financial plans to support FFRs in assessing financial sustainability across the sector ([paragraphs 17–19](#))
- publish college region performance against all outcome agreement measures ([paragraph 44](#))
- publish good-quality student satisfaction data for every college ([paragraph 52](#)).

The SFC and Scottish Government should:

- agree and publish a medium-term capital investment strategy that sets out sector-wide priorities ([paragraph 24](#))
 - review whether targets for college provision and student outcomes, including for students from deprived areas, remain relevant and realistic, based on current performance trends ([paragraph 31](#)) ([paragraphs 41–42](#))
 - work with colleges to deliver the necessary improvements in performance to meet agreed outcome agreement targets ([paragraph 45](#)).
-

Part 1

Financial health



Key messages

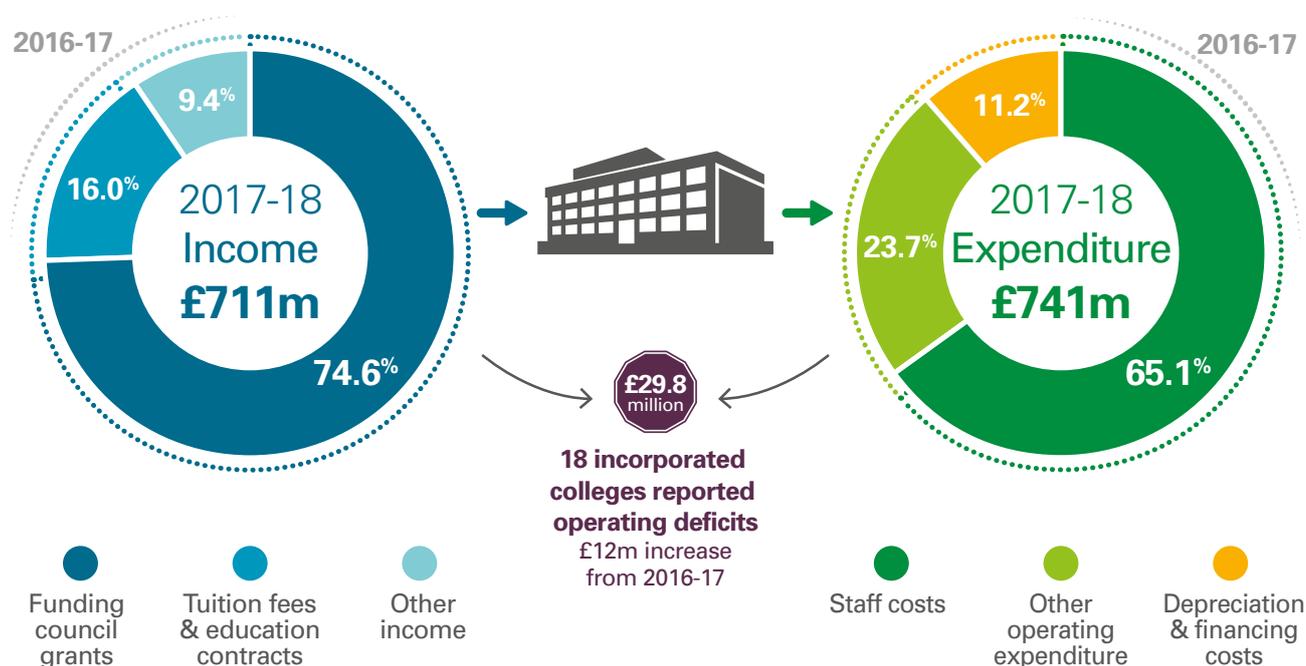
- 1** The college sector reported a small, but improved, underlying financial surplus in 2017-18. Colleges are operating within an increasingly tight financial environment and the sector-wide position masks particular financial challenges for some colleges.
- 2** The Scottish Government has been providing colleges with real-terms increases in revenue funding since 2016/17. The most recent increase for 2019/20 covers only the additional cost of harmonising staff terms and conditions. Colleges also need to fund cost of living pay increases and any unfunded element of increases in employers' pension contributions. The proportion of non-government income, such as education contracts and other commercial income, has reduced. Colleges' ability to access other sources of funding, such as cash and arm's-length foundation (ALF) balances, is also reducing.
- 3** The gap between colleges' income and expenditure is widening. Twelve incorporated colleges were forecasting recurring financial deficits by 2022-23. At the time of their annual audits, ten of these were still to determine the specific actions needed to achieve financial sustainability.
- 4** Scottish Government capital funding falls short of what is needed to meet the estimated costs of maintaining the college estate. The Scottish Government is working with the Scottish Futures Trust and SFC to identify an appropriate revenue funding model for future investment in the college estate.

The underlying financial position for the college sector improved slightly in 2017-18, but the gap between income and expenditure is widening

- 1.** Income remained unchanged across the sector in 2017-18 at £711 million. This represents a 1.9 per cent reduction in real terms from 2016-17. Scottish Government funding (provided through grants from the Scottish Funding Council) increased by 1.0 per cent in real terms. The proportion of income from other sources, such as education contracts and other commercial income, fell, meaning that colleges are increasingly dependent on Scottish Government funding ([Exhibit 1, page 7](#)).

Exhibit 1

Colleges have achieved an underlying surplus but the gap between income and expenditure is widening



Underlying financial surplus



Source: College accounts/SFC

2. Colleges' expenditure increased by £11.8 million (0.3 per cent in real terms) to £741 million in 2017-18, widening the gap between income and expenditure. As a result, the sector's operating deficit increased to £29.8 million. Eighteen of the 20 incorporated colleges reported operating deficits.

3. Adjusting the operating position for technical accounting factors that are beyond a college's immediate control, such as pensions and net depreciation, helps to provide a clearer picture of a college's short-term financial health. After such adjustments, incorporated colleges reported an underlying surplus of £3.1 million. While the underlying surplus is £2.8 million higher than in 2016-17, it represents a very small percentage of sector expenditure (0.4 per cent).

4. The overall underlying surplus for the six non-incorporated colleges is £0.1 million, equivalent to 0.4 per cent of their expenditure of £25.6 million and less than half the surplus in 2016-17 (£0.25 million).

5. In calculating and reporting their underlying operating positions, colleges continue to interpret the SFC's accounts direction inconsistently. While the differences between colleges' and the SFC's calculations are small overall (around £1.4 million), differences in individual college figures can be significant.

6. As public bodies, colleges are expected to operate with balanced budgets, but they are operating within an increasingly tight financial environment. The underlying positions of individual colleges are shown on [\(Exhibit 6, page 12\)](#), together with other indicators of financial health.

The latest increase in Scottish Government revenue funding is only enough to cover the costs of harmonising staff terms and conditions

7. Scottish Government revenue funding to the sector reduced in the period leading up to college reorganisation. Revenue funding for the sector has increased year-on-year since 2016/17 in real terms, mainly due to the Scottish Government funding the costs of harmonising staff terms and conditions. All of the increase in funding in 2019/20 is to fund these costs [\(Exhibit 2, page 9\)](#).

8. The SFC and Colleges Scotland have calculated the additional cost from harmonising staff terms and conditions at £50 million per annum from 2019-20. This includes £12 million allocated over the next two years to fund the harmonisation of terms and conditions for support staff. Colleges and the Educational Institute of Scotland (EIS) are in dispute over the cost of living pay claim for lecturers, over and above the harmonisation of pay, terms and conditions. This has resulted in several periods of industrial action and they have yet to reach agreement. The additional costs of the settlement will have further implications for colleges' costs and financial sustainability.

9. There is no additional Scottish Government revenue funding to cover other cost increases over this period, such as cost of living increases and increases in employer pension contributions. Scottish ministers have committed to pass on any specific UK funding made available to help meet planned increased employer pension contributions to the Scottish Teachers Superannuation Scheme. There still may be a significant element that remains unfunded for colleges [\(Exhibit 3, page 9\)](#).

Staffing changes will affect SFC funding for harmonising terms and conditions

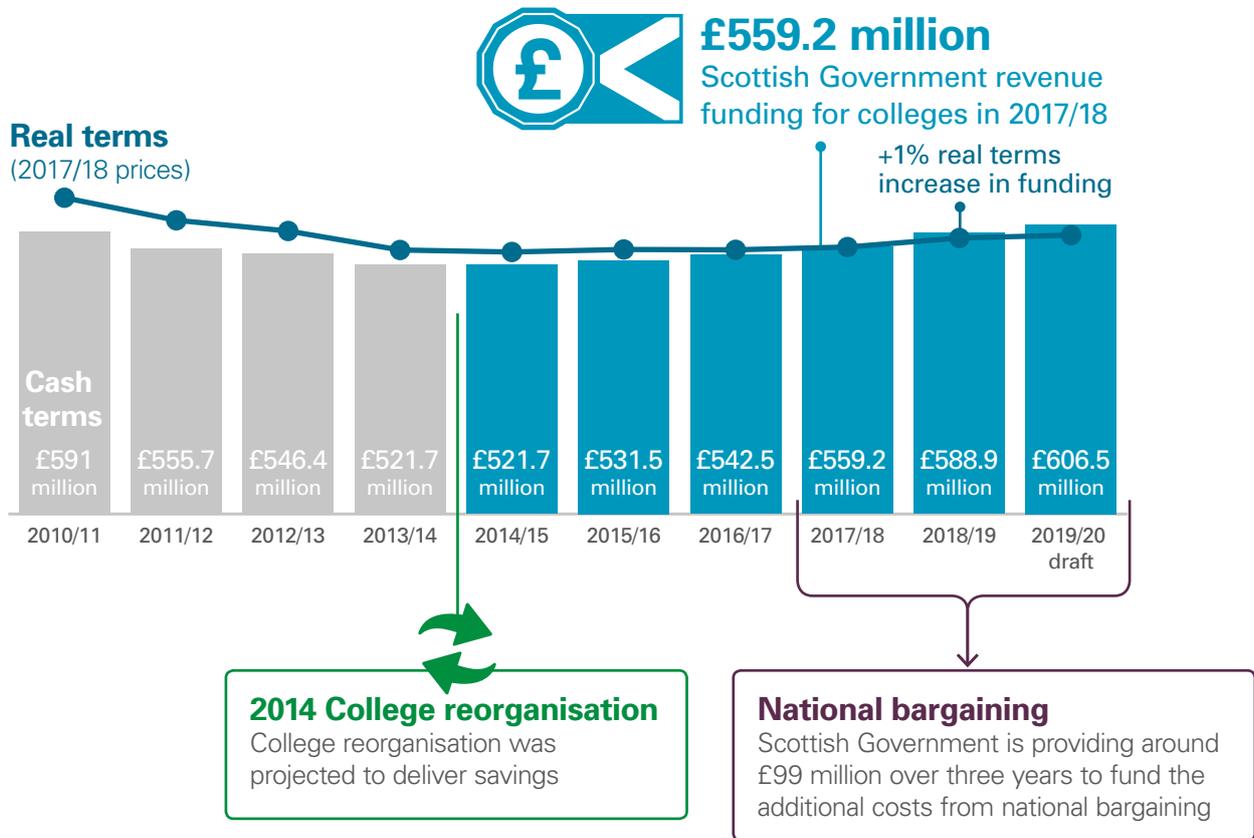
10. Total staffing numbers across the sector in 2017-18 remained unchanged, but the staffing profile across the sector has changed.¹ The number of non-teaching staff fell, while the number of teaching staff increased by the same proportion. The proportion of full-time permanent teaching staff with a recognised teaching qualification fell by one percentage point to 87.9 per cent.

