



AUDIT & RISK COMMITTEE

Meeting of 26 September 2018

AUDIT & RISK COMMITTEE

NOTICE

There will be a meeting of the Audit & Risk Committee on Wednesday 26 September 2018 at 1500 hours in the Boardroom, G10, at Aberdeen City Campus.

AGENDA

Agenda Item		Paper
20-18	Apologies for Absence	
	Declaration of any Potential Conflicts of Interest in relation to any Agenda Items	
21-18	Minute of Previous Meeting – 11 July 2018	X
22-18	Matters Arising from the Previous Meeting	
	Matters for Decision	
23-18	Programme of Business AY2018-19	X
24-18	Reports on Internal Audit Reviews <ul style="list-style-type: none"> • GDPR (Follow Up) • Payroll 	X
25-18	Internal Auditor's Report to the Regional Board, Financial Reporting Period Year to 31 July 2018	X
26-18	Draft Annual Report to the Regional Board, 2018	X
27-18	Internal Audit Programme, Year to 31 July 2019	X
28-18	Risk Management Policy	X
	Matter for Information	
29-18	Presentation – Cyber Security	
30-18	Any Other Business	
31-18	Summation of Business and Date of Next Meeting	

AUDIT & RISK COMMITTEE

Draft Minutes of the meeting of the Audit & Risk Committee held on 11 July 2018 at 1000 hours in G10, Aberdeen City Campus.

Agenda Item	
	<p>Present: David Anderson Doug Duthie Ian Gossip (Chair) Andrew Russell Anne Simpson Adrian Smith</p> <p>In attendance: Stephen Pringle, Wylie & Bisset Roddy Scott, Vice Principal Finance Pauline May, Secretary to the Board Zoe Burn, Minute Secretary</p>
10-18	<p>Apologies: Ann Bell</p>
11-18	<p>Declaration of any Potential Conflicts of Interest in relation to any Agenda Items Mr Duthie, Mr Gossip and Mr Smith declared a potential conflict of interest in relation to their roles as Directors of ASET.</p>
12-18	<p>Minutes of Previous Meeting – 18 April 2018 The minutes were approved as a true and accurate record.</p>
13-18	<p>Matters Arising from the Previous Meeting Members considered a further update providing progress against recommendations highlighted through the GDPR internal audit. It was noted that the majority of actions contained in the College's GDPR Action Plan would be completed by the end of the Summer.</p> <p>Members were advised that the content of the Maths for Engineering website was now all available on the VLE and that access to the website would be removed by the end of AY2017-18 as previously advised.</p>
	<p>Matters for Decision</p>
14-18	<p>Reports on Internal Audit Reviews The Committee noted a paper providing summary information on four internal audit reviews undertaken by Wylie & Bisset in June 2018. Members considered the four appended audit reports, with Mr Pringle highlighting key aspects of each.</p> <p>In relation to the audit of Human Resources, it was highlighted that the report contained a lower number of recommendations than similar audits undertaken at other colleges.</p>

	<p>In relation to the Management of Contract Managed Services audit, a required correction to a job titles included on page 12 of the report was noted. In response to a query from Mr Anderson, it was agreed that an update in relation to the current position of the College's contract with Alpha Health would be circulated to Members by email.</p> <p>In relation to the Value for Money audit on transport, Mr Scott provided additional information on issues highlighted in the report and stated that he believed the recommendations to be fair. A discussion followed on issues highlighted in relation to staff travel, including the current process and procedures for booking vehicles and future consideration regarding the need to maintain a fleet of pool cars. Mr Scott commented that there were no weaknesses in the current system in place for pool cars, instead issues arose in relation to the implementation of the system.</p> <p>Members agreed with the auditors in that value for money is not currently being achieved given the low utilisation of pool cars, noting that savings would be achieved if staff use of their own cars increased given that mileage is paid at 45p per mile in comparison to the per mile cost of 61p per mile for pool cars.</p> <p>In relation to staff behaviours it was noted that changes to the College's curriculum management structure to be implemented for AY2018-19 would change the requirement for staff to frequently travel between Campuses.</p> <p>Members were advised that the current pool car contract would cease at the end of AY2018-19 and that a further review of usage, value for money etc. would be undertaken prior to this to identify effective future arrangements. It was also noted that the contract for hire cars from Arnold Clark would cease in December 2018 and that a short life working group would be established to propose recommendations to the SMT prior to the end of the contract regarding future arrangements.</p> <p>Mr Pringle highlighted that the audit had concluded that values for money had been achieved in relation to the arrangements for student transport.</p> <p>A misspelling of Buckie was noted on page 6 of the report.</p> <p>In relation to the Freedom of Information audit, a discussion was held as to possible conflict between the new GDPR regulations and Freedom of Information legislation relating to the retention of personal data.</p>
15-18	<p>Strategic Risk Register</p> <p>Members considered the latest draft of the College's new Strategic Risk Register, noting that since it was last considered at the Board Meeting held in June 2018, risk scores had been identified by the SMT.</p> <p>The Committee considered the proposed risk appetites for each Strategic Goal and agreed that they should be adopted as presented. Members also agreed that the College's overall Strategic Risk Appetite should be set as 'Cautious'.</p> <p>In relation to the adoption of a Risk Appetite Statement, Members agreed that the proposed wording was appropriate. It was noted that the College's Risk Management Policy would shortly be reviewed to update the document in line with the College's refreshed approach to managing risk and that the new Statement would be included in the updated Policy. It was also noted that the College's Operational Risk Register would now be reviewed to ensure alignment with the new Strategic Risk Register.</p>

	Matter for Discussion
16-18	<p>Code of Good Governance for Scotland's Colleges – Review of Compliance The Committee noted information provided on Board activities and behaviours during AY2017-18 which demonstrate compliance against individual Code of Good Governance criteria.</p> <p>Additional information was provided in relation to the completion of outstanding online training for Members of the Board's Remuneration Committee, with Ms May advising that the possibility of CDN providing the Committee with face-to-face training was being explored. It was noted that the outstanding appraisals for AY2017-18 would be initiated shortly.</p> <p>Mr Anderson congratulated the Secretary to the Board on the creation of the document, with Members noting that it was a helpful mapping exercise providing the Committee with reassurance that the Board is fulfilling the requirements of the Code.</p>
	Matter for Information
17-18	<p>Scotland's Colleges 2018 Members noted the recent publication of the Audit Scotland Report - 'Scotland's Colleges 2018', with the Secretary to the Board highlighting the three recommendations for colleges contained in the Report.</p> <p>In relation to the recommendation to improve the gender balance of Boards, Ms May advised that the recent appointments process for NESCol non-executive Members was expected to positively impact upon this.</p>
18-18	<p>Any Other Business No other items of business were raised.</p>
19-18	<p>Summation of Business and Date of Next Meeting The next meeting of the Audit and Risk Committee will be held at 1500 hours on Wednesday 26 September 2018 at Aberdeen City Campus.</p>
	Meeting ended 1040 hours
	<i>In noting that this was Mr Scott's last attendance at a Committee meeting, Mr Gossip, on behalf of Members, thanked him for many years' of excellent service and support to the Committee and wished him well for his retirement.</i>

Agenda Item	Actions from Audit & Risk Committee 11/07/18	Responsibility	Deadline
14-18	Circulate to Members the current position of the College's contract with Alpha Health	P. May	As soon as possible

Signed:.....

Date:



Agenda Item 23-18

AUDIT & RISK COMMITTEE	
Meeting of 26 September 2018	
Title: Programme of Business AY2017-18	
Author: Pauline May	Contributor(s): Roddy Scott Pete Smith
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 its Programme of Business for AY2018-19.	
Linked to Strategic Aim:	
Linked to Annual Priority:	
Executive Summary: The attached Programme of Business details the proposed schedule of key items of Committee Business throughout academic year 2017-18.	
Recommendation: It is recommended that the Committee set the Programme of Business for AY2018-19.	
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:	

AUDIT & RISK COMMITTEE - DRAFT PROGRAMME OF BUSINESS AY2018-19

Please note that the Programme of Business will be amended as required to include agenda items that arise throughout the academic year.

26 SEPTEMBER 2018
For Decision
Programme of Business AY2018-19
Reports on Internal Audit Reviews (July 2018)
Internal Auditor's Report to the Regional Board, Financial Reporting Period Year to 31 July 2018
Draft Annual Report to the Regional Board, 2018
Internal Audit Programme, Year to 31 July 2019
Risk Management Policy
For Discussion
For Information
Presentation – Cyber Security

21 NOVEMBER 2018
For Decision
Audited Financial Statements, 12 months to 31 July 2018
Audit Certification of Year-end Returns
For Discussion
Meeting with External and Internal Auditors
For Information
Risk Register Updates

10 APRIL 2019
For Decision
Reports on Internal Audit Reviews (January & February 2019)
For Discussion
For Information
External Audit Plan
Risk Register Updates

10 JULY 2019
For Decision
Reports on Internal Audit Reviews (March & May 2019)
For Discussion
Code of Good Governance for Scotland's Colleges – Review of Compliance
For Information
Risk Register Updates



AUDIT & RISK COMMITTEE	
Meeting of 26 September 2018	
Title: Reports on Internal Audit Reviews	
Author: Roddy Scott	Contributor(s): Wyllie 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 reviews and adopt the recommendations made in the reports.	
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 reports on the reviews undertaken in the final stages of the programme for AY2017-18 are now presented. These reviews complete the programme for the year. Review of Payroll (Appendix 1) <ul style="list-style-type: none"> • Overall conclusion – strong • 1 recommendation (graded 'medium') Follow up Review - GDPR Compliance (Appendix 2) <ul style="list-style-type: none"> • Overall conclusion – substantial • 5 partially implemented recommendations (graded 'medium'). 	
Recommendation: It is recommended that the Committee adopt the reports and the recommendations presented by Wyllie and Bisset.	
Previous Committee Recommendation/Approval (if applicable): Report on internal review of GDPR was presented to the Committee at its meeting on 18 April 2018. At that meeting, the Committee adopted the report and its recommendations and asked that a follow up review be reported to the Committee at this meeting.	

