

South Lanarkshire College

Audit Committee (Board of Management)

**Meeting to be held on
Monday 15th May 2017
at 17.30 hours in the Boardroom**

AGENDA

1. Apologies.
2. Declaration of Members' Interest.
3. Minutes of Previous Meeting 20 February 2017
4. Matters Arising.
5. Head of Finance Report
6. Internal Audit Reports Messrs. Scott-Moncrieff
 - Workforce Management (Appendix 1)
 - Budget Setting (Appendix 2)
7. External Audit Messrs. Mazars
 - Draft Audit Strategy Memorandum (Appendix 3)
8. Risk Management (Appendix 4)
 - College Risk Register as at 4 May 2017
9. Audit Scotland Technical Bulletin 2017 / 1 (Appendix 5)
 - January / March 2017
10. Other audits (Appendix 6)
 - SQA Verification Visit (Appendix 7)
 - EMA "spot check" – 1st Audit
11. Any Other Competent Business.

South Lanarkshire College
Audit Committee (Board of Management)
Held on 15th May 2017

Present Robert Ralston (Chair)
Pauline Robertson
Paul Hutchinson

In Attendance Stewart McKillop (Principal)
Anne Smith – Scott Moncrieff (internal audit)
Lucy Nutley – Mazars (external audit)
Angus Allan
Keith McAllister

Apologies Angela Martin

1. Declarations of Members' Interests

Ms Robertson declared her interest as Contracts Manager of CITB, and Mr McKillop declared his interest as a member of The Regional Strategic Board.

2. Minutes of the Previous Meeting

The Minute of the meeting held on 20th February 2017 had previously been agreed by the Board of Management. One typographical error was noted and would be amended for the records.

3. Matters Arising

Mr McKillop updated members on the issue by the Scottish Funding Council of an indicative set of assumptions on 5-year activity and associated funding. Whilst he emphasised that SFC had only been informed of their funding allocation for one year, the document allowed the College to compile its own 5-year forecast, which had been presented to the Finance Committee and would be laid before the next meeting of the Board of Management. In response to a question from Mr Ralston, Mr McKillop expanded upon the planned changes in arrangements re ESF activity funding over the forthcoming 5 years.

4. Internal Audit

Workforce Management – March 2017

Ms Smith led members through the report, highlighting the positive conclusion and the Good Practice noted. She also made mention of the College's Workforce Planning Strategy still being "work-in-progress". Mr McKillop informed the meeting that the document was currently going through the process of being considered by the HR Committee before being presented to the Board of Management.

Members noted the content of the report and approved the relevant management responses as being appropriate.

Budget Setting – April 2017

Ms Smith took members through her firm's Report, highlighting the work that had been done by the College on updating its policies, procedures and documentation for the current budgeting cycle. She noted that the process of review was not complete in that the cycle of implementation itself was not complete. This was noted by members. It was also noted that there were no weaknesses identified.

Members noted the content of the report and the recommendation that the implementation of the procedures should be finalised.

Internal audit service provision

It was noted that the current contract with Messrs Scott-Moncrieff runs to 31st July 2018, but the audit plan only runs until 31st July 2017. Ms Smith stated that she would be working on a proposal document for the areas to be covered in 2017/18 which would be presented to the next meeting of the Committee for their review. This was duly noted.

5. External Audit

By way of introduction, Ms Nutley distributed a schedule that highlighted statistics on Mazars and on their client list. Her firm had been newly-appointed by Audit Scotland to undertake external audit service for the College. It was also noted that they had been appointed as external auditors for New College Lanarkshire. She explained that whilst the management of the two audits would be covered by the same senior staff, including herself, field work would be undertaken by separate teams. This was welcomed by the Committee.

She took members through the Audit Strategy Memorandum, commenting on materiality levels and the reliance that would be placed on the work being carried by, for example, the College's internal audit providers. She asked members to note that risks referred to were generic risks pertaining to the sector, and not specific to South Lanarkshire College.

External Audit (continued)

She continued that, whilst there have been significant changes to presentation and format introduced to the financial statements in recent years, this would not be an issue for the current year. She did say, though, that a new external audit report would be included in the statements although this was not available as yet.

Mr Ralston noted that the Strategy Memorandum did not make specific mention of the additional work required of the external auditors per the Code of Audit Practice. Whilst Ms Nutley agreed that this work would be carried out and would be included in the audit plan, she also agreed to amend the Memorandum accordingly and reissue it. Members thanked her for this.

Given the level of work that would be required in this first year of appointment, the Committee were content to agree to Mazars' proposed audit fee of midway in the range suggested by Audit Scotland.