11. Small changes at sector level mask noticeable changes within some colleges:

- Twelve incorporated colleges increased their teaching staff numbers. Of these, seven reduced their non-teaching staff.
- Seven incorporated colleges reduced teaching staff. Of these, three increased their non-teaching staff.
- Three incorporated colleges increased both teaching and non-teaching staff numbers, while four reduced both teaching and non-teaching staff.

Exhibit 2

Scottish Government revenue funding for colleges



Source: Scottish Government

Exhibit 3

Colleges staffing 2017-18



Note: Staffing numbers fluctuate depending on the point in the year they are recorded.

Source: College staffing returns to the SFC

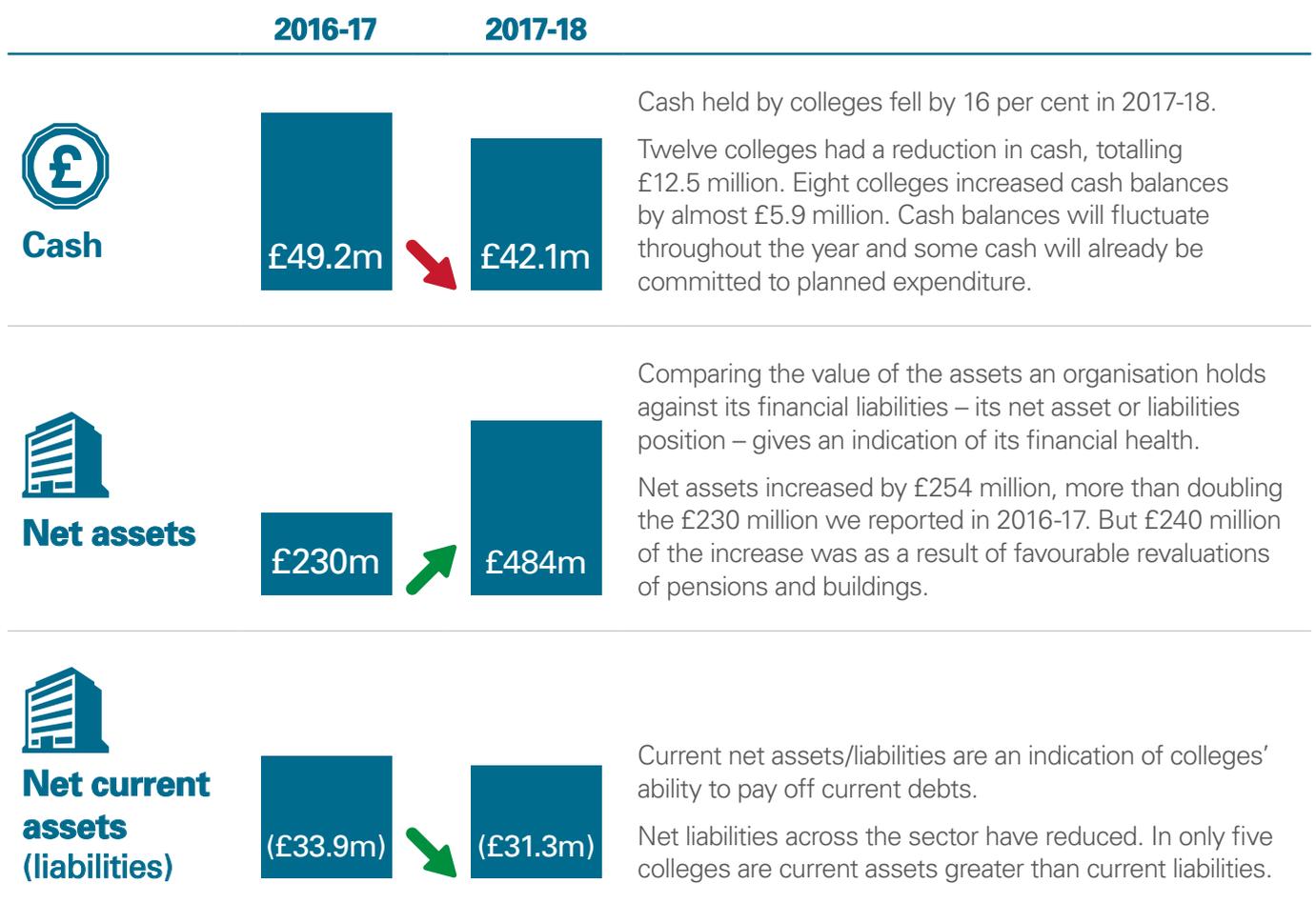
12. Current funding allocations for harmonisation of terms and conditions are based on the number of staff in April 2018. The SFC will consider changes in staff numbers when determining future funding allocations.

Some sector-level financial health indicators improved in 2017-18 but the ability to draw on cash balances and ALF income has reduced for most colleges

13. Performance across the sector varied against financial health indicators. The sector's access to cash reduced. Its current net asset/liabilities position improved (ie, the sector's ability to pay its debts), with a reduction in net liabilities. Net assets more than doubled in 2017-18, mainly due to factors outside colleges' direct control. ([Exhibit 4](#)).

Exhibit 4

College sector financial health indicators



Source: Incorporated college 2017-18 accounts

Arm's-length foundations continue to be a reducing source of funds for colleges

14. Fifteen colleges received funding from arm's-length foundations (ALFs) in 2017-18. Around 80 per cent (£8.4 million) of the total sector income from ALFs was provided to Ayrshire, City of Glasgow, Glasgow Clyde and Glasgow Kelvin colleges. ALFs are independent, charitable bodies that were set up when colleges were reclassified as public bodies and could no longer retain significant cash reserves. Colleges can donate money into ALFs and can apply to ALFs for funding. Colleges have typically used income from ALFs to fund voluntary severance, capital works and investment in equipment and digital infrastructure.

15. Balances held by ALFs are reducing, with colleges planning to apply to use a further £6.25 million of ALF funding in 2018-19. ALF balances vary significantly, with some colleges having little or no scope to access any ALF income. For the remainder of colleges, the ability to apply for income from ALFs is becoming increasingly limited as balances reduce ([Exhibit 5](#)).

Exhibit 5

The balances of arm's-length foundations (ALFs) are reducing



Source: College accounts and ALF accounts or SFC – ALF balances not in college accounts

There is significant variation in the financial positions of individual colleges

16. There is significant variation in the financial indicators at individual college level. Taken on their own, each indicator is not a reliable measure of financial health. But, taken together, the indicators provide a broad indication of the extent to which each college is exposed to financial risk ([Exhibit 6, page 12](#)).

Exhibit 6

Financial indicators

Colleges	Underlying surplus/deficit	Operating surplus/deficit			
			Cash	Net assets	Net current assets/liabilities
Ayrshire College	-1.9%	-4.9%	3.3%	78.5%	-8.1%
Borders College	1.6%	-0.6%	19.9%	0.5%	10.5%
City of Glasgow College	0.7%	-2.5%	7.6%	29.7%	-4.8%
Dumfries and Galloway College	-0.5%	-8.1%	5.5%	82.7%	-6.7%
Dundee and Angus College	0.3%	-4.6%	2.7%	77.7%	-6.3%
Edinburgh College	0.6%	-3.4%	1.4%	111.5%	-8.7%
Fife College	0.2%	-6.6%	4.2%	61.3%	-3.1%
Forth Valley College	1.9%	-2.3%	15.6%	-14.0%	1.6%
Glasgow Clyde College	0.3%	-1.0%	5.3%	138.8%	-5.0%
Glasgow Kelvin College	1.5%	1.0%	4.6%	41.9%	-10.3%
Inverness College	1.4%	-5.2%	14.6%	-10.2%	-5.0%
Lewis Castle College	1.9%	-5.1%	2.7%	48.0%	-4.9%
Moray College	1.2%	-3.5%	5.9%	90.6%	-5.9%
New College Lanarkshire	0.9%	-4.3%	1.8%	53.9%	-8.7%
North East Scotland College	-2.2%	-8.1%	4.9%	85.0%	5.5%
North Highland College	0.4%	-6.0%	3.0%	22.1%	2.3%
Perth College	0.0%	-5.7%	8.6%	103.0%	-8.4%
South Lanarkshire College	4.0%	0.2%	3.9%	56.0%	-5.5%
West College Scotland	0.0%	-4.7%	6.2%	101.9%	0.0%
West Lothian College	0.9%	-5.0%	3.9%	-16.6%	-4.4%
Scotland	0.4%	-4.0%	5.7%	65.2%	-4.2%

Quartile: Highest 1 2 3 4 Lowest

Notes:

1. Financial indicators are shown as of the proportion of each college's expenditure
2. For each indicator, we have shown colleges' performance broken down into quartiles, with the highest performance shown in Quartile 1 and the lowest performance in Quartile 4.