Equality Impact Assessment:

Positive Impact ☐

Negative Impact ☐

No Impact ☒

Evidence:

North East Scotland College

Internal Audit 2017-18

Payroll
August 2018

Overall Conclusion

Strong

TABLE OF CONTENTS

Section	Page
1 EXECUTIVE SUMMARY	2
2 BENCHMARKING.....	11
3 DETAILED RECOMMENDATIONS	12
4 OBSERVATIONS.....	14
5 AUDIT ARRANGEMENTS	15
6 KEY PERSONNEL.....	16
Appendix	Page
A GRADING STRUCTURE	18
B ASSIGNMENT PLAN.....	20

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 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 provide assurance that the College has appropriate controls in place in relation to its payroll processes. Our review looked at the new payroll system that the College implemented to ensure this is operating as expected and that the appropriate controls exist. We also reviewed the severance payments made by the College to ensure they were within SFC guidelines.

This review is part of the Internal Audit plan 2017/18.

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.
- 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 2 members of the Payroll Team, the Payroll Manager and the Payroll Assistant. The department is overseen by the Director Human Resources & Operational Development. The College had used the Team Spirit payroll system since the College merged in November 2013, however, the College implemented a new payroll system, NGA ResourceLink, which went live in July 2018. As NGA ResourceLink only went live in July 2018, at the time of our audit the system had only been used to complete one payroll.

The College choose to change to NGA ResourceLink as they felt it was a superior system and provided benefits such as:

- Multi Jobs and Multi Pensions including different Pension Schemes for the same Employee.
- Employees with 2 jobs being spread correctly across divisions & departments.
- Ability to produce all Government and 3rd party bodies Audit reports on a monthly/Quarterly & Annual basis as required.
- Approval route options.
- Security Controls at profile level now removes the ability to over-write the payroll input.
- Workflow from start of process to end controlled by managers/HR and Payroll users.
- Ease of use in report writing.
- All documents stored in PDF in individual folder stored online.
- E-payslips functionality.

The Project Manager and the Payroll Team were responsible for the transfer of all the information on the payroll from Team Spirit to NGA ResourceLink such as personal details and year to date figures. The process was as follows:

- Onscreen information was matched to the Team Spirit Database.
- The Project Manager then developed some queries to download the Team Spirit Database into the excel templates required for NGA ResourceLink.
- The templates and data were reviewed by the Project Manager and then the Payroll Team to identify any possible issues. This involved the completion of spot checks, headcount checks, statutory year to date checks and the use of V Look Ups on excel to check the information. Where issues were found these were corrected.
- Once the workbooks for payroll were approved, the information was uploaded to NGA for their Data Migration Team to upload into NESCOLs NGA Resource Link.
- Following the upload of the information the reporting tools in NGA ResourceLink were used to ensure the payroll information matched to the uploaded information.
- Then two parallel runs were completed with TeamSpirit and NGA ResourceLink for 2 months. Following the fully successful second parallel run, NGA ResourceLink went live.

The monthly payroll process using NGA ResourceLink will be:

- The Payroll Assistant will complete checks on the new starts/leavers/overtime and ensure all paper work 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 for review and to complete additional checks on the information for accuracy. Once the Financial Controller – External is confident the information is accurate then the payroll report will be signed off.

The College has recently completed a Voluntary Severance (VS) Scheme. On 31 July 2018, 22 employees employment ended following the College accepting their request for VS. The VS Scheme and the College policy was approved by the Scottish Funding Council.

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 10 new starts to ensure their details have been accurately entered into the payroll system and reviewed their first month's pay ensuring that this was calculated correctly.
- Sample testing of 10 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 10 amendments made to employee's payroll throughout the year to ensure they were appropriately authorised before being input into the system.
- Sample testing of 10 overtime payments to ensure that these were authorised appropriately prior to being authorised.
- Sample testing of 10 expense claims made ensuring that these included the relevant supporting documentation (where required) and were authorised appropriately.
- A review of the monthly payroll reconciliations completed and payroll authorisation process for 2017/18 ensuring that there were no issues and that these were being carried out.
- A review of the Voluntary Service Scheme currently being offered to employees to ensure that the scheme was fully approved by the Scottish Funding Council and calculations of payments was correct.

1 EXECUTIVE SUMMARY

- A review of the monthly payroll for 2017/18 to ensure that this was properly authorised by a senior member of staff.
- A review of the process for the transfer of information from Team Spirit to NGA ResourceLink and the checks used by the College to ensure the information was accurate.
- Using our Data Analytics software, IDEA, to ensure there were no duplications or missing information within the payroll system. This involved ensure there was no duplication of information, missing information and there were no unusual transactions.

Conclusion

Overall Conclusion

Overall Conclusion: Strong

We can provide strong assurance that the College has appropriate controls in place in relation to its payroll processes. We can also confirm that the College has carried out the appropriate testing of the new payroll system and the information recorded within this to ensure it was accurate. We can also provide strong assurance that the severance payments made by the College were within SFC guidelines.

Summary of Recommendations

Grading of recommendations				
	High	Medium	Low	Total
Payroll	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 store payroll information such as reports, checks and documentation on the N Drive within the College intranet. The payroll folder is split into 8 folders and each folder is restricted to the staff members who require access. There are only 4 staff members who can access the folders, these being the Director of Human Resource & College Development, Payroll Manager, Payroll Assistant and Assistant Accountant.
2.	<p>There were 23 severance agreements made in the year. All severance agreements made have been correctly calculated and subject to SMT authorisation and sign off. We do note that there was one adjustment made to a severance payment, see Section 5 for further information.</p> <p>The Colleges VS Scheme was fully approved by the Scottish Funding Council.</p>
3.	The payroll reports and reconciliations are subject to rigorous checking by the Payroll Team prior to being submitted to the Financial Controller – External for approval and final payment. There is adequate segregation of duties with payroll authorisation being received from the Financial Controller - External. From our sample testing of monthly payroll, we can confirm that the payroll was appropriately reviewed and authorised before being processed.
4.	From our sample testing of new starts, we found that their details had been accurately entered onto the system and their first wage was calculated correctly.

1 EXECUTIVE SUMMARY

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

5.	From our sample testing of leavers, we found that their final wage had been calculated correctly and no further payments were received after the month that they left the College.
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 in 2017/18.
10.	From our sample testing, we can confirm that amendments made to salary rates are being appropriately authorised before being input into the system.

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

11.	To ensure the College were happy with the new payroll system, the Payroll Team carried out 2 parallel runs for May & June 2018 on the new system to ensure that any issues were solved prior to the system going live. Following the June 2018 parallel run, the Payroll matched exactly to the old system and the Payroll Team were happy with the system and the calculations made. The first live payroll run on the new system was July 2018 and the Payroll Team deemed this a success.
12.	<p>We used our Data Analytics software, IDEA, to confirm the following within the July 2018 payroll:</p> <ul style="list-style-type: none">➤ 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 new payroll system;➤ There were no payments made after the employees leaving date; and➤ There were no unusual transactions.
13.	The College carried out several checks on the transfer of the data to the new payroll system. This included spot checks on the information, head count checks, year to date checks and checks using Microsoft Excel to ensure the information was accurately transferred. We can confirm that the correct number of employees were transferred over to the new payroll system.

2 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 most recently finished internal audit year.

Payroll

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	1	3	1	5
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.

3 DETAILED RECOMMENDATIONS

NGA ResourceLink - Payroll System Access			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>The College are in the process of implementing the new Payroll and HR System, NGA ResourceLink. At the time of our audit in August 2018 only the Payroll function had gone live. All members of the HR & Payroll teams have access to the system.</p> <p>During our review, we found through discussions with the Project Manager that the Payroll functions of the system are not restricted to the Payroll Team and that all the HR Team have access to this. We do note that the Project Manager is working on restricting the access for HR Team members and expects this to be completed by the end of August 2018. We viewed the test HR Advisor profile set by the Project Manager to remove the payroll functionality and can confirm that access to payroll was removed however the Project Manager noted that the test profile required further work and testing before being made live.</p> <p>There is the risk that HR Team members access restricted payroll information that is outwith their job description.</p> <p><i>See page 13 for management response</i></p>	Medium	We recommend that the College ensure that access to the payroll functions of the NGA ResourceLink system is restricted only to the Payroll Team.

3 DETAILED RECOMMENDATIONS

Management response	Responsibility and implementation date
Agreed. NGA Resourcelink will be configured to restrict access to designated payroll employees for the payroll functions of the system.	<i>Responsible Officer:</i> Director of HR&OD <i>Implementation Date:</i> 31 August 2018

The following is a list of observations from our review

- | | |
|----|--|
| 1. | We raised a recommendation in our previous payroll internal audit completed in May 2017 that the College reviews all documents relating to the payroll function and compile a document that encapsulates the entire payroll process. We note that this has yet to be completed as the new payroll system only went live in July 2018. The Payroll Manager noted that once the full HR & Payroll system is up and running this will be completed. |
| 2. | At the time of acceptance of the Voluntary Severance, one employee had completed 9 year's service and was therefore due 9 months salary and the payment was calculated on this basis. However, by the employee's termination date, the employee had completed 10 year's service and was entitled to an extra month in line with College Policy and SFC Guidelines. The College were made aware of this by the employee on the 31 August 2018 and the Director of Human Resources & Operations approved the additional month payment to be paid in the August 2018 payroll. |

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 Committee meeting.

Audit stage	Date
Fieldwork start	30 July 2018
Closing meeting	1 August 2018
Draft report issued	10 August 2018
Receipt of management responses	21 August 2018
Final report issued	21 August 2018
Audit Committee	28 September 2018
Number of audit days	4

6 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

North East Scotland College

Key Contact	Roddy Scott	Vice Principal - Finance	r.scott@nescol.ac.uk
	Kimra Donnelly	Director of Human Resources & Collegial Development	k.donnelly@nescol.ac.uk
	Linda Noble	Payroll Manager	l.noble@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 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 provide assurance that the College has appropriate controls in place in relation to its payroll processes. Our review will look at the new payroll system that the College will be implementing to ensure this is operating as expected and that the appropriate controls exist. This review will also review the severance payments made by the College to ensure they were within SFC guidelines.