Subject to the amendment discussed being incorporated into a reissued document, members accepted the Audit Strategy Memorandum and the proposed fee of £13,960.

6. Risk Management

- **College Risk Register as at 4th May 2017.**

Mr McAllister took members through the latest Risk Register and drew their attention to the Commentary, noting that it had been expanded as per the request at the last Board of Management meeting. The Commentary noted the changes to risks, including the impact of the preparation of a 5-year financial forecast, which would be presented to the next meeting of the Board of Management for approval following its presentation to the recent Finance Committee.

It was noted that one risk had an increased ranked score and that one, re the College's long-term financial stability, remained rated as "high". Mr McAllister drew the meeting's attention to the work being done on this issue. Mr McKillop then took the Committee through the work being done on Regional scenario planning and the cashflow issues that the College faced.

Members enquired whether the recent global cyber "attack" had impacted the College but Mr McKillop was pleased to confirm that the College had not been affected and that, should there actually have been a threat, the arrangements in place had been successful. He added that the College, as with most organisations, had to deal with such threats on a regular basis. Cyber Crime had been added to the Risk Register a number of years ago.

Members duly approved the work being done on risk as being appropriate.

7. Audit Bulletin

Mr McAllister presented the latest Bulletin from Audit Scotland, noting that there were no issues specific to the FE sector. Mr Ralston asked where information on technical issues could be found, and Mr McAllister referred members to the Audit Scotland website, the link for this being in the Bulletin.

8. Non-financial Audits

Mr McAllister took members through the scope and results of the two audits presented; the SQA Verification Visit on several Faculty of Care classes and the Quality Audit Group “spot check” audit on Educational Maintenance Allowances.

Ms Robertson asked what actions would be taken should significant issues be raised in SQA verification visits. Mr McKillop replied that this would be referred to the College’s Academic Board and, if required, the course would be put into “special measures”, thus focussing on the correction of the problems found. Mr Allan added that remedial measures would be followed through by the College’s Quality Audit Group to ensure that the issue was addressed and cleared.

Members noted the results of the audits and the positive audit opinions given in both.

There being no further competent business, the Chair closed the meeting by thanking everyone for their attendance.

SOUTH LANARKSHIRE COLLEGE

AUDIT COMMITTEE MEETING

Monday 15th May 2017

REPORT FROM THE HEAD OF FINANCE

1 Purpose & Introduction

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

2 Executive Summary

○ Internal Audit Reports

- Scott-Moncrieff will present their reports on student activity, **Workforce Management** and **Budget Setting**. These are attached as **Appendices 1 and 2**.

On Workforce Management, members should note the Conclusion on Page 1: **“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.”**

There are four minor issues that the College have accepted and will take action on.

Re Budget Setting, it should be noted that the College has revamped its budget setting process and the audit concentrated on this revamp. The audit report notes that the process is robust, appropriate and defined. The process will be utilised to manage the preparation of the 2017/18 budget.

○ External Audit

- Attached as **Appendix 3** is the draft audit strategy memorandum and plan which will be presented by Messrs Mazars. Within it is reference to the proposed audit fee for the year (page 10) which members should review.

○ Risk Management

- Attached as **Appendix 4** is the latest update of the College’s Risk Register. **Appendix 4A** is a commentary on the Register, with **Appendix 4B** being the summary of risks, showing the trend since the last review, and **Appendix 4C** is the full Register itself.

SOUTH LANARKSHIRE COLLEGE

AUDIT COMMITTEE MEETING

Monday 15th May 2017

REPORT FROM THE HEAD OF FINANCE

- **Bulletin from Audit Scotland**
 - Attached as **Appendix 5** is an extract from Technical Bulletin 2017 / 1 issued by Audit Scotland. The header page details the issues raised therein that Audit Committee members should note, although there were no issues raised which are specific to the further education sector.
- **SQA Verification Visit**
 - SQA undertook a quality assurance audit in February 2017 in the Beauty Care area. Compliance levels in all areas were “green”, i.e. the higher level, and there were no actions recommended. Three areas of good practice were identified and commented upon. The report is attached as **Appendix 6**.
- **EMA “spot check” audit**
 - The College is required to make two audits on its Educational Maintenance Allowance funding. This is undertaken by Quality Audit Group and their report is attached as **Appendix 7**. There were no actions or recommendations identified.
- **Audit items update - Consolidated Accounts**
 - Members are asked to note that no guidance has been issued on this subject by either Audit Scotland or the Scottish Funding Council. The College’s external audit providers are investigating the issue, as are the Regional Strategic Board. The College has made its own extensive investigations and has arrangements in place to comply with requirements.