Source: College accounts

Twelve incorporated colleges are forecasting recurring deficits during the next five years

17. The SFC requires colleges to submit five-year financial forecast returns every year, and provides colleges with common financial planning assumptions to use when preparing their forecasts. Although colleges did apply the SFC's common assumptions, the SFC identified that colleges had not been consistent in compiling their most recent financial forecasts.² Colleges had broadly adopted one of two approaches: making forecasts that incorporated actions to address potential deficits; or forecasting their future financial position based on how they currently operate. Twelve colleges are forecasting recurring deficits during the next five years. Of the six non-incorporated colleges, only Orkney College is not projecting a recurring deficit during the next five years.

Only two of the 12 incorporated colleges forecasting recurring deficits had identified specific actions to address their financial challenges

18. At the time of their annual audit, only two of the 12 colleges forecasting a recurring deficit had identified the specific actions needed to address their financial challenges. A further five colleges were in the process of developing specific actions. Of the ten colleges still to determine agreed actions to address recurring deficits, six are forecasting a deficit position by the end of the next academic year: Inverness, North Highland and West Lothian colleges are forecasting deficits from 2018-19; and Forth Valley, Glasgow Clyde and Glasgow Kelvin colleges are forecasting deficits from 2019-20 ([Exhibit 7](#)).

Exhibit 7

Status of colleges' responses to forecasted recurring deficits

12 colleges forecasting a recurring deficit

At the time of their 2017-18 annual audits:



Source: SFC/colleges' external auditors

19. The SFC asked colleges that are projecting deficits to identify the actions needed to achieve financial sustainability. Additional financial pressures have emerged since colleges prepared their financial forecasts, including reduced capital funding and additional employer pension contributions. Unless funding increases, or colleges change how they operate, these are likely to result in future forecasts showing a worsening financial picture.

Three colleges face particular challenges to their financial sustainability

20. Auditors have highlighted that increasing operating deficits present challenges to financial sustainability in many colleges. Three colleges face particular challenges.

Ayrshire College



Ayrshire College reported an underlying deficit of £1 million in 2017-18 and was forecasting increasing deficits over the next five years, with a cumulative deficit of around £12 million (equivalent to 23 per cent of its current expenditure) by 2022-23. The college faces a number of cost pressures. It has identified annual PFI payments of £1.4 million until 2024-25 as its highest risk.



In February 2019, the SFC agreed the college's two-year financial sustainability plan. The SFC will provide the college with an additional £1.3 million in 2018-19 to fund a voluntary severance scheme and additional revenue funding support of £0.7 million in both 2019-20 and 2020-21.



The college anticipates its severance scheme will contribute to financial sustainability by generating savings of £1.66 million a year, reducing its projected cumulative deficit by 2022-23 to £5 million. Like other colleges, Ayrshire will need to continue to manage its costs, and to develop the necessary actions to balance its operating position from 2021-22 onwards.

New College Lanarkshire



Last year, the Auditor General for Scotland prepared a statutory report on the college, which highlighted the financial challenges facing the college and the potential impact on its longer-term financial sustainability. The college reported an underlying surplus of £0.6 million for 2017-18.



During the year, the SFC provided the college with £1.1 million for voluntary severance and a short-term cash advance of £1.3 million to address cash-flow difficulties.



The Lanarkshire Regional Board has agreed a five-year regional business plan with the SFC. This forecasts an underlying surplus for the college by 2019/20. The college anticipates receiving a further repayable advance of £2.6 million from the SFC in 2018-19, subject to maintaining progress and achieving the milestones in its plan.



To achieve financial sustainability, the college is reducing staffing costs. The SFC will provide £645,000 for the next voluntary severance scheme proposed in the plan. The college also intends to increase non-SFC income and to pursue opportunities for shared services with South Lanarkshire College.

North Highland College



The college reported a small underlying surplus of £0.1 million in 2017-18 but faces several key risks to its financial sustainability.



The college has previously required cash advances from its regional body, the University of the Highlands and Islands (UHI). It is forecasting a cumulative underlying deficit of £2.5 million by 2022-23 (equivalent to around 16 per cent of current costs) and a negative cash-flow position from 2019-20 onwards.



The college has loans of £1.3 million and in 2017-18 relied on waivers from its bank to avoid breaching loan covenants. At the time of the annual audit, the college did not have an agreed financial plan in place to achieve the required savings in both the short and longer term.



The auditor highlighted the need for more detailed interaction between the college and UHI as savings plans are developed. The college has since begun a curriculum review, with a view to achieving savings for the 2019-20 budget. However, the college anticipates that it may require financial support from UHI, in the form of cash advances, for 2019-20.

21. Staff costs are the largest area of college expenditure and those colleges that have produced financial plans to address their underlying financial deficits are planning or currently implementing voluntary severance schemes as part of their plans.

Scottish Government capital funding is insufficient to address colleges' maintenance requirements

22. Capital funding is needed for the maintenance and improvement of buildings and investing in digital infrastructure. The Scottish Government provided £76.7 million of capital funding for the sector in 2018/19. Of this, £43.1 million related to existing capital commitments, including Forth Valley College's new campus project, £27 million was allocated for very high-priority backlog maintenance identified in the SFC's estates survey in 2017.³ The SFC is monitoring whether funding for backlog maintenance has been spent as planned.

23. In 2019/20, capital funding for the sector has fallen to £47.6 million. Of this, £22.7 million is for Forth Valley College's new campus. After other specific capital commitments,⁴ the SFC is allocating £21 million to address lifecycle and backlog maintenance needs.⁵ Colleges and the SFC have calculated annual lifecycle maintenance costs to be around £22 million, over and above the £77 million high-priority backlog maintenance costs previously identified in the SFC's 2017 estates survey.

24. Reduced capital spending creates a risk that the cost of urgently needed backlog maintenance increases. This in turn poses a potential risk to some colleges' ability to continue to deliver their core services in a safe environment, and to invest in new digital infrastructure to generate efficiencies and enhance the student experience. The Scottish Government is working with the Scottish Futures Trust and the SFC to identify an appropriate revenue funding model for future investment in the college estate ([Exhibit 8, page 16](#)).

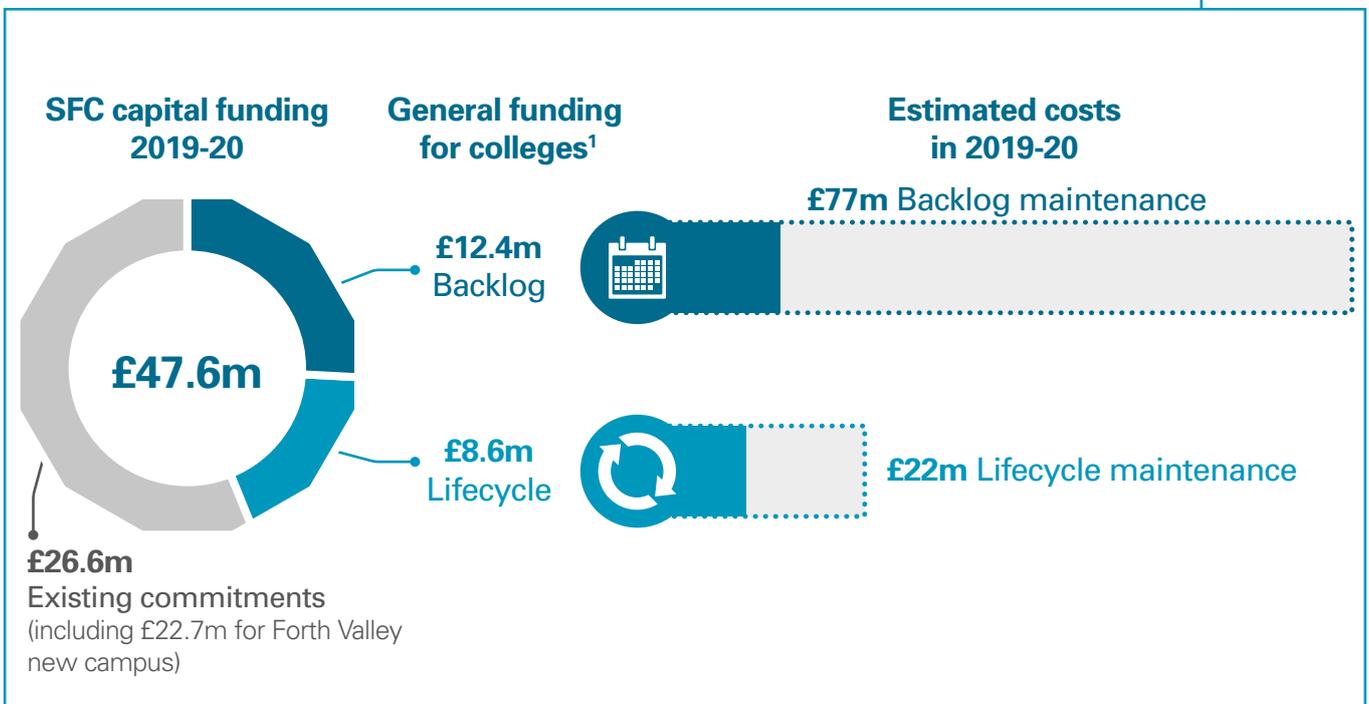
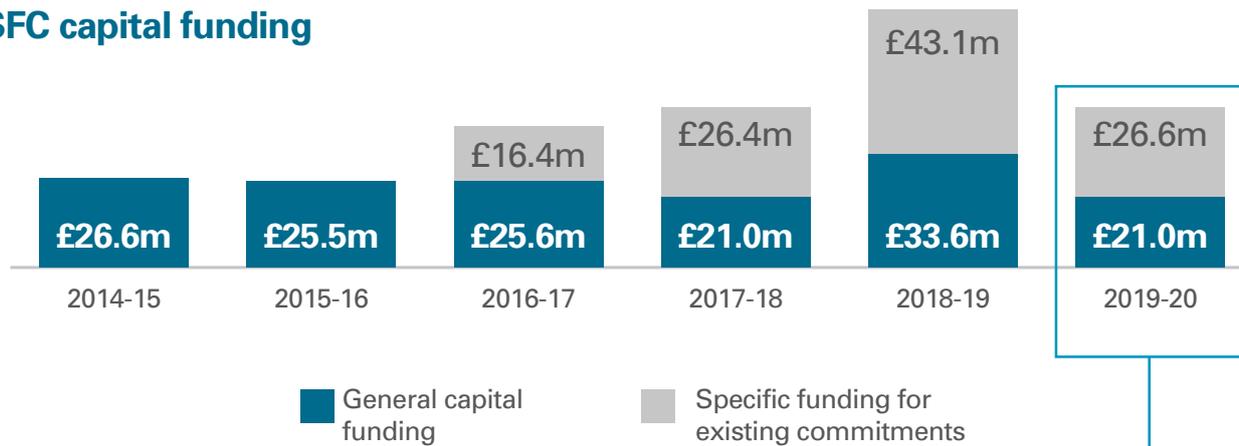
Exhibit 8
Capital funding



£47.6 million
Capital funding in 2019-20

Typically, capital funding is used for the maintenance and improvement of buildings but is becoming increasingly important for investing in and developing digital infrastructure.