This review is part of the Internal Audit plan 2017/18.

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.
- 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 all severance packages issued by the College.

It should be noted that any testing will be undertaken on a sample basis with the exception of the severance packages.

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.
- 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 2017/18

Follow Up Review – GDPR Compliance

August 2018

Overall Conclusion

Substantial

Section	Page
1. Executive Summary	3
2. Audit Arrangements	6
Appendices	
A. Partially Implemented Recommendations	8
B. Fully Implemented Recommendations	15
C. Grading Structure	21
D. Assignment Plan	23

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 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. Even sound systems 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.

Purpose of Review

The purpose of the review was to assess whether the College has appropriately implemented the internal audit recommendations made in our 2017/18 GDPR Compliance audit carried out in February 2018.

Our review considered all outstanding recommendations to provide the Board, via the Audit & Risk Committee, with independent assurance that we are satisfied that these recommendations have been fully implemented by the College and can therefore be removed from the audit action plan.

This assignment was not part of the agreed 2017/18 Annual Internal Audit Plan and was carried out at the request of the Audit & Risk Committee.

Scope of Review

Our objectives for this review were to ensure:

- The College has appropriately implemented any outstanding internal audit recommendations made in our 2017/18 GDPR Compliance audit.

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

Limitation of Scope

This review looked solely at the points raised through our GDPR Compliance audit carried out in February 2018. A follow up of all other internal audit recommendations and any other GDPR Compliance recommendations not fully implemented during this review will be completed as part of the 2018/19 internal audit fieldwork.

Conclusion

Overall Conclusion: Substantial

We can conclude that the College have endeavoured to implement recommendations as far as possible. In areas where recommendations have not been fully implemented, the College have taken steps to implement these and hope to have all actions complete by the end of 2018.

Summary of Recommendations

Grading of Recommendations	High	Medium	Low	Total
Appendix A – Partially Implemented Recommendations	-	5	-	5
Appendix B – Fully Implemented Recommendations	-	5	-	5

Implementation of Recommendations

Summary of Implementation					
Audit Area	Total	Not Implemented	Partially Implemented	Superseded	Fully Implemented
GDPR Compliance (February 2018)	10	-	5	-	5
Percentage of Total	100%	0%	50%	0%	50%

2 AUDIT ARRANGEMENTS

The table below details the dates of our fieldwork and the reporting of the audit area under review.

Audit Stage	Date
Fieldwork start	30 July 2018
Closing meeting	1 August 2018
Draft report issued	10 August 2018
Receipt of management responses	21 August 2018
Final report issued	21 August 2018
Audit & Risk Committee	26 September 2018
No of audit days	1

2 AUDIT ARRANGEMENTS

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
Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com

North East Scotland College			
Key Contacts	Roddy Scott	Vice Principal – Finance	r.scott@nescol.ac.uk
	Linda Taylor	Director of Student Access and Information	ltaylor@nescol.ac.uk
	Jacqueline Gillanders	Data Protection Officer	J.Gillanders@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.

Appendix A

Partially Implemented Recommendations

Partially Implemented Recommendations

Gap Analysis & Work Plan, GDPR Compliance, 2017/18

Original Finding

The GDPR Working Group has created a GDPR Action Plan based on the 12 steps to prepare for GDPR compliance recommended by the Information Commissioner's Office (ICO). The College should also have an overall Work Plan that highlights areas which comply and areas where more work is required to comply. This should have timescales for tasks to be completed by and be updated and added to at regular intervals while progress should be reported to the College's Leadership Team.

During our review, we found that the College do not have a detailed Work Plan in place. We were informed that the Director of Student Access and Support and the IT Operations Manager are members of Scottish College Information Governance Group (SCIGG). SCIGG is focusing on sharing best practice between members. At the recent SCIGG meeting on 17th January 2018, the group were presented with a detailed Work Plan used by another member College. This is a detailed "map to compliance" with GDPR regulations and the steps the College are taking to ensure compliance. The Director of Student Access & Support noted that the College aim to use this Work Plan as a guide and amend it to the Colleges requirements following the analysis of the information audit.

There is a risk that insufficient work has been done in preparation for the GDPR resulting in the College not being fully compliant by May 2018.

Original Recommendation

We recommend that the College create a detailed GDPR Work Plan and this is communicated to the necessary personnel and progress is report at each Leadership Team meeting.

Original Management Response

Accepted. A suggested work plan has been produced by SCIGG (Scottish Colleges Information Governance Group) and is being adopted by most of the Colleges in SCIGG.

The GDPR Working Group has now met to review the suggested work plan and this will be customised to meet our needs and updated as appropriate to ensure we are compliant by May 2018.

See page 10 for finding from our 2017/18 Follow Up and recommendation.

Partially Implemented Recommendations

Ref	Finding from our 2017/18 Follow Up	Grade	Recommendation
1	The College has created a GDPR work plan in conjunction with the Scottish College's Information Governance Group. The work plan has 65 actions of which 13 are complete, 44 are in progress and 8 have yet to be started. On discussion with the DPO and the Director of Student Access & Information, the College hope to have the work plan completed by the end of 2018. The actions have been completed on a risk basis with the completed actions the actions the College deemed the highest risk.	Medium	We recommend that the College continue to work through the GDPR work plan and ensure all actions are completed.
Management Response			Responsibility and Implementation Date
Accepted.			<p><i>Responsible Officer:</i> Director of Student Access and Information/Data Protection Officer</p> <p><i>Implementation Date:</i> Ongoing until Dec 2018</p>

Partially Implemented Recommendations

Compliance Checking & Procedures, GDPR Compliance, 2017/18

Original Finding

Processes for compliance checking will be part of GDPR requirements from May 2018.

At the time of our review in February 2018, the GDPR Working Group is working towards ensuring compliance with GDPR by the 25th May 2018 deadline. Thereafter, there has not been consideration given as to how compliance and checking procedures after that date will be carried out.

There is a risk that GDPR rules may not be reviewed and complied with after introduction.

Original Recommendation

We recommend that the GDPR Working Group develop formal compliance and checking procedures that are actively followed on a regular basis following the introduction of GDPR in May 2018.

Original Management Response

Accepted.

Ref	Finding from our 2017/18 Follow Up	Grade	Recommendation
2	The College will create a calendar of spot checks to ensure GDPR compliance following the completion of the GDPR work plan. The spot checks will include that privacy notices are in place, data sharing agreements are in place where required, the College know the lawful basis for processing information and the College can provide the information of a Subject Access Request. The compliance checking cannot be carried out until the GDPR work plan is completed.	Medium	We recommend that the College ensure that compliance checks such as spot checks are carried out following the completion of the GDPR work plan.
Management Response			Responsibility and Implementation Date
The compliance checking cannot be fully completed until the GDPR work plan is fully complete, however checking will begin as work plan items are completed, i.e. we will not wait until all items are complete, and will be a continuous process.			<p><i>Responsible Officer:</i> Data Protection Officer</p> <p><i>Implementation Date:</i> Ongoing</p>

Partially Implemented Recommendations

Data Sharing Procedures, GDPR Compliance, 2017/18

Original Finding

The College should have Data Sharing Procedures to which all staff are aware and have access. Data Sharing Procedures set out how the College discharges its obligations in relation to sharing data.

During our review, we discussed Data Sharing Procedures with the Director of Student Access and Support and were informed that she was unaware of any documented Data Sharing Procedures. This would imply that if there were any, the College staff are not aware of these documents.

There is the risk that staff are not following appropriate Data Sharing Procedures due to these either not being documented by the College or staff not being aware of them.

Original Recommendation

We recommend that the College develop Data Sharing Procedures and they are circulated to all staff members.

Original Management Response

Accepted.

Ref	Finding from our 2017/18 Follow Up	Grade	Recommendation
3	Data Sharing Procedures are under development by the Data Protection Officer. Once they are completed the Data Sharing Procedures will be made available to staff through the COLIN system and training will be provided to the relevant staff members. The DPO confirmed that the procedures should be completed by the end of August 2018.	Medium	We recommend that the College ensure the Data Sharing Procedures are completed. Following this we recommend that the College ensure they are made available to all staff members and that training is provided to the relevant staff members regarding the procedures.
Management Response			Responsibility and Implementation Date
Data Sharing Procedures is now available and training is being organised.			<p><i>Responsible Officer:</i> Data Protection Officers, Director of Student Access and Information, Organisational Development Manager</p> <p><i>Implementation Date:</i> Oct 2018</p>

Partially Implemented Recommendations

Data Protection (and related) Policies and Procedures, GDPR Compliance, 2017/18

Original Finding

The College has a suite of policies and procedures which relate to Data Protection. These should be updated to include the requirements of the GDPR which comes into force in May 2018.

During our review, we were informed by the Director of Student Access and Support that the College have yet to start the review and updating of the related policies for the GDPR requirements.

There is the risk staff do not adhere to the requirements of GDPR due to the relevant policies and procedures not being updated to reflect GDPR.

Original Recommendation

We recommend that the College review and update all relevant policies and procedures to ensure they comply with GDPR. Once this has been completed, the updated policies and procedures should be approved by the Senior Management Team and circulated to all staff prior to the May 2018 GDPR implementation date.

Original Management Response

Accepted. A review of policies and procedures is an action on the Action Plan and is detailed on the Work Plan to ensure this has been done by May 2018.

