

South Lanarkshire College

Audit Committee of the Board of Management

**Meeting to be held on Monday 6th November 2017
at 16.30 hours in the Boardroom
(Chair of Finance Committee to attend)**

AGENDA

1. Apologies
2. Declaration of Members' Interest.
3. Minutes of Previous Meeting 28 August 2017
4. Matters Arising.
5. Annual Financial Statements for 2016/17 Messrs. Mazars
 - **Draft Annual Report of the External Auditors to the Board of Management and the Auditor General for Scotland** (Appendix 1)

Committee to review in conjunction with the Financial Statements and (a) agree that the draft Financial Statements can be considered by the Finance Committee and (b) forward the Report to the Board of Management for their approval.
 - **Draft Financial Statements 2016/17** (Appendix 2)

Committee to review and recommend approval of the Report of the External Auditors by the Board of Management.
6. Internal Audit Reports Messrs. Scott-Moncrieff
 - Student Activity (Credits) – Oct 2017 (Appendix 3)
 - Student Support Funds / EMAs – Oct 2017 (Appendix 4)
 - Follow Up Audit - Oct 2017 (Appendix 5)
 - Annual Report - Oct 2017 (Appendix 6)

Committee to review and approve the management responses as being appropriate.

The Annual Report is to be forwarded to the Board of Management for their approval.

South Lanarkshire College

Audit Committee of the Board of Management

**Meeting to be held on Monday 6th November 2017
at 16.30 hours in the Boardroom
(Chair of Finance Committee to attend)**

AGENDA

7. Internal Audit Plan 2017/18
▪ Update as at October 2017
Committee to review and approve.
Messrs. Scott-Moncrieff
(Appendix 7)
8. Risk Management
▪ College Risk Register as at 26 Oct 2017
▪ Regional Risk Register as at 4 Sept 2017
Committee to review and approve.
(Appendices 8A, 8B and 8C)
(Appendix 9)
9. Draft Annual Report of the Audit Committee to the Board of Management
▪ Draft attached
Committee to review and to agree to forward the Report to the Board of Management for their approval.
Mr R Ralston
(Appendix 10)
10. Audit Scotland Tech. Bulletins – 2017 / 3
Committee to note
(Appendix 11)
11. Quality Audit Group – EMA “Spot Check” 2
Committee to note
(Appendix 12)
12. Regional Assurance
▪ Letter from Scott-Moncrieff to Wylie & Bisset
Committee to note
(Appendix 13)
13. Discussion between auditors and Board members
(College staff to absent themselves)
14. Any Other Competent Business.

**South Lanarkshire College
Audit Committee (Board of Management)
Held on 6th November 2017**

Present Robert Ralston (Chair)
Jean Carratt
Paul Hutchinson (by telephone)
John Gallacher (Chair of Finance Committee)

In Attendance Stewart McKillop
Angus Allan
Keith McAllister
Angela Martin

Chris Brown, Messrs Scott-Moncrieff (internal audit)
Lucy Nutley, Messrs Mazars (external audit)

1. Declarations of Members' Interests

No additional declarations were received.

2. Minutes of the Previous Meeting

The Minute of the meeting held on 28th August 2017 had already been agreed by the Board of Management.

3. External Audit of the Financial Statements for the 12 months to 31st July 2017

Mr McAllister stated that the Committee was tasked to consider the **Report to the Board of Management and the Auditor General for Scotland** for the year ended 31 July 2017 prepared by the external audit providers in conjunction with the Financial Statements for the 12 months to 31st July 2017. The Chair of the Finance Committee was in attendance and all documentation had been received in advance of the meeting.

Mr Ralston welcomed Ms Nutley and asked if the audit work was now complete. Ms Nutley responded that although the audit was substantially complete, there were a few minor items outstanding, but that none of them were of significance to affect any changes on the report.

Mr Ralston was happy to proceed on this basis.

4. Annual Audit Report to the Board of Management and the Auditor General for Scotland (for the year ended 31st July 2017) – Mazars

Ms Nutley drew members' attention to the Executive Summary of the Report. Members noted the areas of work and opinions required of the auditors.

Ms Nutley stated that no significant risks had been identified. One area of audit focus was not yet completed, that being on the valuation of the College's pension liabilities. However, this was due to the review of the actuarial assumptions used in the valuation not being completed yet by her firm's specialist department. The assumptions used were those utilised in respect of all of the colleges which were part of the Strathclyde Pension Fund scheme. She stated that this was simply a timing issue and very unlikely

to be a cause for concern. The final version of the Report would include, she was confident, a positive conclusion.

Discussion took place regarding the detail of the report with Mr Ralston highlighting areas of content requiring to be changed which Ms Nutley agreed to take forward. Members then noted and discussed the detail of –

- Internal audit recommendations (Appendix 1), where two recommendations were made with actions being agreed with College management;
- The Summary of misstatements (Appendix 2) noting that no adjustments were required;
- The proposed Audit Opinion (Appendix 3), which would be unqualified and which concluded that there were no items of concern to report; and
- The proposed Letter of Representation (Appendix 4) to be signed by the Board of Management.

Assuming all outstanding audit work is completed and an updated report from Mazars is satisfactory the Committee would:

- **accept the Annual Audit Report to the Board of Management and the Auditor General for Scotland for the year ended 31st July 2017 and forward it to the full Board meeting on 5th December 2017;**
- **advise the Finance Committee that they could consider the Financial Statements for the 12 months to 31st July 2017 without any issues from the audit hindering them in this regard.**

The members gave their approval.

5. Internal Audit

Mr Brown noted that members had received all reports in advance of the meeting. He then drew members' attention to each audit report.

Review of Credits Return 2016/17 – September 2017

Mr Brown stated that had been no issues of concern identified in the audit and that the College had reached its activity target.

Student Support Funds and EMA 2016/17 – Management Points – September 2017

Mr Brown stated that one control issue had been raised in relation to attendance. Instances had been identified where students had been paid for childcare without achieving 100% attendance. It was agreed that this was an acceptable practice in certain circumstances, but that the College had no formal procedure in place to support its practice. **The Principal agreed that a written procedure would be put in place in regard to this to reflect the practice currently followed.**

Internal Audit Report 2016/17 – Follow Up – October 2017

Mr Brown stated that good progress was found to have been made in implementing agreed actions from previous internal audit reviews. Two recommendations from previous years classed at partially completed have progressed since the review and neither is assessed as high risk. The three Workforce Management actions classed as

partially complete are being implemented as part of the new online Human Resources system which is due to be complete in December 2017.

Internal Audit Annual Report 2016/17 – October 2017

Mr Brown stated that the Internal Audit Plan comprised of 33 days which had been complete on core internal audit work in 2016/17. He confirmed that no resource limitations had impinged on the ability to meet the full audit needs of the College and that no restrictions had been placed on the work by management. He added that any actions had been discussed with management and implementation dates set.

Members noted that only one issue had been raised, that re Business Continuity and Disaster Recovery planning where the College did not have a Business Impact Assessment document. The Principal stated that work was ongoing in this area and that external advisors are in place to assist and to work with the Risk Management Group and College management.

Mr Ralston asked Mr Brown how Scott-Moncrieff audited its own audits as part of its own quality assurance. Mr Brown responded that a rotational file review system was in place, with a more formal external review every five years.

Members approved the management responses as being appropriate.

Internal Audit Plan 2017-18 dated October 2017

Mr Brown stated that the Internal Audit Plan is updated annually for changes to the College's risk register, corporate plans and through discussions with the Senior Management Team and Audit Committee.

Members' attention was drawn to the areas proposed for review during 2017/18, in the context of a three-year strategy. Discussion also took place regarding the prioritising of the areas to be covered in future years.

Members noted that College management and Scott-Moncrieff staff had suggested a programme for 2017/18 from the suggestions made at the previous meeting of the Committee. It was also noted that the potential areas to be covered in future years, required more resource than is available and thus prioritisation would be given to the appropriate areas of concern when the plans for 2018/19 and 2019/20 were considered by the Committee.

Members agreed the plan to be forwarded to the Board of Management for approval.

6. Risk

Mr McAllister drew members' attention to the South Lanarkshire Risk Register as at October 2017 and to the Lanarkshire Region Strategic Risk Report as at September 2017.

Discussion took place regarding the merit of having separate risk registers for SLC and the Region. The Principal explained that it was important that the College had a clear picture of possible risk at South Lanarkshire and a concentration on the particular risks that were most important for the College. Mr McAllister drew members' attention to the detail in regard to Finance and the decision to split the area '**College cannot maintain**

financial stability into long term and short term. Mr Brown stated that this was seen as the ideal.

The Principal outlined the issues being faced in regard to funding. The College could maintain a balanced budget at present but it must be noted that this was at the cost of new projects, maintenance and updating of equipment. He stressed that, in the long term, it would be essential for the Region to receive more funding through a higher value to the credit.

Members enquired as to the updating and maintaining of the Risk Register. Mr McAllister stated that this was continuously monitored by the Risk Management Group to ensure that all required changes were noted. The SLC Register was also presented to the RSB Audit Committee.

Members approved the Risk Register to go forward to the Board of Management and noted that Mr McAllister would produce a narrative to be included for the December meeting.

7. Draft Report of the Audit Committee to the Board of Management for the year ended 31st July 2017

Members reviewed the document and Mr Ralston highlighted some minor changes to reflect recent changes in circumstances.

Mr Ralston agreed to liaise with Mr McAllister who would issue an updated draft; members agreed to review this and, subject to their satisfaction, that this would be forwarded to the Board in December.

8. Technical Bulletin 2017/3 – July to September 2017

Mr McAllister drew members' attention to the pertinent areas of the Bulletin, including the cross sectoral section.

9. Quality Audit Group Report EMA 'Spot Check' – 2nd Report

Mr McAllister explained that as part of the funding agreement for Educational Maintenance Allowances (EMAs) the College had to undertake two spot check audits during the year. The document distributed was the second of these audits. Neither audit had contained recommendations.

Members noted the outcome of the Audit.

10. Regional Assurance

Mr McAllister explained that The Lanarkshire Board had asked that work be undertaken to give formal assurance that South Lanarkshire College was complying with its responsibilities under the Financial Memorandum between the two organisations and this was being carried out by Messrs Wylie and Bisset, the current internal audit providers of New College Lanarkshire.

He continued that part of this process was the review of internal audits carried out on South Lanarkshire College and, to this end, the letter from Scott-Moncrieff (distributed with the Committee papers) was sent to Wylie and Bisset.

Members noted and were happy with the content of the letter.

11. Discussion between Auditors and Audit Committee

The College representatives left the meeting to allow discussion. Mr Ralston asked for feedback from both the internal and external auditors on the College.

Mr Ralston asked if there were any issues the auditors would wish to raise. The feedback from both Mr Brown and Ms Nutley agreed that there were no points of concern and that the standard of information and assistance given was excellent. There was ongoing dialogue with the management team throughout the audits and a healthy level of challenge.

Members thanked Mr Brown and Ms Nutley for their input.

There being no further business, the Chair thanked members and audit providers for their attendance.

SOUTH LANARKSHIRE COLLEGE

AUDIT COMMITTEE MEETING

Monday 6th November 2017

HEAD OF FINANCE REPORT

1. Purpose & Introduction

To inform the members of the Audit Committee of developments in the area of audit and finance.

2. Executive Summary

2.1. External audit on the Financial Statements for the 12 months to 31 July 2017

Attached as **Appendix 1** is a draft of Mazars' external audit report. Members are asked to consider the report. Messrs. Mazars will be in attendance to deal with this item.

Attached for reference as **Appendix 2** is the latest draft of the Financial Statements for the 12 months ended 31st July 2017 that Mazars have based their report upon.

Committee to review in conjunction with the Financial Statements and (a) agree that the draft Financial Statements can be considered by the Finance Committee and (b) forward the Report to the Board of Management for their approval.