SFC capital funding



Note: 1. Excluding Forth Valley
Source: Scottish Government/SFC

The potential implications of the UK's withdrawal from the EU remain unclear

25. The college sector is examining the potential implications surrounding the UK's planned withdrawal from the EU. The main areas that are likely to be affected are students, staff and funding. Data shows that:

- 7.3 per cent of credits are delivered to non-UK EU nationals (2016-17).
- Colleges' representative body, Colleges Scotland, estimates that non-UK EU nationals make up around three per cent of current staff in the sector. There will however be variation across colleges, with potentially the most significant impact being in Edinburgh and Glasgow.
- The SFC is allocating around £13 million to colleges to deliver European Social Fund (ESF) activity in 2019-20. This includes an assumed ESF contribution from the European Commission of around £5 million (around 0.7 per cent of current total sector income), subject to the submission of successful claims to the Scottish Government. College accounts for 2017-18 show that an additional £2.6 million of European income was received across the sector (0.4 per cent of total sector income). This was predominantly for ERASMUS+ placements.⁶

26. The wider potential implications of EU withdrawal remain unclear. While the direct impact on colleges is likely to be relatively small compared to some other parts of the public sector, colleges anticipate that the indirect effects could be much more significant. This includes potential reductions in EU funding that colleges receive through students funded by other organisations.

Part 2

Performance



Key messages

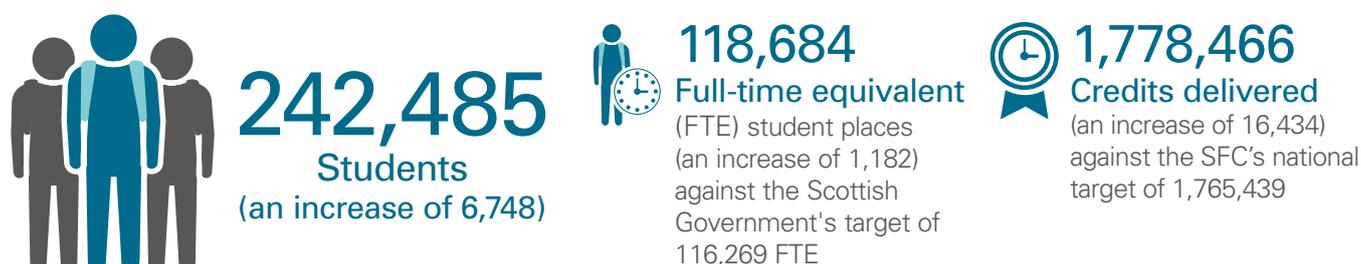
- 1** Student numbers increased, and the sector exceeded its learning activity targets. Over the past three years, colleges have been providing less learning to students aged 16-24 and more to students aged 25 and over.
- 2** Colleges are widening access to learning for disabled, ethnic minority and care-experienced students but the proportion of learning delivered provided to students from deprived areas fell slightly in 2017-18. Attainment rates for students in most of these categories continue to be below those of the student population overall.
- 3** Fewer students are completing their courses but a slightly higher proportion of students gaining a qualification are going on to positive destinations. Average attainment rates for students in full-time education have remained relatively static in recent years. The attainment rate for full-time further education, at 66 per cent, is some distance from the SFC target of 75 per cent by 2020-21.
- 4** There continues to be considerable variation across colleges in terms of student outcomes. The SFC has agreed aspirational and stretching targets with colleges in their latest outcome agreements. Based on recent performance trends, achieving some of these targets will be very challenging for colleges.

Student numbers increased, and the sector exceeded both the Scottish Government's learning target and the SFC's national activity target

27. In return for their funding from the SFC, college regions agree a range of outcomes they aim to deliver each year. Outcome Agreements contain ten measures to assess colleges' progress. Within these ten measures there are national priority measures based around learning credits delivered, the achievement of qualifications (attainment) and successful students going on to positive destinations.

Exhibit 9

Number of students and amount of learning delivered 2017-18



Source: SFC

28. Colleges delivered 16,434 more credits than in 2016-17 and exceeded the SFC's national activity target by 0.7 per cent. Five colleges missed their individual target (by a very small percentage in two instances):⁷

- Fife College (by 0.1 per cent)
- New College Lanarkshire College (by 0.2 per cent)
- North East Scotland College (by 1.4 per cent)
- Lews Castle College (by 4.7 per cent)
- Orkney College (by 4.5 per cent).

29. Where regions miss their credit target, the SFC – or the regional body, in a multi-college region – can decide to recover funding. Where the SFC or regional body is aware that a college may miss its target, it can look to redistribute both the activity and the funding to another college or region.

30. UHI is committed to providing access to learning across the region, and to avoid centralising delivery in urban areas. Where colleges in the Highlands and Islands region have not met their targets, UHI is working closely with the colleges to understand, support them and, where necessary, review targets to reflect circumstances. For example, Lews Castle College faces particular challenges due to a declining population in the Outer Hebrides, and UHI is working with the college to assess the effects of this change, and to support the college to adjust its focus to deliver a financially sustainable operating model.

31. Colleges also exceeded the Scottish Government's target of delivering 116,269 FTE places⁸, delivering 118,684 FTE places, an increase of 1,182 (one per cent) on 2016-17 ([Exhibit 9](#)). The Scottish Government's target has remained constant since 2012-13 though the context in which colleges operate has been changing:

- The young Scottish population has been reducing and is projected to reduce further over the next few years. This is resulting in fewer young students (16-24) at college, and more school-aged and older students.

- The Scottish Government continues to promote widening access to further and higher education. Its aim is for 20 per cent of students entering university to be from the 20 per cent most deprived areas by 2030. While colleges play an important role in supporting a learner's whole journey, this may reduce the number of students that will consider studying at college in future.

Over the past three years, colleges have been providing fewer credits to students aged 16-24 and more to students aged 25 and over

32. In October 2017, the Minister for Further Education, Higher Education and Science confirmed that colleges no longer needed to prioritise full-time education for 16-24 year olds.⁹ It is clear that college provision was changing before this announcement. Between 2014-15 and 2017-18, the number of students aged 16-24 fell by 6,887 (or by six per cent). There was a corresponding increase in the number of students aged 25 and over by 6,664 (or by seven per cent). Over the same period, the proportion of learning credits delivered by colleges shifted from students aged 16-24 to students aged 25 and over by four percentage points ([Exhibit 10, page 21](#)).

33. Between 2014-15 and 2017-18, there was an increase of 86 per cent (15,815) in the number of school pupils under 16 years of age attending college. Students aged under 16 now make up an additional six per cent of the student population compared to 2014-15. Despite this, credits delivered to under 16 years old have remained very small at only around three per cent. Under the Scottish Government's Developing the Young Workforce programmes, colleges work closely with schools and councils, offering more vocational courses to school pupils. Most courses will not be graded but aim to expand pupils' curriculum choices and help them develop a career path. In 2017-18, all colleges except Newbattle Abbey College delivered credits to students under 16 years of age.¹⁰

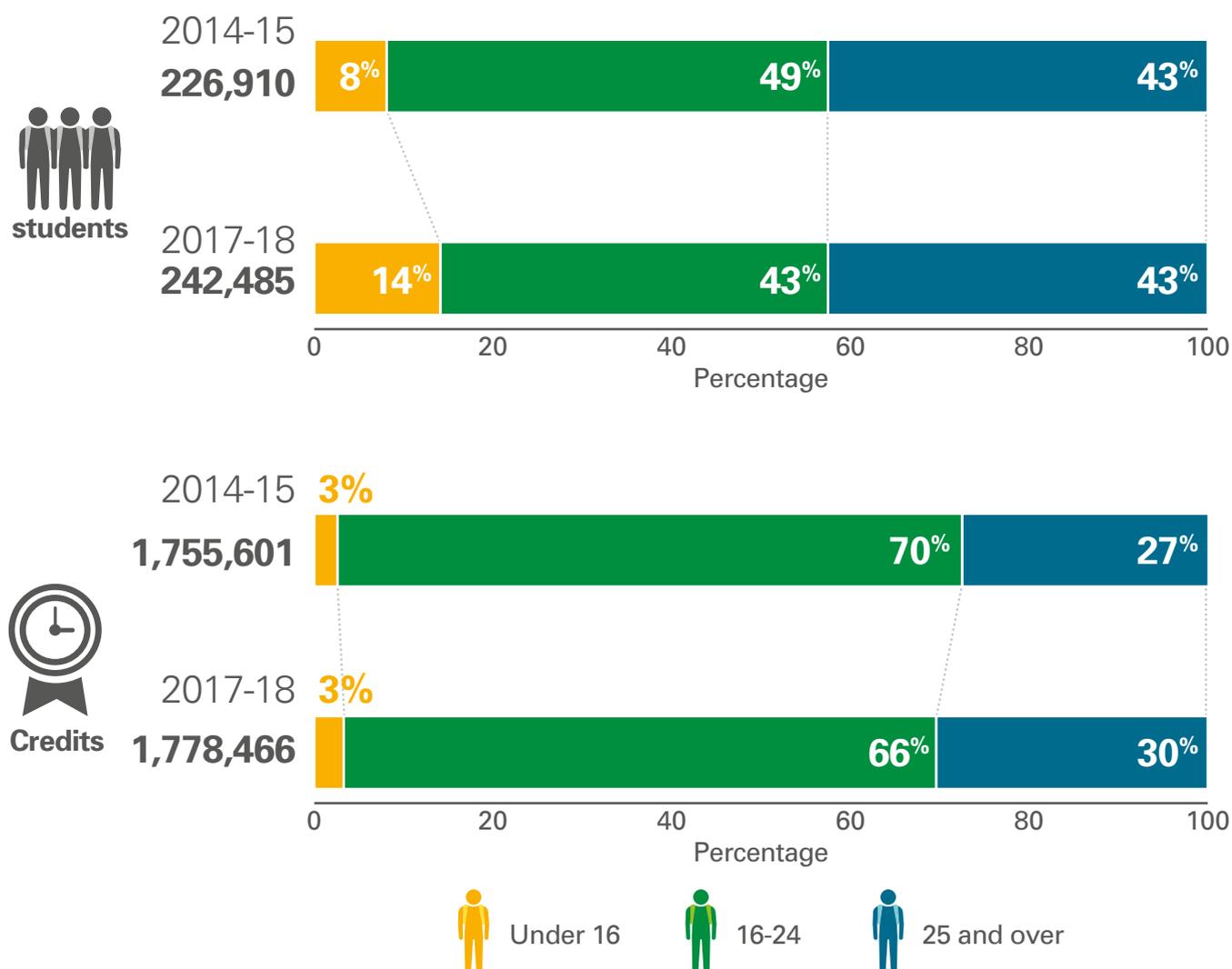
More change is needed to achieve gender balance across important subject areas