3 Conclusions and Recommendations

It is recommended that Members of the Audit Committee:

- Review and accept the internal audit reports and approve the management responses as being acceptable.
- Review and accept the external audit strategy as proposed by the new service providers.
- Review and, if appropriate, recommend acceptance of the external audit fee.
- Note the Risk Register and approving the recent movements therein
- Note the positive results of the two non-financial audits undertaken by SQA and the Quality Audit Group.
- Note the contents of the *Technical Bulletin* issued by Audit Scotland and also note that the arrangements re professional judgement are to be discussed at the May meeting of the Committee
- Note the update re consolidated Regional accounts.

Audit Strategy Memorandum

South Lanarkshire College



Audit Committee
May 2017
Appendix 3

For the year ended 31 July 2017



Contents

Executive summary	3
Purpose of this report.....	3
Audit scope and approach	4
Significant risks and key judgements	6
Timetable and communication.....	7
Other Matters	9
Fees	10
Our team.....	11
Appendix A – Service organisations and experts	12
Appendix B – Independence	13
Appendix C - Materiality	14
Appendix D – Our added value	15

Executive summary

Purpose of this report

The Audit Strategy Memorandum sets out our audit plan in respect of the audit of South Lanarkshire College ('the College') for the year ending 31 July 2017, and forms the basis for discussion at the Audit Committee meeting on 15 May 2017.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process. We have determined that the Audit Committee is those charged with governance for the purpose of our audit.

Timing of our work	Our audit will be delivered in four main phases as outlined in page 7 of this report. The statutory deadline for the completion of our audit work and submission of accounts to Audit Scotland is 31 December 2017.
Financial Statements audit	<p>Significant risks</p> <p>We have identified the following areas on which we will carry out specific audit procedures to mitigate the risks of material misstatements in the College's financial statements.</p> <ul style="list-style-type: none">• Management override of controls• Revenue recognition <p>Materiality</p> <p>At the planning stage of the audit we have set an overall materiality level for the financial statements as a whole at £285,000. Consequently, performance materiality for the audit has been assessed as £228,000.</p> <p>We do not report identified misstatements below a clearly trivial level. We have set this level at £8,500.</p> <p>These figures have been based on the expenditure recorded in the 2015-16 audited accounts and our understanding that expenditure is unlikely to be significantly different in 2016-17. We will reconsider our assessment of materiality levels on receipt of 2016-17 draft financial statements. Further details of our consideration of materiality is at Appendix C on page 14 of this report.</p>
Independence	We have considered any actual, potential or perceived threats to our independence on page 13. We have not identified any such threats at this stage of the audit.

Audit scope and approach

The scope of our work

The Auditor General for Scotland has appointed Mazars LLP as the auditor of South Lanarkshire College ('the College') under the Public Finance and Accountability (Scotland) Act 2000. The appointment is for five years from 2016-17. This is our first year of appointment.

Opinion on the financial statements

We are responsible for forming and expressing an opinion on the financial statements. Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the College for the year.

When forming our opinion we will also consider whether:

- The accounts have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 ('the SORP'); and
- The accounts comply with the Government Financial Reporting Manual 2016-17 (FReM) where applicable.

We have a further responsibility for forming and expressing an opinion on the regularity of the financial statements. We will consider whether expenditure incurred and income applied was in accordance with guidance issued by the Scottish Funding Council and Scottish Ministers.

Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Our responsibilities

Auditors and audited bodies' responsibilities are set out in Audit Scotland's Code of Audit Practice ('the Code'). The Code sets out our responsibilities in relation to:

- The financial statements and related reports;
- Corporate governance and systems of internal control;
- Standards of conduct and arrangements for the prevention and detection of fraud and error; and
- Financial position.

Our response to the risk of fraud

International Standards on Auditing (ISAs) require us to obtain reasonable assurance that the financial statements are free from material fraud and/or error. There are a range of ways in which fraud may arise in the context of your financial statements and we formally consider the risk of fraud as part of our planning work and design appropriate procedures to mitigate risks identified. We maintain an appropriate level of professional scepticism throughout the audit and are mindful that a material misstatement due to fraud is possible, however our audit should not be relied upon to identify all such misstatements.

Management and the Audit Committee, as those charged with governance also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

We will enquire of the Audit Committee as part of our audit. Our enquiries will focus on:

- What role the Audit Committee has in relation to fraud and how it is kept informed of fraud related matters by management;
- What anti-fraud measures you have in place and how your policies and procedures are monitored; and
- Whether you are aware of any actual, alleged or suspected fraud.

We will formally write to you, in your role as those charged with governance, making the enquiries above, towards the end of the audit cycle.