2.2. Internal Audit

Messrs. Scott-Moncrieff will be in attendance re the following items:

- **Internal Audit Reports**
 - **Student Activity (Credits)**
Attached as **Appendix 3** is the report on the internal audit review of the session 2016/17 student activity.
 - **Student Support Funds / EMA**
Attached as **Appendix 4** is the report on the internal audit review of Student Support Funds for the year to July 2017.
 - **Follow up Audit**
Attached as **Appendix 5** is the report on the follow up work undertaken in respect of prior report recommendations.
 - **Draft Internal Audit Annual Report**
Attached as **Appendix 6** is the report on the internal audit work carried out in respect of 2014/15.

Committee to review and approve the management responses as being appropriate. The Annual Report is to be reviewed and noted, and forwarded to the Board of Management for their approval.

SOUTH LANARKSHIRE COLLEGE

AUDIT COMMITTEE MEETING

Monday 6th November 2017

HEAD OF FINANCE REPORT

Executive Summary (continued)

2.2. Internal Audit (continued)

- **Internal Audit Plan 2017/18**

Following discussions at the September 2017 meeting, College and Scott-Moncrieff management have compiled an audit plan for 2017/18, which is attached as **Appendix 7**. Plans for subsequent years will be the subject of Committee deliberation in late 2018.

Committee to note the internal audit work being undertaken in 2017/18.

2.3. Risk Management

Attached as **Appendices 8A, 8B and 8C** are the College summary and detailed Risk Registers as at 26th October 2017, plus the commentary thereon. Also attached, for review, as **Appendix 9**, is the risk register prepared for The Lanarkshire Board.

Committee to review and note the College's Risk Register and to recommend to the Board of Management; Committee to note the Regional Risk Register.

2.4. Draft Annual Report of the Audit Committee to the Board of Management

Attached as **Appendix 10** is the above, which the Committee is asked to review. The Report will be finalised following the meeting and is to be forwarded to the Board of Management for its approval, and thence to the Scottish Funding Council and Audit Scotland.

Committee to review and to agree to forward the Report to the Board of Management for their approval.

2.5. Audit Scotland Technical Bulletin 2017 / 3

Attached for information as **Appendix 11** is the most recent Bulletin. Papers include the cross-sectoral chapter as this contains some guidance on audit and ethics, plus information on further information which may be useful for the Committee. The further education chapter includes technical information on the 2016/17 financial statements.

Committee to note the guidance notes contained in the Bulletin.

SOUTH LANARKSHIRE COLLEGE

AUDIT COMMITTEE MEETING

Monday 6th November 2017

HEAD OF FINANCE REPORT

Executive Summary (continued)

2.6. Other Audits

Educational Maintenance Allowance (EMA) Spot Check Audit

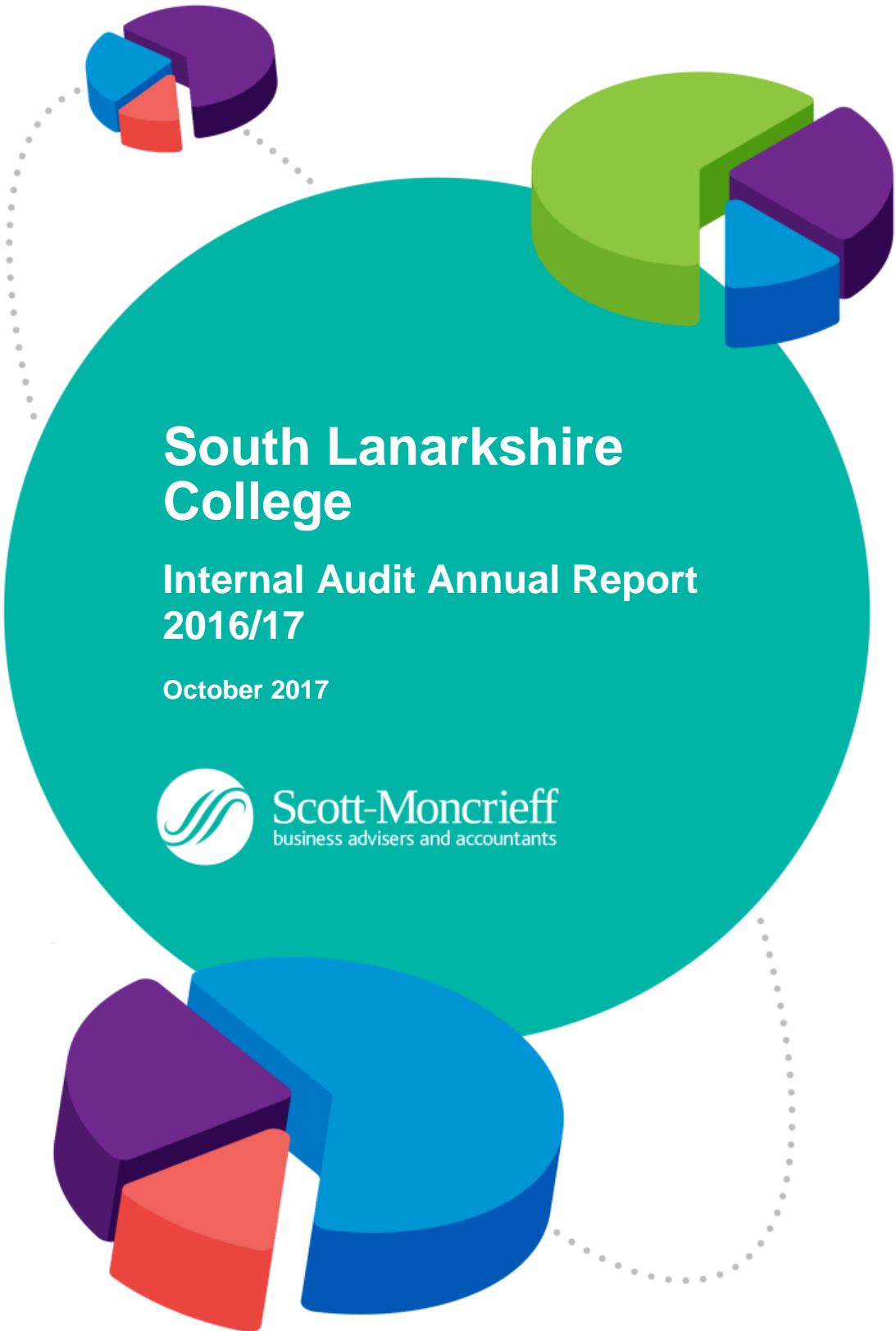
As part of the funding agreement for EMAs, the College have to undertake two spot check audits during the year. Attached as **Appendix 12** is the second of these for 2016/17. Neither of the two audits contained recommendations.

Committee to note the work undertaken in the spot check audit.

2.7. Regional Assurance

The Lanarkshire Board wished work to be undertaken to give it formal assurance that South Lanarkshire College is complying with its responsibilities re the Financial Memorandum between the two organisations. This will be carried out by Messrs Wylie & Bisset. Part of this work will be the review of internal audits carried out on South Lanarkshire College on behalf of that College's Audit Committee. Attached for information to the Committee as Appendix 13 is the letter from Messrs Scott-Moncrieff to Messrs Wylie & Bisset in this regard.

Committee to note the arrangement as detailed in the letter from Messrs Scott-Moncrieff.



South Lanarkshire College

Internal Audit Annual Report 2016/17

October 2017



Scott-Moncrieff
business advisers and accountants

South Lanarkshire College

Internal Audit Annual Report 2016/17

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Introduction

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

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

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

To meet the above requirements, this Annual Report summarises our conclusions and key findings from the internal audit work undertaken at South Lanarkshire College during the year ended 31st July 2017, including our overall opinion on South Lanarkshire College’s internal control system.

Acknowledgement

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

Internal audit work performed

Scope and responsibilities

Management

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

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

Internal auditor

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

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

Planning process

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

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

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

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

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

Cover achieved

Our Internal Audit Plan comprises 33 days per annum. We completed 33 days of core internal audit work in 2016/17.

A comparison of actual coverage against the 2016/17 plan is attached at Appendix 1.

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

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

Reports





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

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

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

Summary of reports by control objective and action grade

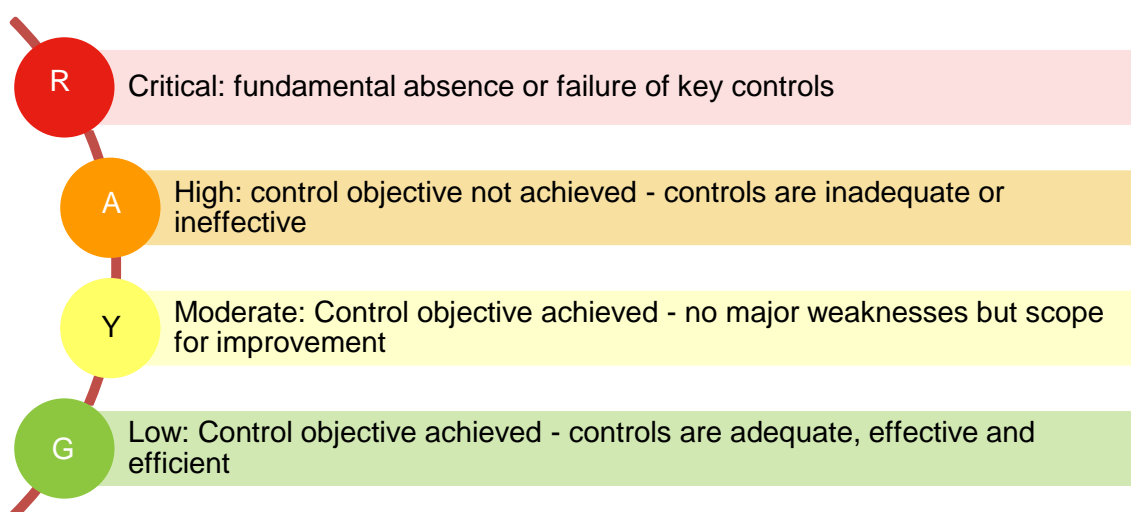
Four internal audit reports have been completed during 2016/17 in addition to the SUMs and Student Support Funds audits, as summarised in the table below.

Review	Control objective assessment	No. of issues per grading			
		4	3	2	1
Budget Setting		-	-	-	1
Corporate Governance		-	-	1	3
Workforce Management		-	-	4	-
Business Continuity and Disaster Recovery Planning		-	6	2	-
Credits Data Return	N/A*	-	-	-	-
Student Support & Education Maintenance Allowance	N/A*	-	-	-	-

*Different reporting style with no assessed control objectives.

A summary of the conclusions from the 2016/17 reports is provided at Appendix 3

Control objective assessment definitions



Management action prioritisation definitions

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

Progress in implementing internal audit actions

We have followed up progress in implementing agreed actions. The findings are due to be reported to the Audit Committee at the same meeting as this report.

Independence

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

We can confirm that the staff members involved in each 2016/17 internal audit review were independent of South Lanarkshire College and their objectivity was not compromised in any way.

Conformance with Public Sector Internal Audit Standards

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

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

Overall internal audit opinion

Basis of opinion

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

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

- All reviews undertaken as part of the 2016/17 internal audit plan;
- Any scope limitations imposed by management;
- Matters arising from previous reviews and the extent of follow-up action taken;
- Expectations of senior management, the audit committee and other stakeholders;
- The extent to which internal controls address the College's risk management /control framework;
- The effect of any significant changes in South Lanarkshire College's objectives or systems; and
- The internal audit coverage achieved to date.

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

Internal Audit Opinion

In our opinion, with the exception of Business Continuity and Disaster Recovery where areas for improvement were identified and we understand that management has already taken action to address these, South Lanarkshire College has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money and deliver best value.

Scott-Moncrieff

October 2017

Appendix 1 – Planned v actual days 2016/17

Ref and Name of report	Planned Days	Actual Days
A. Key Financial systems reviews		
A1. Budget Setting and Monitoring	4	4
B. Key Strategic reviews		
B3. Corporate Governance	3	3
C. Key Operational reviews		
C1. Workforce Management	5	5
D. Key Information Systems reviews		
D1. Business Continuity and Disaster Recovery	5	5
E. Key Compliance and Regulatory reviews		
E1. Follow up	2	2
F. Other reviews		
Credits Data Return	5	5
Student Support & Education Maintenance Allowance	6	6
Audit Management, Audit Committees, External Audit Liaison, Annual Planning and Annual Audit Report	3	3
Total	33	33

All amendments to the plan set out above were agreed with management and reported to the Audit Committee during the year.