34. Female students represent 52 per cent of the student population (125,899) and males 48 per cent (115,945).¹¹ The number of female students increased by more than the number of male students in 2017-18 (increasing the proportion from 51 per cent last year).

35. In 2016, the SFC committed to increasing the minority gender share in the most imbalanced subjects.¹² Its aim is for the gender balance of students enrolling on important subject areas to be no greater than 75:25 per cent by 2030. Progress towards addressing the long-standing gender imbalances has been limited and will require a concerted effort from schools, colleges and wider society in making sustainable change ([Exhibit 11, page 22](#)).

Exhibit 10

Change in the number of students and learning credits delivered across the sector over the past three years



Note: The proportion of credits for 2017-18 doesn't add up to 100 per cent due to rounding.

Source: SFC

Eighteen college boards have more men than women

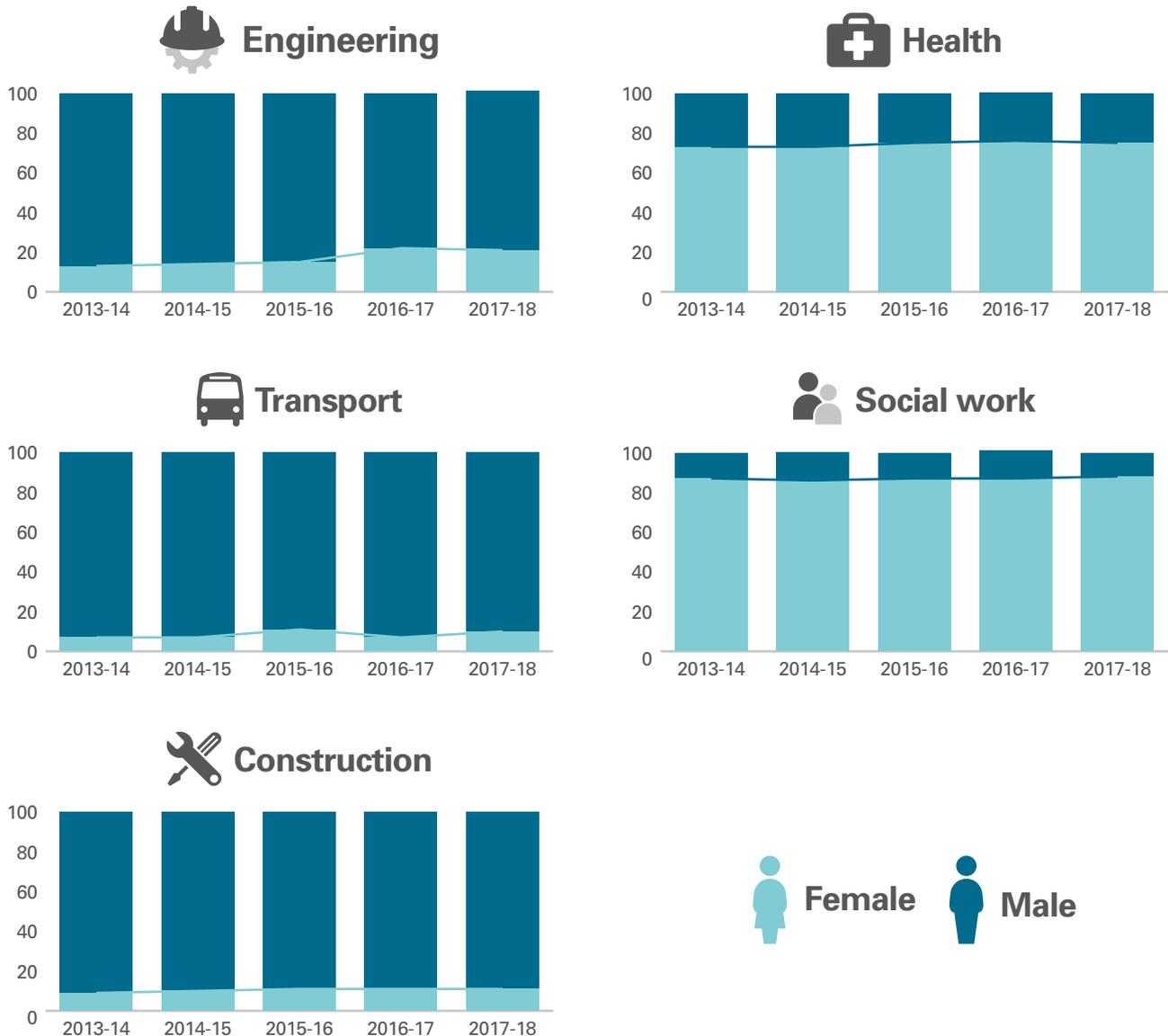
36. In February 2019, 246 board members across the sector were men (57 per cent of the total members) and 187 were women (43 per cent of the total members). The number of men increased by 12, while the number of women decreased by four.

37. Four college boards have more women members than men and five have an equal gender split. Orkney College Board has the most uneven gender balance with 19 men and three women.

38. The Gender Representation on Public Boards (Scotland) Act 2018 requires 50 per cent of non-executive members on public boards to be women by 2022. The gender balance of college boards is not entirely under the control of colleges as some members are elected to their position.

Exhibit 11

Proportion of students on each course by gender (headcount)



Source: SFC

Colleges are widening access to students from a range of backgrounds, but are not meeting targets for students from the most deprived areas

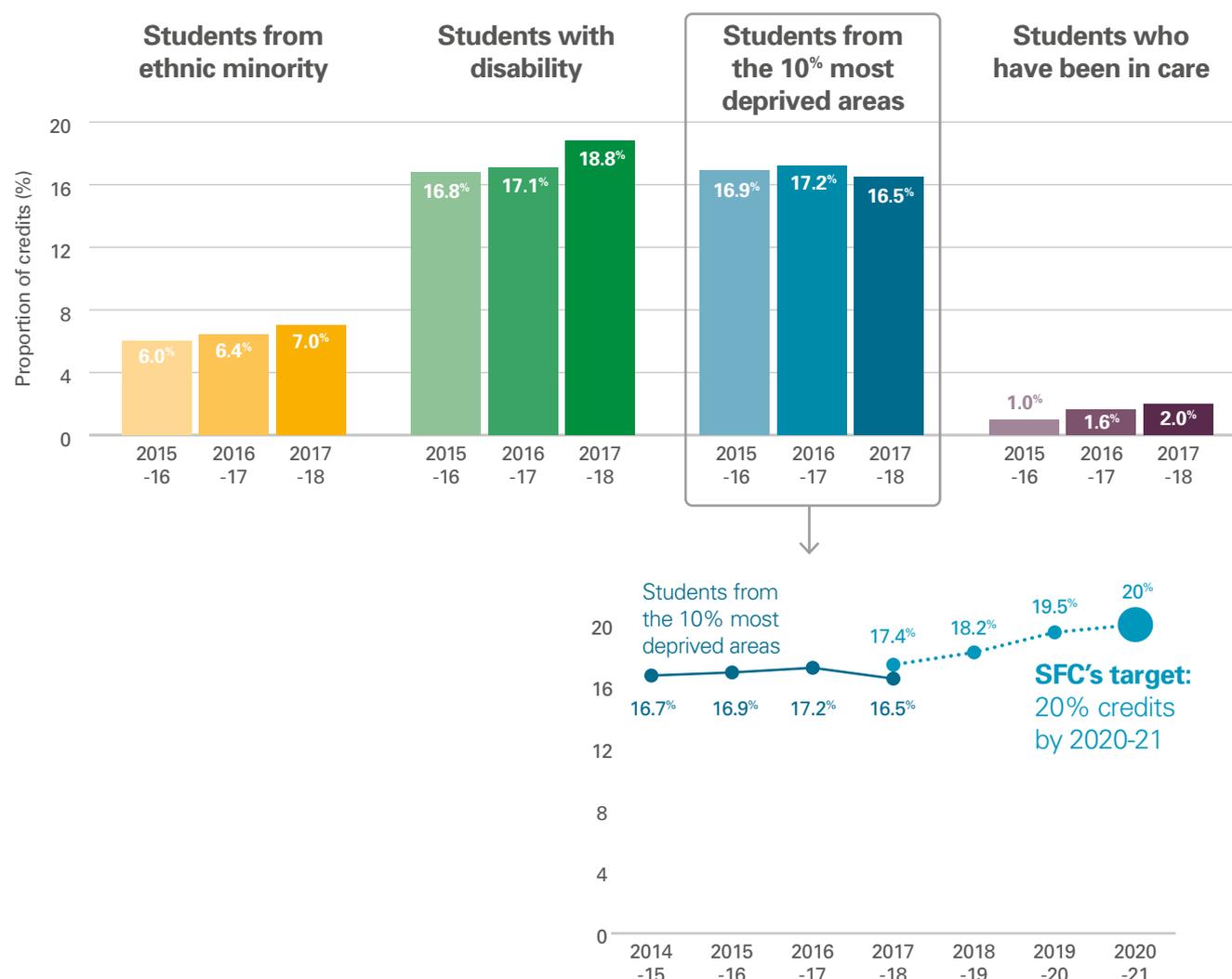
39. Colleges are committed to widening access to learning for all, particularly those who may have found it more difficult to enter further and/or higher education. Across the sector, the proportion of credits colleges deliver to students from an ethnic minority, who have been in care or who have disabilities has increased in recent years.¹³

40. The proportion of credits that colleges deliver to students from the ten per cent most deprived areas had also been increasing, but this trend reversed in 2017-18.¹⁴ The proportion of credits delivered to these students, at 16.5 per cent, was below the SFC’s national target of 17.4 per cent.¹⁵ The reasons for this decrease are likely to be complex. For example, the trend is for school pupils to stay on longer at school. Also, in line with the Scottish Government’s aim of widening access to higher education, there has been an increase in the proportion of students from deprived areas going to university. Increasing the proportion of credits to students from the most deprived areas will require a coordinated effort from schools, colleges, universities and other relevant stakeholders ([Exhibit 12](#)).