Our use of experts and other auditors

Management and auditor experts

There are material entries relating to the valuation of defined benefit pension schemes in your financial statements which are provided by management experts. For some of these entries, we will use our own expert to provide us with the assurance we require in relation to the work of your expert.

In addition to setting out information in respect of service organisations, Appendix A also summarises management's experts and our planned audit approach to obtaining assurance over their work.

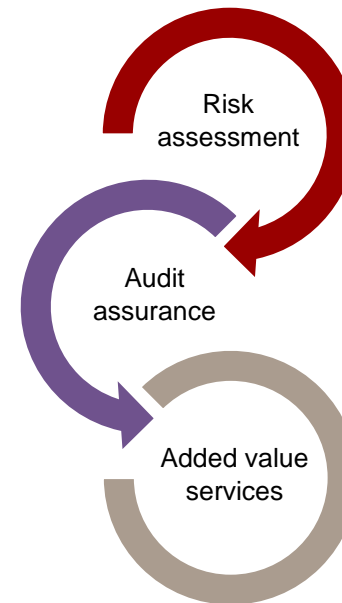
Internal audit

Where appropriate, we will seek to rely on work performed by internal audit where it provides us with the required assurance. We will meet with internal audit to discuss their work programme and findings, and factor this in when determining the most efficient testing strategy.

Where we intend to rely on the work of internal audit, we will evaluate their work and perform our own audit procedures to determine its adequacy for our audit.

Audit efficiency and our use of IT

Innovative and integrated use of IT drives the efficiency and effectiveness of our audit. Your audit team uses the latest IT-based audit solutions and is supported by a team of IT auditors each of who have extensive knowledge of the public sector and providing assurance and advisory services across the public sector.



We know that all organisations are different and face different risks. Our audit platform is modern and flexible and allows us to tailor our audit approach to the specific risks relevant to the College, while ensuring compliance with underlying auditing standards.

We focus on the risks to your business continuity and those that give rise to a risk of material misstatement in the financial statements. Your audit team has access to a full suite of data analytics tools which allow them to determine the most effective and efficient testing strategy using IT-audit techniques where appropriate.

Significant risks and key judgements

Identified significant risks

As part of our planning procedures we have considered whether there are risks of material misstatement in the College's financial statements that require special audit consideration. Although we report identified significant risks at the planning stage of the audit, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to mitigate these risks. Where we identify any significant risks in addition to those set out below, we will report these to the Audit Committee as part of our Audit Completion Report.

At the point of writing this report, we have not reviewed and documented systems relating to key transaction streams. Should any significant risks be identified during this work, it will be reported to the Audit Committee as part of our Audit Completion Report.

Significant risk	How we will mitigate the risk
<p>Management override of control</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We will address this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
<p>Error in revenue recognition</p> <p>There is a presumption under International Standards on Auditing that there is a significant risk of fraud and error in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when grant income should be recognised and if clawback conditions apply to the funding.</p>	<p>We will address this risk through performing audit work over:</p> <ul style="list-style-type: none"> • the design and implementation of controls management has in place to ensure income is recognised in the correct period; • cash receipts around the year end to ensure they have been recognised in the right year; • the judgements made by management in determining when grant income is recognised; and • for major grant income, obtaining counterparty confirmation.