Appendix 2 – Summary of Internal Quality Assurance Assessment

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

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

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

Comment

Overall, our service conforms to the requirements of the International Standards for the Professional Practice of Internal Auditing. A range of actions have been identified which will improve the overall effectiveness and consistency with which our methodology is applied. For example, incorporating the role of specialists within our audit plans and the roll out of our integrated software solution Pentana.

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

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

Appendix 3 – Audit Conclusions Summary

Budget Setting

May 2017

Conclusion

South Lanarkshire College redesigned its budget setting process in advance of the 2017/18 planning cycle and we have gained assurance that the revised process is robust, appropriate and clearly defined.

The 2017/18 budget itself is still under development, which is in line with our expectation given the timing of this audit. Hence, we have not been able to test the actual implementation of this new process and key controls.

Main Findings

We have gained assurance that the College's budget setting process reflects good practice in a number of areas:

- Significant effort has gone into ensuring the budget setting process and responsibilities of key staff are clearly defined; this is documented within the Budgetary Procedure. If adhered to, the process will ensure a robust budget is developed, scrutinised and approved in a timely manner.
- The budgeting framework is aligned to the structure of the College, with Heads of Department and faculties taking a key role in the process. Staff are involved in setting budgeted levels of income and pay costs; the non-pay expenditure budget is informed by departments' and faculties' Operational Plans. This allows management to develop a budget which is aligned to operational objectives as well as the regional outcome agreement.
- A number of assumptions are made within the budget; the source of key information is identified within procedure documents. In previous years, the budget has been presented to management with supporting narrative, clearly stating the assumptions made and the source of information. We expect this practice to be implemented again for the 2017/18 cycle.
- The budget is subject to scrutiny by senior management, the Finance Committee and the Board. This has been scheduled for the respective meetings in May and June to ensure the budget receives authorisation prior to the start of the financial year.

Areas for completion

Whilst we are satisfied that the new budget setting process is appropriate, well designed and clearly communicated, we have not been able to test the implementation of this process as the 2017/18 budget is still under development. To allow for a robust budget, South Lanarkshire College needs to ensure their procedure is adhered to and the budget is completed in a timely manner.

Conclusion

South Lanarkshire College has adequate and effective controls in place to comply with the additional corporate governance requirements documented within the Financial Memorandum between the College and the Lanarkshire Board. We have identified some opportunities for improvement which will further enhance the design and robustness of controls currently in place.

Good practice

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

- The 2014-2020 Strategic Plan details SLC's strategic mission and strategic objectives, which are aligned with the objectives of the Regional Outcome Agreement (ROA) between the College and The Lanarkshire Board. The Strategic Plan will be reviewed by the College in 2017 and updated to ensure that the arrangements with the Regional Board are reflected accurately within the plan.
- Since the introduction of The Lanarkshire Board, funding is now allocated to the College by The Lanarkshire Board and is subject to the condition of compliance with objectives outlined within the ROA. To provide the College Management Team (CMT) with assurance that SLC are maintaining their commitment to deliver the ROA objectives, updates highlighting performance against key targets are presented to weekly CMT meetings where actions to address areas of underperformance will be identified where necessary. Additionally, the College performs an annual self-assessment outlining performance against key targets and performance indicators within the ROA.
- Management accounts are produced by the Finance team in the form of a "Finance Pack" on a quarterly basis. This includes financial forecasts, actual YTD income and expenditure with comparisons against budget, actual YTD balance sheet and monthly cash flow statements. Following approval by the College Board of Management, finance packs are presented to the Regional Finance Committee and the full Regional Board.
- The College has introduced a web portal providing access to minutes and related documentation for all Board and sub-committee meetings which is accessible by all Board members. Although this is still under development, there are plans to add relevant regulations and guidance documentation to facilitate best practice throughout the College. These documents are also available to all staff on the internal College portal.
- The College has strong controls in place to assess the quality of its activities and involves students, staff and other stakeholders. Examples include the establishment of a Quality Forum which meets three times throughout the year to support the sharing and implementation of good practice and support on-going improvement. A Quality Enhancement Group (QEG) is also in place which takes the lead on pioneering developments and initiatives to ensure the student voice is listened to as part of the annual review and improvement process.

Opportunities for improvement

We have identified four opportunities for improvement which, if addressed, would strengthen SLC's control framework. These include:

- SLC have key policies and procedures in place to provide staff with guidance on the process for dealing with allegations and known instances of fraud, bribery and corruption, including the Fraud Policy, Anti-Bribery Policy and Whistle-Blowing Policy which were last updated in 2015. Key elements of these policies have also been incorporated into the College's Financial Regulations. However the Financial Regulations have not been reviewed since April 2014 and have not been updated to reflect the changes made to the aforementioned policies.
- The Audit Committee Terms of Reference (ToR) should be updated to address the following requirements of the updated Code of Good Governance for Scotland's College's: the membership of the Audit Committee cannot include the Board Chair (section C.16), the Audit Committee ToR must provide for the committee to sit privately without any non-members present for all or part of a meeting if they so decide and Audit Committee members should meet with the internal and external auditors without the executive team present at least annually (C.17). Although we have gained assurance that the Audit Committee complies with these requirements, we identified that they are not addressed within the Audit Committee's current ToR.
- The Risk Management Policy which is currently in place does not detail the College's roles and responsibilities in relation to the Regional Risk Strategy or the Regional Strategic Risk Management Framework and is therefore out of line with current working practices.
- Our sample testing of the coding of funding received identified one instance of incorrect coding where the SFC Capital Grant received in November 2016 was coded incorrectly to 801001 (Teaching & Fee Waiver Grant income).

Workforce Management

May 2017

Conclusion

In our opinion, the controls surrounding workforce management within South Lanarkshire College are well designed and generally operating effectively. On this basis we can give a high level of assurance that material risks are being adequately managed. We have identified four minor issues for improvement which will further enhance the design and operation of controls currently in place.

Good practice

The College puts a strong emphasis on developing its workforce as demonstrated by its attainment of the Investors In People (IIP) award at platinum level and its focus on Equality and Diversity, which forms an integral part of the workforce planning strategy. Platinum is the highest level of IIP accreditation and, according to the IIP, is awarded to only 0.5% of organisations.

The College has two workforce planning processes in place. Support departments use the budget establishment process that requires workforce requirements to be reviewed and justified at the start of each academic year. College Faculties use a resource planning model that has been built into the College's curriculum planning process. This requires Faculties to plan their curriculum delivery and workforce requirements in line with the Credit target set by the Scottish Funding Council (SFC). The College's curriculum planning system has been designed to alert Department Managers of skills or capacity gaps that require further investigation and action. Faculty and support workforce plans are subject to review and approval by the College's Associate Principals and the Board is required to approve all amendments to the College's permanent establishment.

College Faculty and Support Departments are required to prepare annual Operational Plans that set out each department's objectives and are aligned with the College's strategic objectives. Operational plans include a workforce assessment to determine if the existing departmental staff capacity and skill set are sufficient to deliver the objectives being proposed. Also, all Faculties are required to include an assessment of amendments to staffing resources in response to curriculum changes within their operational plans.

The College has a formal induction programme in place. Line managers are responsible for ensuring staff members complete induction training and sign off the induction checklist within three months of the staff member's start date. Completion of the induction programme is monitored and confirmed by HR. The induction checklist includes a department/faculty section that enables line managers to tailor the induction programme for each specific role within their department. This ensures job specific information such as job description, standard of work, duties, and relationship to other functions are clearly communicated to new employees.

The College has an annual staff development process in place, namely, the Career Review. The Career Review requires staff to document and record areas where they wish further development to enhance their careers and this information is reviewed and approved by line managers. Actions are assigned target completion dates and are reviewed at the employee's next Career Review meeting. To further demonstrate the College's commitment to continuous improvement, a 360° review process for the Principal, Vice Principal and senior managers has recently been introduced.

The College actively encourages staff development and organises quarterly Staff Development Days that offer a number of training sessions to staff covering various topics. Most sessions are open to all staff, though some require sign up via line managers. Staff are also able to request additional training throughout the academic year by completing a Staff Development Form. This allows the College to arrange staff training in response to the needs identified through the annual review or those that have emerged during the academic year.

The training administrator collects feedback from all training and summarises the results in a report to the Human Resources Committee and the Board of Management. Where instances of lower than expected positive feedback are identified, this is investigated and action is taken to improve future training sessions.

HR reports are produced on a quarterly basis and presented to the Human Resources Committee and the Board of Management. HR reports are comprehensive and include information on absences and changes to staffing (starters, leavers, vacancies) as well as analysis of feedback from Staff Development Days. The information provided to the Human Resource Committee and Board ensures members are aware of how the College workforce is performing.

Areas for improvement

We have identified a small number of areas for improvement which, if addressed, would further strengthen the College's control framework. These include:

- The College should make arrangements to finalise, approve and distribute its Workforce Planning Strategy;
- Annual Career Reviews should be completed for all College staff within the agreed timetable; and
- The College should ensure that induction training and corresponding induction checklists are completed by employees and line managers within the required timescale.

Business Continuity & Disaster Recovery

August 2017

Conclusion

Our audit has identified a number of areas for improvement in relation to Business Continuity Planning within the College.

The most significant weakness related to the fact that a Business Impact Analysis (BIA) was not conducted as part of the development of the College's current Business Continuity Plan (BCP). As such the College has yet to formally document its key services as well as the activities and resources which support these. Undertaking this type of analysis (BIA) is a fundamental step in developing effective BC recovery strategies.

Following on from the BIA exercise there is a requirement for the College to devise strategies to support the recovery of the identified key services ensuring they can be returned within established timeframes. In order to conduct this effectively, recovery time objectives (RTOs) and recovery point objectives (RPOs) will need to be calculated in relation to each of the key services identified as part of a formal BIA.

College management has responded positively to the recommendations in this report and has engaged InfoSec who are part of the Universities and Colleges Shared Services (UCSS) to support the development of a revised business continuity framework.

Good practice

We have gained assurance that the College's procedures reflect good practice in the following area:

- An Incident Management Team has been formed which includes senior management and is led by the College Principal.

Areas for improvement

We recognise that the College currently maintains a business continuity plan. However, it would be enhanced by implementing actions relating to the following two issues:

- The development of a Business Continuity Policy to define objectives, roles and responsibilities, governance arrangements and plans for testing.

- Undertaking a Business Impact Analysis (BIA). This is a vital part of development of BCPs and involves identification of business critical services. This process is also critical in informing the development of recovery strategies and development of plans. Without conducting a BIA there is a risk that BCPs do not meet the needs of the organisation. By undertaking a BIA, this will provide the basis to address a number of other weaknesses identified in the report e.g. recovery strategies, definition of RTOs (Recovery Time Objectives – the expected recovery timescale) and RPOs (Recovery Point Objective – the maximum amount of data lost measured by time) and recording of detailed recovery steps.

Credits Data Return

October 2016

Conclusion

In our opinion, controls over the collection of data and the preparation of the Credits data returns and accompanying College certificate are adequate and effective. Assurance can be gained from the audit testing carried out and the internal checking performed by College management that the Credits count for the College has not been materially misstated. A copy of the audit report is included in Annex A of this report.

Under the conditions of grant, the SFC may claw-back an element of the grant if actual Credits provided are below target. Actual Credits claimed for 2015/16 were 47,176 against a target of 46,884. The difference is 292 (0.6%) above target Credits.

The deadline for submitting the College certificate and Auditor's report is 14 October 2016. Arrangements are in place to ensure that deadlines are adhered to.