41. Based on recent trends, the SFC’s target of delivering 20 per cent of credits to students from the ten per cent most deprived areas by 2020-21 looks difficult to achieve.

Exhibit 12

Proportions of credits delivered to students from selected groups



Source: SFC

Exhibit 13

National performance summary, 2017-18

The proportion of students completing their courses is falling, but the proportion of full-time students going on to positive destinations is improving.

	 Attainment rates	 Retention rates	 Positive destinations	 Satisfaction
Further education				
 Full-time	66.1  (0.8%)	74.9  (0.0%)	86.0  (1.9%)	93.1  (0.3%)
 Part-time	78.2  (1.1%)	89.8  (0.2%)	–	–
Higher education				
 Full-time	71.3  (0.3%)	81.6  (1.2%)	81.6  (1.4%)	83.2  (4.2%)
 Part-time	80.4  (1.8%)	91.6  (0.3%)	–	–

(%) – Percentage change from the previous year

Note: The latest positive destinations data available is for 2016-17. Percentage change is from 2015-16.

Source: *College Performance Indicators 2017-18*, Scottish Funding Council, 2019; *College Leaver Destinations 2016-17*, Scottish Funding Council, 2018; and *Student Satisfaction and Engagement 2017-18*, Scottish Funding Council, 2018

Student attainment has remained relatively static in recent years and further work is required to address the attainment gap

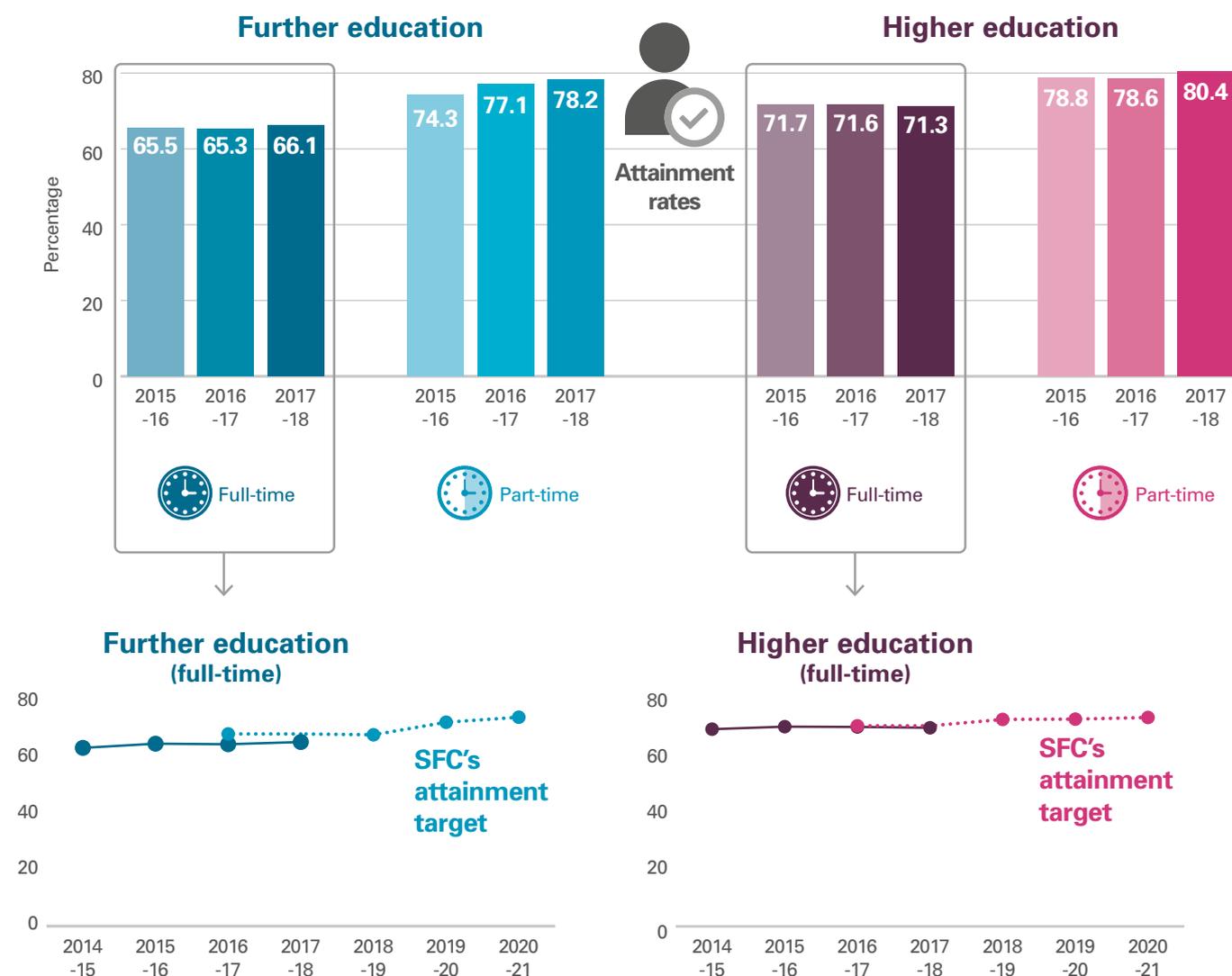
42. The SFC aims to improve attainment rates (the proportion of students completing their course successfully) in full-time further education and higher education to 75 per cent by 2020-21. The average attainment rate for full-time further education improved in 2017-18. In contrast, the average attainment rate in full-time higher education fell slightly. Both remain below the SFC's long-term target, with a significant improvement needed in further education over the next three years. The SFC has set intermediate national attainment targets for full-time students, although it did not set a target for 2017-18. It does not set national targets for part-time students ([Exhibit 14, page 25](#)).

Only two regions met all of their agreed overall attainment targets

43. There is wide variation in regional performance against attainment targets ([Exhibit 15, page 26](#)):

- West College Scotland region met all four targets. Highlands and Islands region met both targets for further education.
- Two regions missed all four targets (Dumfries and Galloway and North East Scotland colleges).

Exhibit 14 Attainment rates



Source: SFC

44. The SFC does not report the performance of college regions against regionally agreed attainment targets in its Summary of Progress and Ambitions report.¹⁶

45. In 2018-19, the SFC plans to improve its use of Outcome Agreements to achieve its desired outcomes for learners, for skills development and ultimately for inclusive economic growth in Scotland. This includes agreeing more ambitious targets with college regions to deliver Scottish Government priorities. Based on performance to date, some existing targets will be very challenging for colleges. It is important for the SFC and colleges to be clear on what will be needed to deliver the more ambitious targets.

Exhibit 15

Attainment rates: progress towards outcome agreement targets



Attainment target met in 2017-18

	No of college regions providing this type of study ¹	No of college regions	Percentage
Further education			
 Full-time	15	6	40%
 Part-time	13	9	69%
Higher education			
 Full-time	13	2	15%
 Part-time	11	5	45%

Note: 1. Total numbers are based on 13 college regions plus SRUC and Newbattle Abbey College, with the exceptions being: Part-time further and higher education: Ayrshire and Newbattle Abbey colleges did not set 2017-18 targets for these measures in their Outcome Agreement; and Higher education: College outcome agreement measures are not applicable to Highlands and Islands region or SRUC at this level.

Source: SFC

More work is required to close the attainment gap for certain groups of students

46. Students from an ethnic minority, on average, achieve better results than the overall student population, but more work is required to close the attainment gap for the rest of the identified student groups.¹⁷ Students who have been in care have the lowest attainment rates, and were the only group where attainment decreased in 2017-18 ([Exhibit 16, page 27](#)).

47. The SFC is committed to raising the attainment rates for students from the most deprived areas to achieve overall attainment rates of 75 per cent by 2027-28.¹⁸ In [Scotland's colleges 2018](#) , we reported that the attainment gap between students from the least and most deprived areas had increased between 2011-12 and 2016-17.