Ref	Finding from our 2017/18 Follow Up	Grade	Recommendation
4	The College has updated their Data Protection Policy which was approved by the SMT on 27 June 2018. The DPO has created a Data Protection/GDPR Policy & Procedures Register which includes all the relevant policies and procedures affected by Data Protection and GDPR and is currently in the process of updating the policies and procedures. The DPO expects to complete the review of the policies and procedures by the end of 2018 and provide recommendations to the policy holder.	Medium	We recommend that the College continue with the review of policies and procedures and ensure that all relevant policies are updated for GDPR.
Management Response			Responsibility and Implementation Date
Accepted.			<p><i>Responsible Officer:</i> Data Protection Officer/Director of Student Access and Information</p> <p><i>Implementation Date:</i> Dec 2018</p>

Partially Implemented Recommendations

Establishing mechanisms for logging requests for data portability </i>, GDPR Compliance, 2017/18

Original Finding

Under GDPR it is required that mechanisms for logging requests for data portability are established together with a process for the effective and secure execution of any transfer of data.

Through discussions with the Director of Student Access & Support, it was noted that the College has not yet undertaken this exercise.

There is the risk that without such a review, the College may not be able to effectively assess performance with GDPR.

Original Recommendation

We recommend that the College include this within its Work Plan to ensure its current procedures are assessed and/or updated for GDPR.

Original Management Response

Accepted. This is detailed on the Work Plan to ensure it is in place by May 2018.

Ref	Finding from our 2017/18 Follow Up	Grade	Recommendation
5	The College has drafted a Subject Access Request procedure that includes a section on Data Portability. The procedures on the electronic transfer of data are in the early stages of development with the Information Security Lead. The College has also updated the Individual Rights page on the College website to include information on individuals Right to Data Portability. The DPO has not put a timeframe for completion on this as the they believe this is a huge piece of work and this work has been considered as part of a risk based approach to the GDPR work plan.	Medium	We recommend that the College ensure that the Subject Access Request procedure and the procedures on the electronic transfer of data are completed and made available to staff members.
Management Response			Responsibility and Implementation Date
The Subject Access Request procedure is being updated to include an interim measure for the safe and secure transfer of data electronically. More work is required with our software suppliers .The DPO has not put a timeframe on the completion of this as in their professional opinion the amount of work required outweighs the risks to the organisation. Focus of efforts will be on other areas of work identified as higher risk.			<p><i>Responsible Officer:</i> Data Protection Officer, Director of Student Access and Information</p> <p><i>Implementation Date:</i> Interim implementation Aug 2018</p>

Appendix B

Fully Implemented Recommendations

Fully Implemented Recommendations

Engagement with Learners, GDPR Compliance, 2017/18

Original Finding

The College is obliged to inform learners of their rights under the new GDPR legislation.

During our review, we found that the College has yet to raise awareness and inform learners with information regarding the GDPR legislation.

There is the risk that learners will be unaware of their rights as individuals under GDPR.

Original Recommendation

We recommend that College follows ICO guidance and issues information to learners as to the rights of individuals under the GDPR.

Original Management Response

We accept that students must be informed, the College are still in the process of sharing best practice collaboratively and we are reviewing the documents shared to decide how best to inform our students.

Ref	Finding from our 2017/18 Follow Up	Grade	Recommendation
1	The College issued emails and letters to students advising them of their rights under GDPR. The College has also updated their Privacy Notices for applicants, students and staff which are available on the College website along with a dedicated page on individual rights. The College has also updated the UnitE system for online applications to include the new privacy notices.	Medium	No further action required.

Fully Implemented Recommendations

GDPR Risk Register, GDPR Compliance, 2017/18

Original Finding

The methods of storing data have changed significantly from the introduction of the Data Protection Act 1998. GDPR is far more stringent and holds Colleges more accountable compared to the Data Protection Act 1998, as such the risk of non-compliance should be recorded on the Colleges Risk Register.

During our review, we found that while risk 1.2 relates to failure to adhere to key statutory obligations and legislative requirements, including the Equality Act 2010, Freedom of Information (Scotland) Act 2002, Data Protection Act 1998, Safeguarding and Corporate Parenting, and complaints, there is no specific risk related to the implementation and compliance with GDPR.

There is the risk that the penalties and impact of non-compliance of GDPR are not fully appreciated by the Board of Management, Audit & Risk Committee and Senior Management.

Original Recommendation

We recommend that the College update the risk register to include a specific risk on GDPR implementation and compliance.

Original Management Response

Accepted.

Ref	Finding from our 2017/18 Follow Up	Grade	Recommendation
2	The College has now updated their risk register to include a specific risk on GDPR, this is risk 2.8 on the risk register.	Medium	No further action required.

Fully Implemented Recommendations

Data Protection Officer, GDPR Compliance, 2017/18

Original Finding

Under the requirements of GDPR, the College should have a Data Protection Officer (DPO). The DPO will be required to inform and advise the College and its employees on their obligations with GDPR, monitor compliance with GDPR and other data protection laws and be the first point of contact for supervisory authorities and for individuals whose data is being processed.

At the time of our audit visit in February 2018, the Director of Student Access and Support was the lead on the Colleges Data Protection and GDPR but noted she will not be the DPO. On the 6th February 2018, the Director of Student Access and Support presented a paper to the Colleges Senior Management Team on the need for a DPO and the options available to the College to fill the role including shared service with UCSS (University and Colleges Shared Services), employ a DPO externally or have someone internally fill the roll and share their current post. At this meeting there was no final decision made on how best to approach filling the post and it was agreed to explore the options further.

If a decision is not taken quickly regarding which option would best suit the College's requirements there is the risk that the College will not be able to appoint someone to undertake the full duties and responsibilities of a DPO as set out in the GDPR guidance. At present there is a high demand for individuals with Data Protection knowledge to help Colleges get ready for and implement GDPR.

Original Recommendation

We recommend that the College decide on what option it wishes to take forward and thereafter starts the recruitment process to ensure that it has a suitable person in post prior to the May 2018 to undertake the DPO's duties.

Original Management Response

The decision has been taken to take up the offer of a shared DPO from UCSS. Adverts for the vacancies have already been posted by UCSS, and our requirement will be added to the offer. We have received the Shared Service Agreement for signature after checking.

Ref	Finding from our 2017/18 Follow Up	Grade	Recommendation
3	The College appointed a Data Protection Officer (DPO) through Universities and Colleges Shared Service (UCSS) on the 14th May 2018 and following a two year period the contract will be reviewed by the College. The DPO works with the College 3 days per week. The DPO has successfully completed the Data Protection Practitioner qualification through UCSS.	Medium	No further action required.

Fully Implemented Recommendations

Privacy Notices, GDPR Compliance, 2017/18

Original Finding

A privacy notice informs individuals about how you will use their personal data and is a key element of the current Data Protection Act and GDPR. The College should review the privacy notices in operation to ensure they are compliant with GDPR. The review should be included in the Work Plan to be drafted by the College.

During our review, we found that the College has yet to start the review of the privacy notices.

There is the risk that the content within the current privacy notices is not in line with GDPR requirements.

Original Recommendation

We recommend that the College ensure the review and updating (where necessary) of privacy notices is included in the Work Plan and carried out by the College.

Original Management Response

Accepted. Examples of Privacy Notices are being circulated between members of SCIGG. We will use these to guide us in updating our Privacy Notices to ensure they are relevant and compliant.

Ref	Finding from our 2017/18 Follow Up	Grade	Recommendation
4	The College has reviewed and updated Privacy Notices for GDPR. The updated Privacy Notices are available on the College website.	Medium	No further action required.

Fully Implemented Recommendations

Register of Data Sharing Agreements, GDPR Compliance, 2017/18

Original Finding

It is a requirement that the College establish a register of data sharing agreements and arrangements (and undertake a geographic review of locations) with other data processors who may use College data once a full list is compiled.

Through discussions with the Director of Student Access and Support, we found that a register for data sharing agreements is not currently in place.

There is a risk that without such a register, the College may not be compliant with GDPR.

Original Recommendation

We recommend that the College include the development of a Register of Data Sharing Agreements within the Work Plan that is being developed to ensure compliance with GDPR rules by May 2018.

Original Management Response

Accepted. The Leadership team members will be asked to send a copy of any Data Sharing Agreement they hold to the GDPR working group. The Agreements will be listed on a register and reviewed to see if any amendments need to be agreed to ensure they will be compliant by May 2018.

Ref	Finding from our 2017/18 Follow Up	Grade	Recommendation
5	The College has a Data Sharing Register in place which details information such as what body the information is being shared with, description of the shared data, purpose of the data sharing, lawful basis for processing and the owner of the information. The Data Sharing Register is a live document that will be updated as required.	Medium	No further action required.

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 make we assign a grading either as High, Medium or Low priority depending upon 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

Audit Approach

Our approach to the review has been:

- Review outstanding recommendations and gain audit evidence to ensure that these have been addressed by the College.

Potential Key Risks

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

- The College does not address the areas of concern which may significantly affect its ability to continue to operate.



AUDIT & RISK COMMITTEE	
Meeting of 26 September 2018	
Title: Internal Auditor's Report to the Regional Board, Financial Reporting Period Year to 31 July 2018	
Author: Roddy Scott	Contributor(s): Wyllie 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 Wyllie and Bisset on the programme of internal audit work undertaken in AY2017-18.	
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 Board's internal audit programme for AY2017-18 was set in September 2017. The internal auditor presents its annual report on the reviews undertaken. The report is incorporated into the Audit and Risk Committee's Annual Report to the Regional Board, 2018.	
Recommendation: It is recommended that the Committee note the report presented by Wyllie and Bisset on the internal audit programme for AY2017-18.	
Previous Committee Recommendation/Approval (if applicable): None	
Equality Impact Assessment: Positive Impact <input type="checkbox"/> Negative Impact <input type="checkbox"/>	

No Impact



Evidence:

North East Scotland College

Internal Audit 2017/18

Annual Report

August 2018

TABLE OF CONTENTS

North East Scotland College
Annual Report 2017/18

Section	Page
1. Introduction	3
2. Executive Summary	4 - 5
3. Audit Findings	6 - 10
4. Benchmarking	11 - 12
5. Key Performance Indicators	13
Appendices	
A . Grading Structure	14

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 Board of Management 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 Board of Management.