Detailed Findings

Our review centred on testing College data on a sample basis and, where appropriate, consulting with staff and senior management. This was performed to provide assurance that all of the risks set out in Annex D of the audit guidance note referred to above had been satisfactorily addressed and that the fundamentals of compiling Credits data were subject to appropriate controls.

Our initial sample was derived following consideration of materiality and application of Scott-Moncrieff's approved sampling methodology. Sample selection was conducted using professional judgement. The sample was subsequently extended where necessary, to ensure that we gained sufficient coverage of all programme and student variables as specified with the audit guidance. Our sample testing has provided 0.8% coverage of total students and 4% coverage of programmes that the College has claimed Credits for, based on our assessment of the risk of material misstatement in the Credits data returns.

1.1 General Systems Review

The accuracy of the data on which the Credits data returns is calculated depends on appropriate controls and systems over enrolment and attendance and the timely clearing of errors on the FES report.

Overall we found that the College has a strong control environment in place and the working papers and supporting documentation provided for audit were of a high standard..

Summary of findings and conclusion

We conducted our 2015/16 Student Support Fund and EMA audits in September 2016, in accordance with the requirements set out in:

- 'Student Support Fund Audit Guidance 2015/16' as published by SFC;
- 'Guidance on the audit requirements for the Educational Maintenance Allowances (EMAs) for the period 1 August 2015 to 31 July 2016' as published by SFC; and
- 'Higher Education Discretionary Funds Guidance Academic Year 2015-2016' as published by SAAS.

There is no requirement to provide a detailed report in respect of this work, however we do report any findings identified during the audits to management.

One unreconciled difference between the FES4 and corresponding management information was identified during the review however this variance was considered to be immaterial and was not pursued further. As such there are no adjustments to raise for the year to 31 July 2016.

One MLP was raised in relation to the issued noted above, recommending the College ensures that any unreconciled differences between the information submitted in the FES and the management information produced from the student support software (Tequios) is appropriately investigated.

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South Lanarkshire College

Internal Audit Plan 2017-18

October 2017



Scott-Moncrieff
business advisers and accountants



South Lanarkshire College

Internal Audit Plan 2017/18

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Introduction

Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve the operations of South Lanarkshire College. It helps the College accomplish its objectives by evaluating the systems and processes in place, providing assurance that key risks are being managed effectively and value for money is being achieved and improving the effectiveness of risk management, control and governance processes.

The objective of internal audit planning is to focus audit resources on the systems and processes that manage the College's key risk areas.

Our initial three-year internal audit strategy covering the period 2014 to 2017 is now complete. Following discussion of a draft plan at the Audit Committee on 28 August 2017 and further discussion with members of the management team, we now present the audit needs assessment and plan for the next three years 2017/18 to 2019/20. Items previously identified for consideration and which have not been included in 2017/18 (IT security and external communication) have been included in the areas to be considered in 2018/19.

The time required for the potential areas identified for audit in years two and three of the plan exceeds the available resource. Discussion will take place with management and the Audit Committee in future to capture their views on prioritisation of which areas should be included in the final plan for each year.

The Audit Committee may at any time decide to alter the direction of the plan to address any concerns which arise during the financial year.

Our internal audit approach

Assurance on organisation-wide risks

The internal audit plan is principally designed to provide assurance on the effective management of the College's key risks. This means that the plan covers the full range of systems within the College, not just the financial systems.

This will provide the Board of Management, through the Audit Committee, with the assurance it needs to prepare an annual Governance Statement that complies with best practice in corporate governance and directions from the Scottish Funding Council.

Risk based internal auditing

Our internal audit methodology links internal audit activity to the organisation's overall risk management framework. The main benefit to the College is a strategic, targeted internal audit function that focuses on the key risk areas and provides maximum value for money.

By focussing on the key risk areas, internal audit should be able to conclude that:

- Management has identified, assessed and responded to the College's key risks
- The responses to risks are effective but not excessive
- Where residual risk is unacceptably high, further action is being taken
- Risk management processes, including the effectiveness of responses, are being monitored by management to ensure they continue to operate effectively, and
- Risks, responses and actions are being properly classified and reported.

Audit needs assessment

Background and objective

Internal audit plans are based on an assessment of audit need. “Audit need” represents the assurance required by the Audit Committee from internal audit that the key control systems established to manage and mitigate the College’s key risks are adequate and operating effectively.

Approach

Our audit needs assessment takes both a top-down and bottom-up approach followed by a reasonableness check. The top-down approach starts with the areas of highest inherent risk recorded in the risk register and then identifies the control systems in place to manage those risks. The bottom-up approach involves considering the College’s audit universe (potential auditable areas) and linking this to the key inherent risks to establish which auditable areas represent the key control systems. The reasonableness check involves us using our experience of similar organisations to ensure that all key risk areas and systems have been considered and the resulting internal audit plan seems appropriate.

Our audit needs assessment involved the following activities:

- Reviewing the College’s risk register
- Reviewing the College’s strategic and operational plans and objectives
- Reviewing the results of internal audit work in prior years
- Reviewing external audit reports and plans
- Reviewing the College’s website and policies and procedures
- Discussions with senior management and the Audit Committee, and
- Utilising our experience at similar organisations and our understanding of the FE sector.

We seek to complement the areas being covered by the College’s external auditors, Mazars LLP and they have been consulted in the preparation of the plan. This helps us to target our work in the most effective manner, avoiding duplication of effort and maximising the use of the total audit resource.

The audit needs assessment will be revised on an ongoing basis (at least annually) to take account of any changes in the College’s risk profile. All changes to the internal audit plan will be approved by the Audit Committee.

Delivering our audit plans

Audit timetable 2017/18

We will schedule our work to deliver reports to each Audit Committee meeting during the year. We will agree the timing of each review with management to ensure we avoid particularly busy periods.

Appendix 3 provides the basis for agreeing a detailed timetable for the 2017/18 programme.

Assignment planning

Prior to each review commencing, we will finalise the assignment plan with relevant management. The assignment plan sets out the scope and objectives of the audit, along with an assessment of the key business risks relating to the area under review. This consultative approach ensures that the focus of each review is sensitive to the specific risks and context within which the College operates. This maximises the value of each review and reflects the risk-based assurance we offer.

Reporting our findings

During the course of each audit, we will discuss any audit findings with relevant management as they arise. This will ensure that our reports contain no surprises and our recommendations are accurate, practical and relevant.

The audit timetable in Appendix 3 will be based on delivering draft reports to management within three weeks of completion of fieldwork. The reports will include an overall opinion on the strength of controls within the area under review, together with an action plan detailing prioritised recommendations, responsible officers and implementation dates.

We will require management responses to our draft reports within two weeks. Subject to there being no major issues of contention or disagreement, we will produce final reports within one week of receiving management responses. These timings are reflected in the timetable in Appendix 3.

On completion of each year's audit programme, we will issue an annual report summarising our main findings for the year and giving an overall opinion on the College's internal control framework.

Internal Audit team – indicative staff mix

Grade	2017/18 Input (days)	Grade mix (%)
Partner	4	18%
Manager / Senior manager	5	23%
Specialist staff	4	18%
Auditors	9	41%
Total	22	100%

Confirmation of independence

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

We can confirm that the staff members identified to complete the reviews in the annual plan for 2017/18 are independent and their objectivity has not been compromised.

Internal Audit Team Contacts

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Proposed internal audit plan

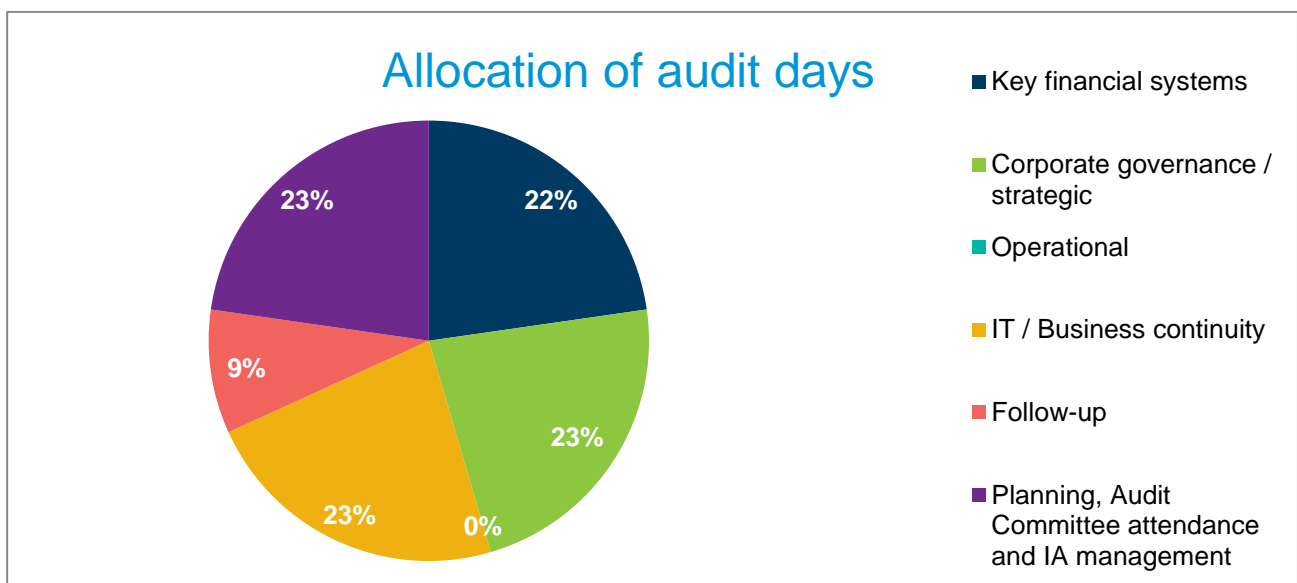
The Internal Audit Plan will be updated annually for changes to the College's strategic risk register, corporate plans and through discussions with senior management and the Audit Committee.

Internal audit is only one source of assurance for the Audit Committee. Assurance on the management of risk is provided from a number of other sources, including the senior management team, external audit and the risk management framework itself.

Appendix 1 presents the areas proposed for review during 2017/18, in the context of a three year strategy. The potential areas in years two and three currently require more resource than is available and management and Audit Committee input will be sought to prioritise which work should be undertaken, and consider alternative assurance mechanisms before future plans are finalised.

As our internal audit approach is based on risk, the proposed plan is also cross-referenced to the College risk register. This is included in Appendix 2 for information.

The table below demonstrates how the 22 internal audit days agreed for 2017/18 are allocated across each area of the audit universe:



Appendix 1 – Strategic Internal Audit Plan 2017- 2020

Audit area	2017/18 Plan days	2018/19 Plan days	2019/20 Plan days	Risk Reg Ref	Notes
A. Key Financial systems reviews					
A1. Budget setting and monitoring			5	1,2, 3, 7, 12 H/M	Review of overall budgeting framework, i.e how the budgets are initially generated, authorised and rolled out, how performance against budget is monitored and reported, how budget variances are dealt with, including clarity of budget holder responsibilities.
A2. Income and debtors	5			1, 2,3 H/M	Review of processes in place for identifying income, raising invoices and receiving/recording income and the approach to debtor management, including ensuring funds due are received and accounted for appropriately.
A3. Payroll and expenses			4	3 L	To evaluate and test the controls in place over payroll, including standing changes to payroll data. Will also include testing of expense claims.
A4. Procurement/tendering		4		6 L	To review procurement arrangements to confirm they comply with legislation, and best practice to maximise VFM in procurement.
TOTAL A – Key Financial Systems	5	4	9		
B. Corporate Governance / Strategic					
B1. Risk management			4	1, 2 H/M	Review of procedures for risk identification, assessment, mitigation and reporting across the College (strategic and operational).