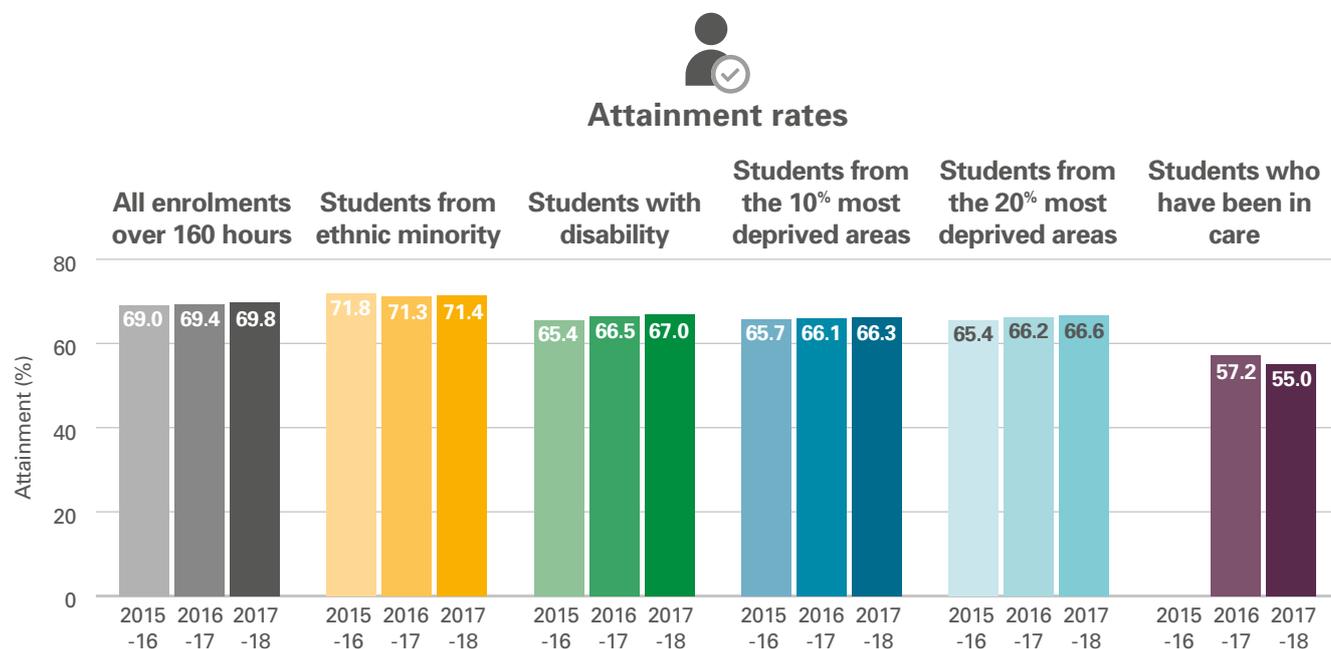
48. Last year, we reported that the attainment gap in 2016-17 increased between those students from the least and most deprived areas. In 2017-18, the attainment gap for those in further education closed slightly, from 7.4 to 6.5 percentage points (69.7 per cent compared to 63.2 per cent). The attainment gap for those in higher education was 7.7 percentage points, the same as in 2016-17 (74.4 per cent compared to 66.7 per cent).

Fewer students completed their course in 2017-18

49. Challenges still exist in improving student retention (the proportion of students completing their course, either successfully or partially). The proportion of full-time further education students that completed their course remained unchanged in 2017-18 but the proportions fell for all other types of study ([Exhibit 17, page 27](#)).

Exhibit 16

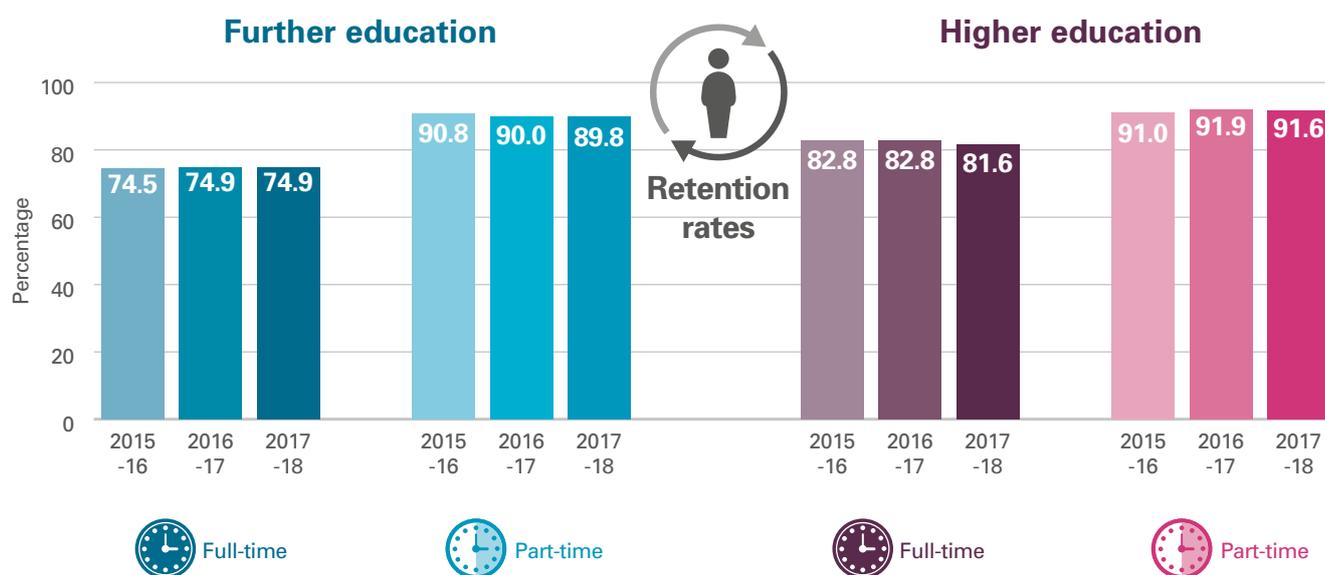
Attainment on courses over 160 hours for students from selected groups



Source: SFC

Exhibit 17

Proportion of students completing their course



Source: SFC

50. Since 2017, the Scottish Government has been running a College Improvement Project (CIP) to raise attainment and retention. It has worked with five colleges through the CIP, trying to identify what improvement can be shared across the sector.¹⁹ The project is scheduled to finish in 2019. While it is too early to assess the impact of the project, more work is required to improve retention. The Scottish Government plans to monitor changes in retention as improvement actions are scaled up and spread to different courses within the colleges and across the sector.

A greater proportion of students who qualify are going on to positive destinations

51. Latest data (covering 2016-17) shows that 95 per cent of full-time student qualifiers with destinations confirmed entered a positive destination, such as employment or continued education (2015-16, 94.9 per cent).²⁰ Of all qualifiers, 84.5 per cent moved into a positive destination (2015-16, 82.7 per cent). Around two-thirds of all qualifiers went on to further study or training (up by one percentage point from 2015-16). 17.7 per cent of all qualifiers entered work (up by 0.7 percentage point).

The SFC does not publish college-level student satisfaction data

52. Student satisfaction is a performance measure in college Outcome Agreements. For 2017-18, the SFC reported student satisfaction for the sector, but only using data from those colleges that received at least a 50 per cent response rate to their survey (15 of 26 colleges for full-time further education and five of 15 colleges for full-time higher education). It does not publish student satisfaction data for individual colleges or results for part-time and distance or flexible learning students. Publishing good-quality information on student satisfaction for individual colleges would allow students, and potential students, to determine whether a college provides a good experience for students. It also means that colleges can be effectively held to account by other stakeholders.

53. The SFC has been working with the college sector to conduct the Student Satisfaction and Engagement Survey (SSES) since 2015-16. However, over the past three years, response rates to the SSES have varied noticeably across colleges and the SFC does not yet believe that all colleges are conducting the survey in a way that allows either it or individual colleges to place reliance on the survey results. The SFC held an event for colleges in February 2019 to explore ways to improve response rates.

College performance varies widely for student outcomes

54. Taken together indicators on student attainment, retention, destinations and satisfaction provide a broad indication of a college's performance. There was significant variation in performance across colleges; the proportion of students from deprived areas can influence performance, but it is clearly not the only factor ([Exhibit 18, page 29](#)).

Exhibit 18

Performance indicators for full-time further education in colleges

Colleges	 % credits for FT	 Attainment rates	 Retention rates	 Positive destinations	 Satisfaction	College's self-evaluation for 'Outcome and Impact'
Glasgow Kelvin College	45.5	60.2 ↓	69.0 ↓	82.9 ↑	-	Good
West College Scotland	58.5	69.2 ↑	78.1 ↑	80.6 ↓	-	Good
Glasgow Clyde College	67.1	66.1 ↑	74.9 ↑	82.8 ↑	96.7 ↑	Good
Ayrshire College	74.4	66.9 ↔	73.9 ↓	82.6 ↓	-	Good
City of Glasgow College	58.9	67.9 ↓	76.3 ↓	91.2 ↑	84.5 ↓	Very Good
New College Lanarkshire	75.4	61.4 ↑	68.3 ↑	89.9 ↑	89.0 ↓	Satisfactory
Dundee and Angus College	70.0	75.4 ↑	81.4 ↑	81.7 ↑	95.4 ↑	Very Good
Fife College	61.8	59.1 ↑	73.4 ↑	71.7 ↑	91.9 ↑	Satisfactory
South Lanarkshire College	74.5	69.7 ↓	76.2 ↑	89.1 ↓	98.5 ↑	Very Good
West Lothian College	67.9	65.5 ↑	75.3 ↑	89.7 ↑	-	Good
Forth Valley College	51.8	71.4 ↓	77.2 ↓	75.6 ↓	95.1 ↓	Very Good
Edinburgh College	62.9	60.7 ↓	70.6 ↓	85.9 ↑	-	Good
Newbattle Abbey College	100.0	52.1 ↓	69.9 ↓	81.3 ↑	100 ↑	Good
Dumfries and Galloway College	70.6	59.6 ↓	70.6 ↑	88.3 ↑	-	Satisfactory
Perth College	78.4	70.0 ↑	77.2 ↓	85.2 ↑	96.2 ↑	Good
Borders College	78.0	68.7 ↑	77.1 ↑	86.9 ↓	-	Very Good
SRUC Land based	63.9	68.3 ↓	82.3 ↓	87.8 ↓	-	-
North Highland College	55.7	71.8 ↑	83.2 ↑	90.0 ↑	-	Very Good
Argyll College	47.4	76.0 ↑	82.0 ↑	80.9 ↓	94.3 ↑	Very Good
West Highland College	48.1	69.8 ↓	77.8 ↓	87.4 ↑	100 ↑	Very Good
Inverness College	69.5	70.6 ↑	77.7 ↑	87.3 ↓	94.7 ↑	Very Good
North East Scotland College	72.6	66.6 ↑	77.0 ↑	87.2 ↓	94.0 ↑	Good
Lewis Castle College	46.5	60.8 ↓	71.6 ↓	90.3 ↑	100 ↑	Satisfactory
Moray College	74.2	69.0 ↑	75.5 ↑	84.2 ↑	94.0 ↑	Good
Orkney College	33.1	75.0 ↓	80.3 ↓	84.3 ↓	-	Very Good
Shetland College of Further Education	32.0	77.8 ↓	85.6 ↑	97.2 ↑	-	Very Good
Number of colleges where performance increased in 2017-18 ↑		13	15	16	13	
Proportion of total number of colleges %		50%	58%	62%	87%	

Quartile: Highest **1** **2** **3** **4** Lowest

Notes:

- Colleges are listed according to the proportion of students from the most deprived areas (Glasgow Kelvin College having the highest proportion).
- Percentage point changes are from 2016-17 (For leaver's destination data, from 2015-16. See Note 3).
- The latest leaver's destination data available is for 2016-17. The figures are across further and higher education study. College-level figures published are not broken down by the two.
- The overall student satisfaction rates are included only for colleges with a response rate of 50 per cent or more, in line with the SFC publication.
- For each indicator, we have shown colleges' performance broken down into quartiles, with the highest performance shown in Quartile 1 and the lowest performance in Quartile 4.