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.

Opinion

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. However we have produced two weak reports during the year. These being, Data Protection (GDPR Compliance) which was followed up in July 2018 and resulted in an overall opinion of substantial as the recommendations were addressed or in the process of being addressed, and Value for Money – Transport.

Our fieldwork was carried out between February 2018 and August 2018.

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 2017/18 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.

Basis of Opinion

As the Head of Internal Audit at North East Scotland College we are required to provide the Board of Management 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 Board of Management 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 2018;
- 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.

Summary of Work Undertaken

The following table summarises the audit work undertaken in 2017/18. 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 Review	3	3	Complete	Substantial	-	3	2
Income Collection and Credit Control	5	5	Complete	Strong	-	1	1
Budgetary and Financial Controls	4	4	Complete	Strong	-	-	-
Data Protection (GDPR Compliance)*	4	4	Complete	Weak	-	10	-
Aberdeen Skills & Enterprise Training Ltd	5	5	Complete	Strong	-	-	-
Environmental Sustainability	4	4	Complete	Strong	-	-	-
Virtual Learning Environment	4	4	Complete	Substantial	1	-	-
Departmental Review – Creative Industries, Computing and Business Enterprise	5	5	Complete	Strong	-	-	-
Departmental Review – Business Solutions & Part Time	5	5	Complete	Strong	-	-	3
IT Systems	5	5	Complete	Strong	-	-	-
Payroll	4	4	Complete	Strong	-	1	-
Human Resources	4	4	Complete	Strong	-	-	2
Management of Contract Managed Services	5	5	Complete	Strong	-	-	2

Summary of Work Undertaken

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
Value for Money – Transport	4	3	Complete	Weak	2	2	1
Freedom of Information	4	4	Complete	Strong	-	1	2
Audit Management	6	6	Complete	N/A	N/A	N/A	N/A
Total	70	70			3	18	13

Recommendations on Follow Up Reports refer to Not Implemented and Partially Implemented recommendations.

* A follow up review on the GDPR Compliance review was undertaken in July 2018 which resulted in five of the original ten recommendations being fully implemented and five being partially implemented.

High Priority Recommendations

Area	Original Finding	Recommendation	Management Response
Value for Money – Transport: <i>Cost of pool cars</i>	<p>The College has a lease for 7 pool cars that can be used by staff for travel that relates to College use.</p> <p>During our review, we carried out testing to evaluate if the College were receiving value for money on the lease. We found that the total cost of using the pool cars from 1 April 2017 to 31 March 2018 was £49,190 which included lease costs, fuel excess mileage, insurance, winter tyres and valeting costs. We found that the total mileage used for the pool cars was 80,677 which equates to 61 pence per mile. If the College had paid staff members mileage at 45 pence per mile to use their own vehicle, the cost would have been £36,305. We also found that the College carried out a similar calculation for the cost per mile for the calendar year to 31 December 2016 and found that the cost of the was 52 pence mile. We note that the lease for the pool cars expires on the 2nd December 2018. For the period to 31 March 2018, the pool cars would have had to travel an average of 15,015 miles to cost 45 pence per mile.</p> <p>There is the risk that the lease of the pool cars does not represent value for money for the College as they are not being fully utilised.</p>	<p>We recommend that the College considers the findings of their VFM report to 31st December 2016 which highlighted that the cost per mile per car was 52 pence and our findings that highlight the cost for the year to 31 March 2018 was 61 pence. We also recommend that the College reviews the utilisation levels of the vehicles with consideration of the mileage used on personal vehicles.</p>	<p>On a point of accuracy, there have been 2 previous internally produced VFM reports on the College Car Pool. The findings of these VFM reports on pool car utilisation were considered and noted by the (then) College Principal. The simple cost difference per mile was deemed acceptable, given the factors that influence the calculation.</p> <p>‘Value for money’ is not simply about cost; it is also about effectiveness. The College has accepted that the cost of running a car pool, when expressed in terms of cost per mile travelled, will be greater than the cost per mile paid for use of private vehicles.</p> <p>The simple measure of ‘cost per mile’ does not take into account the circumstances of each journey. The analysis is not placed in context. Factors such as the number of passengers carried on a journey, the starting point of the journey, additional cost of safety features on pool cars (e.g. winter tyres) and whether or not the individual holds business motor insurance come together to impact on cost per mile, cost per passenger mile and the individual’s ability to use their own cars.</p> <p>That said, the increase that is now apparent in the difference between the cost per mile of the pool vehicles and the rate per mile for use of personal vehicles is sufficient to warrant a review of procedures and processes with a view to increasing pool vehicle use and reducing personal vehicle use.</p> <p>Action Procedures and processes for use of pool vehicles and mileage payment for use of private vehicles will be reviewed and improved procedures and processes put in place.</p>

High Priority Recommendations

Area	Original Finding	Recommendation	Management Response
<p>Value for Money – Transport:</p> <p><i>Use of Available Pool Cars</i></p>	<p>The College should ensure that personal cars are only utilised by staff in circumstances where a pool car is not available in order to ensure value for money for the pool cars.</p> <p>From our review of the use of pool cars and the use of personal vehicles for the month of November 2017, we identified 10 days during the month where personal vehicles were being used despite at least one pool car being available that day. This would indicate that pool cars are not being fully utilised as 8,000 miles were claimed from personal vehicles. For the year to 31 March 2018, 103,039 miles were used on personal vehicles which would indicate that pool vehicles are being underutilised.</p> <p>There is the risk that pool cars are being under-utilised and that the College is therefore not achieving value for money for their pool cars.</p>	<p>We recommend that the College ensures that personal cars are only utilised in circumstances where all pool cars are unavailable in order to achieve value for money for their pool cars.</p>	<p>The simple measure of ‘utilisation’ does not take into account the circumstances of each journey. As noted previously, factors such as the starting point of the journey and whether or not the individual holds business motor insurance come together to impact on the decision to use a College pool vehicle.</p> <p>That said, the increase in the difference distance travelled between pool vehicles and personal vehicles is sufficient to warrant a review of procedures and processes with a view to increasing pool car use and reducing personal vehicle use.</p> <p>Action Procedures and processes for controlling use of private vehicles rather than pool vehicles will be reviewed and improved procedures and processes put in place.</p>

High Priority Recommendations

Area	Original Finding	Recommendation	Management Response
Virtual Learning Environment: <i>Maths for Engineering</i>	<p>All courses within the College have a Blackboard page that should be used to deliver online materials to students.</p> <p>During our review, we were informed that the Maths for Engineering staff at the Altens Campus do not use the Blackboard and have set up their own website for hosting their study materials. This is an open webpage operated by two members of staff which does not require students to log in and access is open to anyone. We were able to view and access all content following a Google search. On discussions with the Director of Learning Enhancement and the Learning Technologies Team, we were informed that the College has no control over the security, management and content of this website. The primary control of the website lies with a maths lecturer, but all maths lecturers have access to update the website when required. We note that that the website does not involve any additional cost to the College and the information on the website is backed up and on the College share drive.</p> <p>There is the risk that there is no continuity for students when accessing the virtual learning environment as they are using different online formats. There is also the risk that the lecturer with primary control to the website could leave the College and close the website down. There is also a security risk as the College has no control over the security of the domain website.</p>	<p>We recommend that the College transfer all information on the website to the Blackboard system and close the website at the end of the academic year. This will ensure there is no interruption for potentially affected students.</p>	<p>Whilst acknowledging this particular recommendation, it is important to stress that the grading, and the impact, of this singular risk feels somewhat disproportionate when compared with the wealth of good practice identified in relation to the College's VLE-related activities. This somewhat isolated and localised 'risk', has ultimately led to the overall grading for all College-wide, VLE-related activity dropping from 'strong' to 'substantial'. In order to remedy the issue raised and mitigate any potential risks the Director for Learning Enhancement will work in conjunction with others, including College Leadership Team members, to ensure that any required action is fully implemented. However, it is requested that some further, perhaps more balanced, consideration to the grading of this report, and the finding/risk contained therein, could be given particularly when considering the considerable good practice identified.</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 previous financial year.

Area	High	Medium	Low	Total
Income Collection and Credit Control				
Average number of recommendations in similar audits	-	-	4	4
Recommendations at North East Scotland College	-	1	1	2
Budgetary and Financial Controls				
Average number of recommendations in similar audits	-	-	1	1
Recommendations at North East Scotland College	-	-	-	-
Data Protection (GDPR Compliance)				
Average number of recommendations in similar audits	-	7	-	7
Recommendations at North East Scotland College	-	10	-	10
IT Systems				
Average number of recommendations in similar audits	-	3	3	6
Recommendations at North East Scotland College	-	-	-	-
Payroll				
Average number of recommendations in similar audits	1	3	1	5
Recommendations at North East Scotland College	-	1	-	1
Human Resources				
Average number of recommendations in similar audits	-	3	2	5
Recommendations at North East Scotland College	-	-	2	2

Area	High	Medium	Low	Total
Management of Contract Managed Services				
Average number of recommendations in similar audits	-	2	2	4
Recommendations at North East Scotland College	-	-	2	2
Freedom of Information				
Average number of recommendations in similar audits	-	-	2	2
Recommendations at North East Scotland College	-	1	2	3
Summary				
Average number of recommendations in similar audits	1	18	15	34
Recommendations at North East Scotland College	-	13	7	20

As highlighted above, North East Scotland College has an overall lower number of recommendations in comparison with the colleges it has been benchmarked against. Benchmarking information was not available for the other audits undertaken as these were bespoke to North East Scotland College.