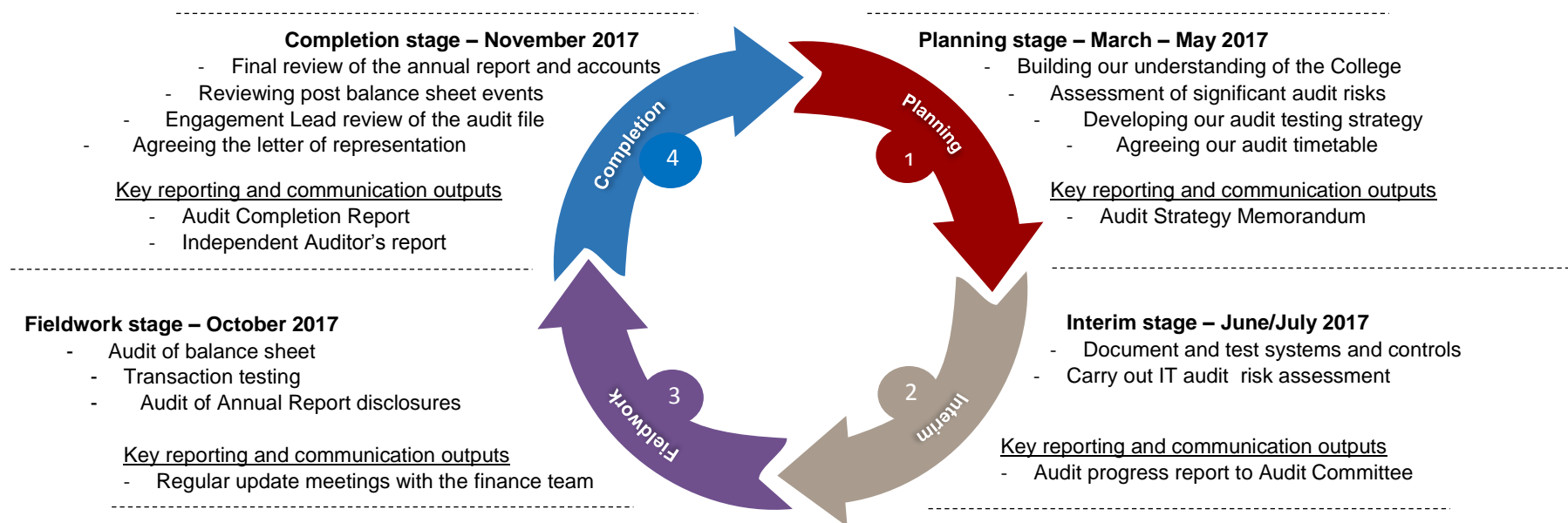
Timetable and communication

Our approach to communication

International Standards on Auditing require us to communicate a number of matters with you at various points during the audit cycle. Later in this section we outline exactly how we will communicate with the Audit Committee as those charged with governance. As well as being an integral part of our responsibilities under auditing standards, we see two-way communication with the Audit Committee and the College's staff as being critical to building a robust knowledge of your business, the risks and challenges you face and the plans you have in place to meet those challenges.

Audit timetable

The diagram below outlines the main phases of your audit, when each will be carried out and the outputs that you will receive at each stage. This is underpinned by a 'no surprises' approach to communication that ensures management and the Audit Committee are kept aware of significant issues on a timely basis. Our audit plan has been submitted to the 15 May Audit Committee. We intend to issue our Audit Completion Report to the Audit Committee scheduled to take place on 6 November 2017.



Key communication points

ISA 260 'Communication with those charged with governance' and ISA 265 'Communicating deficiencies in internal control to those charged with governance and management', require us to communicate a number of matters to you. These matters are set out below.

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

In addition to the matters outlined above which we are required to communicate under auditing standards, we also communicate regularly with the Audit Committee through our Audit Progress Reports. We also report to the College on an annual basis to summarise our work and main conclusions through our Audit Completion Report.

Other Matters

Independent Auditor's Report

There have been updates to ISA 700 (Forming an Opinion and Reporting on Financial Statements) during 2017 and as a result there will be a number of changes to the independent auditors report included in the 2016-17 annual report and accounts. While we await guidance from Audit Scotland, we expect that to meet the ISA requirements, the Independent Auditors Report will be extended to include a description of 'Key Audit Matters', positive confirmation on the going concern assumption used in the accounts and confirmation of how materiality has been assessed and applied.

'Key Audit Matters' are those matters that, were of the most significance in our audit of the financial statements. Significance is most likely to be determined by the identification of a matter as a significant audit risk of material misstatement, but we are also required to consider the areas of work that required the greatest audit effort.

A draft of the proposed audit report will be shared with management as part of the final audit process and will also be included in our Audit Completion Report for the consideration of the Audit Committee.

Fees

Fees for work as the College's appointed auditor

Audit Scotland have set a fee range for the external audit of the College between £12,564 and £15,356, with a mid-point fee of £13,960. We are proposing the mid-point fee for the 2016-17 audit.

Area of work	2016/17 proposed fee	2015/16 final fee*
Statutory Audit Fee	£13,960	£14,710

* - audit not performed by Mazars LLP. Fee in 2015/16 was increased following accounting framework changes

The fee proposed presumes that we will receive a high quality set of draft accounts, supported by working papers. Should we be required to perform significant levels of additional audit work, or face significant delays in our audit, we will discuss with management the impact of this on our proposed fee.

Our team

Lucy Nutley – Director

Email: lucy.nutley@mazars.co.uk

Phone: 0738 724 2052

Lucy is the Engagement Lead for the audit and will be the key point of contact for the Audit Committee. She will have overall responsibility for delivering a high quality audit to the College. Lucy will be responsible for the opinions given on the financial statements and will liaise with the Principal, Head of Finance and Financial Accountant. She will attend Audit Committee meetings, and where appropriate, Board meetings.