Audit area	2017/18 Plan days	2018/19 Plan days	2019/20 Plan days	Risk Reg Ref	Notes
B2. Strategic and operational planning			4	1, 2,4, 7, 12 H/M	Including corporate/ strategic and department/ operational objective setting and planning, and the links between strategic and operational planning.
B3. Quality Framework self-evaluation	5			M/L	Review of arrangements to produce the self-evaluation, including planning, quality assurance and resulting action plan development.
TOTAL B – Corporate Governance / Strategic	5		8		

C. Operational Reviews

C1. Alternative funding sources		6		1, 2, 4, 7 H/M	To review the arrangements in place for identifying, maximising and realising alternative sources of funding.
C2. Sickness Absence			4	L	To review arrangements and available information for managing and reporting on sickness absence.
C3. Performance management and delivery of outcomes			5	4, 12 M	Evaluate performance management, including the timeliness and robustness of management information. To include consideration of outcome agreements and engagement with key partners.
C4. Internal communications		5		M	To review internal communications with staff and students in a college-wide environment. This will not cover communication with students relating to their course.
C5. External communications		5		16 M	To review communications with external stakeholders, to inform planning, engage with potential students, and manage public perceptions of the college. This review will not include communication with NCL.

Audit area	2017/18 Plan days	2018/19 Plan days	2019/20 Plan days	Risk Reg Ref	Notes
C8 Estates and asset management			6	L	To review asset management arrangements to confirm they support delivery of college objectives and safeguard assets for the future.
TOTAL C – Operational Systems Reviews		16	15		
D. IT / Business Continuity reviews					
D1. IT strategy		6		M	To review the IT strategy and ensure it supports achievement of college objectives through links to strategic, operational and financial plans.
D2. IT security		8		M	To review IT security arrangements for both staff and student systems, including protection from potential cyber crime and network management.
D3. Information governance and management	5			10 H/L	To review planning and preparation for new General Data Protection Regulation (GDPR) requirements from May 2018.
TOTAL D – IT / Business Continuity reviews	5	14	-		
E. Internal audit management					
E1. Follow-up of prior recommendations	2	2	2		To assess progress in implementing previous internal audit recommendations.
Audit management, Audit Committees, external audit liaison, annual planning, annual audit report	5	3	3		Includes initial planning meetings, documentation review and audit needs assessment in 2017/18.
Management support / contingency days	-	-	-		
TOTAL ANNUAL DAYS IN IA PLAN ABOVE *	22	39	37		

Audit area	2017/18 Plan days	2018/19 Plan days	2019/20 Plan days	Risk Reg Ref	Notes
OVER-ALLOCATED DAYS *	0	17	15		
TOTAL ANNUAL DAYS AVAILABLE	22	22	22		
F. Other audit work					
F1. Credits Audit	5	5	5		
F2. Student Support Audit	3	3	3		
F3. Educational Maintenance Allowance	3	3	3		
	33	33	33		

*There are insufficient days available to cover all of the potential areas for review in years two and three of the plan. The Audit Committee and senior management will be asked to consider the identified options and prioritise those for review when plans are finalised for 2018/19 and 2019/20.

Appendix 2 – Strategic Risk Register

No	Risk description	Risk Rating (L x I)	Key audits related to this risk
1	College cannot maintain financial stability – long term	Initial: High (4x 4) Residual: High (3 x 4)	<ul style="list-style-type: none"> • Strategic and operational planning • Financial systems: budget setting & monitoring and income & debtors • Risk management • Alternative funding sources
2	College cannot maintain financial stability – short term	Initial: High (4x 3) Residual: Medium (3 x 3)	<ul style="list-style-type: none"> • Strategic and operational planning • Financial systems: budget setting & monitoring and income & debtors • Risk management • Alternative funding sources
3	Failure of financial controls.	Initial: Medium (2 x 3) Residual: Low (1 x 3)	<ul style="list-style-type: none"> • Financial systems reviews
4	Failure to maximise allocated activity re Government training programmes / EU-funded courses; failure to retain major public / private contracts.	Initial: Medium (3 x 3) Residual: Medium (3 x 3)	<ul style="list-style-type: none"> • Strategic and operational planning • Performance management and delivery of outcomes • Alternative funding sources
5	Loss of key staff; failure to recruit suitably qualified staff	Initial: Medium (3 x 3) Residual: Low (1 x 3)	<ul style="list-style-type: none"> • Workforce management

No	Risk description	Risk Rating (L x I)	Key audits related to this risk
6	Breach of legislation & associated regulations	Initial: Medium (2 x 4) Residual: Low (1 x 4)	<ul style="list-style-type: none"> • Payroll • Procurement/tendering
7	Insufficient funds for capital project and maintenance requirements	Initial: High (4 x 3) Residual: Medium (3 x 3)	<ul style="list-style-type: none"> • Strategic and operational planning • Financial systems: budget setting & monitoring • Alternative funding sources
8	Health & Safety - Staff/ Students, Breach of laws & regulations	Initial: High (3 x 4) Residual: Low (1 x 4)	
9	Severe disruption due to major disaster, such as fire or flood	Initial: High (3 x 4) Residual: Low (1 x 4)	<ul style="list-style-type: none"> • Business continuity and disaster recovery
10	Theft of, or damage to, Management Information System	Initial: Low (1 x 4) Residual: Low (1 x 2)	<ul style="list-style-type: none"> • Business continuity and disaster recovery • IT security
11	Cyber Crime	Initial: Medium (2 x 4) Residual: Low (1 x 4)	<ul style="list-style-type: none"> • Business continuity and disaster recovery • IT security
12	Failure to meet Credit target/danger of overtrading (ie above or below SFC-established tolerance levels; failure to retain major public and private contracts)	Initial: Medium (3 x 3) Residual: Medium (2 x 3)	<ul style="list-style-type: none"> • Strategic and operational planning • Performance management and delivery of outcomes • Financial systems: budget setting & monitoring • Workforce management

No	Risk description	Risk Rating (L x I)	Key audits related to this risk
13	Failure of College to evolve and develop new courses	Initial: Low (1 x 2) Residual: Low (1 x 2)	
14	Learning & teaching quality not maintained / improved - poorly performing staff	Initial: Low (1 x 4) Residual: Low (1 x 4)	<ul style="list-style-type: none"> • Workforce management
15	Inadequate learning support services	Initial: Low (1 x 3) Residual: Low (1 x 3)	<ul style="list-style-type: none"> • Student experience
16	Severe adverse publicity	Initial: Medium (2 x 4) Residual: Medium (2 x 3)	<ul style="list-style-type: none"> • Internal communication • External communication
17	Corporate Governance Issues - Board of Management	Initial: Low (1 x 3) Residual: Low (1 x 3)	<ul style="list-style-type: none"> • Corporate governance

Appendix 3 – Audit timetable

Ref and name of report	Audit sponsor	Start audit	Complete fieldwork	Draft report	Mgmt resp	Final report	Audit C'ttee
A2. Income and debtors	Head of Finance	April 18	April 18	April 18	May 18	May 18	May 18
B3. Quality Framework self-evaluation	CM - Quality	Jan 18	Jan 18	Feb 18	Feb 18	March 18	May 18
D3. Information governance and management	Head of IT	April 18	April 18	April 18	May 18	May 18	May 18
E1. Follow-up review	Head of Finance	Jun 18	Jun 18	Jun 18	Jul 18	Jul 18	Aug 18
F1. SUMs / Student Support / Educational Maintenance Allowance	Head of Finance	Sept 17	Oct 17	Oct 17	Oct 17	Oct 17	Nov 18
Annual Report	Head of Finance	n/a	n/a	n/a	n/a	Aug 18	Aug 18

Appendix 4 – Audit Universe

Audit area	Delivered 2014/15	Delivered 2015/16	Delivered 2016/17	Planned 2017/18	Proposed 2018/19	Proposed 2019/20	Risk Ref	Frequency
A. Key financial systems								
Financial reporting							L	Reviewed annually by external audit
Accounting policies							L	Reviewed annually by external audit
Financial ledger							L	Reviewed annually by external audit
Budget management			✓			✓	H/M	Included in risk register
Fixed assets							L	Low risk - not highlighted as an area of risk
Treasury and cash management			✓				L	Cyclical review - every 3 - 5 years (covered by budget setting and monitoring)
Income and receivables	✓			✓			H	Cyclical review - every 3 - 5 years
Payroll		✓				✓	L	Cyclical review - every 3 - 5 years
Travel and subsistence		✓				✓	L	Cyclical review - every 3 - 5 years
Expenditure and payables			✓				L	Cyclical review - every 3 - 5 years
Procurement / tendering					✓		L	Cyclical review - every 3 - 5 years (last done 2013/14)
B. Governance / Strategic								
Risk management	✓					✓	H	Cyclical review every 3 - 5 years, included in risk register
Corporate governance			✓				M	Cyclical review every 3 - 5 years, included in risk register
Strategic / operational planning	✓					✓	H	Cyclical review every 3 - 5 years, included in risk register
Fraud prevention arrangements							L	Low risk - not highlighted as an area of risk
Audit committee self-assessment and review of terms of reference							L	At Audit Committee's request
Governance Statement							L	At Audit Committee's request
C. Operational								
Workforce management			✓				L	Included in risk register

Audit area	Delivered 2014/15	Delivered 2015/16	Delivered 2016/17	Planned 2017/18	Proposed 2018/19	Proposed 2019/20	Risk Ref	Frequency
Education Contracts	✓				✓		M	Included in risk register (Covered in alternative funding sources)
Commercial Courses	✓				✓		M	Included in risk register (Covered in alternative funding sources)
Succession planning			✓				L	Cyclical review every 3 - 5 years (Included in Workforce management)
Recruitment and retention							L	Cyclical review every 3 - 5 years (Covered by HR management 13/14)
Sickness absence						✓	L	Cyclical review every 3 - 5 years
Performance management		✓				✓	L	Cyclical review every 3 - 5 years
Internal communications					✓		M	Cyclical review every 3 - 5 years
External communications					✓		M	Cyclical review every 3 - 5 years, included in risk register
Student experience		✓					L	Cyclical review every 3 - 5 years
Change management							M	Cyclical review every 3 - 5 years Covered by Quality Framework self-assessment review.
Quality strategy		✓		✓		✓	M	Covered as part of performance management
Income generation	✓				✓		H	Identified in risk register (Covered in alternative funding sources)
Capital project management							M	Included in risk register
Estates & asset management					✓		L	Cyclical review every 3 - 5 years
Health and safety							L	Included in risk register
Business continuity planning			✓				L	Included in risk register
Incident management			✓				L	Included in risk register (covered by business continuity planning)
Emergency planning			✓				L	Included in risk register (covered by business continuity planning)
D. Information technology								
IT strategy					✓		M	Cyclical review every 3 - 5 years,
IT security					✓		M	Cyclical review every 3 - 5 years
Network management					✓		M	Cyclical review every 3 - 5 years
Information management				✓			H	Cyclical review every 3 - 5 years High risk due to GDPR due May 2018
Information governance				✓			H	Cyclical review every 3 - 5 years, High risk due to GDPR due may 2018

Audit area	Delivered 2014/15	Delivered 2015/16	Delivered 2016/17	Planned 2017/18	Proposed 2018/19	Proposed 2019/20	Risk Ref	Frequency
Disaster recovery			✓				M	Cyclical review every 3 - 5 years, included in risk register (part of BCP review)
IT developments – projects							H	At Audit Committee's request

Appendix 5 - Internal Audit Charter

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the College.

It helps the College accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Aim

The aim of this Charter is to set out the management by all parties of the internal audit process. The Charter sets out the context of the internal audit function, including the place of the Audit Committee, the key personnel, timescales and processes to be followed for each internal audit review.

Role

The internal audit activity is established by the Audit Committee on behalf of the Board of Management. The internal audit activity's responsibilities are defined by the Audit Committee as part of its oversight role.

Professionalism

The internal audit activity will adhere to mandatory guidance of The Chartered Institute of Internal Auditors (CIIA) including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.

The CIIA's Practice Advisories, Practice Guides and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the College's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

Internal audit activity will also reflect relevant Scottish Funding Council directions, as appropriate to the College.

Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all of the College 's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee.

Accountability

The Head of Internal Audit will be accountable to the Audit Committee and will report administratively to the Director of Finance.

The Audit Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the Head of Internal Audit.

The Head of Internal Audit will communicate and interact directly with the Audit Committee, including between Audit Committee meetings as appropriate.