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 committee meetings by a senior member of staff	100%	100%
Suitably experienced staff used on all assignments	100%	100%

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 & Risk 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 26 September 2018	
Title: Draft Annual Report to the Regional Board 2018	
Author: Roddy Scott	Contributor(s): Wylie and Bisset, Audit Scotland
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 and adopt its annual report to the Regional Board for the year to 31 July 2018.	
Linked to Strategic Goal: 5. Optimise the use of our available resources to deliver financial and environmental sustainability.	
Linked to Annual Priority:	
Executive Summary: It is a mandatory requirement of the Financial Memorandum between the Scottish Funding Council and the Regional Board that governance arrangements include the presentation by the Audit and Risk Committee of an annual report on the Committee's work for the year. The draft Annual Report is attached as Appendix 1. Please note in relation to the Report's Annexes: <ul style="list-style-type: none"> Annex 1, Financial Memorandum, can be accessed at http://www.sfc.ac.uk/web/FILES/Guidance_Governance/Financial_Memorandum_with_the_College_Sector_-_1_December_2014.pdf Annex 2, Internal Audit Annual Report, has been included as Appendix 1 to Agenda Item 25-18 Annex 3, External Audit Annual Report, can be accessed at https://nescol.interactgo.com/Interact/Pages/Content/Document.aspx?id=5018 	
Recommendation: It is recommended that the Committee consider and, if so minded, adopt the report given in the appendix to this paper; and, request the Chair of the Committee to present the report to the next meeting of the Regional Board.	

Previous Committee Recommendation/Approval (if applicable):

None

Equality Impact Assessment:

Positive Impact ☐

Negative Impact ☐

No Impact ☒

Evidence:

**Audit and Risk Committee
Report to the Regional Board
2018**

1. Introduction

- 1.1. The Audit and Risk Committee presents this report for consideration by the Regional Board. The report is part of the Regional Board's arrangements for governance and oversight that fulfill its obligations set out in the Financial Memorandum between the Scottish Further and Higher Education Funding Council (SFC) and the Regional Board, in particular those 'mandatory requirements' relating to audit and accounting, which are detailed in **annex 1** to this report.
- 1.2. The report covers the business conducted by the Committee in the period 1 August 2017 to 31 July 2018.
- 1.3. The Committee at its meeting on 26 September 2018 adopted the report for presentation to the Regional Board.

2. Appointment of Auditors – External Audit

- 2.1. Under the Public Finance and Accountability (Scotland) Act 2000, authority to appoint external auditors of colleges transferred to central authorities. The Auditor General for Scotland appointed EY to be external auditor of the Regional Board for the period 1 August 2016 to 31 July 2021. The appointment is solely as external auditor of the Regional Board.
- 2.2. The Board retains authority to appoint the external auditor of its wholly owned trading subsidiary – Aberdeen Skills and Enterprise Training Limited (ASET). Henderson Loggie was appointed as external auditor of ASET for 3 years to 31 July 2020 as a result of the process agreed at the Annual General Meeting in 2018.

3. Appointment of Auditors – Internal Audit

- 3.1. The Regional Board appointed Wylie and Bisset as internal audit service provider in 2014. The contract provides that the appointment could be extended (for a further 2 years) after a period of 3 years. The Committee decided to exercise the option to extend the appointment and Wylie and Bisset will continue to provide internal audit services until 31 July 2019.

4. Adequacy and Effectiveness of Internal Control Systems

- 4.1. The Audit and Risk Committee has assessed the adequacy and effectiveness of the College's internal control systems.
- 4.2. Wylie and Bisset has reported to the Regional Board:
" 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. However we have produced two weak reports during the year. These being, Data Protection (GDPR Compliance) which was followed up in July 2018 and resulted in an overall opinion of substantial as the recommendations were addressed or in the process of being addressed, and Value for Money – Transport

Our fieldwork was carried out between February 2018 and August 2018."

Source: Wylie and Bisset Annual Report to the Regional Board 2018.

- 4.3. The Internal Audit Annual Report was presented to the Committee by Wylie and Bisset and adopted at the Committee meeting on 26 September 2018. It is attached as **annex 2** to this report.
- 4.4. The reports presented by the internal audit service provider give the level of assurance sought by the Audit and Risk Committee to enable the Committee to reach the view that internal control systems are adequate and effective.

5. Significant Matters identified by Internal Auditors

- 5.1. The Committee and the internal audit service provider have established arrangements for grading the outcomes of internal audit reviews. The internal auditor grades the areas reviewed as:
 - Strong – controls were satisfactory, no significant weaknesses were found, some minor recommendations were identified;
 - Substantial - controls were largely satisfactory although some weaknesses were identified, recommendations for improvement were made;
 - Weak - controls were unsatisfactory and major systems weaknesses were identified that require to be addressed immediately.
- 5.2. In 2017-18, the internal auditor reviewed 15 areas (2016-17 – 16 areas) and graded the areas reviewed as: 'strong' in 11 areas (2016-17 – 14 areas); 'substantial' in 2 areas (2016-17 – 2 areas); and 2 areas were graded as 'weak' (2016-17 – no areas).
- 5.3. The Committee and the internal audit service provider have established arrangements for grading recommendations arising from the programme of internal audit review. Recommendations are graded as 'high', 'medium' and 'low' priority (with 'high' representing matters requiring urgent attention).
- 5.4. In 2017-18, the internal auditor made 34 audit recommendations (2016-17 – 35 findings) and graded those as: 'high' in 3 areas (2016-17 – 3); 'medium' in 18 areas (2016-17 – 6); and 'low' in 13 areas (2016-17 – 26).

6. Value for Money Programme

- 6.1. The internal audit programme for the period 1 August 2017 to 31 July 2018 addressed value for money issues. The programme was designed to address arrangements to ensure that the College secures economy, efficiency and effectiveness in carrying out its activities. Most internal audit assignments contain an element of value for money review.

7. Reports by External Auditors

- 7.1. EY carried out the external audit of North East Scotland College for the 12-month reporting period to 31 July 2017. This was the first year of the organisation's 5-year appointment as external auditor. As in previous years, an unqualified audit opinion was expressed on the consolidated financial statements of the College.
- 7.2. Henderson Loggie carried out the external audit of ASET, the Board's wholly owned subsidiary company, for the 12-month reporting period to 31 July 2017. As in previous years, Henderson Loggie issued an unqualified audit opinion on the financial statements of the ASET.

7.3. Copies of the financial statements containing the auditors' opinions and reports on audit findings have been circulated to Members of the Regional Board under separate cover and have been provided to the appropriate central authorities in accordance with set timescales.

7.4. EY's 'Annual Audit Report' is attached as **annex 3** to this report.

8. Key Administrative Information

8.1. Audit and Risk Committee membership in the period 1 August 2017 to 31 July 2018 comprised:

- Mr. Anderson
- Ms. Bell
- Mr. Duthie
- Mr. Gossip
- Mrs. Inglis (resigned during 2017-18)
- Mr. Russell
- Ms. Simpson
- Mr. Smith

8.2. Committee Chair

- Mr. Gossip

8.3. Committee Vice-Chair

- Mr. Anderson

8.4. In addition, the following Members of the Regional Board may attend and participate in meetings, but may not vote on matters at issue:

- Chair of the Regional Board (office held by Mr. Milroy);
- Chair of the Finance and Resources Committee (office held by Prof. Harper);
- Principal and Chief Executive (post held by Ms. McIntyre).

8.5. Attendance at Meetings

The Committee has met on 4 occasions during the reporting period. Members' attendance is analysed as:

	<u>Meetings</u>	<u>Percentage</u>
<u>Members of the Committee</u>	<u>Attended</u>	<u>Attended</u>
Mr. Anderson	4	100%
Ms. Bell	2	50%
Mr. Duthie	4	100%
Mr. Gossip	4	100%
Mrs. Inglis	0	0%
Mr. Russell	4	100%
Ms. Simpson	2	50%
Mr. Smith	3	75%
<u>Members in Attendance</u>		
Mr. Milroy	1	
Prof. Harper	1	
Ms. McIntyre	1	

Appropriate staff of Wylie and Bisset or EY attended meetings. Mr. Scott attended all meetings of the Committee as Vice Principal Finance.

8.6. Conduct of Business

The Committee has met throughout the reporting period. Four meetings have been held.

<u>Meeting</u>	<u>Business Conducted</u>
20 Sept. 2017	Consideration of: the Committee Terms of Reference; the Programme of Business for AY2017-18; the Reports on the Internal Audit Review from May 2017, including: Review of the Fraserburgh Estates Project, IT Systems, Payroll, Fixed Asset Management, Estates Management and Course Viability; the Internal Auditors Report to the Regional Board for the Financial Reporting Period Year to 31 July 2017; the Draft Annual Report to the Regional Board 2017; the Internal Audit Programme, Year to 31 July 2018; the refreshed approach to Risk Management and the External Audit Plan for the year to 31 July 2017.
11 Nov. 2017	Consideration of: the Audit Certificate of Year-end Returns; the Financial Statements for the year to 31 July 2017; the publication of a new code of audit conduct;
18 Apr. 2018	Consideration of: the Reports on Internal Audit Reviews, including: ASET, Budgetary and Financial Controls, Follow up Review of Previous Recommendations, GDPR Compliance, Income Collection and Credit Control, Business and Community Development, Creative Industries, Computing, ESOL & Business Enterprise, Environmental Sustainability, Virtual Learning Environment and IT Systems; the Internal Audit Review of Payroll and the External Audit Plan for the year to 31 July 2018.
11 Jul. 2018	Consideration of: the reports on Internal Audit Reviews, including: Human Resources, Management of Contract Managed Services, Value for Money – Transport and Freedom of Information; the new Strategic Risk Register; the Code of Good Governance for Scotland's Colleges – Review of Compliance and the publication of the Audit Scotland Report "Scotland's Colleges 2018".

8.7. Minutes of meetings of the Committee were made available to Regional Board Members and, at meetings of the Regional Board, Members were provided with the opportunity to obtain further information on the business conducted by the Committee.

9. Measurements of Performance – External Audit

9.1. The external auditor of the Regional Board was EY.

9.2. The Committee was satisfied with the standard of service provided by EY as external audit service provider to the College.