Jim Dafter – Senior Manager

Email: jim.dafter@mazars.co.uk

Phone: 0781 587 6042

Jim will manage and coordinate the audit and be the key point of contact for the Head of Finance and Financial Accountant, as well as liaising with Internal Audit. Jim will oversee completion of audit work to a high standard and attend Audit Committees as appropriate.

Lucy and Jim will be supported by a team of auditors drawn from our Glasgow and Edinburgh offices. This will include a team leader who will be responsible for reviewing the work of more junior members of the team and performing the audit work in more specialised areas.

Appendix A – Service organisations and experts

Experts

The College uses experts to provide entries in its financial statements. The table below outlines the areas of the financial statements where we expect the College to use experts and an explanation of the approach we will take to obtaining assurance over those entries.

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

Appendix B – Independence

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

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

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

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

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with either Lucy Nutley or Jim Dafter.

Prior to the provision of any non-audit or audit related services, Lucy Nutley will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. No threats to our independence have been identified.

Appendix C - Materiality

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

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

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

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

We consider materiality whilst planning and performing our audit.

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

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

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

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

Appendix D – Our added value

Our primary responsibilities as the College’s external auditor are outlined in the main body of this report. As your external auditor we are ideally placed to provide added value in delivering those responsibilities and the diagram below provides a summary of how we intend to do this.

Insight

Analysis of emerging issues shared regularly with you through our Audit Progress Reports.

Sharing knowledge from our membership of a range of professional networks including those hosted by Audit Scotland, ICAEW and NAO.

Regular updates from our public services advisory team on lessons learned from its work across the UK public sector.

Access to our public sector governance forum allowing free and open discussion of governance issues.

Expertise

Specialist public sector financial reporting advisory service, providing expert analysis of emerging accounting issues.

A dedicated IT audit and advisory team, with expertise and experience of providing services across the public sector.

Support for continuous improvement

Clear and open communication, allowing for a sensible basis of resolving emerging issues.

Internal control recommendations and follow-up work in conjunction with internal audit.

Risk Register as at 4th May 2017

Commentary

The Risk Management Group reviewed the College's Risk Register on 23rd February 2017 as part of its ongoing programme and an update on financial risks was incorporated into the Register on 4th May.

Again, the main discussion surrounded the question of financial sustainability. It was noted 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.

It was noted that all colleges now have to compile 5-year financial plans. Whilst this, in itself, does not decrease the financial risks in the sector, it does give a financial framework within which the College can work. It was also noted that the College's Financial Strategy is now formalised and that this was being presented to the Finance Committee of the Board of management. The Committee will, in conjunction with the Board of Management, review this on a regular basis.

It was also noted that the College now has a formal budgeting policy with full supporting procedures. This would allow another member of staff to pick up the reins on budget preparation should the Head of finance not be in a position to complete the task.

As regards short term financial stability, the Group noted that the central funding allocation for 2017/18 allows for an increase in funding for the Region that, with close scrutiny and a continuation of strict budgeting methodology and review, should allow the College to plan for a balanced budget for the forthcoming year.

With regard to the more immediate cashflow concerns, the Group noted an update to the previous position in that colleges with existing overdraft facilities will be allowed to continue this arrangement with their new bankers. It was also noted that the Funding Council were proactive in assisting several colleges with their cashflow situation for the April 2017 period. Both these developments will assist South Lanarkshire College over the immediate future, although it was stated that the Financial Strategy sets targets to reduce reliance of such measures over a set time period.

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

In terms of trends, one risk increased, reflecting the deemed increased risk re meeting Regional activity targets.

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	4	4	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									
	2	4	8	Medium	2	3	6	Medium	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: Scores 1 - 4
 Risks to be brought to the attention of SMT and the Board of Management: Scores 5 - 11
 Risks to be reported to, and monitored by, Board of Management: 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

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

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			Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned	
Ref and link to Q. I.s and Strategic Plan (ref SP #)	Risk Description & Effect	Appetite for Risk	Likelihood	Impact	Risk Level	Likelihood	Impact				Risk Level
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	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. * SFC have issued indicative planning data to allow a 5-year financial model to be prepared by College management and to be reviewed by Board. 	Ongoing May 2017	Principal / Depute Principal Head of Finance / Finance Committee of the Board
2	College cannot maintain financial stability - Short Term									Head of Finance	

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

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			Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned	
Ref and link to Q.I.s and Strategic Plan (ref SP #)	Risk Description & Effect	Appetite for Risk	Likelihood	Impact	Risk Level	Likelihood	Impact				Risk Level
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. 	Low	4	3	High	3	3	Medium	<ul style="list-style-type: none"> * Monthly monitoring of student support funds spend; allocation for 2016/17 is adequate * 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. 	<ul style="list-style-type: none"> * The central funding allocation for 2017/18 (issued on 5 May 2017) allows for the College to prepare a budget that should allow a balanced budget. 	