Source: *College Performance Indicators 2017-18*, Scottish Funding Council, 2019; *College Leaver Destinations 2016-17*, Scottish Funding Council, 2018; *Student Satisfaction and Engagement 2017-18*, Scottish Funding Council, 2018; Colleges' self-evaluation reports, 2019; and SFC's Infact database

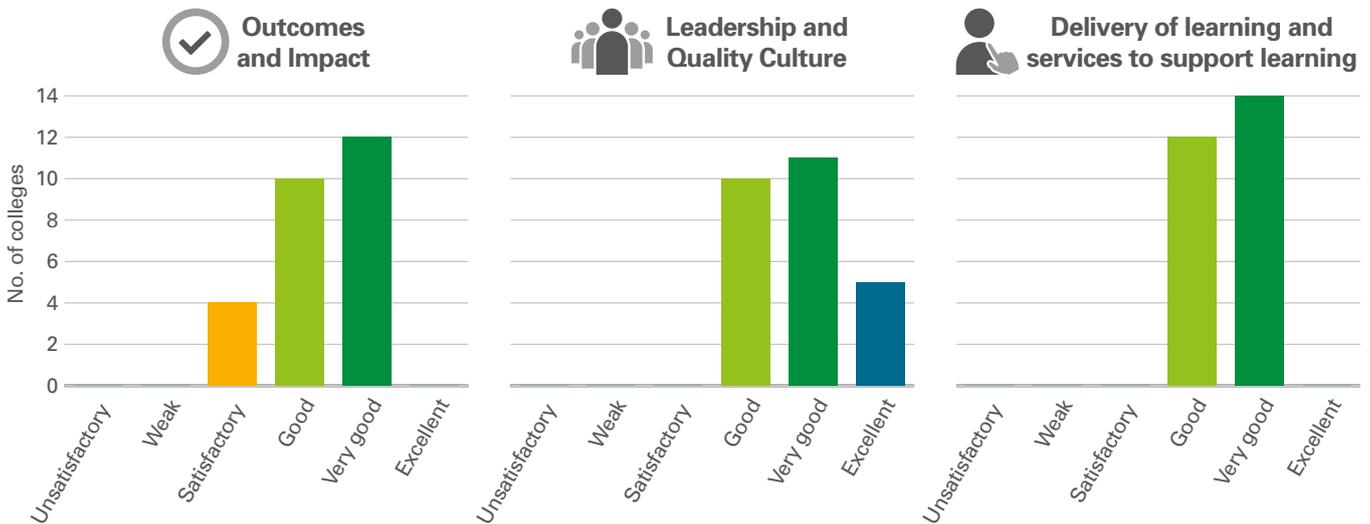
Colleges have published enhancement plans to improve their performance

55. The SFC and Education Scotland, the national body for supporting quality and improvement in learning and teaching, introduced a new quality assessment evaluation framework for colleges, *How good is our college?* in 2016.²¹ The new quality framework is based on a validated self-evaluation and is intended to enable colleges to assess progress and develop an improvement plan.

56. In January 2019, individual college results were published for the first time with grades in three categories: Outcomes and impact; Leadership and quality culture; and Delivery of learning and services to support learning. All colleges graded themselves as 'Good' or above for two of the three categories. In general, colleges assessed their Leadership most highly and the outcomes and impact for students least highly ([Exhibit 19](#)).

57. The factors considered in relation to 'Outcomes and impact' map closely to attainment and retention but not to positive destinations and student satisfaction. Some colleges which consider their performance to be 'Good' or better have relatively low levels of attainment (in the bottom half of the quartiles). It is not clear how colleges' own assessment of performance fits with the views of their students and staff.

Exhibit 19
College's self-evaluation grades



Source: Education Scotland

Endnotes



- 1 *College Staffing Data 2017-18*, Scottish Funding Council, 2019.
- 2 Financial forecast returns submitted by colleges to the SFC in September 2018 and covering the period to 2022-23.
- 3 [College sector estates condition survey](#) , Scottish Funding Council, December 2017.
- 4 This includes £1.5 million to support business cases for the highest priority campuses and £1.4 million for very high priority maintenance at Fife College.
- 5 *Outcome agreement funding for colleges*, Scottish Funding Council, 2019.
- 6 Erasmus+ is the European Union programme for education, training, youth and sport. It runs for seven years, from 2014 to 2020. Erasmus+ aims to modernise education, training and youth work across Europe. It is open to education, training, youth and sport organisations across all sectors of lifelong learning, including school education, further and higher education, adult education and the youth sector.
- 7 Lanarkshire region and the Highlands and Islands region both met their regional targets.
- 8 *College Statistics 2017-18*, Scottish Funding Council, 2019.
- 9 2018-19 Outcome Agreement Guidance, Letter from Minister for Further Education, Higher Education and Science to Chair of Scottish Funding Council, 2017.
- 10 SFC's Infact database.
- 11 According to the SFC's Infact database, 641 students did not give their gender or described it as 'Other'.
- 12 Gender Action Plan, Scottish Funding Council, 2016.
- 13 *College Statistics 2017-18*, Scottish Funding Council, 2019.
- 14 The level of deprivation is calculated using the Scottish Index of Multiple Deprivation (SIMD) 2016. In the previous two years, it is based on the SIMD 2012.
- 15 [College Region Outcome Agreements: Summary of Progress and Ambitions](#) , Scottish Funding Council, September 2017.
- 16 [College Region Outcome Agreements Summary of Progress and Ambitions report 2018](#) , Scottish Funding Council October 2018, summarises performance for the sector from colleges regions' Outcome Agreements.
- 17 *College Performance Indicators 2017-18*, Scottish Funding Council, 2019. Attainment on courses over 160 hours.
- 18 *Guidance for the development of College Outcome Agreements: 2017-18 to 2019-20*, Scottish Funding Council, 2016.
- 19 Dundee and Angus College, Edinburgh College, Inverness College UHI, New College Lanarkshire and West College Scotland.
- 20 *College Leaver Destinations 2016-17*, Scottish Funding Council, 2018. The data available is for full-time students only across further and higher education.
- 21 *How good is our college?*, Education Scotland, 2016.

Appendix

Audit methodology



What the report covers

This report looks at all colleges in the sector and Scotland's Rural College (SRUC), to present a comprehensive picture of the sector and its performance.

Until 1992, Scottish councils ran all publicly funded colleges in Scotland. Under the Further and Higher Education (Scotland) Act 1992, most of these colleges established their own corporate body and boards of management. The boards of management took over responsibility for the financial and strategic management of the colleges. These colleges are referred to as incorporated colleges and produce accounts which are subject to audit by the Auditor General for Scotland. The remaining six colleges are generally referred to as non-incorporated colleges. SRUC is classed as a higher education institution but counts towards the achievement of the national target for colleges. The report primarily focuses on incorporated colleges. However, we state clearly where we include data relating to non-incorporated colleges.

The college sector in Scotland comprises the 20 incorporated colleges and six non-incorporated colleges, organised into 13 college regions (as shown in Appendix 2 of [Scotland's colleges 2018](#) ). Ten of these regions consist of one college. The three remaining regions (Glasgow, Highlands and Islands, and Lanarkshire) have more than one college. The individual colleges in Glasgow and in Highlands and Islands are assigned to the relevant regional strategic body, ie Glasgow Colleges' Regional Board (GCRB) or University of Highlands and Islands (UHI). In Lanarkshire, New College Lanarkshire is the regional body and South Lanarkshire College is assigned to the Lanarkshire Board.

Financial commentary

Incorporated colleges prepare their accounts based on the academic year, which runs from 1 August to 31 July. This differs from the Scottish Government's financial year, which runs from 1 April to 31 March. We use the following conventions in this report:

- 2017-18 when referring to figures from colleges' accounts, or figures relating to the academic year
- 2017/18 when referring to funding allocations made in the Scottish Government's financial year.

Financial figures in real terms are adjusted for inflation. The base year for this report is 2017-18. The GDP deflator provides a measure of general inflation in the domestic economy. We have used the GDP deflator from March 2019 to calculate the real-terms figures for other years.

Our audit involved

- Analysing relevant Scottish Government budget documentation, colleges' audited accounts and auditors' reports covering the financial periods ending July 2018.
- Analysing information held by the SFC, including financial, performance and activity data.
- Interviewing Colleges Scotland, student unions, trade unions, the SFC and the Scottish Government.
- Analysing data that we requested from colleges' external auditors.

Detailed methodology for specific sections in the report

Underlying financial position [\(page 7\)](#)

Incorporated colleges reported an overall deficit of £29.8 million in their 2017-18 audited accounts. In reporting the underlying financial position, we have used the SFC's data for each college based on the accounts direction it issued in 2018.

Calculating student numbers [\(page 19\)](#)

In this report we present student numbers by headcount, drawn from the SFC's Infact database. Where possible, this headcount excludes any multiple enrolments, meaning if a student had been enrolled at two colleges in 2017-18 they would only be counted once. Where we show full-time and part-time student numbers this will include multiple enrolments.

In line with last year's report, we have included non-incorporated colleges and SRUC to give a comprehensive picture of performance against the Scottish Government's national target for learning activity.

Scotland's colleges 2019

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