9.3. The external audit of the Regional Board and its subsidiary companies was completed on schedule and at the agreed fee. The fee charged for the external audit of the College for FY2016-17 was £34,690 (FY2015-16 - £33,900).

9.4. The fee charged for the audit of ASET for 2016-17 was £7,300 (FY2015-16 - £7,100).

10. Measurements of Performance – Internal Audit

10.1. The internal audit programme was completed on schedule and at the agreed fee. The fee charged for internal audit services in 2017-18 was £30,650 (2016-17 was £30,650). The amount of audit work undertaken in delivering the core programme in 2017-18 was 70 days (2016-17 – 70 days).

10.2. The Committee was satisfied with the standard of service provided by Wylie and Bisset as internal audit service provider to the College for 2017-18, as it had been in previous years. All internal audit assignments were undertaken in accordance with the plan for the period and completed within set deadlines, key performance measures were met in full.

11. Events since 31 July 2018

11.1. The Committee has not met since 31 July 2017.

12. Conclusion

12.1. The Committee has obtained assurance that internal control systems are adequate and effective. This is based on the evidence provided by the results of the internal audit service provider in the 12 months to 31 July 2018 and the external auditor's unqualified opinion on the financial statements for the 12-month reporting period to 31 July 2017.

12.2. The Committee is satisfied that, on the basis of the information provided to it by internal auditors, arrangements operate to allow the College to secure value for money.

12.3. The Committee is satisfied that the Regional Board has complied with the 'mandatory requirements' set by the Scottish Further and Higher Education Funding Council and has discharged its responsibilities in relation to audit and accounting.

12.4. The Committee is satisfied with the performance of EY as external auditor to the College for the 12-month reporting period to 31 July 2017 and Wylie and Bisset as internal auditor to the College for the 12 months to 31 July 2018.

Ian Gossip
Convenor
Audit and Risk Committee
26 September 2018



AUDIT & RISK COMMITTEE	
Meeting of 26 September 2018	
Title: Internal Audit Programme, Year to 31 July 2019	
Author: Roddy Scott	Contributor(s): Wyllie 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 set the programme of internal audit work to be undertaken by Wyllie and Bisset in AY2018-19.	
Linked to Strategic Aim: 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 AY2018-19 is set by this Committee and then presented to the Regional Board. The internal auditor presents a proposed programme.	
Recommendation: It is recommended that the Committee adopt the internal audit programme for AY2018-19 proposed by Wyllie and Bisset.	
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 Plan

2018 - 2019

August 2018

Table of Content

Section	Page No.
1. Introduction	3
2. Operational Plan	4 – 8
Appendices:	
A. Summary of Internal Audit Input	9 – 10
B. Grading Structure	11
C. Key Performance Indicators	12

1. Introduction

Background

Wylie & Bisset LLP were re-appointed as Internal Auditors by the Board of Management with effect from 1 April 2014 until 31 July 2017 with an option to extend by a further two years on the agreement of both parties. This was agreed by the Audit & Risk Committee at their meeting on the 14th March 2017.

Internal Audit

In accordance with North East Scotland College's ("the College") Financial Memorandum with the Scottish Funding Council ("the Council") the Board of Management is required to secure the provision of an effective Internal Audit Service (IAS). The prime responsibility of the IAS is to provide the Board of Management, the Principal and other senior management of the College, with an objective assessment of the adequacy and effectiveness of management's internal control systems.

The IAS should objectively examine, evaluate and report on the adequacy of internal control thus contributing to the economic, efficient and effective use of resources and to the reduction of the potential risks faced by the College. Also, the operation and conduct of the IAS must comply with the standards and guidelines set down by the Chartered Institute of Internal Auditors and the Public Sector Internal Audit Standards.

Terms of Reference – Internal Audit

The provision of the IAS by Wylie & Bisset LLP is covered by the letter of engagement dated 3 May 2017.

Formal Approval

The full Audit Needs Assessment (ANA) was presented to the Audit & Risk Committee of the College on 18 November 2014. This document covers the plan for 2018/19 and has been prepared following discussions with the Principal, the Vice Principal Finance and the Chair of the Audit & Risk Committee.

2. Operational Plan

Operational Plan – 2018/19

Audit Area	High level indicative summary scope	Total Number Of Days
Follow Up Review	The follow up review will be undertaken to follow up on prior year audit recommendations to ensure these have been fully implemented by the College. We will follow up on all of the high priority recommendations, 50% of the medium priority recommendations and 10% of the low priority recommendations.	3
Purchasing and Procurement	We will conduct a high level review of the procurement arrangements in place, from identifying procurement needs, through to appraising options and contracting with suppliers. Our review will look to provide assurance that the College is complying with legislative requirements. Our review will also consider the controls in place to mitigate the risk of fraud.	4
Fixed Asset Management	The review will focus on 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.	4
Estates Management	Our audit work will consider the strategic and operational arrangements in place in respect of Estates Management at the College. The review will also look at whether the College are attaining the best value from the systems in place. Our review will consider the maintenance of the assets, the safety of the estate and the processes to ensure compliance with safety legislation.	4

2. Operational Plan (cont'd)

Operational Plan – 2018/19

Audit Area	High level indicative summary scope	Total Number Of Days
Student Records	We will undertake a review of the student records system and in particular the reporting arrangements in place. We will look at whether there is evidence of the reasons for students leaving courses, the actions being taken to address this, success rates, and how the College compares to other colleges. We will also review the level of in year reporting and the alerts for any shortfalls in targets.	4
Enrolment, Attendance & Applications	The review will focus on 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.	4
Strategic & Business Planning	We will undertake a review of the College's strategic plan and undertake detailed testing to ensure compliance with the College's systems and procedures. We will also look at the overall controls in place to ensure planning is appropriately carried out.	4
Departmental Review – Fraserburgh Campus	The review will focus on the structure and workload within the Campus, compliance with the College's systems and procedures and the overall systems and controls in place to manage the campus.	5
Corporate Governance	We will undertake a review of the corporate governance arrangements in place at the College to ensure compliance with 'The Code of Good Governance'.	3

2. Operational Plan (cont'd)

Operational Plan – 2018/19

Audit Area	High level indicative summary scope	Total Number Of Days
Aberdeen Skills & Enterprise Training Ltd	This annual review will look at compliance with the Company's systems and procedures, the overall controls in place to ensure accurate recording of information within the company.	5
Staff and Room Utilisation	The purpose of this review is to evaluate the College's systems for staff & room utilisation and assess how this is managed within the College. The review will seek to provide assurance to the Board, via the Audit & Risk Committee, that the systems in place are efficient and effective. The review will also consider the integrity of the data being used for reporting with sample checks undertaken on the data.	5
Marketing	This review will be a value for money review of the College's 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 other colleges.	3
Departmental Review – Altens Campus	The review will focus on the structure and workload within the campus, compliance with the College's systems and procedures and the overall systems and controls in place to manage the campus.	5

2. Operational Plan (cont'd)

Operational Plan – 2018/19

Audit Area	High level indicative summary scope	Total Number Of Days
Payroll	Our review will look at the new payroll system that the College has implemented to ensure this is operating as expected and that the appropriate controls exist. We will ensure that the payments being calculated by the system are accurate and are based on bona fide hours worked and will also consider all deductions and additions to salaries to ensure that these are correctly calculated and properly authorised.	4
IT Systems	A review will be undertaken on the IT Systems of the College to ensure the appropriate controls are in place and working as expected. In particular, the review will focus on the security of the network and the storage of backup information. We will also review the data protection arrangements in place.	5
Risk Management	The purpose of the 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.	2

2. Operational Plan (cont'd)

Assignment Plans

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

Key Dates

Visit	Audit Areas	Key College Personnel	Provisional Date for Visit	Date of Issue of Draft Report	Provisional Date for Reporting to Audit & Risk Committee
Visit 1	Follow up Review Purchasing & Procurement Corporate Governance IT Systems Aberdeen Skills & Enterprise Training Ltd	Pete Smith Pete Smith Pauline May Scott Matthew Sharon Scott	w/c 4 February 2019 and w/c 11 February 2019	1 March 2019	17 April 2019
Visit 2	Fixed Asset Management Student Records Departmental Review – Altens Campus Departmental Review – Fraserburgh Campus Enrolment, Attendance & Applications	Pete Smith Linda Taylor Susan Grant Robin McGregor Linda Taylor	w/c 4 March 2019 and w/c 11 March 2019	29 March 2019	10 July 2019
Visit 3	Strategic & Business Planning Staff & Room Utilisation Payroll Risk Management Marketing Estates Management	Pauline May Linda Taylor Kimra Donnelly Pauline May Rhonda Fraser Pete Smith	w/c 13 May 2019 & w/c 20 May 2019	7 June 2019	10 July 2019

Appendix A – Summary of Internal Audit Input

1 April 2014 to 31 July 2019

		Operating Plan (No. Of days)				
System	Audit Area	2014/15	2015/16	2016/17	2017/18	2018/19
Financial System	Budgetary & Financial Controls		4		4	
	Income Collection & Credit Control		5		5	
	Purchasing & Procurement	5		5		4
	Payroll	4	4	4	4	4
	Finance System	3				
	Fixed Asset Management	4		4		4
Non Financial Systems	Management of Contract Managed Services		5		5	
	Work Based Learning inc SDS Funding	6				
	Human Resources	4	4		4	
	Estates Management	4		4		4
	Student Records	4				4
	Enrolment, Attendance & Applications		3			4
	Strategic & Business Planning		4			4
	Balance C/F	34	29	17	22	28