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

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	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		Likelihood	Impact	Risk Level				
3										Head of Finance	
<p>Failure of financial processes and controls.</p> <p>Link to QIs - 1.1 / 1.3 / 2.4. Link to SP3</p> <p>* 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.</p>	Low	2	3	Medium	<p>* 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; * 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 May 2015 and approved by Board</p>	1	3	Low	<p>* 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; utilisation of Financial Accountant. Note - guidance still o/s re requirements.</p>	<p>* Jul 2017 * Apr 2017 * Jul 2017</p>	Head of Finance
4										Depute Principal / Head of Finance	
<p>Failure to maximise allocated activity re Government training programmes / EU-funded courses; failure to retain major public / private contracts.</p> <p>Link to QIs - 1.1 / 1.3 / 1.4 / 2.4 / 2.6 Link to SP 2 and 3</p> <p>* 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</p>	Low	3	3	Medium	<p>* Funding Strategy Group monitors income and delivery on a monthly basis; * 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.</p>	3	3	Medium	<p>* Continuing programme of staff development with academic CM's on sourcing new areas of income and on preparation of tenders to win new business; * College is participating in bid to Community Benefit Fund which has now been submitted.</p>	* April 2017	Head of Alternative Funding / Head of Finance

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

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 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			
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"> * 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	<ul style="list-style-type: none"> * Develop programme of key skills for middle management ; * 5-year workforce planning model being developed via Board of Management 	Summer 2017 staff devt days June 2017	Head of Human Resources
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 	1	4	Low	<ul style="list-style-type: none"> * Review of equalities outcomes; * Developing the Equality Mainstream Report for both the College and the Region; this report is made public. * Equal Pay reporting becoming mandatory in April 2017; College has arrangements in place. 	Apr-17	Head of HR

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

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

RISK DEFINITION		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			
ESTATES												
7	Insufficient funds for capital project and maintenance requirements											Head of Facilities
<p>Link to QIs - 1.1 / 1.3 / 2.4</p> <p>Link to SP 3</p>	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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 	3	3	Medium	<ul style="list-style-type: none"> * Strategy for developing external fundraising; * List of asset replacement to be drawn up and incorporated into updated Estates Strategy Plan; 	<p>Sept2017</p> <p>June 2017</p>	<p>Heads of Finance & Alt Funding</p> <p>Head of Facilities</p>

Audit Committee
May 2017
Appendix 4C

Date of review
04-May-17
Next review due
25-May-17

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

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

RISK DEFINITION		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
Ref and link to Q.I.s and Strategic Plan (ref SP #)	Risk Description & Effect		Likelihood	Impact	Risk Level		Likelihood	Impact	Risk Level			
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			

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

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			Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned	
Ref and link to Q.I.s and Strategic Plan (ref SP #)	Risk Description & Effect	Appetite for Risk	Likelihood	Impact	Risk Level	Likelihood	Impact				Risk Level
9	Severe disruption due to major disaster, such as fire or flood									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	1	4	Low	<ul style="list-style-type: none"> * Consult another college re potential to share core IT services in the event of the breakdown in service * Programme to test Business Continuity Plan; * Development of Security Policy re (e.g.) bomb threats 	Sept 2017 May 2017 May 2017	Head of Facilities / Head of IT
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	1	2	Low			

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

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 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			
11	Threat to IT via Cyber Crime	Low	2	4	Medium	* Controls as per Risk No. 9. * Cyber crime now incorporated into Business Continuity Plan.	1	4	Low			
Link to QIs: 2.4, 3.1, 3.2 Link to SP 3	* 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											

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.	2	3	Medium	* Development of Access and Inclusion Policy to be introduced in session 2017/18. * Develop staffing budget by Faculty.	* July 2017 * July 2017	Principal / Depute Principal / Board

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

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			Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned
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			
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	

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

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		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
Ref and link to Q. I.s and Strategic Plan (ref SP #)	Risk Description & Effect		Likelihood	Impact	Risk Level		Likelihood	Impact	Risk Level			
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	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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 Education Scotland reviews; • Internal audit and online surveys; • Use of technical innovations (e.g. tablets and pads) 	1	4	Low	<ul style="list-style-type: none"> * Plans developed during recently to ensure College is kept open as far as possible during times of disruption including provision of first aid & fire warden arrangements. 		