Independence and objectivity

The internal audit activity will remain free from interference by any element in the College, including matters of audit selection, scope, procedures, frequency, timing, or report content. This is essential in maintaining the internal auditors' independence and objectivity.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal audit's judgement.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

Scope and responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programmes with established objectives and goals
- Effectiveness and efficiency of operations and use of resources
- Compliance with significant policies, plans, procedures, laws, and regulations
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information.
- Safeguarding of assets.

Internal Audit is responsible for evaluating all processes ('audit universe') of the College, including governance processes and risk management processes. In doing so, internal audit maintains a proper degree of coordination with external audit.

Internal audit may perform consulting and advisory services related to governance, risk management and control. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the College.

Annual internal audit plan

The audit year runs from 1 August to 31 July.

At least annually, the Head of Internal Audit will submit to the Audit Committee an internal audit plan for review and approval. The internal audit plan will detail, for each subject review area:

- The outline scope for the review;
- The number of days budgeted;
- The timing, including which the final report will go to Audit Committee and;
- The review sponsor.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management. Prior to submission to the Audit Committee for approval, the plan will be discussed with senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

Assignment Planning and Conduct

An assignment plan will be drafted prior to the start of every assignment setting out the scope, objectives, timescales and key contacts for the assignment.

Specifically, the assignment plan will detail the timescales for carrying out the work, issuing the draft report, receiving management responses and issuing the final report. The assignment plan will also include the name of the staff member who will be responsible for the audit (review sponsor) and the name of any key staff members to be contacted during the review (key audit contact).

The assignment plan will be agreed with the review sponsor and the key audit contact (for timings) before the review starts.

Reporting and Monitoring

The internal auditor will discuss key issues arising from the audit as soon as reasonably practicable with the key contact and/or review sponsor, as appropriate.

A written report will be prepared and issued by the Head of Internal Audit or designee following the conclusion of each internal audit engagement and will be distributed to the review sponsor and key contacts identified in the assignment plan for management responses and comments.

Draft reports will be issued by email within 15 working days of fieldwork concluding. The covering email will specify the deadline for management responses, which will normally be within a further 10 days. The management comments and response to any report will be overseen by the review sponsor. Internal Audit will make time after issuing the draft report to discuss the report and if necessary, meet with the review sponsor and/or key contact to ensure the report is factually accurate and the agreed actions are clear, practical, achievable and valuable.

The internal auditors will issue the final report to the review sponsor and the Director of Finance. The final report will be issued within 5 working days of the management responses being received. Finalised internal audit reports will be presented to the Audit Committee. Finalised internal audit outputs must be in the hands of the committee secretary at least 5 working days before the date of each meeting.

The working days set out above are maximum timescales and tighter timescales may be set out in the assignment plan.

The internal audit activity will follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

Audit Committee

The Audit Committee meets four times a year, normally in September, November, March and May. Dates for Audit Committee meetings will be provided to internal audit as soon as they are agreed. The Head of Internal Audit and/ or Internal Audit Manager will attend all meetings of the Audit Committee.

Internal audit will schedule its work so as to spread internal audit reports reasonably evenly over the Audit Committee meetings. The annual internal audit plan will detail the internal audit reports to be presented to each Audit Committee meeting.

The internal auditor will generally present specific reports to the committee as follows:

Output	Meeting
Audit needs assessment	May
Annual internal audit plan	September
Follow-up reports	September
Annual report	November

The Audit Committee will meet privately with the internal auditors at least once a year.

Periodic Assessment

The Head of Internal Audit is responsible for providing a periodic self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Head of Internal Audit will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years in accordance with Public Sector Internal Audit Standards.

Review of Charter

This Charter will be reviewed by both parties each year and amended if appropriate.

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South Lanarkshire College
Risk Register

Date of review	26-Oct-17
Next review due	16-Nov-17

RISK DEFINITION	ORIGINAL RISK				RESIDUAL RISK				Risk Appetite	Trend
	Likelihood	Impact	Total	Risk Level	Likelihood	Impact	Total	Risk Level		
FINANCE										
1	College cannot maintain financial stability - Long Term									
	4	4	16	High	3	4	12	High	Low	=
2	College cannot maintain financial stability - Short Term									
	4	3	12	High	3	3	9	Medium	Low	=
3	Failure of financial controls									
	2	3	6	Medium	1	3	3	Low	Low	=
4	Failure to maximise allocated activity re Government training programmes / EU-funded courses									
	3	3	9	Medium	3	3	9	Medium	Low	=
HUMAN RESOURCES										
5	Loss of key staff; failure to recruit suitably qualified staff									
	3	3	9	Medium	1	3	3	Low	Low	=
6	Breach of legislation & associated regulations									
	2	4	8	Medium	1	3	3	Low	Low	=
ESTATES										
7	Insufficient funds for capital project and maintenance requirements									
	4	3	12	High	3	3	9	Medium	Low	=
8	Health & Safety - Staff / Students, Breach of laws & regulations									
	3	4	12	High	1	4	4	Low	Low	=
9	Severe disruption due to major disaster, such as fire or flood									
	3	4	12	High	1	4	4	Low	Low	=
IT										
10	Theft of, or damage to, Management Information System									
	1	4	4	Low	1	2	2	Low	Low	=
11	Cyber Crime									
	2	4	8	Medium	1	4	4	Low	Low	=
ACAD. QUALITY & ACTIVITY										
12	Failure to meet Credit target / danger of overtrading (i.e. above or below SFC-established tolerance levels); failure to retain major public and private contracts.									
	3	3	9	Medium	2	3	6	Medium	Low	=
13	Failure of College to evolve and develop new courses									
	1	2	2	Low	1	2	2	Low	Low	=
14	Learning & teaching quality not maintained / improved - poorly performing staff									
	1	4	4	Low	1	4	4	Low	Low	=
15	Inadequate learning support services									
	1	3	3	Low	1	3	3	Low	Low	=
GOVERNANCE										
16	Severe adverse publicity									
	1	4	4	Low	1	3	3	Low	Low	▼
17	Corporate Governance Issues - Board of Management									
	1	3	3	Low	1	3	3	Low	Low	=

Key: Assessment of Risks

Risks which should be monitored by the Risk Management Group:
Risks to be brought to the attention of SMT and the Board of Management:
Risks to be reported to, and monitored by, Board of Management:

Scores 1 - 4
Scores 5 - 11
Scores 12 - 16

Low
Medium
High

Risk Scoring Matrix

Very High	4	8	12	16
High	3	6	9	12
Medium	2	4	6	8
Low	1	2	3	4
Impact				
Probability	Unlikely	Possible	Likely	Very Likely

Risk Appetite:

Risk appetite definition:

Risk appetite definition: The level of risk that an organisation is prepared to accept, before action is deemed necessary to reduce it.

Willing to accept a residual risk score of 1 - 4	Low
Willing to accept a residual risk score of 5-11	Medium
Willing to accept a residual risk score of 12-16	High

Risk Register

Key:

- Low Risks which should be monitored by the Risk Management Group : Scores 1 - 4
- Medium Risks to be brought to the attention of SMT and the Board of Management: Scores 5 - 11
- High Risks to be reported to, and monitored by, Board of Management: Scores 12 - 16

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Appendix 8 B	
Appetite for Risk:	
Risk appetite definition: The level of risk that an organisation is prepared to accept, before action is deemed necessary to reduce it.	
Willing to accept a residual risk score of 1 - 4	Low
Willing to accept a residual risk score of 5-11	Medium
Willing to accept a residual risk score of 12-16	High

RISK DEFINITION		RISK			RESIDUAL RISK							
Ref and link to Q. I.s and Strategic Plan (ref SP #)	Risk Description & Effect	Appetite for Risk	Likelihood	Impact	Risk Level	Controls, Risk Mitigation and Monitoring Arrangements in Place Currently	Likelihood	Impact	Risk Level	Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned
FINANCE												
1	College cannot maintain financial stability - Long Term											Head of Finance
Link to QIs - 1.1 / 1.3 / 2.4. Link to SP 3	<ul style="list-style-type: none"> * If cashflow is compromised, College could close; * Staff, students and other stakeholders lose confidence; * College experiences student retention problems; * Staff, students and other stakeholders lose confidence; * College experiences student retention problems; * Withdrawal from EU puts ESF / SFC funding at risk. * College not funded directly by SFC. * Uncertainty over central funding makes long-term financial planning problematic. * Regional issues impinge on College funding and / or financial stability. 	Low	4	4	High	<ul style="list-style-type: none"> * Rigorous budget setting procedures; * Budget monitoring by senior management and Board of Management with corrective action taken where necessary; * Financial Regulations and associated internal controls; * Effective internal and external audit; * Arms-length trust set up. * Financial strategic plan now drawn up to cover 5 year period, plus system of regular review by Board of Management for submission to SFC. * Budgeting procedures now formalised. which gives colleges an element of confidence in future funding and allows a degree of future planning. * Regional working group is looking to formalise the allocation of central funding within the 	3	4	High	<ul style="list-style-type: none"> * College to lobby for additional SFC / ESF activity to be incorporated into core grant-in-aid allocation, and for value of both core and ESF credits to be increased. Note - strategic grant received to support ESF funded activity in both 2016/17 and 2017/18 	Ongoing	Principal / Depute Principal / Board of Management
2	College cannot maintain financial stability - Short Term											Head of Finance
Link to QIs - 1.1 / 1.3 / 2.4. Link to SP 3	<ul style="list-style-type: none"> * SFC financial year does not coincide with College financial year; pressure points at March and July; with no opportunity to borrow. * College has insufficient funds for recurring expense and equipment replacement; * Overspend of ring-fenced student support funds. * The results of national collective bargaining is out of the college's hands and settlements to date have been considerably more than has been budgeted for. 	Low	4	3	High	<ul style="list-style-type: none"> * Monthly monitoring of student support funds spend; allocation for 2016/17 was adequate. 20217/18 is expected to be similar. * Regional Outcome Agreement in place so that funding is known. * Cashflow is monitored on a daily basis to ensure that payments are not made at a time when the College's bank balance would be put into debit. * Budget planning takes account of cashflow re significant capital spends * The College's overdraft facility has been extended; new banking arrangements will allow this. * Overhaul of internal Budgeting arrangements will allow closer and more comprehensive scrutiny of both income and expenditure. * Region has been successful in winning additional grant to cover shortfall in unit rate funding for ESF / SFC funding. This covers 2016/17 and 2017/18. 	3	3	Medium	<ul style="list-style-type: none"> * The central funding allocation for 2017/18 (issued on 5 May 2017 and as amended thereafter) allows for the College to prepare a financial forecast that should allow a balanced cash budget. Budget to be revisited to take into account additional payroll costs as a result of national collective bargaining. 	Now done Nov 2017	Head of Finance