Appendix A – Summary of Internal Audit Input

1 April 2014 to 31 July 2019

System	Audit Area	Operating Plan (No. Of days)			2017/18	2018/19
		2014/15	2015/16	2016/17		
	Balance B/F	34	29	17	22	28
IT	IT Systems	5	5	5	5	5
Governance	Corporate Governance	3		3		3
	Risk Management	2		2		2
Other	Freedom of Information		4		4	
	Aberdeen Skills & Enterprise Training Ltd	5	5	5	5	5
	Departmental Reviews	10	10	10	10	10
	Virtual Learning Environment				4	
	Data Protection		4		4	
	Marketing		3			3
	Environment Sustainability				4	
	Value for Money – Library & IT Resource Centre			5		
	Review of Fraserburgh Estates Project			4		
	Value for Money – Transport				3	
	Staff & Room Utilisation			5		5
	Course Viability			4		
Required	Follow Up review	5	4	4	3	3
	Audit Management	6	6	6	6	6
	Total Days	<u>70</u>	<u>70</u>	<u>70</u>	<u>70</u>	<u>70</u>

Appendix B – Grading Structure

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

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

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

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

Appendix C – Key Performance Indicators

Analysis of Performance Indicators

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

AUDIT & RISK COMMITTEE	
Meeting of 26 September 2018	
Title: Risk Management Policy	
Author: Pauline May	Contributor(s): Pete Smith Liz McIntyre
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 a revised version of the College's Risk Management Policy.	
Linked to Strategic Aim:	
Linked to Annual Priority:	
Executive Summary: The College's Risk Management Policy is now due for review. The Regional Board is responsible for the approval of the Policy, but in line with the Governance Manual, the Audit & Risk Committee is asked to review the document ahead of its consideration by the Regional Board. Attached as Appendix 1 is a track-changed version of the Policy highlighting a number of proposed amendments to reflect the College's revised approach to risk management. These include: <ul style="list-style-type: none"> • The addition of a number of definitions • The inclusion of the Risk Appetite Statement, as agreed at the meeting of the Committee held in July 2018 • Referencing the SMT as the College's Risk Management Team • Updated information in relation to the College's Risk Registers. The Regional Board will be asked to adopt the revised Policy at its meeting scheduled for 29 October 2018.	
Recommendation: It is recommended that the Committee consider the revised Policy prior to its consideration for adoption by the Regional Board.	

Previous Committee Recommendation/Approval (if applicable):

None

Equality Impact Assessment:

Positive Impact ☐

Negative Impact ☐

No Impact ☒

Evidence:

FA3.5

Risk Management Policy

Review Date: ~~June~~
2018September 2020

1.0 Introduction

- 1.1. The Risk Management Policy (the Policy) forms part of the College's internal control and corporate governance arrangements.
- 1.2. The Policy explains the College's underlying approach to risk management, documents the roles and responsibilities of the Regional Board of Management, the Senior Management Team, and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures.
- 1.3. In addition, it describes the process the Regional Board of Management will use to evaluate the effectiveness of the College's internal control procedures.

2.0 Definitions

2.1 Risk

An uncertain event or set of events which, should it/they occur, will have an effect upon the achievement of objectives.

2.2 Risk Management

The activities required to identify, understand and control exposure to uncertain events which may threaten the achievement of objectives.

2.3 Risk Appetite

A statement of an organisation's attitude towards risk.
The College has adopted a six point scale:
Avoid, Averse, Cautious, Moderate, Open, Hungry.

2.4 Risk Control

The process by which an organisation reduces the likelihood of a risk event occurring or mitigates the effects that risk should it occur.
The College has adopted four possible actions:
Terminate, Transfer, Treat, Tolerate.

3.0 Risk Appetite Statement

3.1 The Regional Board has adopted the following Risk Appetite Statement:

The College must take risks in order to achieve its aims and deliver beneficial outcomes to owners/stakeholders.

Risks will be taken in a considered and controlled manner.

Exposure to risks will be kept to a level deemed acceptable by the Board.

The acceptable level may vary from time to time.

Some particular risks above the agreed acceptable level may be accepted because of the reward/benefit that might arise, the cost of controlling them, or the period of exposure.

No risks will be acceptable (and therefore must always be controlled) if they have the potential to cause significant harm, compromise severely the College's reputation, have financial consequences that could endanger the College's viability, jeopardise substantially the College's ability to deliver its core purpose or threaten the College's compliance with law and regulation.

24.0 Underlying Approach to Risk Management

24.1. The following key principles outline the College's approach to risk management and internal control:

- a) the Regional Board ~~of Management~~ has responsibility for overseeing risk management within the College as a whole;
- b) an open and receptive approach to solving risk problems is adopted by the Regional Board ~~—of Management~~;
- c) the Principal and the Senior Management Team supports, advises and implements policies approved by the Regional Board ~~of Management~~;
- d) the College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;

Risk Management Policy

- e) College managers are responsible for encouraging good risk management practice within their Sectors/Teams;
- f) risk is considered and addressed as an integral part of the strategic and operational planning and review process; and,
- g) key risk indicators will be identified and closely monitored on a regular basis.

53.0 Role of the Regional Board ~~of Management~~

5.1 The Regional Board ~~of Management~~ has a fundamental role to play in the management of risk. Its role is to:

- a) Set the tone and influence the culture of risk management within the College. This includes:
 - i. determining whether the College is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue;
 - ii. determining what types of risk are acceptable and which are not; and,
 - iii. setting the standards and expectations of staff with respect to conduct and probity.
- b) Determine the appropriate risk appetite or level of exposure for the College.
- c) Approve major decisions affecting the College's risk profile or exposure.
- d) Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
- e) Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- f) Annually review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

64.0 Role of the Senior Management Team

6.1 Key roles of the Senior Management Team are to:

Risk Management Policy

- a) Act as the College's Risk Management Team.
- a)b) Implement policies on risk management and internal control.
- b)c) Identify and evaluate the significant risks faced by the College for consideration by the Regional Board ~~of Management~~.
- e)d) Provide adequate information in a timely manner to the Regional Board ~~of Management~~ and its committees on the status of risks and controls.
- e)e) Provide confirmation of the operational effectiveness of the controls, processes and procedures in place within the College to enable the Principal to provide an annual Certificate of Assurance to the Accountable Officer of the Scottish Funding Council.

7.0 Risk management as part of the system of internal control

7.1 The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the College to respond to a variety of operational, financial, and commercial risks. These elements include:

- a) *Policies and procedures*
The College maintains a series of policies that underpin the internal control process. The policies are set by the Regional Board ~~of Management~~ and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.
- b) *Monthly reporting*
Comprehensive regular reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Senior Management Team and the Regional Board ~~of Management~~ if appropriate.
- c) *Business planning and budgeting*
The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly.
- d) *Strategic themes, goals ~~aims~~ and objectives (significant risks only)*

Risk Management Policy

The Regional Board of Management considers risks significant to the College in establishing the College's strategic ~~themes, goals aims~~ and objectives. The Senior Management Team assists the Board's consideration by providing information to facilitate the identification, assessment and ongoing monitoring of significant risks. Information is provided to the Board to address emerging risks as required, and improvement actions and risk indicators are monitored regularly.

e) Risk Registers

The Regional Board of Management, in conjunction with the Senior Management Team, maintains a High Level Strategic Risk Register. The Register which identifies, against each Strategic Theme, actual critical risks that the College is facing. An overall strategic risk appetite is detailed along with a risk appetite for each Strategic Theme, with Details of current controls and further actions to be taken to mitigate each risk along with the current level of risk control are also provided alongside risk scorings a high level indication of the mitigation that will be applied to each. The Senior Management Team also maintains an Operational Risk Register which identifies potential risks that could impact upon the successful operation of the College, along with early warning mechanisms, potential contributing factors, and mitigating factors. The Risk Registers are reviewed regularly by the Senior Management Team, with the Audit & Risk Committee informed of any significant changes to either. The Regional Board or relevant Committee are also advised of new risks or changes to risks assigned to them in the Strategic Risk Register.

~~f) Operational Plan~~

~~The Senior Management Team is responsible for preparing the College's Operational Plan. This Plan is congruent with the College Strategic Plan. The planning framework is used to identify and assess significant risks and to establish arrangements for monitoring them in the planning period. Progress in achieving the targets in the operational plan is monitored regularly and emerging risks are addressed.~~

~~g)f)~~ Audit and Risk Committee

The Audit and Risk Committee is required to report to the Regional Board of Management on internal controls and alert Board of Members to any emerging issues. In addition, the Committee oversees internal audit,

Risk Management Policy

external audit and management as required in its review of internal controls. The Committee is therefore well-placed to provide advice to the Board on the effectiveness of the internal control system, including the College's system for the management of risk.

g) Internal audit programme

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation.

h) External audit

External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.

i) Third party reports

From time to time, the use of external consultants will be necessary in areas such as health and safety and quality assurance. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

86.0 Annual review of effectiveness

86.1 The Regional Board of Management is responsible for reviewing the effectiveness of internal control of the College, based on information provided by the Senior Management Team. Its approach is outlined below.

8.2 For each significant risk identified, the Board will, as part of the strategic planning and review process:

- i) review the previous year and examine the College's track record on risk management and internal control; and
- ii) consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.

8.3 In making its decision the Board will consider the following aspects.

a) *Control environment:*

Risk Management Policy

- i) the College's objectives and its financial and non-financial targets
 - ii) organisational structure and calibre of the Senior Management Team
 - iii) culture, approach, and resources with respect to the management of risk
 - iv) delegation of authority
 - v) public reporting.
- b) *On-going identification and evaluation of significant risks:*
- i) timely identification and assessment of significant risks
 - ii) prioritisation of risks and the allocation of resources to address areas of high exposure.
- c) *Information and communication:*
- i) quality and timeliness of information on significant risks
 - ii) time it takes for control breakdowns to be recognised or new risks to be identified.
- d) *Monitoring and corrective action:*
- i) ability of the College to learn from its problems
 - ii) commitment and speed with which corrective actions are implemented.

~~7.0 — Related Policy~~

~~7.1 — This Policy should be read in conjunction with the Strategic Planning Policy.~~

Status	Draft Approved
Approved By	Regional Board of Management
Date of Version	September 2018 June 2018
Responsibility for Policy	Principal
Responsibility for Implementation	Principal
Responsibility for Review	Principal
Date for Review	September 2020 June 2018
EIA Date	April 2016