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

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		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
Ref and link to Q.I.s and Strategic Plan (ref SP #)	Risk Description & Effect		Likelihood	Impact	Risk Level		Likelihood	Impact	Risk Level			
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	* Student support needs not met; * Fall in student numbers; * Low student morale; * Adverse publicity	Low	1	3	Low	* 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.	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	* Reduction in student numbers; * Low staff morale; * Funding Council investigation * Effects of centralised pay bargaining and potential strike action	Low	2	4	Medium	* 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.	2	3	Medium			

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

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			Actions Planned / Movement in factors influencing scoring since previous review.	Deadline	Responsibility for Risk / Responsibility for Actions Planned
Ref and link to Q.I.s and Strategic Plan (ref SP #)	Risk Description & Effect	Appetite for Risk	Likelihood	Impact	Risk Level	Likelihood	Impact			
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	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 					



**South
Lanarkshire
College**
East Kilbride

Audit Committee
May 2017
Appendix 7

Quality Audit Group Audit Report

EMA 'Spot Check' – 1st Audit

28th November 2016

Risk Category: Targeted

Report No. 01-2016/17

Executive Summary

This report seeks to inform the Quality Audit Group of the audit activity and findings from the first 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 Previous Actions/Recommendations for Improvement

The findings from the EMA (Spot Check – 1st Audit) report in November 2015 were discussed by the Quality Audit Group and all actions/recommendations for improvement have been addressed.

2.5 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 15 student applications out of 252 records, 5 from each Faculty (5.9%) and actual payments over each month for this academic session at the point of this audit. The range of evidence sampled included:

Evidence from 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 applied
- Awards letter
- Checks on prior applications
- Supporting documentation
- Signed learning agreement
- Signed acceptance letter
- Sickness and authorised absence record
- Confirmed BACs payments

A completed, comprehensive, up-to-date tracking sheet made available by the Bursary Team facilitated the identification of evidence for each student sampled.

Qualitative evidence was also gathered through professional discussions with the Bursary Team who administer EMA provision.

The scope of the audit also covered 3 areas of the Education Scotland Quality Framework (1.2, 1.3, 9.3) and 2 aspects of the SQA framework (1.1, 1.4).

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.

The 15 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. One student had completed the new proforma style of form which does not include the question regarding previous EMA claims and payments from different sources. There was therefore no information regarding this (Student Ref No 723). Discussions with Bursary staff concluded that as there is no limit on EMA claims this information is no longer mandatory. It is therefore not included in the new proforma form.

Electronic student 'Learning Agreements' or signed paper 'Student Funding Learning Agreements' were available.

All of the records sampled were fully compliant with the requirements of the Scottish Funding Council (SFC) "spot check" criteria. All documentary evidence listed in Annex B "spot check procedures" was available for audit.

Individual payment records were available for all students in the sample. These records were checked against attendance records and BACS payment records up to payment week 16. 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 7154 showed 100% attendance but no payments had been processed. Discussion with Bursary staff revealed payments have been delayed until a signed 'Student Funding Learning Agreement' has been received from the student.

Student Ref No 7231 showed a payment had been made for week 5 although student did not achieve 100% attendance. Discussion with Bursary staff revealed the payment was not paid for week 16 to recover this amount. Evidence was further examined to support this.

Student Ref No 7238 did not receive a payment for week 11. Whilst it looked as if a payment was due because student record showed 100% attendance, Bursary staff explained that the course the student is studying were given two weeks' holidays during October and will only have one weeks' holiday during the Easter break instead of two.

'Notice of Entitlement' letters confirming the amount of EMA support awarded were available for all students in the sample.

The control documents used by Bursary staff are an effective method of checking and collating EMA student records.

3.4 Previous Actions/Recommendations for Improvement

The previous actions/recommendations for improvement that were proposed during the audit in November 2015 have been actioned and therefore closed off.

Actions/recommendations were:

The Bursary Team and Faculties should:

1. Consider reviewing the practice of recording 'Authorised Absences' for students who are not attending college whilst awaiting PVG documentation and/or placement provision.

Action taken: a new 'drop-down' selection menu is now on the Portal for more accurate recording of reasons for absence.

2. Consider organising CPD for lecturing staff to ensure correct timetabling coding and/or reasons for absences are accurately recorded.

Action taken: The Head of Student Services has discussed this action with the Faculties. This action falls within the responsibility of the Faculties.

3.5 Actions/Recommendations for Improvement

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

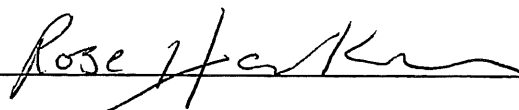
Auditors:

A Jamieson

F MacCormick

Signed off by:

Area Manager:



Curriculum Manager, Quality

(Chair of Quality Audit Group):