Risk Register

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RISK DEFINITION		RISK			RESIDUAL RISK							
Ref and link to Q. I.s and Strategic Plan (ref SP #)	Risk Description & Effect	Appetite for Risk	Likelihood	Impact	Risk Level	Controls, Risk Mitigation and Monitoring Arrangements in Place Currently	Likelihood	Impact	Risk Level	Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned
3	Failure of financial processes and controls.											Head of Finance
Link to QIs - 1.1 / 1.3 / 2.4. Link to SP3	* Procedures and processes are not robust and / or staff do not follow procedures. * Student support funds not monitored adequately, resulting in these being overextended. Effect: * Staff and management do not make the correct decisions/ mismanagement occurs; * Failure to detect fraud; * College incurs liability through staff falling foul of Bribery Act; * College fails to adhere to ONS reclassification requirements. * Shortfall in student support funding - College has to utilise its own funds and / or some students disadvantaged as a result of inefficient distribution.		2	3	Medium	* Evaluate effectiveness of controls through variance reporting; * Annual programme of internal and external audit, as determined by Board of Management and external bodies, with these being monitored by the Audit Committee; * System in place to analyse performance via Funding Strategy Group; * Constant review of student funding arrangements; * Student funds audited by internal & external auditors; * Annual guidance given by SAAS and Scottish Funding Council; * Anti-Bribery and Whistleblowing Policies in place; * Audit Committee membership comprised of non-College staff; * Low number of recommendations in internal audit reports; * Finance calendar incl. schedule of management meetings now drawn up; responsibilities now clarified. * Whistle-Blowing and Anti-Bribery Policies updated at Nov 2015 and approved by Board.	1	3	Low	* Review of Financial Regulations to be undertaken (note: work being undertaken by SFC on this); * Review of management reporting system to be undertaken. * Development of Regional accounts & financial reports; agreement now on 2016/17 Regional accounts.	* Dec 2017 * Dec 2017 * Dec 2017	Head of Finance
4	Failure to maximise allocated activity re Government training programmes / EU-funded courses; failure to retain major public / private contracts.											Depute Principal / Head of Finance
Link to QIs - 1.1 / 1.3 / 1.4 / 2.4 / 2.6 Link to SP 2 and 3	* Loss of income where targets on start numbers, attendance, achievement and progression are not met; * Financial viability of the College threatened; * Potential loss of future activity awards where achievement / performance is below target, leading to lesser chance of winning future bids; * Drop in SDS-funded projects (e.g. Foundation App's); * Emp Fund activity no longer ring-fenced for colleges		3	3	Medium	* Funding Strategy Group monitors income and delivery on a monthly basis; * SDS Working Group set up; * Programmes to be reported on as "separate line" in Management Accounts. * Monitoring of training agency income & achievement via "milestones" at Funding Strategy Group, SMT and CMT. * Remit and structure of Funding Strategy Group reviewed in 2016/17 with a view to improving focus and strategic drive. * Setting of income targets on a more strategic basis via the Funding Strategy Group, and via a new Financial Strategy that will be monitored by the Finance Committee.	3	3	Medium	* Continuing programme of staff development with academic CM's on sourcing new areas of income and on preparation of tenders to win new business ;	* Dec 2017	Head of Alternative Funding / Head of Finance

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Willing to accept a residual risk score of 5-11	Medium
Willing to accept a residual risk score of 12-16	High

RISK DEFINITION		RISK			RESIDUAL RISK			ACTIONS				
Ref and link to Q. I.s and Strategic Plan (ref SP #)	Risk Description & Effect	Appetite for Risk	Likelihood	Impact	Risk Level	Controls, Risk Mitigation and Monitoring Arrangements in Place Currently	Likelihood	Impact	Risk Level	Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned
HUMAN RESOURCES												
5	Loss of key staff; failure to recruit suitably qualified staff											Head of Human Resources
Link to QIs - 1.1 / 1.3 / 1.4 / 2.4 / 2.6 Link to SP 2 and 3	<ul style="list-style-type: none"> * Undirected decision making; * Possible loss of staff confidence; * Resources (particularly management) not utilised in most effective way; * Low number of senior management positions means absences or departures may have proportionately greater effect. 	Low	3	3	Medium	<ul style="list-style-type: none"> * 5-year workforce planning model now developed via Board of Management * Succession planning built into CPD process; * Provide CPD opportunities annually, with additional emphasis on middle management development; * Review structure and support periodically; * Staff satisfaction is monitored; * Pro-active use of occupational health service 	1	3	Low	*Develop programme of key skills for middle management ;	Dec 2017 via staff devt days	
6	Breach of legislation & associated regulations											Head of Human Resources
Link to QIs: 2.1 / 2.3 / 2.5 / 2.6 / 3.1 / 3.2 Link to SP 3	<ul style="list-style-type: none"> * Legal action and associated costs; * Loss of staff morale; * Adverse publicity. * New legislation on Corporate Parenting & "Prevent" duty * Gender Action Plan being introduced 	Low	2	4	Medium	<ul style="list-style-type: none"> * Ensure regular employment law updates are reviewed by Human Resources Dept.; * Review of regular reports from HR. * Distribution of updates to appropriate staff *Mandatory staff development sessions for all staff on PREVENT (ASIST) and equalities completed in Jan 2016. * Safeguarding Group now set up covering Corporate Parenting, PVG etc. Student Association represented on the Group. * College Inclusiveness Group and Gender Action Plan Group now set up. *Review of equalities outcomes now complete. *Equality Mainstream Report for both the College and the Region now developed and will be made public. *Equal Pay reporting arrangements now in place. 	1	3	Low	<ul style="list-style-type: none"> * Review of GDPR arrangements (data protection) being undertaken to comply with new legislation. * Review of Freedom of Information arrangements being undertaken to comply with new legislation. 	May 2018 Jan 2018	Head of HR Head of HR

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ESTATES												
RISK DEFINITION Ref and link to Q. I.s and Strategic Plan (ref SP #)	Risk Description & Effect	Appetite for Risk	RISK			Controls, Risk Mitigation and Monitoring Arrangements in Place Currently	RESIDUAL RISK			Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned
			Likelihood	Impact	Risk Level		Likelihood	Impact	Risk Level			
7	Insufficient funds for capital project and maintenance requirements											Head of Facilities
Link to QIs - 1.1 / 1.3 / 2.4 Link to SP 3	* Reduction in student numbers due to poor facilities/environment; * Failure to attract new students; * Deterioration in infrastructure; * Potential health & safety risks * Decrease in SFC Capital Maintenance funding in 2016/17, although this was reversed by SFC albeit with restrictions.	Low	4	3	High	* Continual review of estates; * Estates Strategy document; * Monitor risk assessments; * College arranges third party monitoring for all major projects budgets set for all major projects and for programme of planned preventive maintenance; * Ensuring that all projects are "best value". * Emphasis now on use of internal resources for maintenance and minor repairs. I * Brief of Funding Strategy Group incorporates sponsorship opportunities (e.g. Community Benefit Fund). * Development of budgeting process to ensure that projects are targeted and ranked to make best use of funding. * Member of staff with specific responsibility for procurement leading on Best Value tendering & general improvement in purchasing * Inspection of cladding undertaken with no issues requiring attention; report has been sent to SFC.	3	3	Medium	* List of asset replacement to be drawn up and incorporated into updated Estates Strategy Plan. * Budget to be set to include asset replacement.	Nov 2017 Nov 2017	Head of Facilities Head of Finance
8	Health & Safety - Staff/ Students, Breach of laws & regulations											Head of Facilities
Link to QIs: 1.3,2.1,2.2,2.3, 2.4, 3.1,3.2 Link to SP 1,2 and 3	* Death or serious injury to staff and/or students; * Legal action and associated costs; * Potential closure of all/part of College; * Costs of complying with legislation (e.g. PUWER). * Procedures re bomb threats.	Low	3	4	High	* Monitor periodic Health & Safety reports; * Ensure H & S Committee meets regularly; * Receive reports from Facilities Committee; * Facilities Manager is holder of NEBOSH & IOSH professional qualifications; * Risk assessment training for all staff. Health & Safety a set agenda item for all College management & departmental / faculty meetings * Risk assessment, or a notice to say that an assessment is held centrally, displayed in all College rooms * Weekly Health & Safety Housekeeping inspections to identify issues which are reported upon and followed up formally * Reporting systems in place for H&S Issues * PUWER staff training sessions now delivered to all appropriate staff to ensure completeness and standardisation; * Formal training sessions now added to Staff Development days as required.	1	4	Low	* Development of Security Policy re (e.g.) bomb threats	Dec-17	Head of HR

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RISK DEFINITION		RISK			RESIDUAL RISK							
Ref and link to Q. I.s and Strategic Plan (ref SP #)	Risk Description & Effect	Appetite for Risk	Likelihood	Impact	Risk Level	Controls, Risk Mitigation and Monitoring Arrangements in Place Currently	Likelihood	Impact	Risk Level	Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned
9	Severe disruption due to major disaster											Head of Facilities
Link to QIs: 2.4, 3.1, 3.2 Link to SP 3	<ul style="list-style-type: none"> * Potential loss of life and/or complete destruction of College campus; * Cancellation of courses; * Staff redundancies; * Loss of market position. * Policy & procedures re bomb threats 	Low	3	4	High	<ul style="list-style-type: none"> * Updated Business Continuity Plan in place; tested live twice in 2015 via incidents taking place . * Disaster management procedures in place via Business Continuity Plan; * Early warning systems (i.e. via alarms); * Adverse Weather Policy in place, incl. text triggers; * insurance arrangements (business interruption); * Housekeeping review to ensure that no foreseeable problems arise. * Testing of IT - related issues has already been incorporated into Staff development days - this will be documented. 	2	4	Medium	<ul style="list-style-type: none"> * Consult another college re potential to share core IT services in the event of the breakdown in service * Development of Security Policy re (e.g.) bomb threats * College has engaged external consultants (UCSS) to lead on development of Business Continuity Plan 	Dec 2017 Dec 2017 Dec 2017	Head of MIS Head of HR Head of MIS / Risk Management Group
IT												
10	Theft or failure of, or damage to, Management Information System											Head of Info Systems
Link to QIs: 2.4, 3.1, 3.2 Link to SP 3	<ul style="list-style-type: none"> * Loss of student and financial records; * Loss of income if unable to identify and recover debts; * Unable to produce evidence for grant claims; * Inability to process students results; * Unable to identify creditors due; * Air conditioning failure in Comms Room, particularly at a time when building is unoccupied; * Disruption of courses 	Low	1	4	Low	<ul style="list-style-type: none"> * Disaster recovery arrangements in place, as incorporated in Incident Management Plan (MIS systems - software & hardware); * Established policy on use & access; * Detailed server & database backup procedures in place; * Daily back ups kept off site; * Business interruption insurance; * Server rooms in different areas throughout the building; * Controlled access procedures in place. * Arrangements now in place for making payments to staff, students & suppliers in case of loss of IT; * College has external lines from two separate suppliers, mitigating risk of all external lines being out of commission. 	1	2	Low			
11	Threat to IT via Cyber Crime											
Link to QIs: 2.4, 3.1, 3.2 Link to SP 3	<ul style="list-style-type: none"> * Loss of student and financial records; * Loss of income if unable to identify and recover debts; * Unable to produce evidence for grant claims; * Inability to process students results; * Unable to identify creditors due; * Disruption of courses 	Low	2	4	Medium	<ul style="list-style-type: none"> * Controls as per Risk No. 9. * Cyber crime now incorporated into Business Continuity Plan. * Updated firewall - Aug 2017 * College is proactive in monitoring threats; reports produced for senior management. 	1	4	Low	<ul style="list-style-type: none"> * InfoSec now engaged to lead College through development of Business Continuity Plan, with a large emphasis on IT. * College signing up to Government's good practice service. 	Dec-17	Head of MIS

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- High Risks to be reported to, and monitored by, Board of Management: Scores 12 - 16

Date of review
26-Oct-17
Next review due
16-Nov-17

Appendix 8 B	
Appetite for Risk:	
Risk appetite definition: The level of risk that an organisation is prepared to accept, before action is deemed necessary to reduce it.	
Willing to accept a residual risk score of 1 - 4	Low
Willing to accept a residual risk score of 5-11	Medium
Willing to accept a residual risk score of 12-16	High

RISK DEFINITION		RISK			RESIDUAL RISK							
Ref and link to Q. I.s and Strategic Plan (ref SP #)	Risk Description & Effect	Appetite for Risk	Likelihood	Impact	Risk Level	Controls, Risk Mitigation and Monitoring Arrangements in Place Currently	Likelihood	Impact	Risk Level	Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned
ACAD. QUALITY & ACTIVITY												
12	Activity above or below target with a resulting financial impact / not managing part time staffing budget.										AP for Construction (re Quality)	
Link to QIs: 1.1, 1.3, 2.1, 2.3, 2.4, 2.5 Link to SP 3	* Income targets fall short of expectations; * Overtrading produces costs which are not funded by associated income and puts additional pressure on student support funds; * failure to meet targets may affect following year's offer of funding; * difficult to replace major contracts.	Low	3	3	Medium	* Agree internal planning targets via formal Operational Planning process; * Monthly review of activity at Senior Management team meeting * Robust student record and student attendance reporting systems; * Budgetary control to monitor enrolments for each course; * Course activity planned down to the level of individual students, allowing quick response to potential over or under delivery of targets; * Staffing costs monitored by SMT monthly. * Student uptake monitored weekly; * Income reviewed related to activity; * Demand at present outstrips supply; * In-year estimate of activity carried out; * Focussed Quality Unit audit for SDS activity introduced; * Monitoring of training agency income & achievement via "milestones" at Funding Strategy Group; * College has drawn up procedures and standard documentation for tendering, including follow up of unsuccessful bids. • College has addressed gaps in permanent staffing complement via making temporary posts permanent and this policy will continue. * Access and Inclusion Policy to be introduced in session 2017/18.	2	3	Medium	* Develop staffing budget by Faculty.	* Nov 2017	SMT / Head of Finance

Risk Register

Key:

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13	Failure of College to evolve and develop new courses											Associate Principals via AP in Construction (re Quality)
Link to QIs: 4.1, 4.2, 6.1, 6.2, 6.3, 6.4, 7.1, 7.3, 7.4, 7.5, 8.2, 9.1 Link to SP 1 and 2	* Student activity level decreases, resulting in corresponding reduction in income; * Potential staff reduction as student numbers fall; * Credit target not met; * Loss of confidence in the College; * Loss of income where College cannot respond promptly to requests for tender submissions which depend on an understanding of "real time" labour market.	Low	1	2	Low	* Monitor uptake and retention through Academic Board; * Improved market research input to curriculum planning; * Formal review of course provision via Operational Planning process. * Staff development opportunities throughout year to upskill staff; * Introductory teacher training delivered via in-house training sessions * Levering in funding to support new courses; * Upskilling & diversification via CPD * College has reviewed Wood Commission Report to be ready for developments in the sector (foundation apprenticeships, DYW etc.) * Following review, College has developed courses using new awarding bodies.	1	2	Low			
14	Learning & teaching quality not maintained											AP for Construction (re Quality)
Link to: 1.2, 1.3, 1.4, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 3.1, 3.2 Link to SP 1, 2 and 3	* Reduced student and staff numbers; * Less income, including the element of Grant in Aid for achievement; * Staff reduction leading to low morale; * Reputation of College damaged; * Partnerships at risk (potentially reduced core & alternative income); * Industrial action affecting delivery and outcomes	Low	1	4	Low	* Well-embedded PDLT review & implementation system. * Monitoring of student satisfaction; * Monitoring of student achievement trends; * External audit (i.e. EV visits) ensure currency; * Capability procedure developed in conjunction with JNC; * Process of internal verification overseen by Quality Group; * Monitoring of student and staff satisfaction via course team reports. * PLSP for all Price Group 5 (Add'l support needs) students; * Development and introduction of Student Charter; * Revamp of customer comments procedure; * Career review system in place, plus guidance review meeting with every student; * Staff devt opportunities ongoing throughout year to cover upskilling; * Staff involved in developing action points from annual self evaluation; * Formal follow up of Educ. Scotland reviews; * Internal audit and online surveys; * Use of technical innovations (e.g. tablets and pads) * Plans developed to ensure College is kept open as far as possible during times of disruption including provision of first aid & fire warden arrangements.	1	4	Low			

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15	Inadequate learning development services											AP for Construction (re Quality)
Link to: 1.2, 1.3, 1.4, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 3.1, 3.2 Link to SP 1, 2 and 3	<ul style="list-style-type: none"> * Student support needs not met; * Fall in student numbers; * Low student morale; * Adverse publicity 	Low	1	3	Low	<ul style="list-style-type: none"> * Specific curricular area established (Learning Development Unit); * Student services policies reviewed annually; * Annual Student Services operational plan; * Specific learning support team in place; * College has a bespoke system of pre-assessment of students: * PLSP for each Price Group 5 student; * Support Plan for all Price Group 5 students; * Structured programme of guidance and tutoring; * Appointment of several learning support staff within department of Student Learning Support; * Services for students introduced at lunchtime and for "twilight" students * Lunchtime student support sessions now established and extending areas of coverage. * Video presentations now developed to promote improvement throughout the year. 	1	3	Low			
GOVERNANCE												
16	Severe adverse publicity											Depute Principal (re Governance)
Link to QI: 1.1, 2.1, 3.1 Link to SP 1, 2 and 3	<ul style="list-style-type: none"> * Reduction in student numbers; * Low staff morale; * Funding Council investigation * Effects of centralised pay bargaining and potential strike action 	Low	1	4	Low	<ul style="list-style-type: none"> * Public relations strategy involving local press has been developed via Marketing; * College is pro-active in its dealings with the media with all publicity managed in-house; * College has retainer service with its legal advisors and refers potentially problematic situation to them for comment as a matter of course. * Staff cultural surveys (linked to IIP, IID etc.) and annual student surveys flag up potential problems; * Sabbatical student positions assist in identifying and addressing student-related issues. 	1	3	Low			

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17	Corporate Governance Issues - Board of Management											Depute Principal / Clerk to the Board
Link to QI: 1.1, 2.5 Link to SP 3	<ul style="list-style-type: none"> * Conflict of interest; * Openness and clarity of decision making questioned; * Incorrect skills mix; * All the benefits of Regionalisation have not yet fully crystallised. 	Low	1	3	Low	<ul style="list-style-type: none"> * Reiteration by SFC that SLC is responsible for its own governance; * College Board of Management refreshed over the summer of 2016. * Declaration of Members' Interests at each Board meeting; * Minutes and supporting papers avail. in library and on College intranet; with a link from Regional website to College website; * College has established Freedom of Information policy and set procedures and deadline dates for responses; * Board of Management CPD; * Board self-evaluation is undertaken annually; * Corporate governance issue covered by internal and external auditors annually; * Board appointment procedure transparent and appointments matched with defined skill set. * Revamped College website now has Governance section for general public use with separate Governance area for Board of Management. * Specific item on sector governance now on Board of Management training day agenda * All BoM members undergo PVG check. * Internal audits on Regional aspect of good practice etc. now being covered by internal auditors of both NCL and SLC. 	1	3	Low			

Risk Register as at 26th October 2017

Commentary

The Risk Management Group reviewed the College's Risk Register on 26th October 2017 as part of its ongoing programme. There was little movement in the scoring of risks from the previous review. The only movement recorded was a decrease in the risk recorded re (Severe adverse publicity" (risk 16) which was already deemed a low risk.

An area of increasing importance is that surrounding IT security, business continuity and the implications of the impending change in data protection (General Data Protection Regulations or GDPR) which will harmonise regulations across Europe. These have been grouped together to be addressed, in the first instance, by the Risk Management Group. The Risk Register was amended accordingly (see risks 6, 9 and 11).

The other main discussion again surrounded the question of financial sustainability. A decision had been taken by the Group to split this risk into long-term and short-term to reflect the situation re central funding in the FE sector (risks 1 and 2). In the short term, there is a relative surety of funding and, indeed, an increase in funding, but the long term situation is far from clear.

Re long term central funding, the sector remains vulnerable to the threat to EU funding and this is particularly acute for South Lanarkshire College as it has approximately 12% of its core activity part-funded by the EU. The sector has been assured that support of the additional activity will continue until 2020/21. This has been reflected in the College's current 5-year financial forecast. The situation will be reviewed on an annual basis.

Re short term funding, it had been noted previously that the Region had secured additional funding to compensate it for the lower level of core credit funding re its ESF / SFC activity. This is particularly important for South Lanarkshire College as it has been successful in securing significant activity funded via this source. It was also recognised that Regional funding and results are an issue for both Regional colleges and the Risk register reflects this. The Risk Register itself thus has a slightly lower risk rating re short term funding considerations.

It was noted that the College's audited financial statements would show a modest operating surplus, in line with expectations, and that the external auditors would be issuing an unqualified report for the year to July 2017. The College was anticipating a balanced budget in 2017/18 with the caveat that the full implications of national collective bargaining were not known and, in particular, how much of the respective salary awards will actually be covered by additional central funding. This is reflected in the risk rating for long-term financial sustainability.

The Register links each risk to Education Scotland's Quality Indicators. The Indicators were refreshed in 2017 and the College's Register reflects the new quality framework.

The College's Risk Register is presented to the Regional Strategic Board. There is a Regional Risk Register which encompasses both Regional colleges and this is presented to SLC's Audit Committee and the SLC Board of Management.

Audit Committee

November 2017

Appendix 12



Quality Audit Group Audit Report

EMA 'Spot Check' – 2nd Audit

13th April 2017

Risk Category: Targeted

Report No: **04-2016/17**

1.0 Executive Summary

This report seeks to inform the Quality Audit Group of the audit activity and findings from the second EMA targeted audit.

2.1 Audit Rationale

The selection rationale is discussed and agreed by the Quality Audit Group.

2.2 Scope and Range

The scope, range and methods of gathering evidence are agreed by the Quality Audit Group.

2.3 Audit Findings

The audit findings are outlined in relation to the evidence gathered.

2.4 Actions/Recommendations for Improvement

The findings are discussed by the Quality Audit Group and any recommendations for improvement proposed.

3.1 Audit Rationale

The rationale for conducting this audit is in response to statutory requirements placed on the College set out in the Scottish Funding Council document 'Guidance on the audit requirements for Education Maintenance Allowance' (EMA's) 6th July 2016.

3.2 Scope and Range

The design of the audit ensured a student-centred focus by sampling 19 student applications out of 361 records (5.2%) and actual payments over each month for this academic session at the point of this audit. The range of evidence sampled included:

Evidence of the EMA applications log:

Application forms for every applicant supported by documentary evidence of:

- Birth Certificate
- EMA reference number
- Residency
- Bank details
- Income records
- Correct EMA rate
- Awards letter
- Checks of prior applications
- Supporting documentation
- Signed learning agreement
- Signed acceptance letter
- Sickness and authorised absence record
- Confirmed BACS payments

A tracking sheet facilitated the identification of evidence for each of the students sampled.

Qualitative evidence was also gathered through conducting professional discussions with the Student Services staff who administer EMA provision.

The scope of the audit also covered Quality Indicator 2.4 of the Education Scotland How Good is Our College? Framework and criteria 1.1 and 1.4 of the SQA Framework.

3.3 Audit Findings

The audit progressed smoothly. All applications, attendance and payment records were presented by the Bursary Team. Bursary staff were available to provide clarification, answer questions and provide additional evidence as required. Record keeping was thorough with supporting documentation records requested by the auditors made available.

Applications and supporting documentation were sampled across a range of students and payment dates. All records sampled are fully compliant with the requirements of the Scottish Funding Council (SFC) "spot check" criteria.

The 19 applications sampled contained the required student details including address, date of birth, residency and income information. The appropriate sections of the application form were answered for all students within the sample.

Individual payment records were available for all students in the sample. These records were checked against attendance records and BACS payment records. Payment records were consistent with attendances.

Detailed records of BACS payment records are kept. Authorised and sickness absences were recorded methodically and all payments had been confirmed against attendance.

Student Ref No 11084 showed 100% attendance for 11 weeks but had only received 7 payments. Discussion with Bursary staff revealed that payments have been delayed until the student provides confirmation for self-employed income.

Student Ref No 10428 showed a payment had been made for week 16 although student did not achieve 100% attendance. Discussion with Bursary staff revealed that this had been an error and it would not now be possible to recover this amount from the student.

Student Ref No 10197 records did not record reason for non-payment however, discussion with Bursary staff showed that as all non-payments are for less than 100% attendance this would have no impact on funding.

Individual BACS payment records were available and sampled across a range of payment dates for all students in the applications sample. These records are compliant with all BACS payments. Authorised and sick absences were methodically recorded. All payments have been confirmed against attendance.

3.4 Actions/Recommendations for Improvement

No actions/recommendations for improvement have been identified from this audit.

Lead Auditor: A Jamieson

Signed off by:

Area Manager: _____

Curriculum Manager, Quality: _____

Chair of Quality Audit Group: _____